

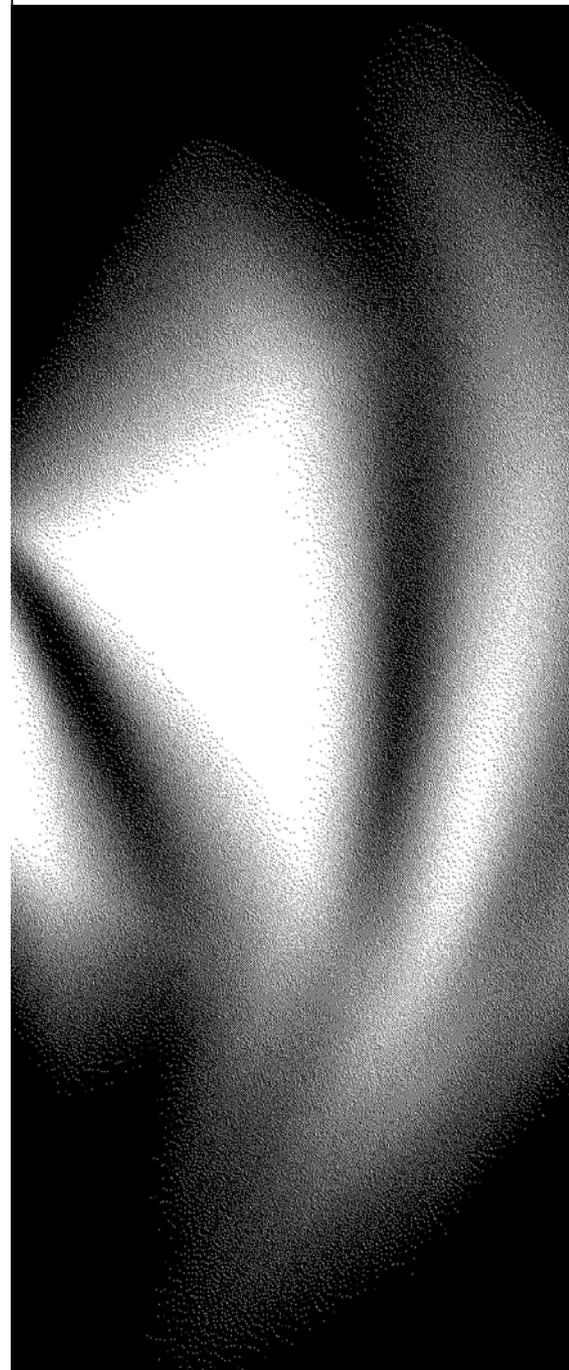


University Resourcing: Australia in an International Context



Research Report

December 2003



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ISBN 1 74037 107 0

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An appropriate citation for this paper is:

Productivity Commission 2002, *University Resourcing: Australia in an International Context*, Research Report, December.

The Productivity Commission

The Productivity Commission, an independent Commonwealth agency, is the Government's principal review and advisory body on microeconomic policy and regulation. It conducts public inquiries and research into a broad range of economic and social issues affecting the welfare of Australians.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Information on the Productivity Commission, its publications and its current work program can be found on the World Wide Web at www.pc.gov.au or by contacting Media and Publications on (03) 9653 2244.

Foreword

This is an informational report on the resourcing of universities in Australia and other comparable countries. It was requested by the Government as an input into the Review of Higher Education. A draft report was released in September 2002.

Although this report is substantially the same as the draft, suggested changes made in submissions and at a workshop have been incorporated as appropriate. Also included is additional information collected by the Commission, which further substantiates its preliminary findings.

It is important not to draw conclusions from the information presented that go beyond the Commission's general findings. There are differences in the range and quality of services provided, as well as in each university's circumstances, that preclude simple comparisons. Indeed, one of the principal findings of the study is the diversity in the level of financial resources of universities, both in Australia and overseas.

The study was overseen by Commissioner Michael Woods and, in the earlier stages, by the late Deputy Chairman, Prof. Richard Snape. Research was undertaken within the Economic Infrastructure Branch under Chris Sayers. The research team was assisted by many organisations and individuals, both in gathering the information for the study and in reviewing the findings. The Commission is grateful for their cooperation.

Gary Banks
Chairman

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Abbreviations

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ATO	Australian Taxation Office
AUQA	Australian University Quality Agency
AVCC	Australian Vice-Chancellors' Committee
CAF	Cost Adjustment Factor
CCRA	Canadian Customs and Revenue Agency
CGT	Capital Gains Tax
DEST	Department of Education, Science and Training (Australia)
DETYA	Department of Education, Training and Youth Affairs (Australia)
DGR	Deductable Gift Recipient
EGDA	Estate and Gift Duty Act (New Zealand)
EFTS	Equivalent Full-time Student
EMS	Estate Management Strategy
EU	European Union
FTE	Full-time Equivalent
GAAP	Generally Agreed Accounting Principles
GDP	Gross Domestic Product
GNI	Gross National Income
GST	Goods and Services Tax
HECS	Higher Education Contribution Scheme
HEFCE	Higher Education Funding Council for England
HESA	Higher Education Statistics Agency (United Kingdom)
ICTA	Income and Corporations Taxes Act (United Kingdom)

ICTs	Information and Communication Technologies
IGS	Institutional Grants Scheme
IP	Intellectual Property
IR	Internal Revenue (New Zealand)
IRC	Inland Revenue Code (United States)
IRS	Inland Revenue Service (United States)
ISCED	International Standard Classification of Education
ISO	International Organisation for Standardisation
IT	Information Technology
ITA	Income Tax Act (Canada)
ITAA	Income Tax Assessment Act (Cwlth)
OECD	Organisation for Economic Cooperation and Development
PC	Productivity Commission
PPE	Property, Plant and Equipment
PPP	Purchasing Power Parity
QAA	Quality Assurance Agency
RAE	Research Assessment Exercise
RFM	Relative Funding Model
SLAC	Stanford Linear Accelerator Center
SORP	Statement of Recommended Practise
TAFE	Technical and Further Education
TLAS	Teaching, Learning and Assessment Strategy
UNESCO	United Nations Educational, Scientific and Cultural Organisation

Terms of reference

The Productivity Commission is requested to undertake international comparisons of the resourcing of higher education institutions and the management of those resources.

The principal objective of the study will be to collect information for Australia and other countries on university income by source, their assets and liabilities, the management of resources, constraints on their use, and accountability mechanisms for good financial management.

In undertaking the study, the Commission is to report on the following for a selection of broadly comparable institutions in Australia and other countries:

1. The levels and sources of university income, including the share of costs between government and students, investment and consulting revenues, donations, endowments, revenues from intellectual property and industry support;
2. The mechanisms for the distribution of funds to universities (including any indexation arrangements and funding models), and constraints imposed by governments and the private sector on the use of those funds (including through regulation, funding conditions and performance requirements);
3. The expenditure of university income, including the broad distribution of funds within universities to teaching, research and other activities, and the distribution of those funds between employee remuneration and other purposes;
4. The overall financial position of universities, including their assets and liabilities, and in particular the extent and form of any investments in commercial activities; and
5. University financial management and audit processes, broader corporate governance arrangements, the external scrutiny of financial management (particularly by government) and general financial performance reporting requirements.

The Commission is required to furnish a draft report for public scrutiny by the end of September 2002, with a final report to be furnished as soon as possible and within four months after releasing the draft report.

IAN CAMPBELL
5 JUNE 2002

Summary of findings

This report contains comparable information on the resourcing of higher education institutions in Australia and other countries. It was commissioned by the Commonwealth Government as an input to the Review of Higher Education (the Terms of Reference are on the facing page). It is an information report — there are no recommendations or normative findings.

Comparisons of the tertiary education sector and government involvement are reported on a countrywide basis. Financial resourcing comparisons were made at the individual university level for a selection of 11 Australian universities and 26 universities from 9 other countries (see box 1). Governance arrangements were compared on a case study basis for a more restricted number of universities.

Given the time frame of the study, the information presented is limited to that which was reliable and more readily available.

Readers should not draw conclusions about relative performance from the comparisons contained in this report. There are many factors that make the higher education sector in each country unique, and distinguish individual universities within each country. These factors include the range and quality of education services provided, as well as the extent and nature of research undertaken. Close peers have to be found and any differences in their activities have to be taken into account to ensure like-with-like comparison.

That said, it is possible to make some general observations about the resourcing of universities.

Graduation rates

- Graduation rates for Australian medium-duration first degree courses in 1999 were in the middle of the range among the OECD countries examined (see chapter 2). Graduation rates for advanced degrees, such as PhDs, were similar to those in the United States and the United Kingdom, and higher than those in many other countries.

Box 1	Universities included in the report
Australia	ANU, Bond, Charles Sturt, Flinders, Melbourne, Murdoch, UNSW, RMIT, Southern Queensland, Tasmania, Western Sydney
Canada	Queens, Simon Fraser, Waterloo British Columbia
Hong Kong	Hong Kong
Ireland	Limerick, Trinity College Dublin
Netherlands	Amsterdam, Utrecht
New Zealand	Auckland, Massey, Otago
Singapore	Nanyang Technological, NUS
Sweden	Stockholm
United Kingdom	Bath, De Montfort, Manchester, Nottingham, Warwick
United States	Georgetown, Oklahoma, Oklahoma State, Pennsylvania, Stanford, Yale

Student–teacher ratios

- The ratio of students to teaching staff was higher in Australia in 1999 than in Canada and the United States, the only other countries for which there were comparable data. Student–teacher ratios increased somewhat in Australia over the late 1990s, while the ratios in North America remained largely unchanged over the same period.

Academic salaries

- Salaries for Australian academics in 2001 — measured on a Purchasing Power Parity basis — were comparable to those in a number of other countries, although lower than in Singapore and the United States. It was not possible to make comprehensive comparisons of overall remuneration.

Overall financial resources

- There have been substantial changes to the funding of tertiary education in a number of countries, including Australia, over recent years. The total expenditure (public and private) on tertiary education in Australia was around 1.5 per cent of Gross Domestic Product in 1999. This was lower than in the United States, New Zealand, Sweden and Canada, but higher than in the United Kingdom and some other European countries (see chapter 3).

-
- There were significant differences in financial resources among the universities studied (see chapter 5). Universities generally fell into two broad categories when ranked by their total revenues in 2001, namely:
 - Australian universities and most of the overseas universities, with revenue ranging between A\$57.4 million and A\$968.6 million; and
 - three resource-rich US universities, each with revenue of over A\$2.6 billion (Yale, Stanford and Pennsylvania).
 - Some universities in the first category had up to three times the revenue per student of others. This largely reflects differences in:
 - course offerings, such as medicine compared with the arts;
 - the emphasis on teaching and research — resulting in differences in government operating grants and the level of competitive (government and private) research funding; and
 - their ability to derive revenue from sources other than governments and students.
 - Universities in the second category, which are private and unregulated, have massive resources by comparison, even after revenues from hospitals and health care services are netted out:
 - over 50 per cent of their revenue is from private gifts and donations, or generated from commercial and investment activities.

Government programs

- There are significant differences across countries in government programs supporting higher education. In Australia, direct government financial support for higher education (as block grants) comes mainly from the Commonwealth (see chapter 4). In the United States and Canada, the federal government's role is primarily in the support of students and research. In the United States, many private universities receive substantial gifts and donations from their alumni and other sources.
- In Australia and a number of other countries, universities receive block grants that cover both teaching and academic research:
 - in Australia, this funding is mainly based on the number of student places;
 - in the United Kingdom, a broader range of other demand and university-related factors are taken into account.

-
- Recently, a number of governments have attempted to separate their funding of teaching and research. There has also been a move away from the block funding of research to competitive or performance based funding.
 - University tuition fees in *public* universities are regulated in all countries except New Zealand, although the degree of regulation varies between States and Provinces in the United States and Canada:
 - however, public university students in Sweden do not pay tuition fees, and first-time undergraduates do not pay tuition fees in Ireland.
 - Demand (through student places) is regulated in all countries except New Zealand and some States of the United States.
 - The ability of universities to respond to student demand can have important implications for the management of their resources. Governments can influence this flexibility through the way they deliver support and the conditions they attach to it. Government restrictions on the number of places that attract funding also influence the supply of courses provided, thereby indirectly affecting demand responsiveness.

Sources of revenue

- The Australian universities studied generally received the largest share of their revenue from government (see chapter 5). For over a third of the overseas universities studied, revenue from other sources — including gifts, donations, investments and commercial activities — accounted for a greater proportion of revenue than from either government or students.
- The Australian universities studied typically received a greater share of their revenue from students than did universities in other countries (recognising Higher Education Contribution Scheme (HECS) payments as predominantly student payments). However, full-fee-paying international students accounted for up to 50 per cent of total student revenue for the selected Australian public universities.
- For the selected Australian universities, the revenue from domestic students as a proportion of total revenue ranged from 6 to 37 per cent. Although it is difficult to compare overseas universities because of data limitations, the range was between 14 and 19 per cent for the five for which data were available.
- Differences in returns from assets, including financial assets, did not account for a large proportion of the variation in the revenues of Australian universities. These returns represented a small portion of total revenue.

University expenses

- For all the universities studied, staff salaries and related costs were the major expense (see chapter 6):
 - as a proportion of total expenses, staff costs ranged from 48 to 60 per cent.
- Generally, the next most significant expenses were depreciation, and maintenance of buildings and grounds.

Assets and liabilities

- The value of university assets cannot be readily compared across institutions because of differences in valuation methodology.
- The assets of the resource-rich US universities were significantly greater than the other universities included in the study:
 - moreover, the observed difference is likely to understate the actual difference because of the conservative historical cost valuation methodology used by these universities (see chapter 7).
- The Australian universities studied generally had low levels of cash and investments compared with the value of their physical assets and relative to the invested funds of overseas universities. However, their financial assets increased over the six years to 2001.
- The level of debt was lower for the selected Australian universities than for most of the overseas universities studied.

Financial position — operating surplus and net cash flows

- Some of the Australian universities studied had relatively strong operating margins (ratio of total revenue less total expenses to total revenue) in 2001.
- On average, there does not appear to be any systematic difference between the operating margins of the selected Australian universities and those in the other countries (see chapter 8):
 - however, operating margins fluctuate significantly from year-to-year and a single year result may not be a reliable indicator of longer term financial strength because it can include extraordinary items.
- The cash flows of the selected Australian universities were mixed over the last six years, with some reporting net inflows and others net outflows from year-to-year and over the period.

Commercial activities

- Universities are involved in a diverse range of commercial activities (see chapter 9).
- The revenues from commercial activities were relatively small for the selected Australian universities (up to 20 per cent of total revenue). However, if such activities are defined more broadly to include international student tuition fees, the share of total revenue from commercial activities rises significantly for some Australian universities.
- For the Australian universities studied, revenue from subsidiaries was either relatively stable or increasing over the last six years.
- The magnitude of the revenue from commercial activities is not necessarily an indicator of the surplus generated from these activities. For example, Stanford University's hospitals and health care services generated revenue of A\$1.2 billion (a third of total revenue) and had an operating deficit of A\$17.9 million in 2001.
- The surpluses generated from commercial activities and subsidiaries were generally significant in relation to overall university surpluses, accounting for up to the entire surplus of some universities.

University governance and external controls

- Government funding arrangements have the potential to affect university governance, depending on the conditions attached to funding (see chapter 10).
- Detailed governance comparisons were limited to five case studies, and only cover financial and physical asset management and quality assurance.
- The Commission was not in a position to judge the efficacy of the arrangements in practice. However, Australian arrangements appear similar to those in other countries in that:
 - there is a high degree of commonality of auditing and monitoring processes, although the extent of monitoring and reporting mandated by Australian governments is less than in England; and
 - universities appear to be moving towards arrangements that are more closely modelled on the reporting practices of the corporate sector.

1 Introduction

This report contains international comparisons of the resourcing of higher education institutions and the management of these resources. The purpose is to provide information for the Review of Higher Education being carried out by the Australian Government.

The Commission received Terms of Reference for this work on 5 June 2002 and was requested to produce a draft report for public scrutiny by the end of September 2002, and a final report within four months of the release of the draft.

The report provides background information that will be useful in the development of government policies and regulatory arrangements relating to the source and flow of resources and their management by universities.

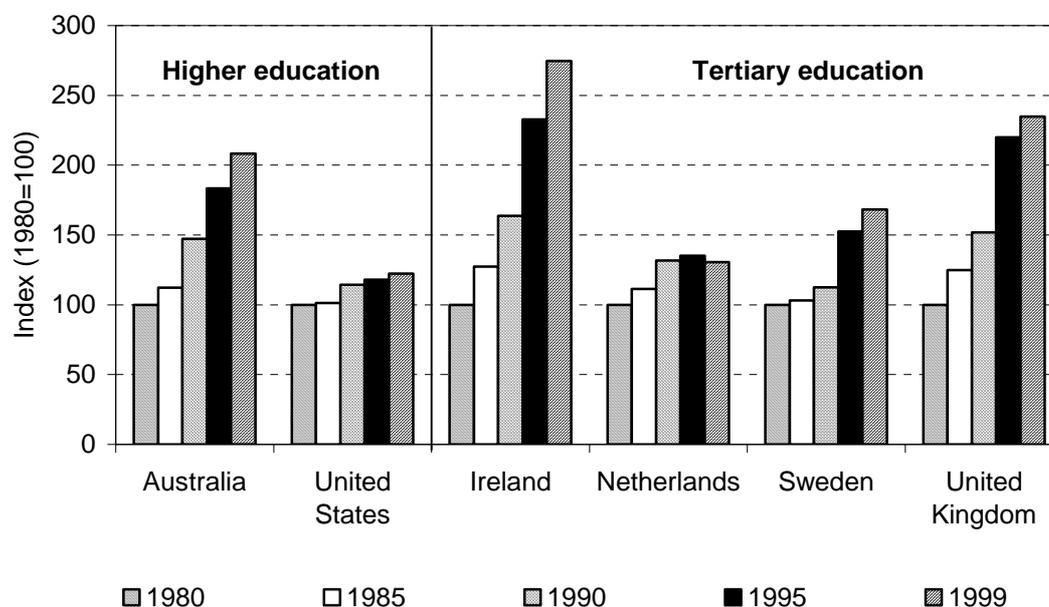
There is considerable diversity between countries in the scope, size and nature of their higher education sectors. The universities within countries are similarly diverse. Accordingly, it was not possible to ‘benchmark’ the performance of Australian universities, but it was possible to place them within this diversity by way of a comparative study.

1.1 Background

The demand for higher education services provided in Australia, as measured by student enrolments, has grown greatly in recent decades. This contrasts with the slower growth in the United States. At the broader tertiary level, growth has been similarly strong in Ireland and the United Kingdom (see figure 1.1). The market for higher education is becoming more global, and international student numbers are increasing rapidly in some countries.

Figure 1.1 Trends in student enrolments in higher or tertiary education — selected countries, 1980 to 1999

Index of the number of students enrolled in higher or tertiary education (1980=100)



Note Data for Australia and the United States are for higher education, and data for other countries are for tertiary education. Comparable data for Canada, New Zealand, Japan and Korea was unavailable for all years.

Data sources: DEST (2002g); Eurydice (2002a); NCES (2002a).

Domestic student enrolments at Australian universities increased by about 17 per cent from 1992 to 2001, while Australia’s population increased by about 11 per cent over the same period (DEST 2002a; ABS 2001). International student enrolments in Australian universities increased by 230 per cent between 1992 and 2001, reflecting the increasing international focus of Australia’s universities. Total student enrolments in Australia (domestic and international) increased by about 30 per cent over that period.

Revenues and expenditures for higher education institutions in Australia have also grown. Total university operating revenues (from public and private sources) grew by 44 per cent between 1991 and 2000 in real terms, which compares with a growth of 42 per cent in real Gross Domestic Product (GDP) over the same period (DEST 2002b; ABS 2002a, 2002b).

The balance between government and private sources of higher education revenue is changing in Australia. The funding of universities by government as a proportion of total university revenues is gradually reducing, with increased revenue coming from student fees and other earned income. Further, the allocation of government grants

for research and research training is increasingly based on performance, which is measured by success in publication or competitive bidding.

The increasing importance of non-government sources of revenues and the contestability of some government funding is encouraging a more market-focussed and commercial approach to university governance.

1.2 Objectives

The Terms of Reference required the Commission to undertake international comparisons of the level and source of funds for higher education and the distribution and management of these funds.

In fulfilling the Terms of Reference, the Commission has had in mind the Government's broader objectives for higher education, which are to:

- expand opportunity;
- assure quality;
- improve universities' responsiveness to varying student needs and industry requirements;
- advance the knowledge base and university contribution to national innovation; and
- ensure public accountability for the cost-effective use of public resources.¹

1.3 Scope

For the purposes of this study, *higher education* is defined to cover the teaching of bachelor and higher degree courses and research activities at universities and other higher education institutions. On-campus and distance modes of delivery are included. *Tertiary education* is defined to include higher education as well as another category called *other tertiary education* which covers occupational-specific programs such as those provided in Australia by Technical and Further Education (TAFE) Institutes.² The relative importance of 'higher' and 'other tertiary' education varies among countries partly because of differences in the criteria for classifying institutions.

¹ DEST 2002b.

² The International Standard Classification of Education used by the OECD has an additional category of education between secondary and tertiary (called post-secondary non-tertiary).

Universities are institutions of higher education that provide a comprehensive range of courses in a number of different disciplines, and undertake research in these disciplines. Although institutions other than universities are authorised to deliver higher education awards, the great majority of higher education provision in Australia is through universities.

Most of the international comparisons are for higher education or universities as defined above. However, some useful countrywide comparisons for the broader tertiary sectors of OECD countries are included.

In addition to the presentation of *countrywide* information on higher education for the selected countries, the Commission provides information on selected *individual universities* within those countries.

Selection of countries

The process of selecting countries and universities was undertaken in consultation with the Department of Education, Science and Training (DEST) and the higher education sector, including academics. The countries were chosen with some or all of the following criteria in mind:

- a well developed higher education sector;
- a reputation for providing a high quality education;
- a diversity of institutions providing higher education;
- a variety of support and regulatory approaches across the countries;
- socio-economic environments broadly comparable to Australia;
- competition, or a potential to compete, with Australian universities in third markets; and
- availability of data.

Countries in North America, Europe and Asia were selected for inclusion in the study (see table 1.1). With four exceptions, the countries had income levels, measured by Gross National Income (GNI) per capita, comparable to Australia.

The selected countries vary greatly in population and hence in the size of the tertiary education sector. The extent of expected participation in higher education by 17-year-olds in Australia is exceeded to any significance only by Sweden and the United States among the countries for which this information is available.

As for Australia, in most of these countries the great majority of higher education provision is through universities. In the United States, colleges have a relatively

important share of higher education. However, US universities are similar to those in Australia in the sense that they provide bachelor and postgraduate courses in a range of disciplines and undertake research in these disciplines. In Germany, higher education degrees are offered at both universities (where programs may be up to 7 years duration) and polytechnic style institutions (where programs are at least 4 years duration).

Table 1.1 Characteristics of selected countries, 2000

	<i>Population</i>	<i>Gross National Income per capita^a</i>	<i>Expected years of higher education for 17-year-olds^b</i>	<i>Relative size of university student shares^c</i>
	Million	A\$	Years	
Australia	19	33 742	2.2	predominantly public
Canada	31	36 349	2.0	predominantly public
Germany	82	33 263	1.7	predominantly public
Ireland	4	33 875	n.a.	mainly public
Hong Kong	7	34 128	n.a.	significantly private
Japan	127	35 192	n.a.	mainly private
Korea	47	23 062	2.2	mainly private
Malaysia	23	11 119	n.a.	predominantly public
Netherlands	16	34 806	2.3	predominantly public
New Zealand	4	24 977	2.2	predominantly public
Singapore	4	33 210	n.a.	mainly public
Sweden	9	31 614	2.8	predominantly public
United Kingdom	60	31 322	1.7	predominantly public
United States	282	45 566	2.6	significantly private

^a Converted to Australian dollars using Purchasing Power Parities (see appendix B). ^b Average expected number of years for which the whole population of 17-year-olds will be enrolled in higher education. This average applies to 17-year-olds who will not be undertaking higher education as well as those who are or will be. The average therefore depends on the proportion of people who participate in higher education as well as the duration of higher education study programs. ^c Public universities include all those reliant mainly on government funds. The terms, predominantly public, mainly public, significantly private and mainly private refer to the relative size in terms of total student shares of all public and private universities in the country. **n.a.** Not available.

Sources: Europa Publications (1994); OECD (2001); World Bank (2001).

The majority of higher education services in most countries are provided by public institutions reliant on government funding. Along with the government funding, there are generally complex regulatory arrangements, although this is not always the case. These issues, together with other economic and social factors, have an impact on the resourcing of universities, the management of those resources and the quality of education and research.

Selection of universities

Following the selection of countries, a sample of universities from within each country was then identified. The Australian and overseas universities included in the study are listed in box 1 of the summary of findings. All the universities have both research and teaching functions covering the major disciplines. A brief profile of each of the selected universities is contained in appendix D.

Australia has about 40 multi-discipline universities, the great majority being public institutions. There are also many single-purpose relatively small private institutions of higher education (DEST 2002b).

Eleven of the 40 multi-discipline Australian universities were selected for this study. The sample included long-established and more recently established universities, regional universities, a major technology university and a private university. The locations of the universities encompassed all Australian States and the ACT.

The group of overseas universities included in the study cover, in broad terms, the various types of Australian universities identified above. However, they represent a very small part of the higher education sector in the selected countries. Although the overseas universities are illustrative of some of the diversity between countries and between universities within those countries, they do not represent the full extent of this diversity.

Mainly public and some private universities, and both top-level and middle ranking performers (as measured in publicly available league tables), are included among the overseas universities.

Public universities are controlled and operated by publicly elected or appointed officials and normally derive their primary support from public funds. Private universities are not controlled by government and normally obtain most of their funds from private sources (see NCES 2002a).

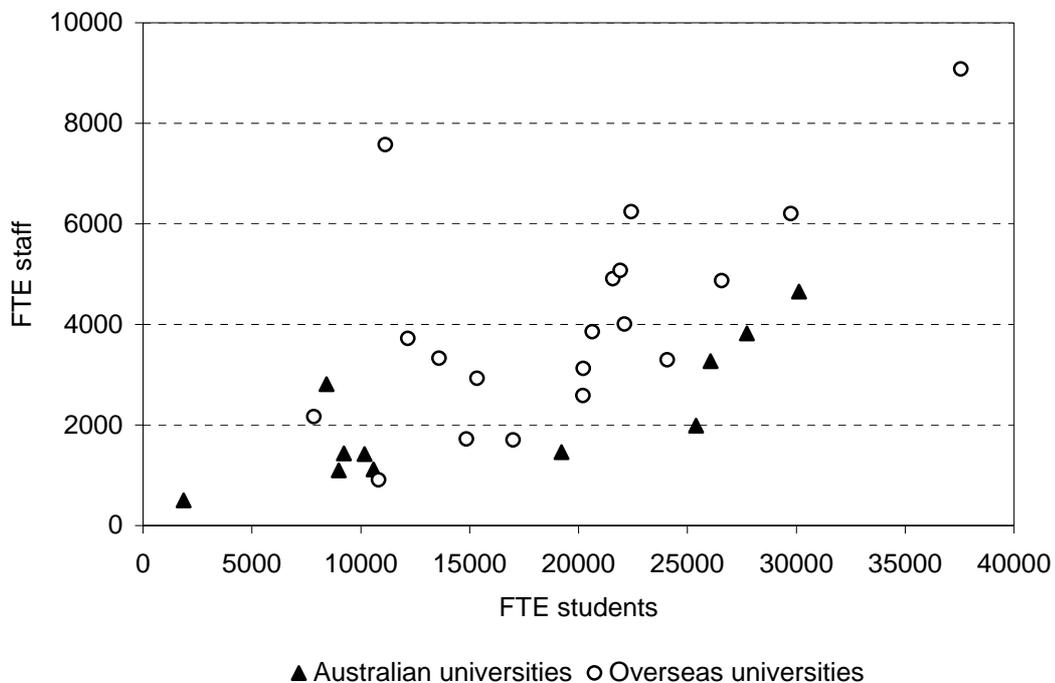
As in Australia, most major universities in Canada, New Zealand, and Europe are public institutions. A much higher proportion of students in the United States attend private universities. Several of the more prestigious private US institutions (Yale, Stanford, Georgetown and Pennsylvania) were included in the study to illustrate the range of resources flowing to universities. Some Asian countries have mainly private universities, although none of the private Asian universities were able to be included in the study through a lack of publicly available or comparable data.

The sample of overseas universities includes old-established (sandstone) universities such as Yale (established in 1701) and Amsterdam (1632), recently established universities (for example, Warwick) and a technology school (Nanyang Technological). While the reputation of the old universities is usually well established, Waterloo and Simon Fraser are examples of highly ranked newer universities as reported in Maclean's comprehensive 2001 ranking of Canadian universities (Macleans 2002).

For Canada, England, Ireland and New Zealand, a range of quite small provincial universities (for example, Bath and Limerick) and larger city universities (for example, Auckland and Manchester) are included in the sample. The largest universities in Hong Kong, Singapore, Sweden and the Netherlands are included.

This diversity, in terms of size, can be seen from comparisons of student and staff numbers (see figure 1.2). Although there is an obvious correlation between numbers of full-time equivalent (FTE) staff and FTE students, there is also a wide variation in student to staff ratios that may be indicative of different levels of research or different teaching class sizes.

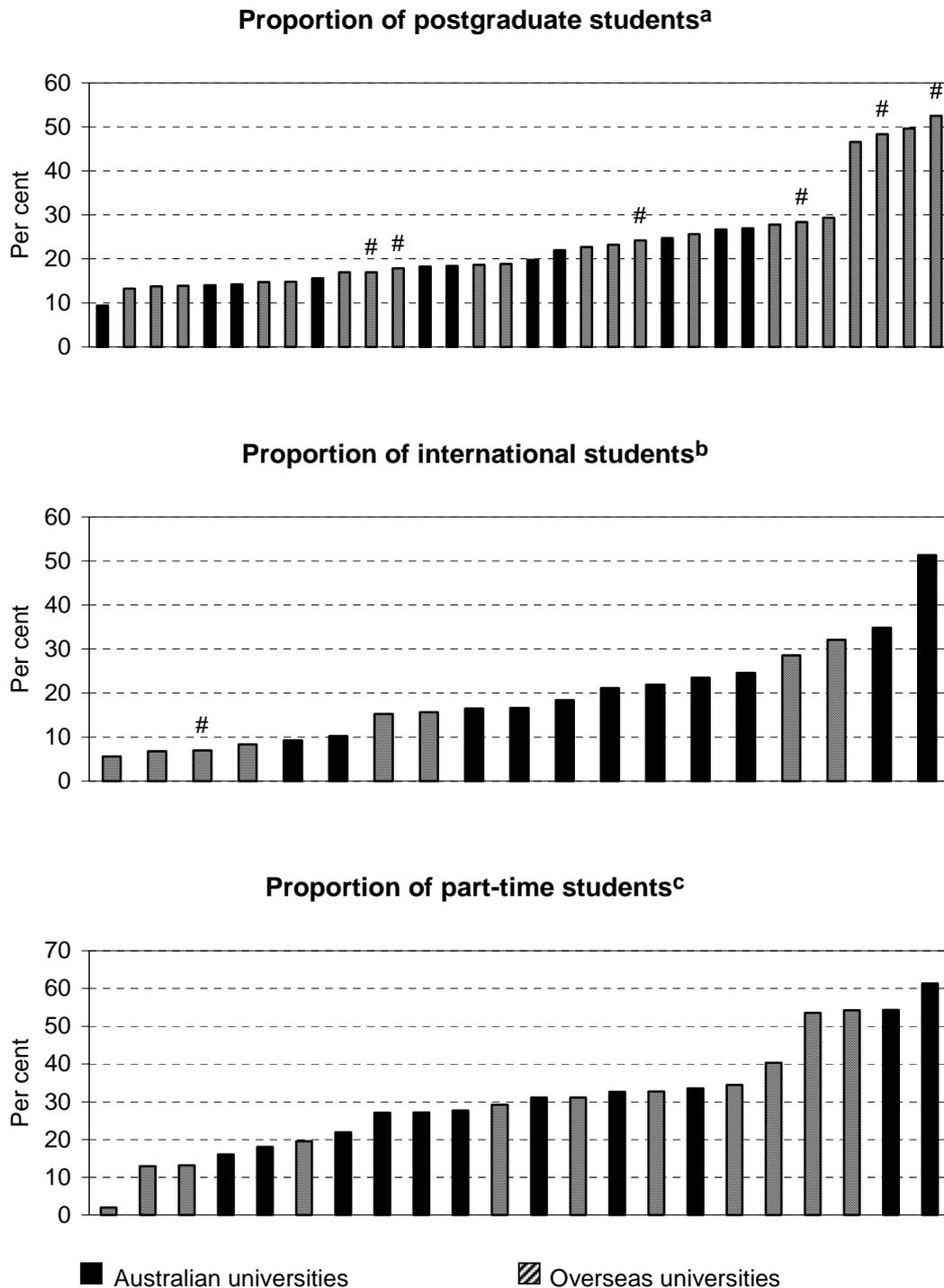
Figure 1.2 **Number of FTE students^a by number of FTE staff^b — selected universities, 2001**



Note Data were not available for seven of the selected overseas universities. ^a Student headcount figures were used instead of full-time equivalent (FTE) figures for seven of the selected universities. ^b Staff headcount figures were used instead of FTE figures for seven of the selected universities.

Data source: Appendix D.

Figure 1.3 Characteristics of the student population — selected universities, 2001



^a Calculated as the proportion of full-time equivalent (FTE) students, with the exception of five overseas universities (indicated by #) where headcount figures were used. No data were available for five of the overseas universities. ^b Calculated as the proportion of FTE students, with the exception of one overseas university (indicated by #) where headcount figures were used. No data were available for 18 of the overseas universities. ^c Calculated as a proportion of the total student headcount. No data were available for 15 of the overseas universities.

Data source: Appendix D.

Characteristics of the student population, in terms of the proportions of postgraduate, international and part-time students, for the whole group of universities are illustrated in figure 1.3. There is a large variation among both the Australian and overseas universities for each of these measures. The dispersions among both groups of universities are quite similar for the proportions of postgraduate and part-time students. However, international students, as a share of total student numbers, is generally higher in Australian universities than universities in other countries, for this sample of universities.

These characteristics of the universities can have important influences on the amount and types of revenues that they receive, and on the structure of their expenses.

1.4 Approach

International comparisons of the size and sources of the resources of higher education institutions at the national level and for selected institutions required the use of a common financial value. This was achieved by converting local currencies into a common unit of account through Purchasing Power Parity (PPP) conversion rates (see appendix B for a technical explanation of currency conversion using PPPs).

PPPs are rates of conversion that are designed to equalise the internal purchasing power of currencies by eliminating differences in general price levels between countries. A given sum of money, converted into other currencies at PPP rates, should buy a similar broad and representative basket of final goods and services in each country.

Introductory information on participation in higher education in the selected countries and expenditure comparisons at the national level were derived from data collected by the OECD. Some of this information relates to all tertiary institutions in each country. Inter-country comparisons were made in terms of expenditures per capita and as a proportion of GDP. Also, the relative shares of public (government) and private sources of funds are compared across countries. The revenues do not include income earned from the financial investments of the institutions themselves.

Comparisons of government involvement in tertiary education were also undertaken at the national level, covering direct payments to institutions and financial aid to students. Government programs in each of the selected countries were examined to identify differences in the mechanisms by which payments are allocated among universities and students.

The Commission engaged a consultant to provide information on the tax treatment of gifts and donations to universities in Australia, Canada, New Zealand, the United Kingdom and the United States. The consultant's report, which is summarised in appendix C, was used as the basis for the information presented in chapter 4.

A database was developed for the revenues, expenses, assets and liabilities for individual Australian and overseas universities (see appendix D). This was used to explore the diversity among universities in the main text. Accounting differences among the universities were responsible for some of the diversity in the financial comparisons (especially asset values). These differences are discussed in the text rather than attempting to make adjustments for them in the presentation of the comparisons themselves.

Differences in the size of universities, in terms of numbers of students, were taken into account in the comparisons of university resourcing. Various other factors affecting the comparisons are also discussed.

The Higher Education Contribution Scheme (HECS) is an important and unique feature of higher education in Australia. It is a mechanism for collecting contributions to the cost of tuition from students and offering income contingent government loans to meet these fees. Comparisons of HECS with government loan schemes in other countries are presented, and the treatment of HECS in the various comparisons of resourcing is explained.

Consideration of university governance arrangements was limited to a comparative study of the processes of quality assurance and asset management, as these are key activities for achieving 'value for money'. A small number of university case studies was undertaken, which included comparisons of government oversight and internal reporting and monitoring processes.

1.5 Information collection and consultation

Most of the data for the study was obtained from reports published by governments, universities and international organisations such as the OECD — either via their web sites or in hard form.

The Commission collected data on student and staff numbers and financial operations for the selected Australian and overseas universities from annual reports. The Commission relied on published sources and personal communication with policy administrators to obtain information on government programs. A list of organisations which participated or were consulted in the study is given in appendix A.

Time constraints and difficulties in accessing some overseas information limited the number of countries and universities included in various parts of the report. The extent of coverage is set out in table 1.2.

Feedback was obtained from universities on the precision with which data was translated from financial statements to the categories used by the Commission for the purposes of comparisons. This was necessary because of differences in the classification of revenues and expenses in different countries and universities.

Written comments on a draft report were received from some participating universities and other interested parties. Further suggestions and advice were obtained from participants at a workshop held to discuss the draft report. These processes led to the addition of material and improvement of presentation in the final report.

Table 1.2 Information collected for selected countries

	<i>National comparisons of participation and expenditure</i>	<i>Government support mechanisms</i>	<i>University financial comparisons (number of universities)</i>	<i>University governance (number of universities)</i>
Australia	✓	✓	11	3
Canada	✓	✓ ^a	4	n.a.
Germany	✓	n.a.	n.a. ^b	n.a.
Ireland	✓	✓	2	n.a.
Hong Kong	n.a.	✓	1	n.a.
Japan	✓	n.a.	n.a.	n.a.
Korea	✓	n.a.	n.a.	n.a.
Netherlands	✓	✓	2	n.a.
New Zealand	✓	✓	3	n.a.
Singapore	n.a.	n.a.	2	n.a.
Sweden	✓	✓	1	n.a.
United Kingdom	✓	✓ ^c	5	2
United States	✓	n.a.	6	n.a.

Note Although Malaysia was selected for inclusion in the study (as indicated in table 1.1), it was not possible to obtain the relevant data. ^a British Columbia only. ^b Differences in accounting practices and in the classification of financial items made it impossible to include the German universities. ^c England only. n.a. Not available.

1.6 Structure of the report

Sector-wide indicators of student participation and graduation rates, student–staff ratios, and resources committed to tertiary education per capita and as a proportion of GDP are presented for Australia and other OECD countries in chapters 2 and 3.

Government programs and incentives in support of higher education are described in chapter 4 for most of the countries identified above. This includes information on the various processes and mechanisms by which governments allocate direct payments to institutions and financial aid to students.

Information on the relative size and sources of revenues for the selected Australian and overseas universities is reported in chapter 5.

Most of the remainder of the report is devoted to comparisons of the management of university funds. The patterns of expenses, and the structure of liabilities and assets of the selected universities, are presented in chapters 6 and 7. Measures of the overall financial position of universities in terms of the surplus and net cash flow are presented in Chapter 8.

The range and types of commercial activities being undertaken by universities are outlined in chapter 9, which also has some information on the significance and financial performance of these activities for some universities.

University governance processes and government scrutiny, particularly in relation to quality assurance and the management of assets, are discussed in the final chapter.

2 Higher education

This chapter contains comparative information on higher education in the countries included in this study, drawing on data collected by the OECD. The information covers student participation (entry rates and enrolment rates), fields of study, completion of courses and graduation, academic staffing in institutions of higher education, and student–staff ratios in the selected countries.

2.1 Classifications of tertiary education

In Australia, tertiary education includes formal university education for both undergraduate and postgraduate programs and education delivered by Technical and Further Education (TAFE) Institutes. Since TAFE is non-university tertiary education, it was outside the scope of the study’s Terms of Reference.

For the purposes of this study, *higher education* is defined to cover undergraduate programs for bachelor degrees and higher degree courses and research activities at both universities and other higher education institutions. This corresponds to a subcategory of level 5 (5A), together with level 6, of the revised version of the International Standard Classification of Education (ISCED-97), as used by the OECD (see box 2.1).¹

Much of the OECD data is disaggregated and information can be reported for higher education. However, most of the OECD financial data is not disaggregated. Where this is the case, tertiary sectorwide information has been reported, to provide some useful international comparisons for the broader tertiary sector of OECD countries.

¹ In previous publications, the OECD used ‘university-level’ and ‘non-university-level’ to represent education level 5A and level 5B respectively. The terminology was changed for publications since 1998 in order to be in line with UNESCO’s classification codes for education.

Box 2.1 **Classification of tertiary education**

The International Standard Classification of Education (ISCED-97), published by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) in 1997, categorises tertiary education into two stages — level 5 and level 6. The first stage of tertiary education (level 5) is further divided into two categories — level 5A and level 5B.

Level 5A education (termed tertiary type-A by the OECD) covers formal programs that lead to bachelor and masters degrees. It is characterised by theoretical content that give access to advanced research programs and to professions with high general skills requirements. It has a minimum cumulative theoretical duration (at tertiary level) of three years' full-time equivalent (FTE), although this stage may take four or more years to complete. Level 5A programs do not lead directly to an advanced research qualification.

Level 5B education (termed tertiary-type B by the OECD) covers more practical or occupationally-specific programs that provide participants with a qualification of immediate relevance to the labour market (UNESCO 1997; OECD 2001). Level 5B programs are typically shorter than those of level 5A. They normally have a minimum duration of two years FTE at the tertiary level. The courses typically provide practical, technical or occupational skills for direct entry into the workforce.

Level 6 programs lead to advanced research qualifications such as a PhD. They prepare graduates for research posts and for joining university faculty.

The UNESCO classification of the levels of education is based on the nature of educational programs, rather than the provider of the programs. Some universities may also offer tertiary 5B programs.

Sources: UNESCO (1997); OECD (2001).

2.2 **Participation in higher education**

In this section, information on participation of the population in higher education is presented using three indicators — entry rates, enrolment rates and expected years of enrolment averaged across the whole population of 17-year-olds.

The entry rate of a specific age is the proportion of the first-time entrants at that particular age to the total population of that age.² The overall entry rate for the whole population is calculated by adding the entry rates for each single year of age between 17 and 64.³ It shows the proportion of the total population of a country who would enter higher education during their life time, at current entry rates.

² The OECD refers to an entry rate for a particular age as a *net* entry rate for that age.

³ This measure assumes that entry rates are zero outside the 17 to 64 age bracket.

Countries are likely to differ in the typical age at which people first enter a higher education program, although age 18 is the most common. Also, the age structure of the population of countries varies. The overall entry rate concept has been defined to minimise the effect of differences between the countries in demographics and typical entry ages (OECD 2001).

The enrolment rate for a particular age is used to measure the participation rate of students at that age.⁴ The OECD publishes enrolment rates for tertiary education as a whole, but not for higher education. The rates give the proportion of the population at a particular age enrolled in tertiary education.

Another indicator of participation in tertiary education is the expected number of years of enrolment. This index is available for higher education, 'other tertiary education', and for tertiary education as a whole. In each case, the expected number of years for which all 17-year-olds will be enrolled in the particular type of tertiary education depends on the proportion of the population who participate and the duration of their studies.

Entry rates

The overall entry rate for Australia was 59 per cent in the year 2000, that is, 59 per cent of the population are expected to enter higher education during their lives, at current age-specific entry rates (see table 2.1). This is higher than the entry rate in the United States (43 per cent), Korea (45 per cent), and the United Kingdom (46 per cent), but lower than New Zealand (70 per cent) and Sweden (67 per cent). Germany has a relatively low rate of 30 per cent.⁵ The Australian rate for 2000 compares with a rate of 53 per cent for 1998.

Although these comparisons take into account the proportions of people at each age who enter a higher education institution, their reliability and interpretation depends on the stability of age-specific entry rates from which the overall entry rates are derived. For example, the overall rate may have temporarily increased if age-specific entry rates for younger ages had recently increased, or the typical entry age had reduced. Also, the estimate of the overall entry rate may have temporarily decreased if the typical entry age had increased.

⁴ The OECD refers to an enrolment rate for a particular age as a *net* enrolment rate for that age.

⁵ Advice from the OECD suggests that the relatively low rate for Germany could be largely the result of a well developed dual-system of apprenticeship which provides an alternative route to advanced and highly paid professions (OECD, Paris, pers. comm., 15 December 2002).

Only in Japan and Korea were the entry rates higher for males than females (see table 2.1).

Table 2.1 **Overall entry rates to higher education — selected countries, 2000**
Per cent

	<i>All</i>	<i>Men</i>	<i>Women</i>
Australia	59	52	66
Canada	n.a.	n.a.	n.a.
Germany	30	30	30
Ireland	n.a.	n.a.	n.a.
Japan ^a	39	47	30
Korea ^a	45	48	41
Netherlands	51	48	54
New Zealand	70	57	84
Sweden	67	54	81
United Kingdom	46	42	49
United States	43	37	49

Note The entry rates in this table are the sum of the age-specific entry rates for all ages between 17 and 64. Each age-specific entry rate is the number of first-time university entrants of that age divided by the total population of the corresponding age and expressed as a per cent. ^a Entry rates are calculated as gross entry rates. A gross entry rate is the number of all entrants, regardless of age, divided by the size of the population at the typical age of entry, expressed as a per cent. **n.a.** Not available.

Source: OECD (2002a).

Enrolment rates

The enrolment rates for each year for 17 to 20-year-olds at tertiary institutions are presented in table 2.2. Of the selected countries, only Korea and the United States have significantly higher enrolment rates than Australia for 18 and 19-year-olds.

The jump in enrolment rates between 17 and 18 suggests that most students enter a tertiary institution when they are 18 years old. In all of the countries in the table, the transition from secondary to tertiary education is often delayed. This is less noticeable for Australia than for most of the other countries.

Table 2.2 **Enrolment rates in institutions of tertiary education for people at ages 17 to 20 — selected countries, 1999**

Per cent

	<i>Age 17</i>	<i>Age 18</i>	<i>Age 19</i>	<i>Age 20</i>
Australia ^a	5	29	34	32
Canada	3	15	30	33
Germany ^b	1	3	8	15
Ireland	5	32	36	35
Japan	n.a.	n.a.	n.a.	n.a.
Korea	3	44	59	53
Netherlands ^c	4	16	26	31
New Zealand	3	23	32	33
Sweden	n.a.	n.a.	23	22
United Kingdom	2	24	33	34
United States	1	35	41	34

Note The enrolment rate is calculated by dividing the number of students of a particular age enrolled in tertiary education, by the number of people in the population of that age, and is expressed as a per cent. ^a Students participating in the Open Learning Course and two private universities are excluded. ^b The typical age of entry and graduation is higher in Germany than in the other selected countries. ^c Only educational programs with a theoretical duration of more than 12 months are included. **n.a.** Not available.

Source: OECD (2001).

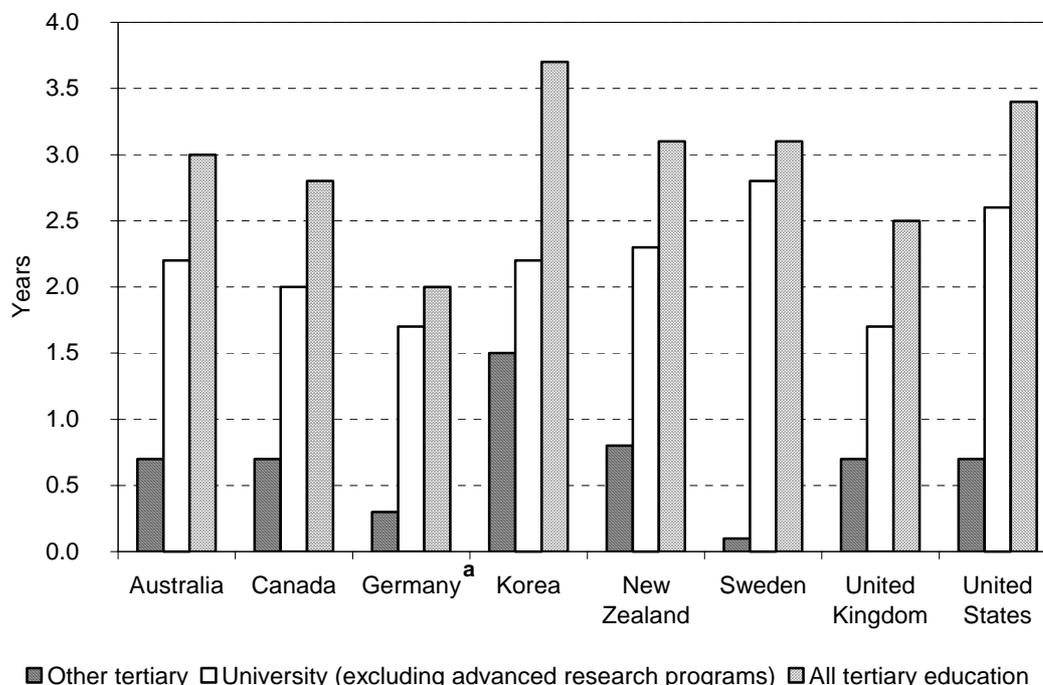
Expected years of enrolment

On average in OECD countries, 17-year-olds can expect to receive 2.5 years of tertiary education, of which two years will likely be full-time (OECD 2002a). This is an average expectation for all 17-year-olds and takes into account the proportion of people who participate in tertiary education and the duration of study programs.

In Australia, New Zealand and Sweden, 17-year-olds can on average expect to receive about three years of tertiary education over their lives, which is only exceeded by their counterparts in the United States and Korea (see figure 2.1).

In Korea, a relatively large part of tertiary education is ‘other tertiary’ which is focussed more on technical and occupational skills. This contrasts with the dominance of ‘higher education’ in the other countries.

Figure 2.1 **Expected number of years in tertiary education — selected countries, 2000**



Note The estimates are for the average period for which all 17-year-olds will be enrolled in higher education, in other tertiary education and in both forms of tertiary education. For each category of education in each country, the estimate is derived by summing the number of years expected to be spent by all of the 17-year-olds studying in that category, divided by the total number of 17-year-olds in the population. Therefore, in each category, the expected number of years depends on the proportion of people who participate and the duration of these studies. ^a Tertiary education for Germany excludes advanced research programs as no data are available for these programs.

Data source: OECD (2002a).

2.3 Graduation

The OECD concept of graduation rates for higher education refers to the percentage of the whole population in the typical graduation age group (17 to 29-year-olds) who graduate from bachelor and higher degree programs. It incorporates the proportion of the population who enter in these programs and the rate of success in completing the programs.⁶

⁶ It should be noted that, since graduation rates are calculated for the population in the 17 to 29 age group while overall entry rates to higher education are calculated for the population in the 17 to 64 age group, it is expected that, in addition to the effect of non-graduation, the reported graduation rates would be lower than the overall entry rates.

First, total graduation rates for all programs covering the full range of disciplines are compared across the selected countries. Then the graduation rates for individual fields of study are compared.

Graduation rates for higher education

Graduation from higher education programs can occur at many different ages. The OECD defines age-specific graduation rates as the number of students who complete a higher education program at a particular age as a proportion of the population of that age. The overall graduation rate is the sum of age-specific graduation rates, expressed as a percentage. International comparisons of overall graduation rates measured in this way are not affected by differences between the countries in demographics and typical graduation ages (OECD 2001).

Graduation rates are affected by the way in which the degree and qualification structures are organised between and within countries. University programs vary widely in structure, scope and duration between countries. The OECD reports graduation rates for programs of different types (first degree, second degree, PhD) and duration (medium, long).⁷

The overall graduation rate for medium term (3 to less than 5 years) first degrees for Australia was 27 per cent in 1999 (see table 2.3). This is marginally higher than in Canada, Ireland, Korea and Sweden, but is lower than in the United States, the United Kingdom, New Zealand, Netherlands and Japan. The United States, New Zealand, Ireland and the United Kingdom have higher graduation rates than Australia for second degrees. For PhD programs, Australia ranks with the United States and the United Kingdom, but is below Sweden and Germany.

More recent OECD data (for 2000), available for only a limited number of countries, indicates that graduation rates for programs of 3 to less than 5 years have increased for Australia and Sweden, but fallen significantly for Canada, Ireland and the United States (OECD 2002a). It is not clear whether these changes reflect movements in graduation rates or changes in measurement between 1999 and 2000.

⁷ Many countries distinguish between first degree bachelor programs and second degree master's programs, while others have a single program of long duration leading to a master's degree. The OECD ensures comparability by classifying second degree programs according to the cumulative duration of the first and second degrees.

Table 2.3 Graduation rates in higher education, by type and duration of programs — selected countries, 1999

Per cent

	<i>Tertiary-type A programs</i>		<i>Advanced research programs</i>
	<i>Medium first degree (3 to less than 5 years)</i>	<i>Second degree</i>	<i>PhD or equivalent</i>
Australia	27.0	8.5	1.2
Canada	26.9	4.7	0.8
Germany ^a	5.2	n.a.	1.8
Ireland ^b	24.8	13.1	0.8
Japan ^b	29.0	2.6	0.6
Korea ^b	26.5	3.0	0.6
Netherlands	32.3	1.2	1.0
New Zealand	29.5	15.9	0.8
Sweden	25.9	0.6	2.4
United Kingdom	35.9	12.7	1.3
United States ^b	33.2	14.3	1.3

Note The OECD defines age-specific graduation rates as the number of students who complete a higher education program at a particular age as a proportion of the population of that age. The overall graduation rate is the sum of age-specific graduation rates, expressed as a percentage. It shows the proportion of population aged 17 to 29 (typical age range for graduation) who complete a university degree program. Graduation rates for a few very long degree programs and for programs less than 3 years are not included. ^a As the German system of higher education is different from other countries, the graduation rates may be less comparable to those of other countries. For instance, Germany has a high graduation rate from long first degrees. Also, since the typical age of graduation is greater than for the other selected countries, it is likely that the number of students graduating at an age greater than 29 (and therefore not included in this measure) would be relatively high even for the medium duration degrees. ^b Gross graduation rates were calculated for these countries as the total number graduating (in 1999) divided by the population of the typical age range for graduation. **n.a.** Not available.

Source: OECD (2001).

Graduates by field of study

The OECD's classification of six broad fields of study is shown in table 2.4, along with the share which each field has of the total graduates in each country in 2000.

As can be seen from the table, either the field of social sciences, business, law and services or the field of humanities, arts and education has the largest proportion of graduates in all the countries.

Health and welfare has a relatively large share of graduates in Australia compared with the other selected countries. Engineering, manufacturing and construction has a relatively small share of graduates in Australia.

Table 2.4 Distribution of university graduates by field of study — selected countries, 2000

Graduates in each field as a percentage of total, for each country

	<i>Health and welfare</i>	<i>Life sciences, physical sciences & agriculture</i>	<i>Mathematics and computer science</i>	<i>Humanities, arts and education</i>	<i>Social sciences, business, law and services</i>	<i>Engineering, manufacturing and construction</i>
Australia	15.0	7.9	5.1	25.2	38.8	7.9
Canada	7.9	9.3	4.2	28.4	39.6	8.2
Germany	15.0	10.7	4.7	23.1	27.5	19.0
Ireland	7.8	11.9	9.5	29.2	32.2	9.3
Japan ^a	5.2	7.7	n.a.	24.4	37.2	21.3
Korea	6.6	9.7	4.5	26.5	25.3	27.4
Netherlands	20.9	5.3	1.8	24.1	37.4	10.4
New Zealand	12.9	12.7	1.7	33.9	30.3	5.6
Sweden	22.8	5.7	3.7	24.5	22.6	20.5
United Kingdom	8.3	12.1	5.5	25.7	28.8	9.9
United States	9.8	7.9	3.7	27.3	44.6	6.5

^a Mathematics and computing are included in life sciences, physical sciences and agriculture. **n.a.** Not available.

Source: OECD (2002a).

2.4 Academic staff

The most important resource used in the provision of higher education services is academic staff. Differences in student–staff ratios and academic salaries among countries and universities may be possible causes or consequences of different levels of funding for higher education.

Comparable information on student–staff ratios and academic salaries was available for only a limited number of countries and is presented below.

Student–teaching staff ratios

Time series data on the ratio of students to staff, both measured in full-time equivalent (FTE) terms, was available from government sources for Australia, Canada and the United States (see table 2.5). These data are consistent for each country over time. However, comparisons of the levels of student–staff ratios between the countries may be affected by differences in definitions.

The average student–staff ratio for Australian universities as a whole increased significantly between 1993 and 2001. In other words, there was a reduction in the

available academic staff resources per student over this period. This trend had not occurred in Canada or the United States, at least up until 1999 (by which time most of the Australian increase had occurred).

By 1999, the Australian student–staff ratio appeared to be higher than in North America, although such a conclusion should be treated with caution because of uncertainties about the comparability of the data.

Table 2.5 Ratio of students to teaching staff in higher education — selected countries, 1993 to 2001

	1993	1995	1996	1999	2001
Australia	14.3	15.3	16.2	19.0	19.9
Canada	15.6	15.9	16.4	16.8	n.a.
United States	15.6	15.7	14.1	14.5	n.a.

Note The indicators are based on full-time equivalents. **n.a.** Not available.

Sources: DEST (2002f); NCES (2002a); Statistics Canada (2002a, 2002b).

Indicative comparisons of academic staff salaries

According to a survey of academic salaries and benefits published by the Association of Commonwealth Universities, Australian academics are reasonably paid in comparison to their counterparts in some other Commonwealth countries (see table 2.6). However, academic salaries were much lower than in Singapore for the middle level of senior lecturer and above.

A feature of the Australian salary scales is the smaller spread between the lowest and highest paid academics. There is a 60 per cent difference from the bottom scale for lecturer to the top scale for associate professor in Australia, compared with a difference of more than 80 per cent in New Zealand, 100 per cent in the United Kingdom and 140 per cent in Canada. There is a 188 per cent difference between the bottom senior lecturer scale and the top associate professor scale in Singapore.

Information on average academic salaries in the United States in 1999, obtained from a different source, is also reported in table 2.6. These salaries are larger than all the other countries in the table except Singapore, and have presumably been adjusted upwards since 1999. The extent to which the average salary of senior lecturers is greater in the United States than Australia is therefore understated in the table. Furthermore, if current market exchange rates were used instead of Purchasing Power Parities to express the US salaries in Australian dollar terms, the figure for senior lecturers in the United States would be over A\$103 000 (compared with A\$66 146 for the middle scale of senior lecturer in Australia).

Table 2.6 **Indication of average academic staff salaries in universities — selected countries, 2001**

	<i>Australia</i>	<i>Canada</i>	<i>New Zealand</i>	<i>Singapore^a</i>	<i>United Kingdom</i>	<i>United States^b</i>
Lecturer						
Bottom of Scale	50 207	38 562	41 684	n.a.	36 329	n.a.
Middle of Scale	54 898	48 161	46 204	n.a.	41 968	64 311
Top of Scale	59 589	57 758	50 723	n.a.	47 607	n.a.
Senior Lecturer						
Bottom of Scale	61 463	48 457	54 636	57 624	49 208	n.a.
Middle of Scale	66 146	61 089	61 662	82 497	55 382	75 715
Top of Scale	70 828	73 720	68 689	107 372	61 557	n.a.
Associate Professor						
Bottom of Scale	73 950	59 084	69 097	87 842	63 811	n.a.
Middle of Scale	77 767	75 498	72 867	126 821	69 041	91 833
Top of Scale	81 585	91 911	76 638	165 799	74 270	n.a.
Professor						
Bottom Scale	94 898	73 594 ^c	78 888	140 644	75 101	124 576

Note For all countries except the United States, the figures are based on the salary scales for a sample of universities in that country. For all countries, the figures are national average salaries for the various levels. Other benefits such as superannuation, health care plans and leave entitlements are not included. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). ^a The figures include a 'flexi-wage component', equivalent to 1.75 months gross annual salary. No comparable data for each level of classifications is available for other countries. ^b Figures are national average salary levels for full-time academic staff based on annualised 9-month contracts in the 1998-99 academic year. ^c This figure appears to be out of step with other levels in Canada. **n.a.** Not available.

Sources: Provan (2001); NCES (2002a).

The salary comparisons above do not take into account other forms of remuneration, including pension and health care schemes, leave entitlements, assistance with housing and tuition of dependents and other possible benefits. Employer contributions to pension schemes are 17 per cent of salary in most Australian universities, which is greater than in New Zealand (7 per cent), Canada (7 to 8 per cent) and for the newer UK universities but less than in Singapore (20 per cent up to 55 years of age).

3 Financial resources

An overview of expenditures on tertiary education in the selected countries at a national level is presented in this chapter.

The countrywide financial comparisons are primarily for tertiary education as a whole, rather than higher education, in accordance with OECD practice. The OECD has devoted considerable resources to the development of a consistent methodology.

Information is provided on total expenditure on tertiary education institutions, public and private proportions of expenditure on tertiary institutions and total government expenditure on tertiary education including payments to institutions and payments to students. Some of the key terms and definitions used by the OECD are outlined in box 3.1.

Not included in expenditure on tertiary education are student living costs and foregone earnings by students.

3.1 Financial flows

The three principal sources of funding for tertiary education are governments, students (and households), and other private entities (see figure 3.1).

Government expenditures are made by national, provincial (state) and local governments. They include the following broad categories:

- operational grants, capital investment and research grants paid directly to institutions;
- payments to students and households that are transferred directly to educational institutions, such as scholarships to cover university tuition fees;
- payments to students and households for the cost of living; and
- other forms of assistance to students and other private entities such as transport providers for the provision of concessional services.

Box 3.1 **OECD terms used in financial comparisons of tertiary education**

The concept of *total expenditure on tertiary institutions* used by the OECD includes expenditure by governments, students and other private entities (individuals and businesses) which is provided directly to institutions.

Expenditure on both instructional and ancillary services provided by institutions is included, as is spending attributable to research and development performed at institutions. Ancillary services are peripheral to the core teaching and research functions of universities and may include provision of meals, housing and transport for students. Also included are some services for the general public such as museums, sport, and recreation facilities, and cultural programs.

The OECD concept of educational institutions includes some non-instructional education institutions that provide administrative, advisory or professional services to universities. Non-instructional institutions include government departments administering higher education, and other organisations providing education related services.

Public and private proportions of expenditure on tertiary institutions are the shares of total spending originating in and generated by the public and private sectors.

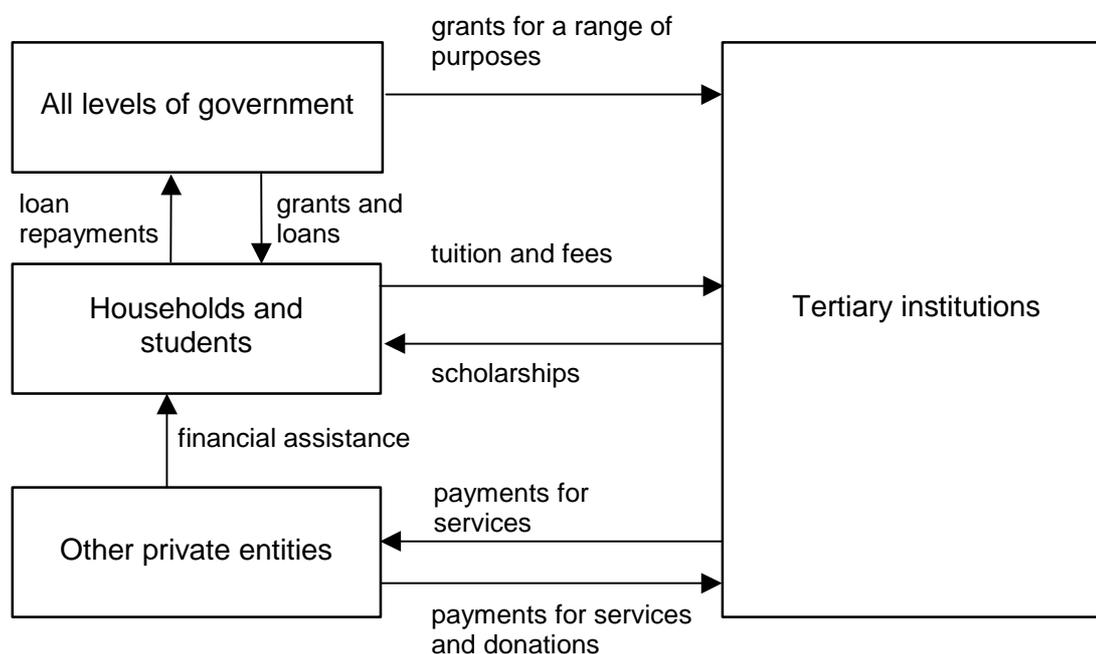
Total public (government) expenditure on tertiary education includes direct public payments to educational institutions and public payments to students. The latter includes scholarships, loans and grants to students for tuition fees and student living costs. The public payments used to cover fees are passed on to institutions. In the case of student loans, the OECD's indicator includes the full volume of loans and does not take repayments into account.

Source: OECD (2001).

Student payments to institutions include tuition fees and charges for ancillary services. The government may act as financial intermediary, providing loans to students to meet some or all of the costs. Educational institutions may meet the costs of the tuition by awarding scholarships.

Other private payments and resources include private donations and gifts, and payments for consulting, patents, and other services.

Figure 3.1 **Significant resource flows to and from tertiary institutions**



Note Other flows such as borrowings and repayments by institutions are excluded.

3.2 Total expenditure on tertiary institutions

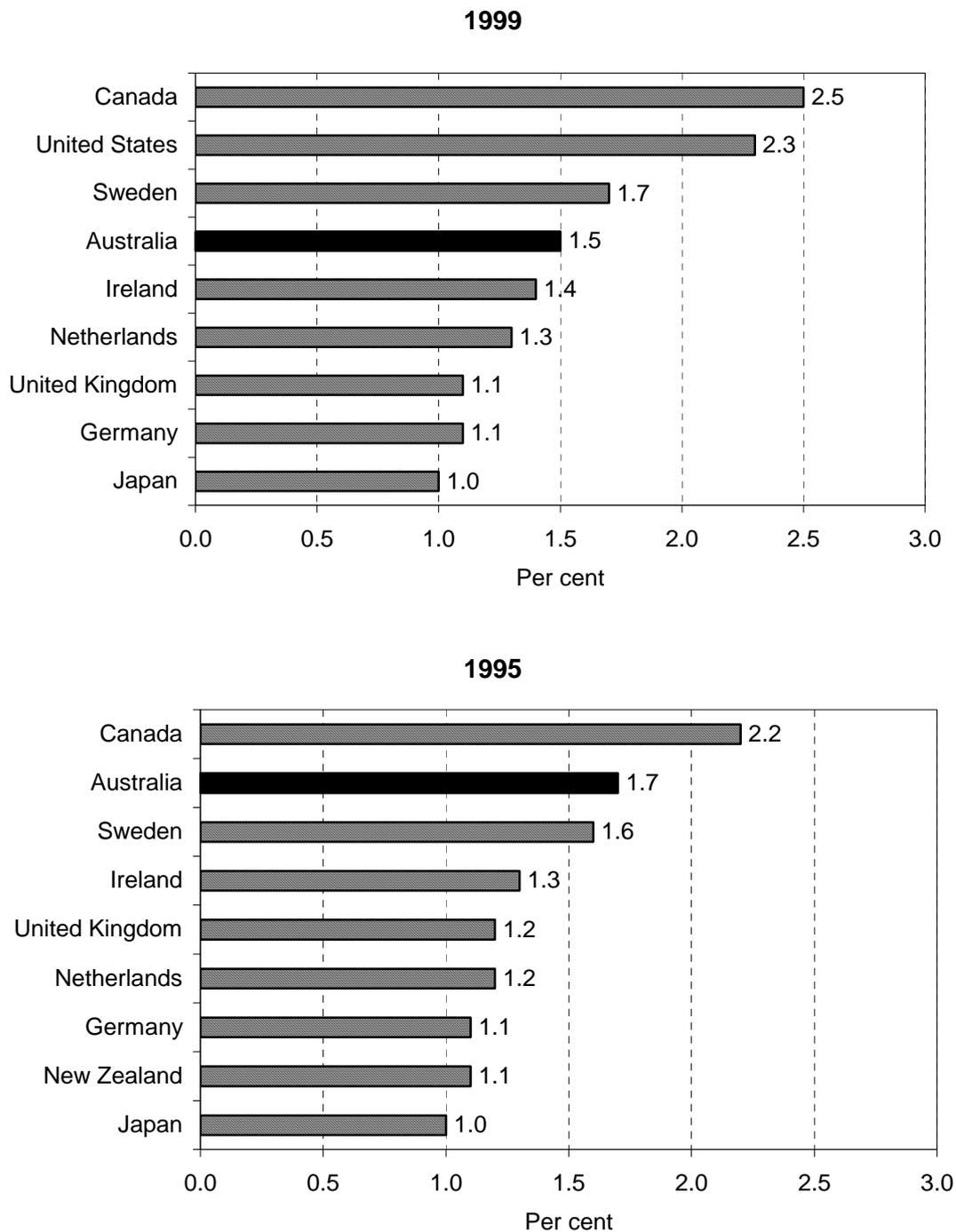
Information on payments made by governments, students and other entities in the private sector to universities and other tertiary institutions in the selected countries is presented in this section. Expenditures in each country are expressed as a percentage of GDP, and in per capita and per student terms.

Expenditures on tertiary institutions as a percentage of GDP

Expenditure on tertiary institutions as a percentage of GDP varied considerably between the countries selected for this study (see figure 3.2).

In 1999, Australia ranked fourth out of the nine selected countries for which data were available. Australia's total expenditure on tertiary institutions represented 1.5 per cent of GDP. Australia's ranking declined compared to 1995 (when its total expenditure for tertiary institutions was 1.7 per cent of GDP).

Figure 3.2 Total expenditure on tertiary education institutions as a percentage of GDP — selected countries, 1999 and 1995



Note Total expenditure on tertiary education institutions includes expenditure by governments, students and other private sector entities (individuals and businesses) which is provided directly to institutions. The OECD's estimates for the United States and Canada include post-secondary non-tertiary education, which is a small component of total non-secondary education for most countries. Data were not available for New Zealand in 1999 or the United States in 1995.

Data source: OECD (2002a).

Australia's expenditure on tertiary institutions as a percentage of GDP fell between 1995 and 1999, as did the United Kingdom's. The share of expenditure in all other selected countries either remained about the same or increased.

The Commission estimated that expenditure on tertiary education had been 1.4 per cent of GDP in 2000. The Department of Education, Science and Training estimated 1.5 per cent of GDP for the same year.

The OECD estimates of tertiary expenditure as a percentage of GDP for 1993 for the selected countries were similar to the estimates for 1995.¹ Estimates for earlier years have also been published. However, expenditure estimates prior to 1993 were based on different definitions and classifications of tertiary institutions and programs and are unlikely to be comparable with those from 1993 onwards.

Expenditure on tertiary institutions per capita and per student

In 1999, Australia's ranking among the selected countries in terms of per capita expenditure on tertiary institutions was similar to that for expenditure as a percentage of GDP (see figure 3.3). The United States stands out more in the comparisons of expenditure per capita than as a percentage of GDP, because of its relatively high GDP per capita.

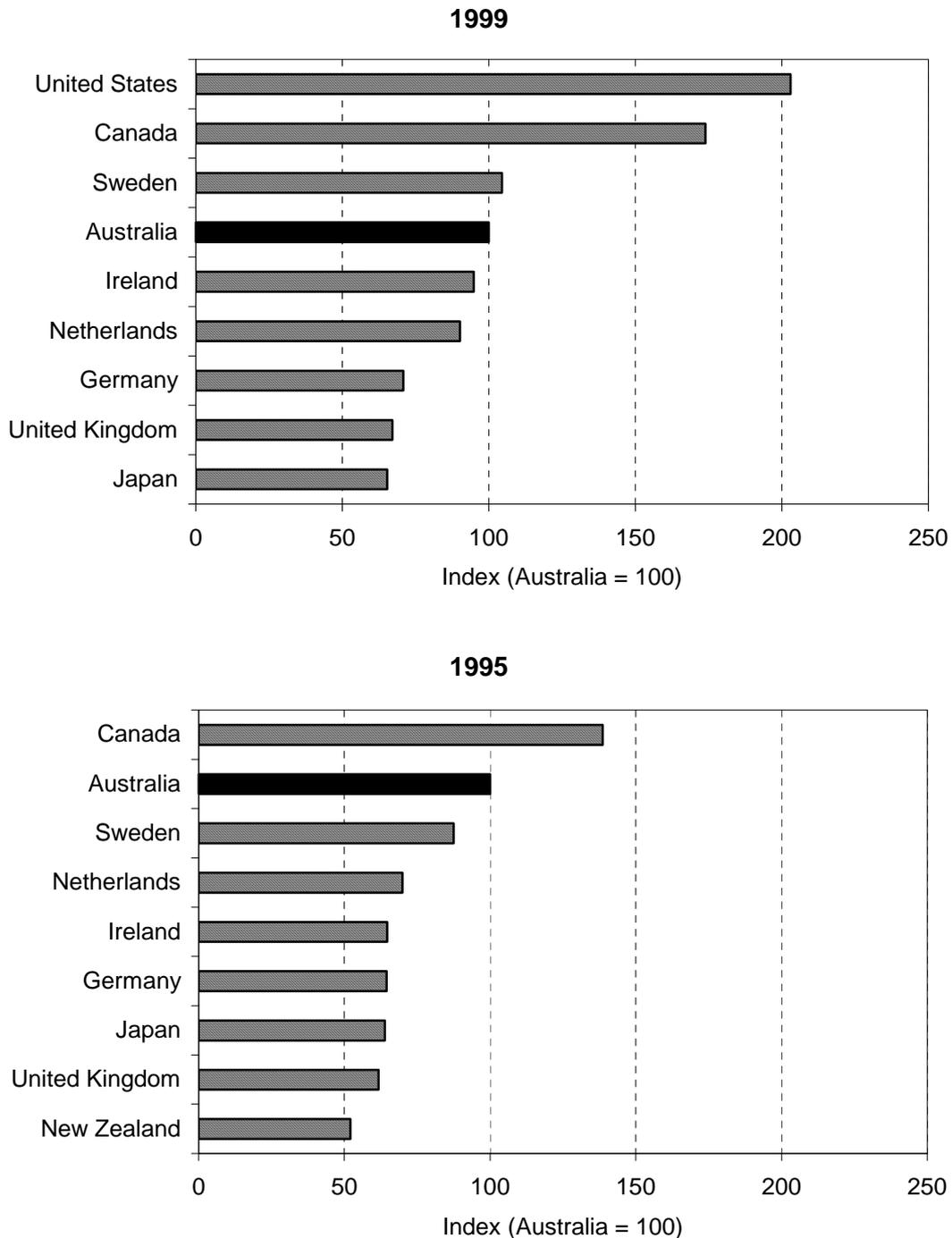
Australia's ranking of expenditure per capita fell below Sweden's between 1995 and 1999.

Information on average annual expenditure per full-time equivalent (FTE) student, average duration of programs and the accumulated expenditure over the average course duration is presented in table 3.1 for 1998. Some of this information has been updated to 1999 but the general pattern of expenditures and program durations has not changed among the countries for which data were available.

¹ See OECD 1996.

Figure 3.3 Total expenditure on tertiary institutions per capita — selected countries, 1999 and 1995

Index (Australia = 100)



Note Total expenditure on tertiary education institutions includes expenditure by governments, students and other private sector entities (individuals and businesses) which is provided directly to institutions. The index for each country (Australia = 100) was generated after converting foreign currencies to Australian dollars using Purchasing Power Parities (see appendix B). Data were not available for New Zealand in 1999 or the United States in 1995.

Data source: OECD (2002a).

Table 3.1 Expenditure on universities and other tertiary institutions per student — selected countries, 1998

Annual expenditure and cumulative expenditure over the average duration of studies

	<i>Annual expenditure</i>		<i>Average duration of study programs</i>		<i>Cumulative expenditure per student over the average duration of study programs</i>	
	<i>University</i>	<i>Other tertiary</i>	<i>University</i>	<i>Other tertiary</i>	<i>University</i>	<i>Other tertiary</i>
	A\$	A\$	Years	Years	A\$	A\$
Australia	15 963	10 843	2.6	1.6	40 863	17 024
Canada	19 369	17 934	2.5	1.4	48 681	24 830
Germany	13 181	7 049	6.0	2.4	79 219	17 199
Ireland	n.a.	n.a.	4.0	2.2	n.a.	n.a.
Japan	13 486	9 451	n.a.	n.a.	n.a.	n.a.
Korea	10 166	5 441	4.2	2.1	42 903	11 261
Netherlands	14 035	9 870	n.a.	n.a.	n.a.	n.a.

Note Expenditure on tertiary education institutions includes expenditure by governments, students and other private sector entities (individuals and businesses) which is provided directly to institutions. Foreign currencies were converted to Australian dollars using Purchasing Power Parities (see appendix B). The figures are expenditure per full-time equivalent student. **n.a.** Not available.

Source: OECD (2001).

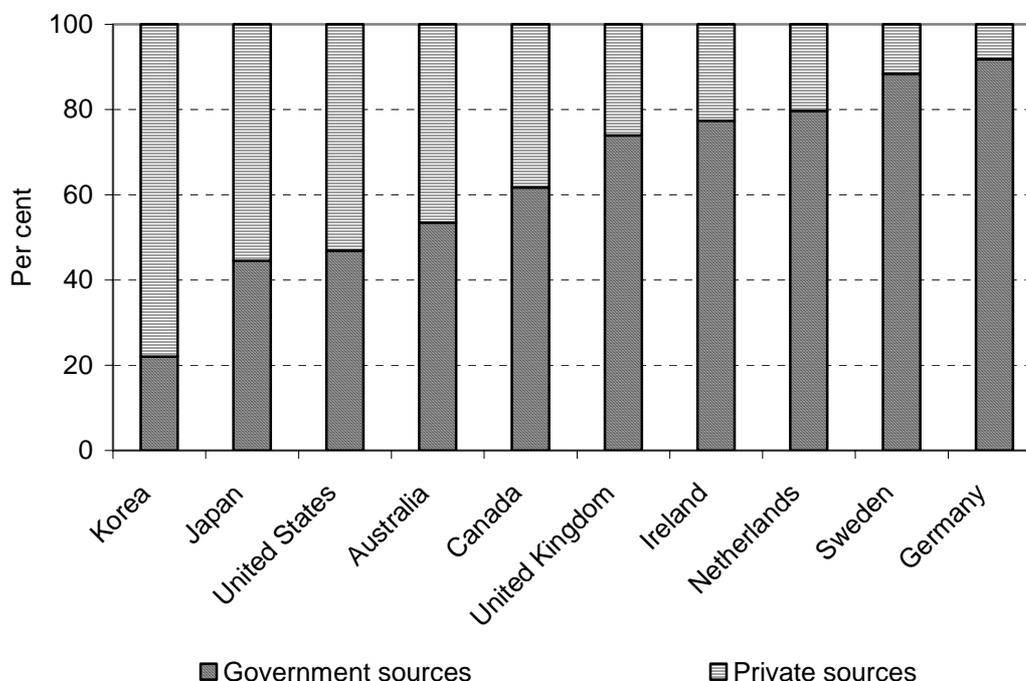
The differences in annual expenditure per student may reflect both the level of real resources provided to students (such as variations in the ratio of students to teaching staff) and the relative salary levels of staff. The cumulative expenditure per (FTE) student over the duration of university programs is high in Germany because of the relatively long average course duration of 6 years (compared with an average of 2.6 years in Australia). However, this does not result in high levels of overall annual expenditure as a percentage of GDP or per student because of relatively low participation rates in Germany.

3.3 Relative proportions of government and private expenditures on tertiary institutions

Proportions of funding of tertiary institutions from government and private (students and other private) sources, as reported by the OECD, are presented in figure 3.4 for the selected countries. The contributions by Australian students through the Government's Higher Education Contribution Scheme (HECS)² are included by the OECD as a private source for Australia.

² The Higher Education Contribution Scheme provides for an income contingent loan offered to most undergraduate students to cover tuition fees (see chapter 4).

Figure 3.4 **Relative proportions of government and private expenditure on tertiary institutions — selected countries, 1999**



Note The contributions by Australian students through the Government's Higher Education Contribution Scheme (HECS) are included as a private source for Australia under OECD definitions. HECS provides the option of an income contingent loan to undergraduate students to cover tuition fees. Treating HECS as private expenditure may under-represent the expenditure on tertiary institutions by government.

Data source: OECD (2002a).

In Australia, government funding accounted for nearly 54 per cent of total expenditure on tertiary education institutions in 1999. However, the OECD's classification of HECS payments may under-represent government expenditure on tertiary institutions associated with the Scheme (see chapters 4 and 5).

3.4 Government payments to institutions, students and other private entities

The OECD defines government expenditure on tertiary (and higher) education to include direct payments to (funding of) institutions and payments to students, households and other private entities in support of tertiary education, (including grants and loans to cover university fees which are transferred to teaching institutions).

Direct payments to institutions include teaching and research grants and funding for some non-instructional institutions that provide administrative, advisory or professional services to universities.

Payments to students include scholarships, grants and loans to assist with tuition fees and the cost of living. Also included are allowances targeting special equity groups such as disabled students, students from low income families, and international students.

Government tax expenditures in the form of income tax concessions for universities and private donors are not included by the OECD as government payments.

Government payments as a percentage of GDP

Government payments for tertiary education as a percentage of GDP are presented in table 3.2 by country for 1995 and 1999. Included in government payments are direct payments to institutions as well as payments to or on behalf of students and other private entities. Government loans to students and other private entities are recorded by the OECD in gross terms in order to provide information on the level of support which current students receive. Neither repayments nor government guarantees for student loans from private lenders are taken into account.³

The loan funds earmarked to cover tuition fees are passed on to higher education institutions. This is the case for HECS funds paid by the Australian Government on behalf of students. Since most of these loans are repaid by students over the course of their working life, they essentially represent a student (private) source of funds for the institutions (as indicated in section 3.3).

In 1999, government payments for tertiary education as a percentage of GDP were lowest in Japan (0.5 per cent) and highest in Sweden (2.1 per cent). Australia was ranked around the middle of the selected countries.

There was a tendency for government payments as a percentage of GDP to fall between 1995 and 1999, particularly in New Zealand, Canada and Australia.

³ Since loan repayments are not deducted, the OECD data for payments to students overstates net government payments.

Table 3.2 **Government payments for tertiary education — selected countries, 1995 and 1999**

Percentage of GDP

	1995	1999
Australia	1.5	1.2
Canada	2.3	1.9
Germany	1.1	1.1
Ireland	1.2	1.2
Japan	n.a.	0.5
Korea	n.a.	0.6
Netherlands	1.5	1.3
New Zealand	1.7	1.2
Sweden	2.2	2.1
United Kingdom	1.2	1.1
United States	n.a.	1.4

Note In the OECD definitions, government expenditure on tertiary education includes direct payments to tertiary institutions and payments to the private sector (students, households and other private entities) for the purposes of tertiary education. Government payments to students include government-funded scholarships, student living allowances and government student loans. **n.a.** Not available.

Sources: OECD (1998 and 2002a).

Composition of government payments

The relative size of direct government payments to tertiary institutions and government payments to students, households and other private entities is presented in figure 3.5.

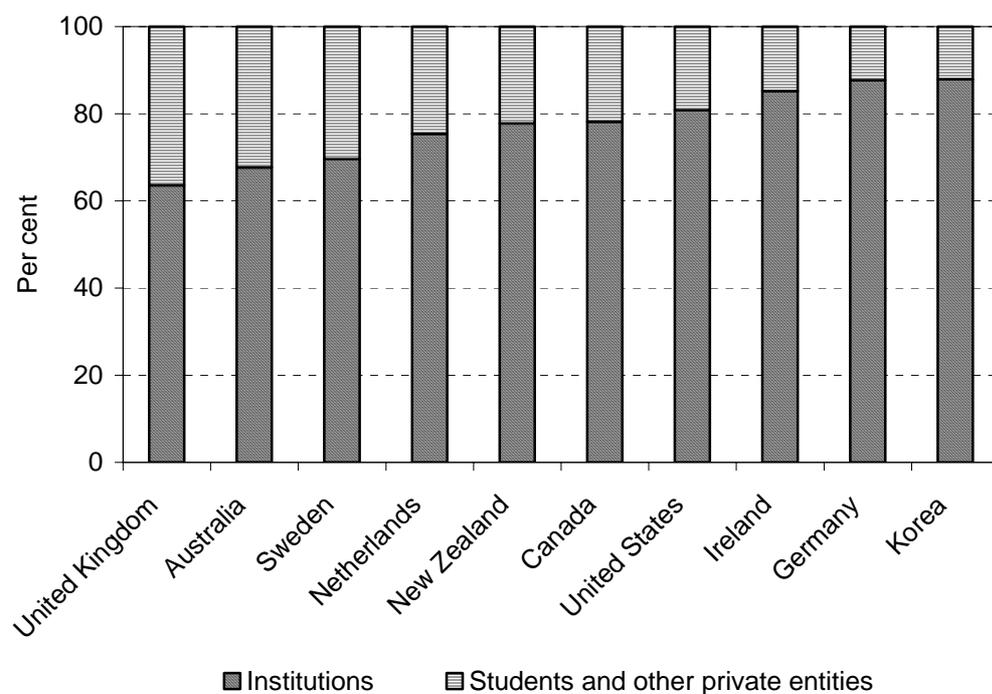
In 1999, the Australian Government allocated 68 per cent of its total funding for tertiary education directly to teaching and administration institutions, with 32 per cent of public funds paid to, or on behalf of, students in support of their tertiary education (including HECS-type loans and assistance with living expenses). For the selected countries, the share of government funding given directly to institutions varied between 64 per cent and 88 per cent.

In Canada, a substantial amount of government funding is provided to other private entities, such as businesses, for the purpose of supporting students during their tertiary education.

Those countries where payments to students represent a significant part of total government payments also tend to provide a substantial part of their assistance to students in the form of loans instead of grants.⁴

⁴ Note that the OECD does not take into account loan repayments to government by students and former students.

Figure 3.5 **Relative proportions of government payments made direct to institutions, and to students and other private entities — selected countries, 1999**



Note Payments to students, households and other private entities include scholarships, student loans and other grants to students or households.

Data source: OECD (2002a).

A breakdown of the composition of government payments to students is given in table 3.3. Scholarships and grants are separated out from loans.

For Australia, the student loans are primarily HECS loans which are passed on to the universities. In other countries such as the United Kingdom, the Netherlands and Sweden, loans are only available to meet living costs of students (see chapter 4).

Table 3.3 Government payments to students for tertiary education — selected countries, 1999

Percentage of total government payments for tertiary education

	<i>Scholarships and other grants to students</i>	<i>Student loans^a</i>	<i>Total</i>
Australia	14.6	17.7	32.3
Canada	12.2	6.4	18.6
Germany	10.1	1.9	12.0
Ireland	14.8	–	14.8
Korea	2.4	6.4	8.8
Netherlands	18.4	6.2	24.6
New Zealand	22.2	–	22.2
Sweden	10.1	20.3	30.4
United Kingdom	23.1	13.3	36.4
United States ^b	11.1	8.1	19.2

^a Loans are reported on a gross basis, without subtracting or netting out repayments or interest payments from the borrowers. ^b Includes post-secondary non-tertiary education. – Nil.

Source: OECD (2002a).

4 Government support mechanisms

Higher education is supported by governments through funding programs. These programs are seen as a means of enabling individuals to develop their capabilities and fulfil their potential, advancing knowledge and understanding and aiding the application of knowledge to the benefit of the economy and society (see DEST 2002e; HEFCE 2001a).

Government programs that distribute funds to universities, as well as to students and others supporting students or institutions, play a significant role in the financial resourcing of many universities. Consequently, the mechanisms for the distribution of these funds and the constraints imposed by governments on their use are reported in this chapter as context to the comparisons in following chapters.¹

The programs described in this chapter are generally only available to public universities. In some cases, the funding in support of research is available to both public and private universities.

Other programs exist in a number of countries. However, they are not included because they are relatively minor and because of their lack of universality. They include programs that provide students with financial support for tuition (apart from teaching) and living costs.

The countries covered are Australia, Canada (British Columbia), Hong Kong, Ireland, New Zealand, Sweden, the Netherlands, the United Kingdom (England) and the United States. Where there is more than one level of government with an involvement in higher education, detailed information is only reported for the level of government providing the majority of support.

In the United States and Canada, state and provincial governments are primarily responsible for funding public universities. The national Government in each of these countries primarily supports research and students. The funding arrangements and mechanisms in place will vary from state to state and province to province. In the case of Canada, detailed information is provided for the Province of British Columbia, consistent with the university comparisons made in following chapters.

¹ It should be noted that some of these programs support other tertiary institutions as well as universities.

In the United Kingdom, three separate funding councils are responsible for allocating funding to universities in England, Wales and Scotland. The Department of Education for Northern Ireland has this responsibility in Northern Ireland. Detailed information on the arrangements in England is provided in the following sections.

4.1 Support for universities

The governments of the countries selected all provide some level of direct support to universities. They fund the teaching and research activities of universities by providing block grants, other grants for specific initiatives and some grants for which universities compete.

An overview of these programs is presented in table 4.1. Also included in the table are programs in support for students. These programs, which are described in section 4.2, are to a certain extent substitutes for the programs that provide direct support to universities.

Governments in a number of countries have attempted to separate their support for teaching and research by providing block funding for each activity. There has also been a move away from block funding for research to competitive or performance-based funding (see tables 4.2 and 4.3). The extent to which this has been achieved varies across countries.

Table 4.1 **Government support mechanisms for higher education — selected countries, July 2002**

	<i>Funding teaching</i>		<i>Funding research</i>		<i>Students</i>		
	<i>Block</i>	<i>Other</i>	<i>Block</i>	<i>Competitive</i>	<i>Regulated fees^a</i>	<i>Loans</i>	<i>Grants</i>
Australia	✓	✓	✓	✓	✓	✓	✓
British Columbia	✓	✓	✓	×	×	✓	✓
England	✓	✓	✓	✓	✓	✓	✓
Hong Kong	✓	✓	✓	✓	✓	✓	✓
Ireland	✓	✓	✓	✓	✓ ^b	×	✓
New Zealand	✓	✓	✓	✓	×	✓	✓
Sweden	✓	×	✓	✓	✓ ^c	✓	✓
Netherlands	✓	×	✓	✓	✓	✓	✓
United States	✓	n.a.	n.a.	✓	× ^d	✓	✓

Note The information provided in this table relates to public universities. However, some private universities also have access to government research funding. ^a The information on fee regulation only relates to undergraduate tuition fees. ^b In Ireland, first time undergraduate students are exempt from tuition fees at public universities. ^c Tuition fees are not levied at public universities in Sweden. ^d Largely deregulated. Arrangements vary from state to state. **n.a.** Not available.

Programs in support of teaching

In Australia, universities receive the bulk of their funding for teaching and related activities in the form of a base operating grant. In 2002, just over 75 per cent of Commonwealth Government funds targeted for the support of higher education institutions were allocated to universities through the base operating grant.² The grant is intended to support teaching as well as the expansion, maintenance and replacement of capital stock, and to assist universities in meeting the special needs of Australian Indigenous students.

Under the *Higher Education Funding Act 1988* (Cwlth), funds provided as the base operating grant are available for the general research purposes of universities. Although it is not easy to identify how much of the base operating grant is used to fund research, one estimate is about 9 per cent of the grant, or \$385 million (Group of Eight, Canberra, pers. comm., 28 October 2002).

² See DEST (2002e). The base operating grant includes Indigenous Funding Support, the Capital Roll-in, Workplace Reform Program Funds and an estimate for marginal funding of HECS-liable places above the student load agreed with an institution.

Table 4.2 Government programs supporting teaching — selected countries, July 2002

	<i>Program</i>	<i>Purpose</i>
Australia	Base Operating Grant	Teaching and related activities (including academic salaries), capital programs (capital roll-in), Indigenous students and workplace reform. ^a
	Superannuation Grants	Supplementary financial assistance for emerging costs of approved State-based superannuation schemes.
	Teaching Hospital Grants	Maintenance and service charges for areas of teaching hospitals used by medical students and staff and the purchase of books and journals.
	Capital Development Pool	Special capital projects.
British Columbia	Base Operating Grant	Teaching, non-sponsored research, support services, student services and administration. ^b
England	Teaching Grant ^c	Teaching and related activities including capital. ^d
	Access and Participation	Costs of recruiting and supporting students under-represented in higher education or who have disabilities.
	Teacher Education and Training ^e	Education and training courses aimed at school teachers.
Hong Kong	Recurrent Grant ^f	Teaching and related activities. ^g
Ireland	Block Grant ^h	Day-to-day running costs associated with teaching, research and related activities.
	Targeted Funding	Specific initiatives, such as access for disadvantaged students, research infrastructure, and the targeting of specific skill areas.
Netherlands	Block Grant	Teaching, research and related activities, including capital programs.
New Zealand	EFTS-based Funding ⁱ	Teaching, research, capital and ancillary costs.
	Special Supplementary Grants ⁱ	A range of initiatives, including fee stabilisation and support for students with disabilities, Maori and Pacific peoples and special education.
Sweden	Teaching Grant	Undergraduate teaching and related activities.

Note Only major programs are identified for each country. ^a Under the Workplace Reform Program, universities receive additional funding for salary supplementation conditional on improvements in management, administration and industrial arrangements. Universities successfully applying for the program secure the additional funding as part of their base operating grant. Universities also receive marginal funding for each HECS-liable undergraduate student enrolled above its target student load. ^b Capital funding is awarded under a separate process. ^c Universities also have access to special funding for a wide range of purposes, including support for national facilities, capital funding and inherited activities. ^d Full-time postgraduate research students in years 2 and 3 and part-time postgraduate students in years 3 to 6 are funded through the research grant. ^e The Teacher Training Agency funds initial teacher training leading to qualified teacher status. The Higher Education Funding Council for England funds other teacher education and training provision outside the schools sector. ^f The University Grants Committee does not allocate separate grants for teaching and research. ^g Separate grants are provided to finance specific capital projects. ^h The Higher Education Authority does not allocate separate grants for teaching and research. The block grant is made up of a core grant and a grant in lieu of first-time undergraduate full-time tuition fees which were abolished from the academic year 1996-97. ⁱ EFTS-based funding is available for both public and private providers of higher education. Special Supplementary Grants are only available to public providers.

Sources: DEST (2002e); HEFCE (2001a and 2002b); Higher Education Authority Ireland, pers. comm., 9 July 2002; Kaiser, Koelman and Vossensteyn (2002); ME (2001); Ministry of Advanced Education British Columbia, pers. comm., 14 August 2002; NAHE (2001); UGC (1996 and 2002).

Australian universities also receive a range of other grants to support teaching hospitals, assist with specific capital projects, meet the emerging costs of state-based superannuation schemes, increase the participation of certain target groups and promote innovation and quality.³

Governments in the other selected countries also provide the bulk of their support for universities through block operating grants.⁴ For example, in England, just over 64 per cent of the funds distributed by the Higher Education Funding Council for England (HEFCE) in 2002-03 will be provided through the teaching grant.⁵

In England, Ireland and New Zealand, universities have access to additional funding for specific initiatives such as increasing the participation of certain target groups, as in Australia. In Hong Kong and Ireland, universities also receive separate grants for capital expenditure.

In the United States, within each state, the total amount available for funding is determined as part of the budget process, which involves the Governor, the Higher Education Commission and the State Legislature. In setting the level of funding, consideration is given to how much of any shortfall in funding will be made up by increasing tuition and other student fees (Department of Education US, pers. comm., 19 July 2002).

Programs in support of research

Most governments in the selected countries support the research activities of universities through block funding as well as competitive grants. Block funding is typically intended to support basic research and research infrastructure, while competitive grants are used to fund specific research projects. As is the case in Australia, most governments also provide support for research training (higher degree research) through their block grants for research activities. In British Columbia, Hong Kong, Ireland and the Netherlands, universities receive a single operating grant which is intended to support both teaching and research activities.

In the US, the Federal Government funds research, primarily through competitive grants to meet national needs for scientific information and technological development (Department of Education US, pers. comm., 19 July 2002).

³ The Commonwealth Government provides additional assistance to meet superannuation expenses which are above the standard level of funding provided for this purpose in the base operating grant. These expenses arose from mergers and amalgamations and the conversion of institutes and colleges to universities.

⁴ Block grants can be disbursed by universities at their own discretion within broad guidelines.

⁵ See HEFCE (2002b). Includes funding for further education colleges.

Table 4.3 Government programs supporting research and research training — selected countries, July 2002

	<i>Program</i>	<i>Purpose</i>
Australia ^a	Research Training Scheme	Higher degree research student places.
	Awards and Scholarships ^b	Australian and international postgraduate student places.
	Institutional Grants Scheme ^c	Research and research training activities.
	Research Infrastructure Block Grants	Project-related infrastructure costs associated with the Competitive Grants Program, areas of recognised research potential and existing strength and remediation of deficiencies in research infrastructure.
	Systemic Infrastructure Initiative	Strategic sector-wide initiatives aimed at improving research infrastructure.
	National Competitive Grants Program	Fundamental or basic research and collaboration with other universities, research agencies and industry.
British Columbia	Base Operating Grant	Teaching, non-sponsored research, support services, student services and administration.
	Knowledge Development Fund	Research infrastructure.
	Research Council Funding ^d	Specific research projects
England	Research Grant	Basic research and research infrastructure, including salaries of permanent academic staff, premises, libraries and central computing facilities. Also contributes to the cost of training new researchers.
	Research Council Funding ^e	Specific research projects and some postgraduate research places.
Hong Kong	Recurrent Grant ^f	Supports research infrastructure, staff time and overhead costs.
	Earmarked Research Grants, Areas of Excellence Scheme	Specific research projects.

Note Only major programs are identified. ^a Funds provided as the base operating grant are available for the general research purposes of universities. Universities can also compete for research support provided under a number of portfolios including health-related research funding from the National Health and Medical Research Council and under the Cooperative Research Centre program administered under the Education, Science and Training portfolio. ^b The Australian Postgraduate Awards Scheme provides financial support to students of exceptional research promise who undertake their degree at an Australian institution. The International Postgraduate Research Scholarship aims to attract high calibre international postgraduate students to areas of research strength in Australia. ^c The scheme commenced in 2002 and replaced the Research Quantum and the Small Research Grants Scheme. ^d Research Council funding is channelled through Federal Government research councils. Universities also have access to funding from various government departments and some project-specific funding from the Provincial Government. ^e The Arts and Humanities Research Board also provides funding to support research and research training and special funding for museums, libraries, galleries and collections. ^f The University Grants Committee does not allocate separate grants for teaching and research.

(Continued next page)

Table 4.3 (continued)

	<i>Program</i>	<i>Purpose</i>
Ireland	Block Grant ⁹	Day-to-day running costs associated with teaching, research and related activities.
	Targeted Funding	Specific initiatives, such as access for disadvantaged students, research infrastructure, and the targeting of specific skill areas.
	Program for Research in Third-Level Institutions	Specific research projects.
Netherlands	Block Grant	Research and research training, and related activities, including capital expenditure.
	Netherlands Organisation for Scientific Research	Specific research projects.
New Zealand	EFTS-based Funding	Supports basic research and research training.
	Ministry of Research Science and Technology Funding	Specific research projects.
Sweden	Research Grant	Research and postgraduate training, including compensation for costs such as rents for premises.
	Research Council Grants	Specific research projects.

⁹ The Higher Education Authority does not allocate separate grants for teaching and research. The block grant is made up of a core grant and a grant in lieu of first-time undergraduate full-time tuition fees, which were abolished from the academic year 1996-97.

Sources: DEST (2002e); HEFCE (2001a and 2002b); Higher Education Authority Ireland, pers. comm., 9 July 2002; Kaiser, Koelman and Vossensteyn (2002); ME (2001); Ministry of Advanced Education British Columbia, pers. comm., 14 August 2002; NAHE (2001); UGC (1996 and 2002).

Allocation of funds to universities

In most of the selected countries, the allocation of block government funds to universities is largely formula based. Either government departments or independent agencies are responsible for allocating government support funds. Most governments attach conditions to their support (see table 4.4).

In this section, the more significant categories of government funding support for universities — operational grants for teaching and research — are examined in detail. The aspects of the programs examined are:

- the allocation of funds among universities;
- the delivery mechanisms used; and
- the conditions which governments place on universities in return for the support they provide.

Where more than one program operates in each of the teaching and research categories, the main program was examined in detail and reported in this section.

Where other programs were identified as innovative, their distinguishing features are noted.

Table 4.4 **Allocation of government block funding for teaching and research — selected countries, July 2002**

	<i>Allocation process</i>			<i>Responsibility for allocation</i>		<i>Conditions</i>
	<i>Negotiation</i>	<i>Formula based</i>	<i>Other</i>	<i>Government department</i>	<i>Independent agency</i>	
Australia	✓	✓	×	✓	×	✓
British Columbia	×	×	✓	✓	×	✓
England	×	✓	×	×	✓	✓
Hong Kong	×	✓	×	×	✓	✓
Ireland	×	×	✓	×	✓	✓
Netherlands	×	✓	×	✓	×	✓
New Zealand	×	✓	×	✓	×	×
Sweden	×	✓	×	✓	×	✓

With the exception of New Zealand, governments in the selected countries determine the total amount of government funding available through their programs to universities and then use the allocation processes discussed in this section to distribute funds among eligible universities. In New Zealand, the funding system is uncapped, with total funding determined by demand. In Australia and England, there is an explicit adjustment of funding levels for general inflation.

In Australia, British Columbia, New Zealand, Sweden and the Netherlands, government departments are responsible for allocating government funding to individual universities. In England, Hong Kong and Ireland, independent bodies have been established to undertake this role (see table 4.5).

Often the role of independent bodies is broader than the allocation of government support. For example, the HEFCE, a statutory body established in 1992, is responsible for:

- providing money to universities and colleges for higher education teaching, research and special activities;
- funding programs to support the development of higher education;
- monitoring the financial and managerial health of universities and colleges;
- ensuring quality is monitored;
- providing money to further education colleges for their higher education programs; and
- providing guidance on good practice (HEFCE 2002a).

Governments in the selected countries use a range of methods for allocating funds to universities, including negotiation, formulas and competitive bids (see table 4.5).

Funding for teaching activities is largely input-based, with most of the selected countries allocating funding on the basis of the number of students (using a measure of full-time equivalent students) (see table 4.5).⁶ For example, the base operating grant in Australia is provided to universities for a specified number of student places on the basis of an educational profile that covers a university's teaching and research activities (see box 4.1).

The exception is Ireland, where adjustments to a university's core grant are made by comparing a university's unit cost for each specified subject area to the average cost of all seven publicly funded universities for that subject area.

⁶ Both Sweden and the Netherlands also incorporate a performance element into the allocation of funds for teaching activities.

Table 4.5 University operating grants allocation responsibility and process — selected countries, July 2002

	<i>Program</i>	<i>Responsible agency</i>	<i>Allocation process</i>
Australia	Base Operating Grant	Department of Education Science and Training (DEST) under the <i>Higher Education Funding Act 1988</i>	Annual negotiation between DEST and each institution based on Educational Profiles. Student target loads set during the process determine the maximum grant allocated to an institution.
	Institutional Grants Scheme	DEST	Formula based on research income and publications for the last two years and previous year's higher degree research places. ^a
	National Competitive Grants Program	Australian Research Council under the <i>Australian Research Council Act 2001</i>	Competitive bids with applications assessed in terms of researcher track record, and project content.
British Columbia	Base Operating Grant	Ministry for Advanced Education	Funding levels for universities reviewed annually by the Ministry for Advanced Education and the Treasury Board as part of the budget cycle.
England	Teaching Grant	Higher Education Funding Council for England (HEFCE) under the Further and Higher Education Act 1992	Formula based on the number of full-time equivalent (FTE) students, taking into account the types of students, the nature of subjects offered and institutional factors such as location and size.
	Research Grant ^b	HEFCE	Funds for each subject area allocated on basis of volume (numbers of research staff and postgraduate research students and research income from charities) and quality (Research Assessment Exercise). ^c Funds for supervision of postgraduates allocated in proportion to cost-weighted FTE student numbers in units of assessment rated 3a or higher.
Hong Kong	Recurrent Grant	University Grants Committee	Formula based on quantity of teaching (number of students) and research (number of academic staff); acknowledges cost relationships across courses and that all academics are not active in research.
	Earmarked Research Grants ^d	Research Grants Committee (RGC)	Majority allocated in response to competitive bids with proposals subject to a peer review process via the RGC's four subject panels supported by an international network of expert referees.

^a Transitional arrangements in place between 2002 and 2004 cap funding gains at 5 per cent above the previous year, with surplus funds redistributed to universities incurring the highest proportional losses. Additional funding provided to regional universities to offset further losses in total funding incurred over the period. ^b There are three components to the research grant — Mainstream QR allocated to reflect the quality and volume of research in different subjects, funds for supervision of research students and a London weighting to reflect additional costs of provision in London. The first stage of Mainstream QR funding allocates funding for each subject area based on relative cost and volume (numbers of research staff, postgraduate research students and research income from charities) of research in each subject. ^c Under the Research Assessment Exercise (conducted every 4 to 5 years) each institution is awarded a rating on a scale of 1 to 5*, for its research in each unit in which it was active. Ratings below 3a attract no funding and a rating of 5* attracts nearly three times as much funding as a rating of 4 for the same volume of research activity. ^d Comprises five components, the largest of which is competitive bids. Other components include joint research schemes and postgraduate conferences and seminars. (Continued on next page)

Table 4.5 (continued)

	<i>Program</i>	<i>Responsible agency</i>	<i>Allocation process</i>
Ireland	Block Grant	Higher Education Authority	Core grant allocations depend on comparisons of each university's cost per student per academic grouping with the average cost for all seven universities. Grant in lieu of undergraduate full-time tuition fees based on audited student numbers.
Netherlands	Teaching Grant	Ministry of Education	Components for basic teaching and workplace veterinary science and dentistry allocated in fixed amounts (historic) to each university. Remainder allocated on basis of the numbers (two year average) of certificates awarded and first year students (weighted for high and low cost courses).
	Research Grant	Ministry of Education	Components for basic research and strategic considerations allocated as fixed amount to each university. The numbers (two year average) of PhD dissertations and designer certificates awarded (weighted by cost of delivery). Component for research centres allocated in proportion to previous year's sum of the components for basic research, dissertations and certificates and strategic considerations. Component for excellent research centres allocated in consultation with the Research Council.
New Zealand	EFTS-based Funding	Ministry of Education	Number of equivalent full-time student (EFTS) enrolments, with the per EFTS amount differentiated across six funding categories, and for levels of undergraduate and postgraduate students. Includes per EFTS add-ons for specific health related courses. ^e
Sweden	Teaching Grant	Ministry of Education and Science	Number of FTE students and a performance equivalent (based on the number of credit points accumulated by students). ^f The level of funding per FTE and performance equivalent are differentiated across subject areas.
	Research Grant	Ministry of Education and Science	Strategically allocated to four areas of research — humanities and social science, medicine, natural science and technology.

^e One EFTS unit is equivalent to the workload that would normally be undertaken by an average full-time student within a 12 month period. There is no cap on the number of subsidised places, except for some high-cost qualifications such as medicine, dentistry, and veterinary science. ^f The successful completion of a subject leads to a specific number of credit points.

Sources: CPB and CHEPS (2002); DEST (2002e); HEFCE (2001a and 2002b); Higher Education Authority Ireland, pers. comm., 9 July 2002; Kaiser, Koelman and Vossensteyn (2002); ME (2001); NAHE (2001); UGC (1996 and 2002).

Box 4.1 Educational profiles — Australia

Annual educational profiles provide the basis for the funding discussions between the Department of Education, Science and Training (DEST) and universities.

Under the *Higher Education Funding Act 1988* (the Act), universities are required to provide the Minister with an educational profile, made up of a series of plans. Under the Act, the Minister is responsible for nominating what will be included as part of the profile after consultation with the universities.

In 2001, the educational profiles included:

- an outline of the main features of an institution's strategic plan, including information on core teaching and research activities, proposed discipline shifts and staffing profiles, rationalisation initiatives and mergers, indications of shifts in demand, and strategies in response to emerging trends and fee-paying opportunities;
- statistical data on students (student load) for the current year and the next triennium;
- a capital management plan outlining projected capital income and expenditure, projected loans and debt redemption;
- a research and research training management report;
- three other plans outlining strategies and performance on equity, Indigenous education and quality assurance and improvement; and
- data on on-line courses.

Student target loads are set during the discussion process. Universities are required to provide an agreed level of non-research fully subsidised places (total enrolment target) and an agreed level of undergraduate fully subsidised places (undergraduate target). These student target loads form the basis for determining a university's operating grant.

Since 1998 universities have received, as part of their operating grant, marginal funding (the minimum discounted Higher Education Contribution Scheme (HECS) amount) for each HECS-liable undergraduate student enrolled above the university's undergraduate target.

Source: DEST (2002e).

Governments use different approaches to determining the level of funding per student. Some take into account the relative costs of course delivery and the mix of students, and others include a performance element.

In Australia, the share of the total operating grant funding for each university was initially based on the Relative Funding Model (RFM) introduced in 1990. The RFM was developed following a review of the relative cost of course delivery, which led to the assignment of weights to different disciplines and levels of study on a

systemwide basis. High cost disciplines and courses and higher degree research students were weighted more heavily than lower cost disciplines and undergraduate students.

The RFM was designed to establish a base level of funding rather be used on an ongoing basis. A tolerance band of ± 3 per cent was applied in determining whether to adjust the base level of funding each year. Where universities were considered to be over- or under-funded, adjustments were made to student loads and to the level of grant funding. The RFM was abandoned in 1997.

The allocation of funds is now determined on the basis of the average rate of funding per equivalent full-time student unit (student load) at each university.⁷ Effectively the amount of base operating grant received by a university in any given year will be equivalent to the level of funds received in the previous year, plus or minus any growth or downward adjustment of its target student load and any cost adjustments. These adjustments are agreed with each university after consideration of the university's educational profile. Universities also receive marginal funding for enrolments over their target student load (see box 4.1).

In England, the level of funding received depends on the mix of subjects, students and institutional factors (see box 4.2). The HEFCE uses data on the actual spending patterns of universities to establish cost weights for four broad categories of subjects. These cost weights are translated into levels of funding depending on the total funding available each year. Student numbers are also weighted to take account of the mix of students and other factors specific to each university such as location and size.

In Sweden and the Netherlands, the allocation of teaching grants incorporates an element of output or performance-based funding. For example, in Sweden, universities not only receive funding based on student numbers but also on the number of credits accumulated by students. A successful full-time student accumulates 40 credits in an academic year. Universities receive a performance payment for each successful student. The rate of funding for student numbers and performance payments are both differentiated by discipline.

⁷ Where the government has introduced additional places as a part of a specific initiative, these may be funded at higher than the average rate. For example, the additional Information Communication and Technology places funded in support of Backing Australia's Ability: An Innovation Plan for the Future.

Box 4.2 Funding teaching in England

The Higher Education Funding Council for England (HEFCE) funding method for teaching is based on the following principles:

- students studying similar subjects are funded equally;
- opportunities to enter higher education are increased, with extra support for some, including part-time and mature-aged undergraduate students; and
- institutional diversity is recognised through funding specialist activities and particular characteristics.

As the basis for its funding, the HEFCE defines four broad groups of subjects (price groups) and sets the relative cost of delivery for each group based on average actual spending by universities across the sector. These relative costs are used to determine the allocation of funds. For example, a university will receive twice as much money to support someone studying chemistry (second price group) as for a student taking social studies (lowest price group).

Once the relative costs of all students in a university are calculated, the level of funding is adjusted through a series of premiums to reflect student and institutional characteristics such as the number of mature-aged or part-time students, location, size, and specialisation.

The size of the teaching grant received by an institution in any given year is calculated by comparing the 'standard resource' (a notional estimate of what a university would receive if the grant was calculated afresh each year) with the 'actual resource' (previous year's grant adjusted for factors such as inflation, delivery of agreed student places and the expected level of tuition fee income).^a If the difference between the two is within ± 5 per cent, the university receives the actual resource less assumed tuition fee income in the form of a teaching grant. If the difference is outside the tolerance band, adjustments are made to funding levels or student numbers.

^a The resource is defined to include the teaching grant plus assumed tuition fee income.

Source: HEFCE (2002b).

Australia and England are the only countries in the group who have explicit indexation arrangements to provide for cost inflation. In Australia, funding levels are indexed each year by the Higher Education Cost Adjustment Factor (CAF). The CAF is made up of two elements — an adjustment for salary costs (notionally 75 per cent of grants) and an adjustment for non-salary costs (notionally 25 per cent of grants). The salary cost component of the CAF is based on the Safety Net Adjustment as determined by the Australian Industrial Relations Commission (1.9 per cent in 2002). The non-salary component is based on the Consumer Price Index (3 per cent in 2002). In England, the HEFCE makes adjustments for inflation when calculating the 'actual resource' for each university (see box 4.2).

Funding for research activities tends to be more performance-based, with most of the selected countries using competitive bids to allocate some of their research funding. A number of countries also provide block funding for research. In some cases the allocation of block funding for research also incorporates some element of performance based funding (see table 4.5).

In Australia, the government introduced the Institutional Grants Scheme (IGS) in 2002, a block grant to support research and research training activities. Under the IGS, universities are allocated funds on the basis of their performance as measured by the level of research income, the number of research publications (for the previous two years), and the number of higher degree research places (for the previous year). Funding under the Research Training Scheme is allocated on a similar basis.

In England, the Research Assessment Exercise (RAE) forms the basis for allocating block funding for research. The RAE is conducted every four or five years to rate each university on a scale of 1 to 5* for each subject area for which it is active. Universities only receive funding for each subject area if they are rated 3a or higher in that area. Funding levels are weighted such that a rating of 5* attracts nearly three times as much funding as a rating of 4 for the same volume of research.⁸ As a consequence, block funding of research in England is very selective with 75 per cent of HEFCE funds going to only 20 per cent of the institutions eligible for funding (HEFCE 2002b).

In Hong Kong, Ireland and New Zealand, block funding for research is incorporated into the block funding for teaching and is allocated on the same basis. In New Zealand, the per EFTS funding rate is differentiated according to the research intensity of the course. For example, the per EFTS funding rate will be higher for a higher degree research arts course than an undergraduate arts course.

Delivery mechanism and conditions

The ability of universities to respond to student demand can have important implications for the management of their resources. Governments can influence this flexibility through the way they deliver support and the conditions they attach to that support.

⁸ The volume of research in each subject area is measured on the basis of five components for departments rated 3a or above in the RAE. The components are weighted and include, the numbers of research active academic staff, research assistants, research fellows, postgraduate research students, and research income from charities. The number of research active academic staff is the most important measure of volume, accounting for two thirds of the total.

In a number of countries, including Australia, governments impose limits on the number of places universities are able to supply for which they receive government support. In Australia's case, failure to meet those limits may result in reduced funding. It is not clear to what extent this is the case in the other selected countries.

Government regulation of tuition fees will also affect the ability of universities to respond to student demand (see section 4.2 for a discussion of fee regulation).

Funding levels in most of the selected countries are determined within the context of three or four-year periods, to give universities some certainty over resourcing. Governments typically stipulate which universities are eligible for public funding. In Australia, one of the private universities is eligible for government block funding for teaching and both private universities are eligible for research funding. New Zealand is the only country in which government funding is available to all private providers of higher education for both teaching and research purposes (see table 4.6).

In all of the selected countries, public and private universities have to meet general requirements relating to quality and accreditation. Governments can also attach conditions to the support they provide to public universities. These conditions can relate to how universities spend funding or to their eligibility for funding. In most of the selected countries, universities receive the bulk of their funding in the form of block grants. Universities are free to disburse these funds according to their own priorities within broad guidelines. Where funds are provided for specific initiatives, universities are required to spend those funds accordingly.

The conditions set by governments tend to be in the form of target student loads. In Australia, funding is conditional on universities delivering the agreed level of undergraduate and total student places set as part of the educational profiles process. In addition, public universities face limits on the number of full-fee-paying places they can offer to domestic students. Having met its target student load, a university is able to offer full-fee-paying places to domestic students. However, the number of domestic fee-paying students must be less than 25 per cent of the total number of places available for domestic students in that course and the fee charged must not be less than the relevant HECS charge.

In Sweden, public universities enter into three-year contracts with the Ministry of Education. These contracts outline the basis for government support (see box 4.3). In New Zealand, the government does not set the number of student places, nor is funding conditional on meeting any student load targets.

Table 4.6 Delivery mechanisms and conditions for university operating grants — selected countries, July 2002

	<i>Program</i>	<i>Delivery mechanism</i>	<i>Conditions</i>
Australia	Base Operating Grant	Block operating grant determined in context of rolling triennium available to 38 universities. ^a	Universities must meet a total enrolment target and an undergraduate target for Commonwealth funded places. Universities receive marginal funding for each HECS-liable undergraduate student enrolled above its target student load. Operating grants can be reduced where universities fall short of their agreed undergraduate target.
British Columbia	Institutional Grants Scheme	Block grant determined in context of rolling triennium available to 39 universities. ^b	Universities must meet enrolment targets for both undergraduate and graduate programs. Enrolment targets may also be set for specific programs such as information technology, nursing and health programs.
	Base Operating Grant	Block grant determined in context of annual budget cycle.	
England	Teaching Grant	Block grant determined in context of a rolling triennium available to publicly funded universities.	Universities can vary enrolment as long as the difference between the standard and actual resource remains within the tolerance band. Where funding is provided for additional places in response to bids from universities an overall full-time equivalent (FTE) student target is set. Minimum targets are set for some medical and dental courses.
Hong Kong	Recurrent Grant Earmarked Research Grants	Triennial block grant available to seven publicly funded universities. ^c Range of grants available to seven publicly funded universities.	The overall level of student numbers is agreed with government for each year of a triennium.

^a The University of Notre Dame is the only private university to receive funding from the Commonwealth for operating purposes on a triennial basis. ^b Both private universities (Bond University and the University of Notre Dame) are eligible for block funding for research. ^c The University Grants Committee also funds the Hong Kong Institute of Education.

(Continued next page)

Table 4.6 (continued)

	<i>Program</i>	<i>Delivery mechanism</i>	<i>Conditions</i>
Ireland	Block Grant	Annual block grant available to seven publicly funded universities.	The Higher Education Authority (HEA) is able to impose any condition it sees fit. Any excess expenditure over the budget agreed with the HEA shall be a first charge on the budget for the next succeeding financial year.
Netherlands	Teaching Grant	Block grant available to 13 publicly funded universities.	4-year agreements on the total number of students per university.
New Zealand	EFTS-based Funding	Annual block grant available to recognised tertiary education providers, including private providers.	Funding is demand driven and not conditional on the delivery of an agreed number of student places.
Sweden	Teaching Grant	Block grant determined on basis of 3-year budget available to 13 publicly funded universities.	Minimum number of total FTE students as well as minimums for science and technology. Universities may be required to increase or decrease FTE students in certain subject areas compared with the preceding 3-year period. There is also a ceiling sum which constitutes the highest aggregate funding for FTE students.
	Research Grant	Special grants available to 13 publicly funded universities.	Conditions can be attached to grants, for example, not less than a certain proportion of the grant must be used to fund postgraduate training.

Sources: CPB and CHEPS (2002); DEST (2002e); HEFCE (2001a and 2002b); Higher Education Authority Ireland, pers. comm., 9 July 2002; Kaiser, Koelman and Vossensteyn (2002); ME (2001); Ministry of Advanced Education British Columbia, pers. comm., 14 August 2002; NAHE (2001) and UGC (1996 and 2002).

Box 4.3 Contracts between Swedish universities and the Ministry of Education

The block funding of teaching and research is based on 3-year contracts between each of the publicly funded universities and the Ministry of Education. These contracts stipulate:

- the minimum number of certain types of degrees to be awarded during two 3-year periods and the minimum number of examinations in these degrees for the next 3-year period;
- the minimum number of annual full-time equivalent (FTE) students for each fiscal year;
- minimum numbers of FTE students for a specific field of education (currently science and technology);
- whether the number of FTE students in certain subject areas must increase or decrease compared to the preceding 3-year period;
- the maximum level of funding, based on the number of FTE students and performance payments. Universities do not receive funding for students enrolled above their target student load; and
- specific requirements which may lead to additional funding.

Sources: Eurydice (2002c) and NAHE (2001).

4.2 Support for students

Governments in the selected countries provide students with support in the form of grants, loans, or a combination of both (see tables 4.7 and 4.8). Student loans can be distinguished from student grants in so far as they are repayable. Governments also provide support for students by regulating or subsidising tuition fees. Some governments also provide other forms of support such as travel concessions. However, these forms of support were not examined in detail in this study.

By linking support to outcomes, either by limiting the period of availability or reducing the level of assistance available, governments ensure that students share some of the risk and have a greater incentive to pass.

Student support in the form of grants and loans is generally available to students irrespective of whether they attend a public or private university.

Table 4.7 Government grants for students — selected countries, July 2002

	<i>Eligibility basis</i>			<i>Entitlement basis</i>		
	<i>Mode of study</i>	<i>Parent income</i>	<i>Student's income</i>	<i>Mode of study</i>	<i>Parent income</i>	<i>Student income</i>
Australia	✓	✓	✓	×	✓	✓
British Columbia	✓ ^a	×	✓	×	×	✓
England	✓ ^a	×	×	×	×	×
Hong Kong	✓	✓	×	×	✓	×
Ireland	✓	✓	✓	×	✓	✓
Netherlands	✓	✓ ^b	×	×	×	✓
New Zealand	✓	✓	✓	×	✓	✓
Sweden ^a	×	×	✓	✓	×	✓
United States	✓	✓	✓	✓	✓	✓

^a A number of grants are available to students in specific circumstances such as those with dependents or a disability. Eligibility for some of these grants is based on the mode of study. ^b Only applies to the supplementary grant.

Table 4.8 Government student loans — selected countries, July 2002

	<i>Available for</i>			<i>Repayments</i>		
	<i>Tuition fees</i>	<i>Living costs^a</i>	<i>Income contingent</i>	<i>Time based</i>	<i>Indexed by inflation</i>	<i>Interest bearing</i>
Australia	✓	✓	✓	×	✓	×
British Columbia	×	✓	×	✓	×	✓
England	×	✓	✓	×	✓	×
Hong Kong	✓	✓	×	✓	×	✓
Ireland	×	×	×	×	×	×
Netherlands	×	✓	✓	✓	×	✓
New Zealand	✓	✓	✓	×	×	✓
Sweden	×	✓	×	✓	×	✓
United States	×	✓	×	✓	×	✓

^a In some cases, loans provided for living costs may also be used to meet the cost of tuition.

Student grants

Student grants in most of the selected countries are provided as a form of income support. In Hong Kong student grants are provided to meet the cost of tuition fees, academic expenses and compulsory union fees (see table 4.9) In most of the selected countries, eligibility for student grants is limited to full-time students. However, Sweden, the United States and British Columbia extend this assistance to part-time students (see table 4.10). In England, student grants are limited to those in special circumstances — students with dependents, lone parents and students with

disabilities. Other students receive support in the form of student loans and tuition fee subsidies.

Table 4.9 Student grants — selected countries, July 2002

	<i>Program</i>	<i>Purpose</i>
Australia	Youth Allowance ^{a,b}	Income support for full-time students aged between 16 and 24.
	Austudy ^b	Income support for full-time students aged 25 and over.
	Abstudy ^b	Income support for Indigenous students.
British Columbia	Canada Study Grants	Support for students in certain circumstances including those studying part-time, with dependents or a permanent disability.
	British Columbia Grants	Income support for students in the second, third or fourth years of undergraduate study.
England	Dependent's Grant, Lone Parent's Grant, Disabled Students' Allowances	Income support for full-time students in certain circumstances including those with dependents or a disability.
Hong Kong	Local Student Finance Scheme ^c	Financial assistance to meet cost of tuition fees, academic expenses and compulsory union fees.
Ireland	Higher Education Grants Scheme	Income support for full-time students aged 17 and over.
Netherlands	Performance Related Grant ^d	Income support for all full-time students for the duration of a higher education program (4 or 5 years). ^e
New Zealand	Student Allowance ^f	Income support for full-time students aged over 18 while studying.
	Unemployment Benefit Student Hardship	Income support if unable to find work during the study break (3 weeks or more).
Sweden	Study Assistance ^g	Income support for students aged between 16 and 20 during the study period.
	Study Allowance ^h	Income support for students aged between 20 and 55 during the study period.
United States	Federal Pell Grants	Support for undergraduate students.

^a Youth Allowance also provides support for unemployed persons aged under 21. ^b Students receiving these payments may also be eligible for a Health Care Card which entitles them to certain concessions. ^c Under this scheme students receive a grant to meet tuition and related fees and a loan to meet living costs. ^d Students can also apply for a supplementary grant if parental income is below a specified threshold. ^e Initially, students receive the grant in the form of a loan. Upon satisfactory academic performance the loan is converted to a grant. ^f Students may also be eligible for an accommodation benefit. ^g Students may also be eligible for additional support as well as an accommodation supplement. ^h Under this program students receive a grant and a loan.

Sources: Centrelink (2002a, 2002c and 2002e); CPB and CHEPS (2002); DE (2002); DESI (2000); DESUK (2002); MES (2002); SFAA (2002) and Studylink (2002a and 2002c).

In all countries studied, the level of entitlement is means-tested. In Australia, for example, the amount of Youth Allowance received depends on the student's income and assets, on the parent's income and assets where students are dependent on their parents, and on the existence of dependents.

In some countries, students might also be entitled to additional support to cover accommodation and education expenses. For example, in addition to the basic grant, students in Sweden may also be eligible for an accommodation supplement to counteract the problems of geographical distance and a needs-based additional supplement designed to broaden access to higher education.

In New Zealand and Sweden, student grants are only paid over the study period. Students do not receive assistance during the long study breaks.⁹ These countries, in addition to the Netherlands, place a cap on the time that assistance is available. This provides students with an incentive to complete their studies within a time limit.

Governments may have different grant arrangements in place for students of different ages (see table 4.9). These grants tend to have similar characteristics to those described in table 4.10.

⁹ Under the Unemployment Benefit Student Hardship program, students in New Zealand can apply for income support when they are unable to find work during study breaks of 3 weeks or more.

Table 4.10 Student grant eligibility and entitlements — selected countries, July 2002

	Program	Eligibility	Entitlements
Australia	Youth Allowance	Full-time students aged between 16 and 24 who are in Australia on the day they claim and meet Australian residency requirements.	Payment based on individual circumstances, including living arrangements, parent income and assets as well as student income and assets and the number of dependents.
British Columbia	Canada Study Grant for Students with Dependents	Students with children or other wholly dependent relatives excluding spouses.	Payment based on number of dependents up to a weekly maximum of grant plus any loan being received.
England	Dependent's Grant	Full-time students with dependents.	Payments based on student and dependent income.
	Disabled Students' Allowances	Full-time and part-time students with disabilities.	Series of allowances.
Hong Kong	Local Student Finance Scheme (part loan)	Full-time students studying recognised courses at specified universities.	Payment based on family income and value of assets per household member.
Ireland	Higher Education Grants Scheme	Full-time students aged 17 and over who are European Union nationals and meet residency requirements.	Full or part grant based on the total level of parent and/or student income depending on living arrangements.
Netherlands	Performance Related Grant	All full-time students. Supplementary grant available if parent's income below a specified threshold.	Payment based on living arrangements and student income. Assistance available for the nominal period of study (4 or 5 years). ^a
New Zealand	Student Allowance	Full-time students aged over 18, who are New Zealand citizens or permanent residents studying a recognised course and earning below a maximum weekly income.	Payment based on individual circumstances, including living arrangements, parent and student income and number of dependents. Assistance available for a maximum of 200 weeks.
Sweden	Study Assistance	Students aged between 16 and 20 earning below a maximum income.	Payment based on student income and mode of study. Assistance available for a maximum of 240 weeks.
United States	Federal Pell Grants	First time undergraduate students in financial need.	Maximum annual award. The level of grant received depends on the cost of attendance, the expected family contribution and the mode and length of study. ^b

^a Assistance is initially provided as a loan. Upon satisfactory academic performance the loan is converted into a grant. ^b The cost of attendance includes tuition and other fees, on-campus room and board and allowances for books, supplies, transportation and loan fees. The expected family contribution is calculated on the basis of a formula to determine how much the student and his or her family are expected to contribute to their education.

Sources: Centrelink (2002a, 2002c and 2002d); CPB and CHEPS (2002); DE (2002); DESI (2000); DESUK (2002); HRD (2002); MAE (2002b); MES (2002); SFAA (2002) and Studylink (2002a and 2002c).

Student loans

With the exception of Ireland, all of the selected countries have some form of student loan scheme in place (see table 4.11). In Australia, the Higher Education Contribution Scheme (HECS) is restricted to meeting the costs of tuition at public universities.¹⁰ Students in Commonwealth funded places can choose to defer their fee payments by taking advantage of a loan contingent on future income provided by the Commonwealth Government (see box 4.4).

Table 4.11 **Student loan schemes — selected countries, July 2002**

	<i>Program</i>	<i>Purpose</i>
Australia	Higher Education Contribution Scheme	Future income contingent loan to meet tuition fees for students in Commonwealth funded places.
	Postgraduate Education Loans Scheme	Future income contingent loan to meet tuition fees for postgraduate non-research courses.
	Student Financial Supplement Scheme	Living costs while studying.
British Columbia	Canada Student Loan	Living costs while studying.
	British Columbia Student Loan	Living costs while studying.
England	Student Loans	Living costs while studying.
Hong Kong	Local Student Finance Scheme ^a	Living costs while studying.
Ireland	..	..
Netherlands	Student Loans	Living costs while studying.
New Zealand	Student Loans	Compulsory fees, course-related costs and living costs. ^b
Sweden	Study Allowance ^{c,d}	Living costs for students aged between 20 and 55 during the study period.
United States	Federal Stafford Loans ^e	Living costs while studying.
	Federal Perkins Loans	Low interest loan for undergraduate and graduate students in financial need.

^a Under this scheme students receive a grant to meet tuition and related fees and a loan to meet living costs. ^b The loan to meet living costs is only available to full-time students. ^c Under this program students receive a grant and a loan. ^d Students also have access to supplementary loans. Students over 25 may be eligible for a supplementary loan if they had income exceeding a specific amount during the 12 months prior to the study period. Students may also be eligible for loans to cover additional expenses such as the purchase of musical instruments. ^e There are two types of Stafford Loans. Under the Direct Loan Program, funds are lent by the US Government. Under the Federal Family Education Loan Program, funds are lent by private lenders. .. Not applicable.

Sources: Centrelink (2002d); CPB and CHEPS (2002); DE (2002); DEST (2002c and 2002e); DESI (2000); DESUK (2002); HRD (2002); MAE (2002b); MES (2002); SFAA (2002) and Studylink (2002b).

¹⁰ A limited number of students occupying Commonwealth funded places at the University of Notre Dame, a private university, have access to loans under HECS.

Some Australian students also have access to a loan to meet living costs under the Student Financial Supplement Scheme. Under this scheme students receiving the general rate of either the Youth Allowance or Austudy, or the ABSTUDY Living Allowance, can elect to give up part or all of their allowance in return for a loan of up to double the amount. In addition, students who would have received the general rate of Austudy if not for the parental income test, have access to a maximum loan amount determined by parental income.

In England, British Columbia, Hong Kong, Sweden, the Netherlands and the United States, loans are made available to meet living costs more generally, including the costs of tuition in some cases. In New Zealand, students have access to three types of loan. The first, which is for tuition fees, is paid directly to the university, as is the case in Australia. Loans are also available to meet the cost of living as well as for course-related costs.

In most countries, the total amount of loan available is capped. In Australia, for example, the amount that can be borrowed depends on the student's HECS liability and the level of upfront payments (see box 4.4). In New Zealand, only loans for living costs and course-related expenses are capped. There are no limits on how much students can borrow to finance the payment of tuition fees.

In a number of countries the amount of loan that is available is means-tested against either student income, parental income or both. In England, for example, students have access to 75 per cent of the maximum loan as a basic entitlement and the remaining 25 per cent is means tested against student income (see table 4.12).

Students in the selected countries are required to commence making compulsory repayments either when they reach a specified level of income or after a specified amount of time has elapsed. In Australia, England and New Zealand, repayments commence when a minimum income threshold is reached. In these countries, the level of repayment also increases as income levels increase. Compulsory repayment in British Columbia, Hong Kong, the Netherlands, the United States and Sweden commences after a specified period (see table 4.13). In these countries, repayment levels are independent of income. For example, in Hong Kong the loan is repayable in 20 quarterly instalments within five years of graduation.

Box 4.4 Higher Education Contribution Scheme — Australia

The Higher Education Contribution Scheme (HECS) was introduced in 1989. HECS is a mechanism for collecting contributions from higher education students towards the cost of their tuition.

Under HECS, Australian citizens and some permanent residents in Commonwealth funded places become liable for contributions at the beginning of each semester. The level of the contribution is determined by the Minister for Education. Since 1997, contribution levels fall into three bands that reflect both the cost of course delivery and the potential future earning capacity of graduates.

Students can choose to either pay their HECS liability upfront, make partial upfront payments or defer payment through an income contingent loan offered by the government. Those paying upfront or making partial upfront payments of \$500 or more receive a 25 per cent discount, the value of that discount being paid by the government to the university.^a

Those choosing to defer some or all of their HECS liability enter into a loan agreement with the government. The government makes the full HECS payment to the university on behalf of the student. Compulsory repayments of the loan to the government commences when the student's income reaches a minimum threshold. Repayment levels increase as income levels increase.

Voluntary payments can be made at any stage and repayments of \$500 or more attract a 15 per cent discount.

The accumulated HECS debt is indexed by the Consumer Price Index annually.

^a Those choosing to defer their HECS payments in effect face a capitalised borrowing charge of 33 per cent.

Source: DEST (2002d).

Student loans are either indexed by some measure of inflation or attract interest. Where loans are indexed by inflation, students who repay their loans eventually repay what they borrowed in real terms. If indexed loans attract a real interest charge, students end up repaying the principal plus the additional interest. In Australia and England, outstanding loan amounts are indexed by the respective measures of inflation in each country. In the other selected countries, interest is levied with the rate set by the government. These rates are often preferential (see table 4.13).

Table 4.12 Student loan eligibility and terms — selected countries, July 2002

	Program	Eligibility	Terms of loan
Australia	Higher Education Contribution Scheme	Students enrolled in a Commonwealth funded place.	Level of loan determined by HECS liability less any upfront payments.
	Student Financial Supplement Scheme	Category 1 — students who are eligible to receive the general rate of Youth Allowance or Austudy or the ABSTUDY Living Allowance. Category 2 — dependent students who would have been eligible for the general rate of Youth Allowance or Austudy if not for the parental income test.	Category 1 students elect to give up part or all of their payment to receive double the amount (up to a maximum) as a loan. For category 2 students the maximum level of loan available is based on parental income. Funds for the loans are provided through the Commonwealth Bank.
British Columbia	Canada Student Loan	Canadian citizens or permanent residents enrolled at designated institutions in financial need. Students need to maintain a satisfactory scholastic standard and must pass a credit check if older than 22.	Loan is equivalent to 60 per cent of a student's assessed need up to a weekly maximum. Students are eligible to receive assistance up to a maximum lifetime limit of 340 weeks of study. ^a
England	Student Loans	Full-time, sandwich and part-time teacher training students aged under 55. ^b	Maximum loan amount which is increased if living in London, and decreased if living at home. Students receive 75 per cent as a basic entitlement and 25 per cent means tested on the basis of student and family income.
Hong Kong	Local Student Finance Scheme	Full-time students studying recognised courses at specified universities	Level of loan based on family income and value of assets per household member.
Ireland	..	..	..

^a Lifetime limit may be extended to 400 weeks for full-time students enrolled in doctoral programs and 520 weeks for full-time students with a disability. ^b Sandwich courses include periods of practical work in organisations outside the university. .. Not applicable.

(Continued next page)

Table 4.12 (continued)

	Program	Eligibility	Terms of loan
Netherlands	Student loan	All students enrolled at a recognised institution.	Maximum monthly level of loan available.
New Zealand	Student Loan for fees, course-related costs and living costs	New Zealand citizens or permanent residents enrolled in an approved course. All students have access to the loans for fees and course-related costs. Part-time students do not have access to the loan for living costs.	The loan for fees is uncapped and paid directly to the university. The loans for course-related costs and living costs are capped. The loan for living costs is reduced by any Student Allowance being received. Administration fee levied for each loan taken out.
Sweden	Study Assistance	Full-time students aged between 16 and 20 earning below a maximum income.	Level of loan determined by student income and mode of study. Available over a maximum period of 240 weeks. Administration fee charged per half calendar year.
United States	Federal Stafford Loans	US citizens or permanent residents enrolled in eligible programs. Subsidised loans awarded on basis of financial need.	Maximum annual amount that can be borrowed based on living arrangements, and how much of a course has been completed.
	Federal Perkins Loans	Undergraduate and graduate students in exceptional financial need.	Maximum annual amount that can be borrowed as well as a maximum that can be borrowed as an undergraduate or graduate.

Sources: CPB and CHEPS (2002); DE (2002); DESI (2000); DEST (2002c and 2002e); DESUK (2002); Eurydice (1999); HRD (2002); MAE (2002b); MES (2002); SFAA (2002); Studylink (2002b).

Table 4.13 Student loan interest and repayment arrangements — selected countries, July 2002

	<i>Program</i>	<i>Interest arrangements</i>	<i>Repayment arrangements</i>
Australia	Higher Education Contribution Scheme	Outstanding debt is indexed annually by the Consumer Price Index (CPI).	Compulsory repayments begin at a minimum income threshold. Repayment levels increase as income levels increase. Voluntary repayments of \$500 or more attract a 15 per cent discount. Any outstanding loan is cancelled on death.
	Student Financial Supplement Scheme	Outstanding debt is indexed annually by the CPI. ^a	At the end of the contract period (5 years) the debt is transferred from the Commonwealth Bank to the government. Students are required to commence making compulsory repayments at this point if their income is above a minimum threshold. Repayment levels increase as income levels increase.
British Columbia	Canada Student Loan ^b	Repayable with interest, but interest free while studying. Choice of paying a maximum fixed rate (prime at consolidation plus 5 per cent) or a variable rate (prime plus 2.5 per cent).	Compulsory repayment begins 6 months after the completion of studies.
England	Student Loans	Outstanding debt amount indexed annually by the Retail Price Index.	Compulsory repayments begin at a minimum income threshold. Repayment levels increase as income levels increase. If repayments are maintained any outstanding loan is cancelled at age 65, on permanent disability or death.
Hong Kong	Local Student Finance Scheme	Interest charged at 2 per cent below average best lending rate of note-issuing banks, plus a 1.5 per cent risk premium.	Loan repayable in 20 quarterly instalments within five years of graduation or abandonment of studies. Surcharge levied for late payments.
Ireland	..	..	..

^a Any interest charged by the Commonwealth Bank is paid by the Federal Government. ^b Students eligible for a Canada Student Loan are also eligible for a British Columbia Student Loan. The British Columbia Student Loan has the same interest and repayment arrangements as the Canada Student Loan. .. Not applicable.

(Continued next page)

Table 4.13 (continued)

	<i>Program</i>	<i>Interest arrangements</i>	<i>Repayment arrangements</i>
Netherlands	Student Loan	Rate equal to the rate for government loans plus a default risk premium.	Repayments commence two years after completion of studies. Minimum monthly repayment based on income level. Monthly repayments can be reduced following a means test. Remaining debt acquitted after 15 years.
New Zealand	Student Loan for fees, course-related costs and living costs	Base interest rate based on government cost of borrowing plus an interest adjustment rate based on the CPI.	Compulsory repayments begin at a minimum income threshold. Annual repayment obligation based on 10 per cent of difference between actual income and income threshold.
Sweden	Study Assistance	Rate of interest determined by the government each year.	Repayments commence 6 months after last receiving any form of study assistance. Compulsory annual repayments (increased by 2 per cent each year) for a period of 25 years or aged 60. Level of repayments can be reduced subject to means testing. Loan written off if not repaid by age 67.
United States	Federal Stafford Loans	For subsidised loans, interest is charged when repayments commence. For unsubsidised loans, interest is charged from the time the loan is disbursed until it is paid in full. The interest rate is adjusted each year but cannot exceed 8.24 per cent.	Repayments commence 6 months after graduation, when the student ceases studying or drops below half-time enrolment. The level of repayment varies with the type of loan.
	Federal Perkins Loan	Interest charged at 5 per cent.	Repayments commence 9 months after graduation, when the student ceases studying or drops below half-time enrolment. Repayment level depends on the size of the debt and the repayment period.

Sources: Centrelink (2002b and 2002d); CPB and CHEPS (2002); DE (2002); DESI (2000); DEST (2002c and 2002e); DESUK (2002); Eurydice (1999); HRD (2002); MAE (2002b); MES (2002); SFAA (2002); Studylink (2002b).

Regulation of tuition fees

Governments can also influence the level and nature of support they provide to students by regulating the imposition and level of tuition fees. With the exception of New Zealand, all of the selected countries have some form of regulation of domestic undergraduate student tuition fees. In Canada and the United States, whether tuition fees are regulated or not depends on the state or province being considered. In British Columbia, for example, tuition fees are deregulated.

England, Hong Kong, Sweden and the Netherlands also have some form of regulation of domestic postgraduate student tuition fees. Sweden is the only country to regulate tuition fees for international students (see table 4.14).

Table 4.14 **Government regulation of tuition fees — selected countries, July 2002**

	<i>Domestic undergraduate tuition fees</i>	<i>Domestic postgraduate tuition fees</i>	<i>International student tuition fees</i>
Australia	✓	×	×
British Columbia	×	×	×
England ^a	✓	✓	×
Hong Kong	✓	✓	×
Ireland ^a	✓	×	×
Netherlands ^a	✓	✓	×
New Zealand	×	×	×
Sweden ^b	✓	✓	✓
United States	c	c	c

^a European Union students are treated as domestic. ^b Tuition fees are not levied at public universities in Sweden. ^c Largely deregulated. Arrangements vary from state to state.

The freedom of universities to levy and set tuition fees varies across the selected countries. In Australia, public universities are free to set tuition fees for most postgraduate courses and for international students. Universities can offer a limited number of unregulated fee-paying places to domestic students once they have met their target level of Commonwealth funded (HECS-liable) places.

DEST sets indicative minimum fee levels for overseas students. With DEST's permission, public universities are able to set fees below the indicative minimum provided the fee meets the full average cost of providing the course. Universities are free to charge above the minimum (DEST 2002j).

In Sweden, public universities do not levy any tuition fees. In Ireland, first time full-time undergraduate (domestic and European Union) students are exempt from tuition fees (see table 4.15).

In Australia (for HECS-liable places), England, and the Netherlands, domestic fee levels are set by government. In England, the government sets a maximum tuition fee, with the amount contributed by students depending on their ability to pay. In 2001-02, it was expected that 50 per cent of full-time students would be exempt from paying tuition fees and only 35 per cent would be required to make the maximum contribution (HEFCE 2001a). In Hong Kong, the government sets minimum domestic fee levels, giving universities the freedom to charge higher fees.

In England, Hong Kong and the Netherlands fee levels set by government are uniform across courses. In Australia, tuition fees for HECS-liable places are set at three levels, which reflect the differing costs of delivering courses and the potential future earning capacity of graduates.

Table 4.15 Regulation and structure of tuition fees — selected countries, July 2002

<i>Nature of government regulation</i>	
Australia	Fees for Commonwealth funded undergraduate places are set at three levels (HECS charges) based on the cost of delivery and the differing potential future earning capacity of graduates. They are set out in the <i>Higher Education Funding Act 1988</i> . Having met their target number of Commonwealth fully-funded places, universities can offer unregulated fee-paying places to Australian undergraduate students. ^a Universities are able to set their own fees for postgraduate courses and for international students. ^b
British Columbia	Universities are free to set fee levels.
England	The fee level for all United Kingdom and European Union students is set by government each year and is uniform across courses. ^c Universities are free to set their own fee levels for other international students.
Hong Kong	Minimum fee levels are set by the government for all domestic students. Minimum fee levels are uniform across courses. Universities are free to set fees for international students.
Ireland	First time full-time undergraduate students from Ireland and the European Union are exempt from paying fees. Universities are free to levy fees for all other courses.
Netherlands	Fees for full-time domestic students are set by the Minister for Education and are uniform across courses. Universities are free to set fee levels for part-time students, students who have not completed their course within a specified period and off-campus students.
New Zealand	Universities are free to set fee levels. ^d
Sweden	Fees are not levied at public universities.

^a The number of domestic full-fee-paying students must be less than 25 per cent of the total number of places available for domestic students in that course and the fee charged must not be less than the relevant HECS charge. Universities are unable to charge fees for courses that offer initial training in nursing and teaching and those that provide provisional registration as a medical practitioner. ^b Universities are restricted from charging fees for a number of postgraduate courses, including general nursing courses required for initial registration, courses providing initial teacher training and courses leading to provisional registration as a medical practitioner. DEST sets indicative minimum tuition fees for overseas students attending public universities. Universities are able to charge below the indicative fee with DEST's permission and provided the fee meets the full average cost of providing the course. ^c The requirement to pay fees is means-tested by Local Education Authorities so that those from low income families are exempt or pay only a proportion. ^d In 2001 and 2002, universities were offered additional government funding in return for a freeze on fee levels.

Sources: CPB and CHEPS (2002); DEST (2002c, 2002e and 2002i); ESC (2001); Eurydice (2002b and 2002c); HEFCE (2002a); Kaiser, Koelman and Vossensteyn (2002); MAE (2002a); UGC (1996 and 2002).

4.3 Indirect support

Governments also provide indirect support to students and universities through assistance to parents and through the favourable tax treatment of gifts and donations to universities.

Programs to facilitate others to assist students

Some governments assist students indirectly by providing support to others such as parents, either through direct payments or tax concessions. In most of the selected countries, governments do not provide assistance to parents with children in higher education (see table 4.16).

Table 4.16 Indirect student assistance — selected countries, July 2002

	<i>Program</i>	<i>Purpose</i>
Australia	Family Tax Benefit Part A	Income support for families with dependent full-time students aged between 21 and 24 not receiving Youth Allowance or a similar payment. ^a
British Columbia	Registered Education Savings Plans (RESPs)	Allows parents or relatives to establish a tax free savings plan which the beneficiary can use to meet the costs of post-secondary education. The Federal Government contributes to RESPs through an annual grant.
England	..	..
Hong Kong	n.a.	n.a.
Ireland	Tax Relief for Tuition Fees	Parents paying part-time or postgraduate tuition fees on behalf of their dependents can claim a tax deduction at the standard rate of tax.
Netherlands	..	..
New Zealand	..	..
Sweden	..	..
United States	Hope Credit ^b	Tax credit available to parents with dependent students who pay qualified tuition and related expenses. Maximum credit per eligible student available only for the first two years of post-secondary education and for a maximum of two years.
	Lifetime Learning Credit ^b	Tax credit available to parents with dependent students who pay qualified tuition and related expenses. Maximum credit per tax return available for all years of post-secondary education for an unlimited number of years.
	Federal PLUS Loan	Interest bearing loan available to parents of dependent undergraduate students. Amount of loan limited to cost of attendance less any other financial aid received.

^a Families with a dependent child up to and including the age of 20 who is not receiving Youth Allowance or a similar payment are also eligible. The level of allowance received is dependent on family income. ^b Tax credits reduce the amount of income tax that has to be paid. Students can also claim the Hope and Lifetime Learning Credits. Parents and students cannot both claim the credits for learning expenses in any one year. **n.a.** Information not available. .. Not applicable.

Sources: Centrelink (2002b); DE (2002); Eurydice (1999); HRD (2002); IRS (2002b).

In Australia, parents with dependent students up to a certain age are eligible to receive payments under the Family Tax Benefit Part A, as long as the student is not

receiving other allowances. In some countries, such as Ireland and England, family allowances that are provided to cover part of the cost borne by parents in raising their children, end when the child reaches 18. This age limit means that such assistance will be irrelevant for the majority of higher education students.

In the United States and Ireland, parents paying tuition fees on behalf of their dependents may be entitled to claim tax relief for these payments. In Canada, the Federal Government makes annual contributions to Registered Education Savings Plans. These plans are tax-free and are established by the relatives of a beneficiary to meet his or her future costs of higher education.

The United States is the only country of those included in the study where the federal government provides parents with access to a loan scheme to meet the education costs of dependent undergraduates. Under the Federal Government's PLUS Loan scheme, parents can borrow up to a yearly limit based on the cost of attendance less any other financial aid being received by the student.¹¹ The rate of interest is adjusted each year but cannot exceed 9 per cent. Repayments commence within 60 days of the final loan disbursement for the enrolment period for which funds were borrowed.

Government incentives for private sector gifts and donations

Many factors influence the level of private sector financial and other support of universities. It was beyond the scope of the study to explore all these factors. However, one factor of particular interest is the tax treatment of gifts and donations to universities because it has implications also for the overall level of government support.

Favourable tax arrangements can influence private decisions to make gifts and donations to universities. In effect, any concessional tax treatment of gifts and donations represents an expenditure by government in the form of foregone tax earnings to encourage private support.

The Commission engaged a consultant to provide information on the tax treatment of gifts and donations to universities in Australia, Canada, New Zealand, the United Kingdom and the United States. The consultant's report, which is summarised in appendix C, was used as the basis of the information presented in this section.

¹¹ The cost of attendance includes tuition and other fees, on-campus room and board and allowances for books, supplies, transportation and loan fees.

In interpreting the information presented, it should be noted that the tax system as a whole affects the relative attractiveness of, and favourable treatment of, gifts and donations. Moreover, other factors for which information could not be provided may also significantly influence private decisions to make gifts and donations.

Governments use a variety of forms of tax incentives to encourage private sector donations to universities, including:

- a deduction of the donation from the donor's income (reducing taxable income);
- a tax rebate, credit or refund at a fixed rate (reducing the amount of tax paid); and
- a grant to charities by matching donations received (increasing the value of the gift).

All the selected countries offer favourable tax treatment of gifts and donations to universities (see table 4.17). In New Zealand, only monetary donations can be claimed as a tax credit or deduction. In all others, donations of both money and property attract favourable tax treatment.

The treatment of donations and, hence their value to the donor, differs based on the type of donation. In Australia, for example, monetary donations are deducted at their face value, donations of trading stock are deducted at market value and donations of other property are deducted at the lesser of market value at the date of the donation or the amount paid for the property. In the United States, the deduction for donations of property depend on whether it has increased or decreased in value and whether the property was held for less than 12 months (see appendix C).

Some countries place limits on the value of donations that can be deducted. In Australia donations must be greater than A\$2 and there is no maximum limit. In the United States and Canada, maximum limits are set as a proportion of taxable income. In the United States, limits vary with the type of property being donated and the nature of the recipient organisation (see appendix C).

Australia is the only country among those studied in which there is no difference in the arrangements for donations made by individuals and those made by companies (see table 4.17).

Table 4.17 Tax treatment of gifts and donations — selected countries, November 2002

	<i>Eligibility of gifts for favourable tax treatment</i>	<i>Benefit to donor</i>	<i>Restrictions on use of gift by donee?</i>	<i>Other tax arrangements</i>
Australia				
All taxpayers	<i>Inter vivos</i> gifts. Money or property. A\$2 minimum, no maximum. Recipient must be endorsed as a deductible gift recipient.	Deduction	Yes	Capital Gains Tax (CGT) — recognition of gain for <i>inter vivos</i> gifts, testamentary gifts disregarded. Goods and Services Tax (GST) does not apply to gifts. Stamp duty unlikely to apply. No gift or death duties.
Canada				
Individuals	<i>Inter vivos</i> gifts. Testamentary gifts. Money or property. No minimum, limit of 75 per cent of net income. ^a Recipient must be a registered charity.	Tax credit	Yes	CGT — some relief for gifts to registered charities. GST — does not apply to gifts. No gift tax or death duties. No stamp duty.
Companies	Money or property. No minimum, limited to 75 per cent of net income. Recipient must be a registered charity.	Deduction		
New Zealand				
Individuals	<i>Inter vivos</i> gifts. Money. NZ\$5 minimum, NZ\$1500 maximum. Recipient must be named in legislation or approved by Inland Revenue.	Tax credit ^b	Yes	Gift duty — gifts to charities exempt GST — does not apply to gifts. No CGT. No death duties. Stamp duty.

Note *Inter vivos* gifts are transferred during the lifetime of a person. Testamentary gifts are bequeathed in a person's will. ^a The annual limit in the year before death and the year of death is 100 per cent. Individuals can also carry forward unused charitable gifts for up to five years. ^b Known as a tax rebate.

(Continued next page)

Table 4.17 (continued)

	<i>Eligibility of gifts for favourable tax treatment</i>	<i>Benefit to donor</i>	<i>Restrictions on use of gift by donee?</i>	<i>Other tax arrangements</i>
New Zealand (continued)				
Companies ^c	<p>Money.</p> <p>Limit of NZ\$4000 (or 1 per cent of net income) per donee and NZ\$1000 (or 5 per cent of net income) in total.</p> <p>Recipient must be named in legislation or approved by Inland Revenue.</p>	Deduction	Yes	
United Kingdom				
Individuals (gift aid)	<p><i>Inter vivos</i>.</p> <p>Money, 'qualifying investments' or real property.</p> <p>No minimum or maximum.</p> <p>Recipient must be a 'charity'.</p>	Indirect deduction	No	<p>CGT — non-recognition of gains for gifts of property</p> <p>Inheritance tax — gifts to charities exempt.</p> <p>Value Added Tax does not apply to gifts.</p> <p>No stamp duty.</p> <p>No gift duty.</p>
Individuals (payroll giving)	<p>Only available if employer operates an approved scheme.</p> <p>No minimum or maximum.</p> <p>Recipient must be a 'charity'.</p>	Deduction	No	
Companies (gift aid)	<p>Money, 'qualifying investments' or real property.</p> <p>No minimum or maximum.</p> <p>Recipient must be a 'charity'.</p>	Deduction	No	

Note *Inter vivos* gifts are transferred during the lifetime of a person. Testamentary gifts are bequeathed in a person's will. ^c Excludes companies with five or fewer shareholders who between them control more than 50 per cent of the share capital of the company.

(Continued next page)

Table 4.17 (continued)

	<i>Eligibility of gifts for favourable tax treatment</i>	<i>Benefit to donor</i>	<i>Restrictions on use of gift by donee?</i>	<i>Other tax arrangements</i>
United States				
Individuals	<i>Inter vivos</i> . Money or property. No minimum, limits relating to income of donor and type of property. Recipient must be a qualified organisation.	Deduction	Yes	Non-recognition of gain under CGT rules with full deduction of appreciated value for some assets. Unlimited deduction from estate and gift taxes for transfers to charities. No stamp duty. No sales tax.
Companies	Money or property. No minimum, limited to 10 per cent of taxable income. ^d Recipient must be a qualified organisation.	Deduction	Yes	

Note *Inter vivos* gifts are transferred during the lifetime of a person. Testamentary gifts are bequeathed in a person's will. ^d Corporations are entitled to carry forward excess deductions for up to 5 years.

Source: Krever and O'Connell (2002).

5 University revenues

Levels and sources of university revenue, and the shares of revenue from different sources, are reported in this chapter.

Revenues and revenue sources are reported at a university level for a selection of Australian and overseas universities. For more detailed information on the data presented in this chapter, the definitions adopted, and the selected universities, see appendix D and the glossary. Information on the characteristics of the selected universities and a discussion of the selection of the universities can be found in chapter 1.

The information contained in this chapter was derived from the consolidated financial statements of the selected universities. Revenue data in foreign currencies were adjusted to a common unit of account using Purchasing Power Parities.¹

A wide array of factors influence university revenues. An understanding of these factors is desirable when considering the revenue comparisons presented in this chapter. Contextual information presented in other chapters of the report, and in appendix D, provides some basis for considering revenue differences.

Because of the wide range of factors, only very general conclusions can be drawn from the diversity observed among the universities. Comparisons between individual universities are not appropriate without detailed analysis of the factors specific to each university. Also, the calculation of averages across the sample is not appropriate because it is not representative.

In chapter 3, data was presented on total expenditure on tertiary institutions for selected countries. Whilst these data have some relationship to the data on university revenues presented in this chapter, they cannot be directly equated. The data in chapter 3 may:

- over-represent the revenue of universities because it includes expenditure on Technical and Further Education (TAFE) and other higher education institutions in addition to universities; and

¹ For a discussion of Purchasing Power Parities, see chapter 1 and appendix B.

-
- under-represent the revenue of universities to the extent that it takes into account only revenue from external sources, whereas universities also receive self-generated income (for example, from investment activities).

5.1 Total revenue

The university revenues presented in this chapter include revenues from a diverse range of activities undertaken by universities, in addition to their core functions of teaching and research. Therefore, differences in the scope and nature of university activities affects total revenues and the proportions of revenues from different sources.

The revenue data presented in this chapter is the total revenue reported in a university's financial statements, and as such, it may include extraordinary items. For example, the total revenue of ANU in 2001 (\$513 million), included \$32 million from an initial valuation of land held on perpetual lease.

Also, revenue reported in financial statements may include a mix of restricted and unrestricted revenue. Some revenue may be permanently restricted (such as endowment or trust funds) and some revenue may be restricted to funding specific purposes (for example, research grants or capital projects).²

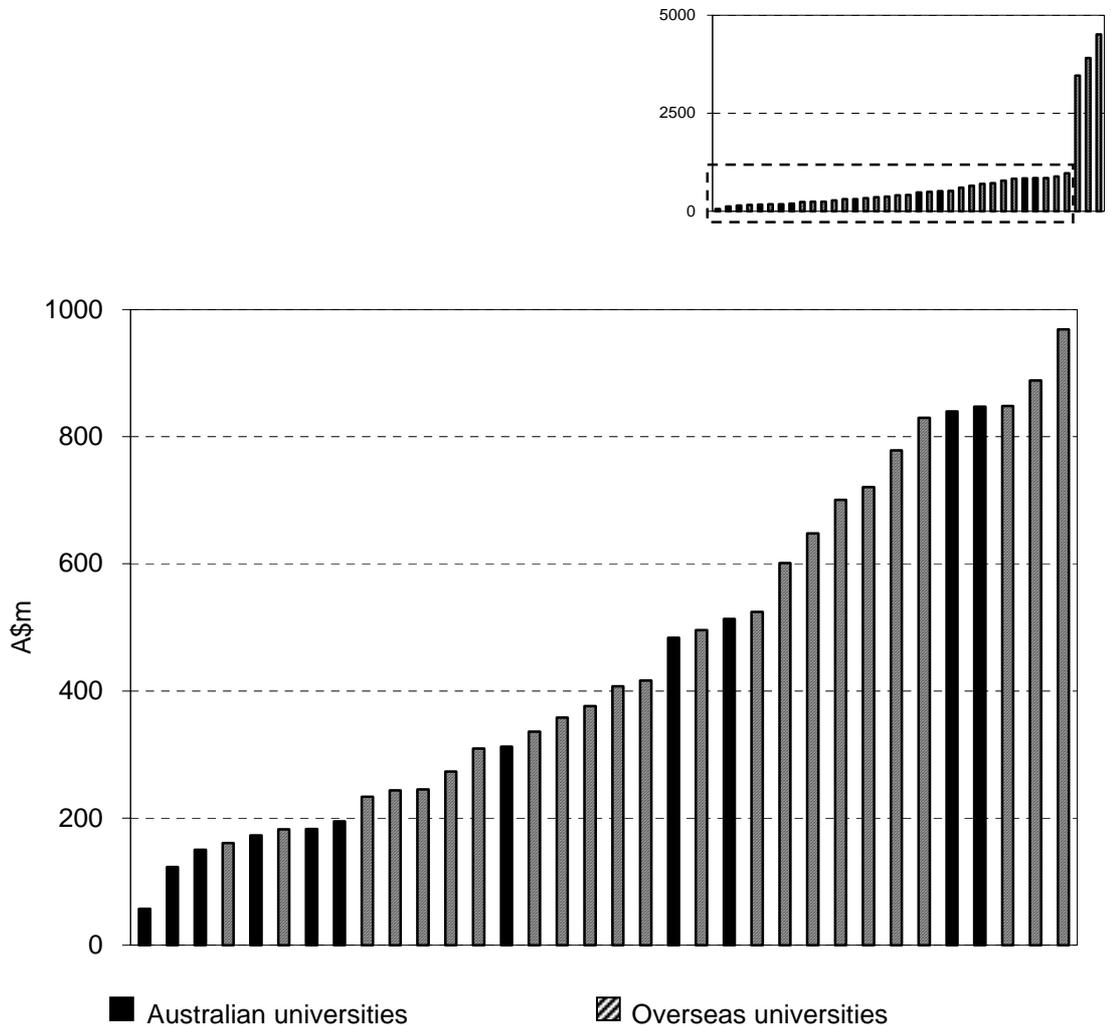
The selected universities had total revenues ranging from A\$57.4 million (Bond) to A\$4.5 billion (Pennsylvania) (see inset to figure 5.1). All except three universities (Yale, Stanford and Pennsylvania) had revenues below A\$1 billion, with the Australian universities represented across that revenue spectrum (see figure 5.1).

The three universities that received greater than A\$1 billion are all private universities in the United States. These exceptions are only 'outliers' in terms of the universities selected for this study — there are other overseas universities, particularly in the United States, which have similarly high total revenues.

A large proportion of the total revenue of these outlier universities comes from the operation of hospitals and the provision of medical services. In Stanford's consolidated financial statements, hospitals contributed 31 per cent (A\$1.2 billion) of Stanford's revenue. Similarly, the income from medical services, hospitals and physician practices, represented 8 per cent and 49 per cent of the total revenues of Yale and Pennsylvania respectively. Although four of the selected Australian universities have medical schools, none operate hospitals.

² Restricted revenue is revenue that the university can use only for specific purposes or during a given period of time. Unrestricted revenue may be expended in any way the university chooses.

Figure 5.1 Total revenue — selected universities, 2001



Note The total revenues of Yale (A\$3.5 billion), Stanford (A\$3.9 billion) and Pennsylvania (A\$4.5 billion) have been excluded from the main figure for presentation purposes. The revenues of these universities are shown in the inset. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B).

Data source: Appendix D.

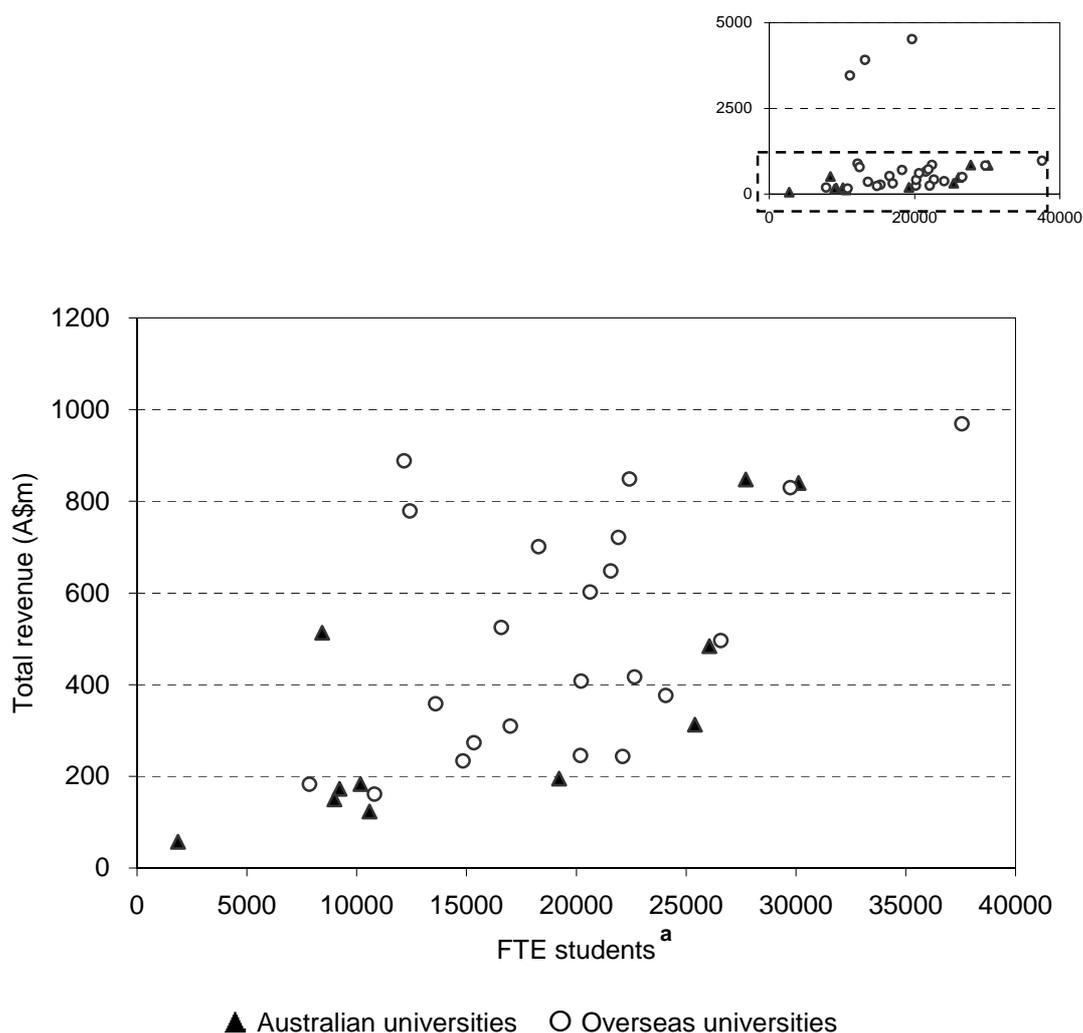
In this and following sections, revenues have been normalised using numbers of full-time equivalent (FTE) students.³ That is, all revenues are shown as dollars per FTE student. This normalisation provides an indication of the relative size of revenues only.

Normalisation on the basis of student numbers does not imply that there is a direct correlation between the number of FTE students and revenues amongst the selected

³ Student headcount figures have been used in figures for some of the overseas universities where the number of full-time equivalent (FTE) students was not available.

universities (see figure 5.2). The number of students is one of many possible indicators of a university's size — others include the number of staff, the size of assets, the mix of disciplines, and the scale of research activities or output. Total revenue by number of FTE staff members is presented in figure 5.3 for each of the selected universities.

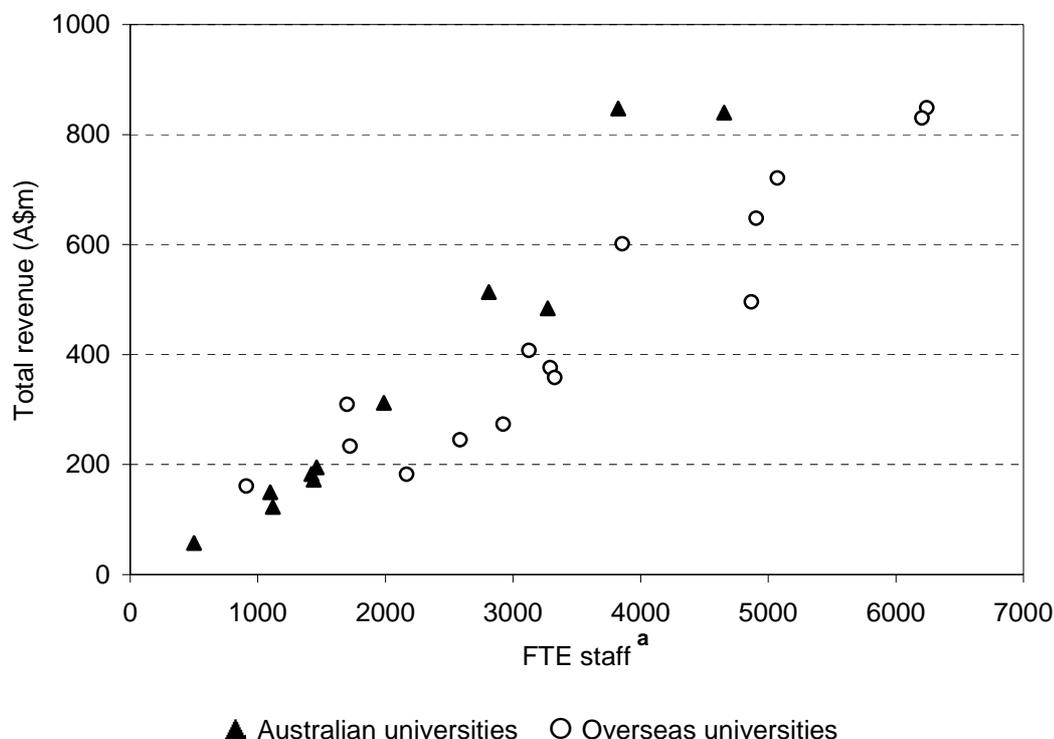
Figure 5.2 Total revenue by number of full-time equivalent (FTE) students^a — selected universities, 2001



Note Pennsylvania (A\$4.5 billion, 19 658 FTE students), Stanford (A\$3.9 billion, 13 183 FTE students), and Yale (A\$3.5 billion, 11 126 students [headcount]) have been excluded from the main figure for presentation purposes. The position of these universities in relation to the other selected universities is shown in the inset. No information on student numbers was available for Stockholm. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). ^a Student headcount figures were used for nine of the selected overseas universities because FTE figures were not available. As the student headcount generally exceeds the number of FTE students, these universities appear biased to the right in the figure.

Data source: Appendix D.

Figure 5.3 Total revenue by number of full-time equivalent (FTE) staff members^a — selected universities, 2001



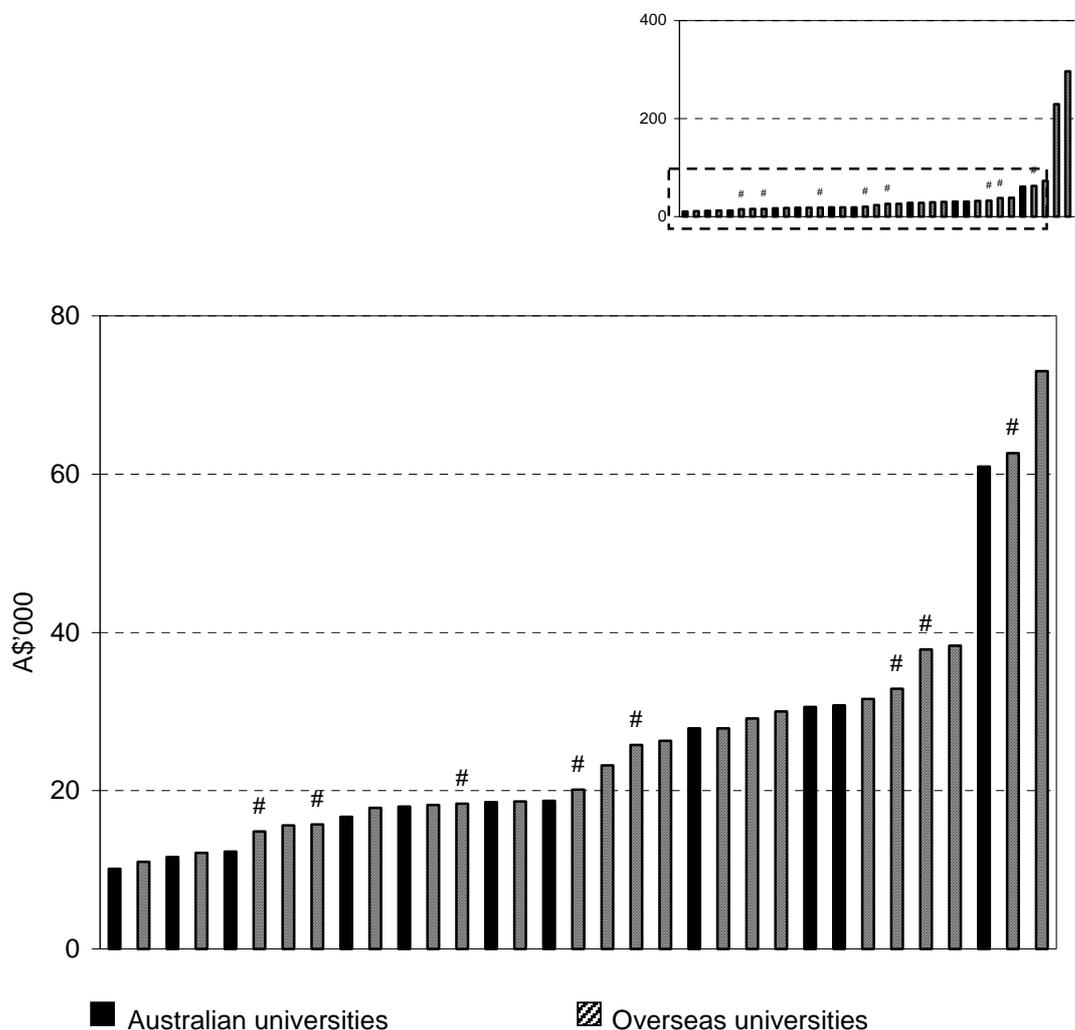
Note Yale, which had 7577 FTE staff members and a total revenue of A\$3.5 billion, has been excluded from this figure for presentation purposes. No information on staff numbers was available for eight of the selected overseas universities. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). ^a Staff headcount figures were used for seven of the selected overseas universities because FTE figures were not available. As headcount figures are generally greater than FTE figures for a university, these universities appear biased to the right in the figure.

Data source: Appendix D.

It is important to note that there is no simple connection between revenue per FTE student and expenditure on each student. Universities receive revenue to fund a range of activities other than teaching, including research, capital development and auxiliary activities.

The total revenue per FTE student of each of the selected universities is shown in figure 5.4. Three of the overseas universities had revenues per student that far exceeded that of the other universities (shown in the inset to figure 5.4). These were Pennsylvania (A\$229 632), Stanford (A\$296 599) and Yale (A\$310 833). Excluding these three outlier universities, revenue per FTE student of the other universities ranged between A\$10 136 (Charles Sturt) and A\$73 029 (Hong Kong). However, most of the Australian and overseas universities had a revenue per FTE student below A\$40 000. There was no clear differentiation of Australian from overseas universities across the spectrum of values.

Figure 5.4 Total revenue per full-time equivalent (FTE) student[#] — selected universities, 2001



Note The revenues per FTE student of Pennsylvania (A\$229 632), Stanford (A\$296 599) and Yale (A\$310 833 [headcount]) have been excluded from the main figure for presentation purposes. These universities are shown in the inset. Stockholm is not shown due to data limitations. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). # Student headcount figures were used for nine of the selected universities because FTE figures were not available. As headcount figures are generally greater than FTE figures for a university, the levels of revenue per FTE for these universities may be greater than shown in the figure.

Data source: Appendix D.

The variation in total revenues per FTE student among the Australian public universities is interesting in light of the unified system of government funding and the regulation of domestic student fees. Some of the sources of this variation are shown in box 5.1 where the revenue compositions of two similarly sized Australian universities are compared. The factors affecting revenue are also described in later sections where revenue sources are examined.

Box 5.1 Sources of revenue diversity

The selected Australian public universities have diverse revenue compositions given the unified system of government funding (the provision of operating grants) and the regulation of domestic student fees.

Further disaggregation of the three revenue categories presented in this chapter — government, student and other sources — was undertaken to reveal some of the sources of revenue diversity. Disaggregation of the revenues of the University of Western Sydney and the University of Queensland in 2000 are presented in the following table.

	University of Western Sydney		University of Queensland		<i>Contribution of difference to the percentage difference in total revenue (percentage points)</i>
	<i>\$'000</i>	<i>% of total revenue</i>	<i>\$'000</i>	<i>% of total revenue</i>	
Government	123 493	42.9	295 063	45.7	57.6
Operating purposes	116 058	40.3	203 732	31.6	30.4
Australian Research Council	2 735	0.9	21 235	3.3	6.4
DEST	2 445	0.8	20 020	3.1	6.1
Other Commonwealth Government ^a	2 255	0.8	43 177	6.7	14.2
State and local government	Nil	Nil	6 899	1.1	2.4
Student	132 981	46.2	135 657	21.0	0.9
Higher Education Contribution Scheme	84 300	29.3	86 190		0.7
Fee-paying overseas students	37 445	13.0	38 948	6.0	0.5
Fee-paying non- overseas students	5 483	1.9	7 776	1.2	0.8
Other student fees	5 753	2.0	2 743	0.4	-1.0
Other revenue	31 514	10.9	214 729	33.3	53.8
Investment income	2 789	1.0	15 476	2.4	4.4
Donations and bequests	775	0.3	16 289	2.5	5.4
Contracts/research	10 171	3.5	50 907	7.9	14.1
Sales of goods, services, land and rental	6 110	2.1	87 604	13.6	28.3
Fees and charges	5 029	1.7	18 867	2.9	4.8
Other	6 640	2.3	25 586	4.0	6.6
Total revenue	287 988	100.0	645 449	100.0	124.1

^a In 2000, Western Sydney had its deferred superannuation liability actuarially assessed, which led to \$17 million being recorded as negative revenue and a positive expense in its annual financial statements. As the effect of this item on net operating profit was zero, the Commission excluded it from this analysis.

(Continued next page)

Box 5.1 (continued)

These universities were chosen because they were similarly sized in terms of full-time equivalent (FTE) students (24 693 Western Sydney and 25 371 University of Queensland), yet had quite different levels of revenue.

There are differences in all the revenue items. However, only some of these are significant in explaining the difference in total revenue.

Overall, the University of Queensland received 124 per cent more revenue than Western Sydney. In particular, the University of Queensland received a larger operating grant and higher levels of both government and private sector research and contract revenue, and earned more from the sale of goods and services.

The large difference in operating grants received by the two universities illustrates that the operating grant received by Australian public universities is only partly linked to total student numbers. For example, the number of international students has no impact on the level of the grant. A university's operating grant also has some historical basis and may reflect different types of courses offered, and may include specific-purpose funding (see chapter 4). For example, the higher level of operating grant received by the University of Queensland may be attributed partly to its Medical School.

The University of Queensland's higher level of revenue from government also reflects greater amounts of government contract revenue and research funding. It also receives higher levels of research and contract revenue from the private sector, suggesting a more intense research focus than Western Sydney.

Although the two universities received similar amounts of revenue from students, this revenue category represented 46 per cent of Western Sydney's total revenue, but only 21 per cent of the University of Queensland's total revenue.

Source: PC estimates based on University of Queensland (2002) and University of Western Sydney (2002).

5.2 Sources of revenue

Universities obtain revenue from a variety of sources including government, domestic and international students, the private sector and from commercial activities such as investment and the provision of auxiliary services. The share of revenue coming from different sources is unique for each university.

For the purposes of the comparative study, the total revenue of each of the selected universities was divided into three broad revenue categories based on information contained in their financial statements. These categories were:

- revenue from government — direct payments from all levels of government including operating and research grants;
- revenue from students — tuition related student fees and charges (including Higher Education Contribution Scheme (HECS) payments in Australia); and
- other revenue — including investment income, donations, private sector research grants and contracts, and revenue from the sale of goods and services.

In later sections, information on subcategories of these broad revenue categories is also reported. For example, in section 5.4, revenue from students is further disaggregated into revenue from domestic students and revenue from international students, where data were available.

In interpreting the data presented in this and following sections, it is important to recognise that, for the Australian public universities, HECS payments have been classified as revenue from students. This was because they are, for the most part, ultimately met by students.⁴

Under HECS, students can choose to either pay part, or all of their HECS liability upfront, or defer part or all of their liability through a loan from the government. Where students elect to defer their whole HECS liability, the university receives the full amount from the government. Where a student elects to pay upfront, they receive a 25 per cent discount on the amount paid. The university receives the student's payment plus an amount from the government equal to the difference between the liability and the amount paid by the student.

HECS payments involve a range of explicit and implicit government subsidies. Examples of circumstances where the government meets the cost of maintaining the HECS system are:⁵

- students who earn below a minimum income threshold, or who do not work in Australia, will not be required to repay their HECS loans;

⁴ The Department of Education, Science and Training (DEST) estimates that, overall, students will ultimately pay around 80 per cent of the total HECS payments made to universities in 2000. The Department notes that this estimate will vary from year-to-year and will largely depend on the level of doubtful debt (DEST, pers. comm., Canberra, 6 May 2002).

⁵ DEST, Canberra, pers. comm., 28 November 2002.

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- students who choose to pay their HECS upfront are only required to pay 75 per cent of their HECS liability, with the government paying the remaining 25 per cent to the university;⁶
 - voluntary repayments of \$500 or more to the government attract a discount of 15 per cent;
 - HECS debts are discharged if the student dies; and
 - HECS debts are remitted in special circumstances.

The government also meets the cost of administering the loans scheme and providing for doubtful debt. Further, a market rate of interest is not charged on the outstanding HECS balance.

The composition of revenue among the three broad categories identified above for each of the selected universities (based on revenue per FTE student) is shown in figure 5.5. There appears to be less variation in the level of revenue from students per FTE student than there is in either revenue from government or other sources, among the selected universities.

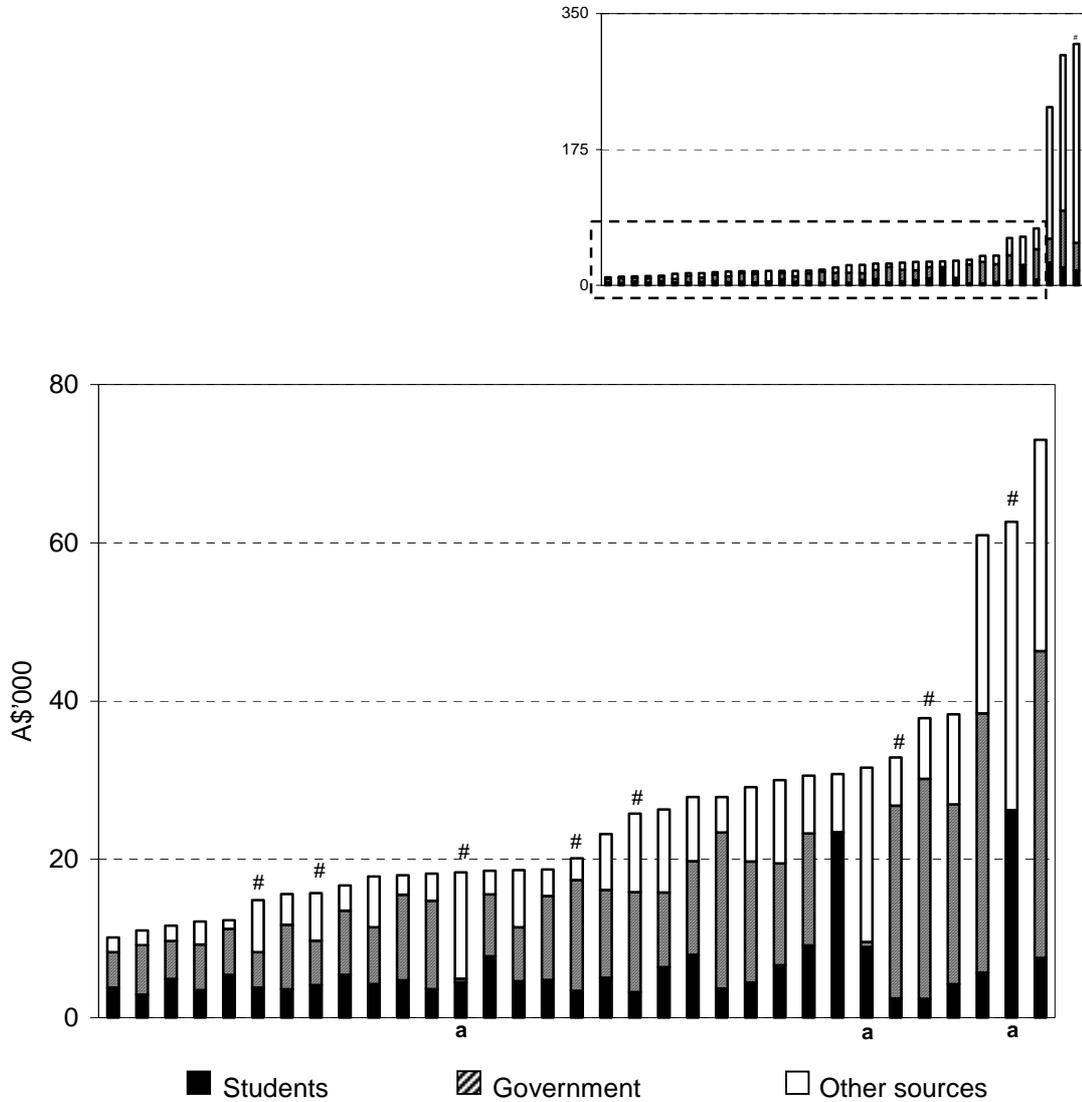
There is a significant contrast between the high and low revenue universities with the former deriving a much higher proportion of their revenue from other sources.

There appears to be greater variation in the revenue compositions of the selected overseas universities than there is among the selected Australian universities (see figure 5.6).

For the Australian universities, revenue from government was typically the largest component, with revenue from students (domestic and international) the next largest, ranging from 20 to 40 per cent. For over a third of the selected overseas universities, revenue from 'other sources' accounted for a greater proportion of the total revenue than revenue from either government or students. Student revenue generally contributed the lowest proportion of revenue for the overseas universities studied (see figure 5.6).

⁶ Students who make a partial upfront payment of \$500 or more, receive a 25 per cent discount on the amount paid and enter into an income contingent loan for the remainder of the debt.

Figure 5.5 **Composition of revenue per FTE student[#] — selected universities, 2001**



Note The revenues per FTE student of Pennsylvania (A\$229 632), Stanford (A\$296 599) and Yale (A\$310 833 [headcount]) have been excluded from the main figure for presentation purposes. These universities are shown in the inset. The revenue of Stockholm could not be disaggregated according to the Commission's definitions and has not been included in this figure. ^a Revenue from government may be under-represented due to data limitations. Revenue from 'other sources' may include some revenue from government. [#] Student headcount figures were used for nine of the selected overseas universities because FTE figures were not available. As headcount figures are generally greater than FTE figures for a university, the levels of revenue per FTE for these universities may be greater than shown in the figure.

Data source: Appendix D.

Figure 5.6 Composition of revenue — selected universities, 2001

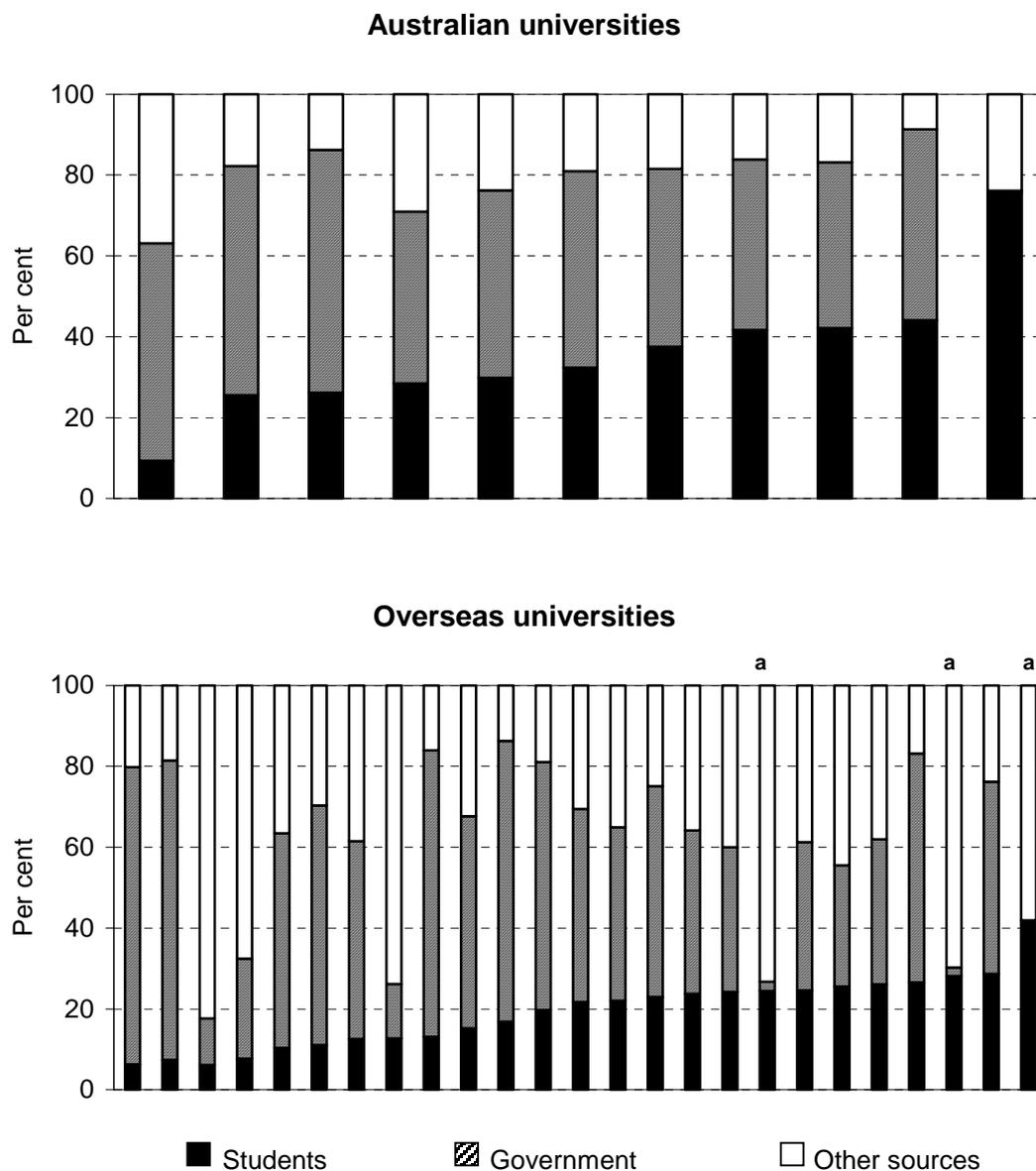
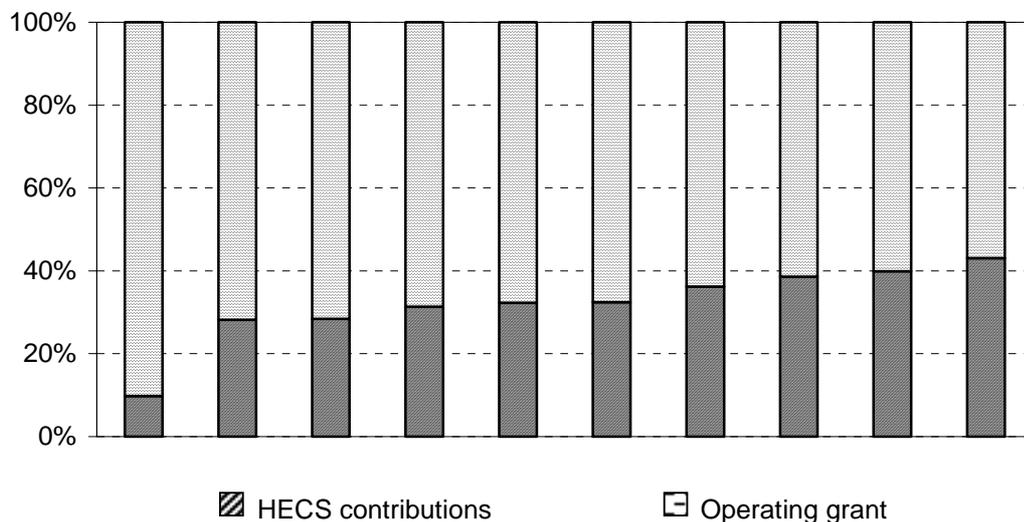


Figure 5.7 **Government operating grant relative to HECS contributions — selected Australian public universities, 2001**



Note HECS contributions include both student and Commonwealth contributions. The operating grant includes only the base operating grant paid to universities under the *Higher Education Funding Act 1988*.

Data source: Appendix D.

5.3 Revenue from government

Most of the universities studied received a significant proportion of revenue from government (see figures 5.5, 5.6 and 5.8). Included in the Commission’s definition is all readily identifiable revenue to universities from government, which may take a variety of forms, including:

- operating grants for general or specific purposes, including capital and infrastructure grants;
- research grants for general or specific purposes, including grants awarded on a competitive basis;
- postgraduate research and training grants and scholarships; and
- income from contracts and consultancies with government departments or agencies.

These revenues may be received from more than one level of government. For example, a university may receive a base operating grant from the national government, research grants from a provincial government, and capital purpose grants from local government. However, revenue received from governments of other countries and international organisations is not included.

Under this treatment, any government payments made directly to students that are then passed on to universities (that is, under voucher schemes), would not be captured. However, none of the selected universities operates under a voucher scheme.

Similarly, contributions related to student loans schemes, such as payments under HECS, that are paid to universities by the government, are excluded. The Commission classified HECS payments as revenue from students. However, as noted above, not all students repay the full amount paid by the government. Therefore, the Commission's classification of HECS as revenue from students under-represents the contribution of government to university revenues.

For the Australian universities, revenue from government also includes any deferred government superannuation liability reported as revenue in a university's consolidated financial statements.

In interpreting the information in this section, it should be remembered that governments support higher education in ways other than by direct payments to universities, such as grants and subsidies to students, and through various concession schemes. The data on government expenditure on higher education presented in chapter 3 therefore present a broader picture than the data on revenues from government to universities presented in this section.

Further, governments provide other support, such as land and buildings, tax exemptions, and tax concessions that encourage gifts and donations to universities (see chapter 4), which are not accounted for here.

Universities receiving direct government funding typically have limited control over the amount of revenue obtained. Government funding for teaching purposes (operating grants) is often formula driven, based largely on student numbers and composition (see chapter 4). However, government funding for non-teaching purposes, such as research grants, may be linked to other factors including numbers of research staff or publication success. Further, some government funding for research is awarded on a competitive basis.

The level of revenue from government, and the proportion of total revenue sourced from government, varied significantly between the selected universities. Revenue from government, as a percentage of total revenue, and the amount of revenue from government per FTE student, is shown in figure 5.8 for each of the selected universities. Total revenue received from government sources ranged between 0.4 per cent (Bond) and 74 per cent (Utrecht and Amsterdam) (see figure 5.8(a)).

The Australian universities, excluding Bond, received between 41 per cent (Southern Queensland) and 60 per cent (Tasmania) of their revenue from government. None of these Australian universities were represented in the one-third of the selected universities that received the lowest proportion of revenue from government.

The quantum of revenue from government per FTE student is shown in figure 5.8(b). Revenue from government per FTE student indicates the level of funding provided by government, using FTE students as a measure of the size of the university.

The level of government funding per student varied from A\$136 (Bond) to A\$73 394 (Stanford).⁷ However, these universities are outliers, with most of the selected universities receiving between A\$4000 and A\$15 000 per student from government sources. On this basis, Australian universities were more evenly distributed across the sample.

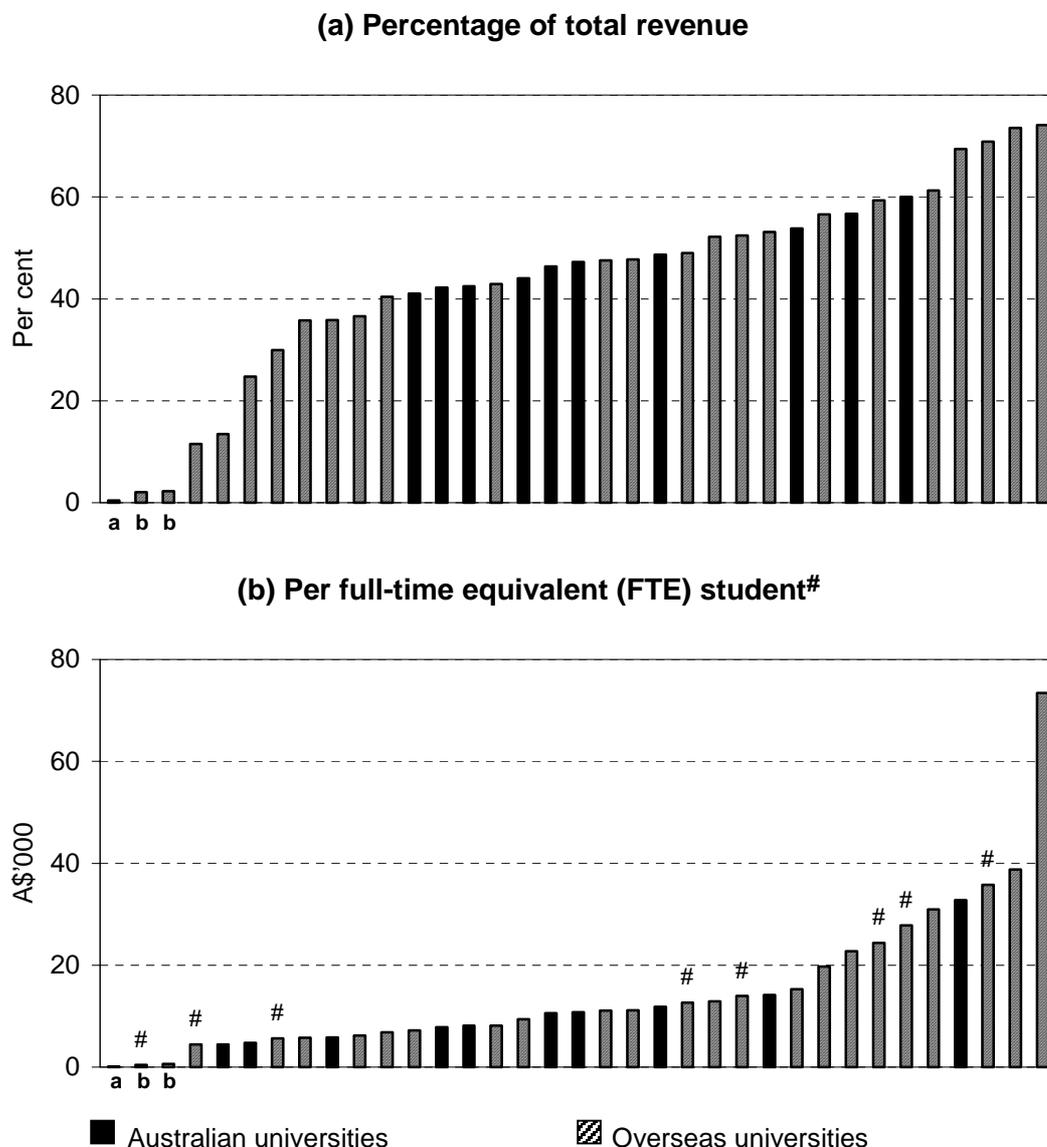
The Australian universities received different levels of revenue from government per FTE student despite the unified funding system that operates in Australia. This was due to a number of factors, including different mixes of students and disciplines taught, and different research activities undertaken (see also box 5.1).

As outlined in chapter 4, the unified funding system does not mean that each Australian public university receives the same level of operating grant for each type of student enrolled. Operating grants are not affected by the number of international students, they may include specific-purpose funding and they may be influenced by the size of grants received in past years.

The variation in operating grant per FTE student among the selected Australian public universities is shown in figure 5.9. The figure also compares operating grants and other government funding (on a per FTE student basis). For all but one of the universities shown in figure 5.9, the operating grant accounted for over half the level of revenue from government per FTE student.

⁷ Although Stanford received the highest level of revenue from government per FTE student of all the selected universities, revenue from government represented only 25 per cent of Stanford's total revenue.

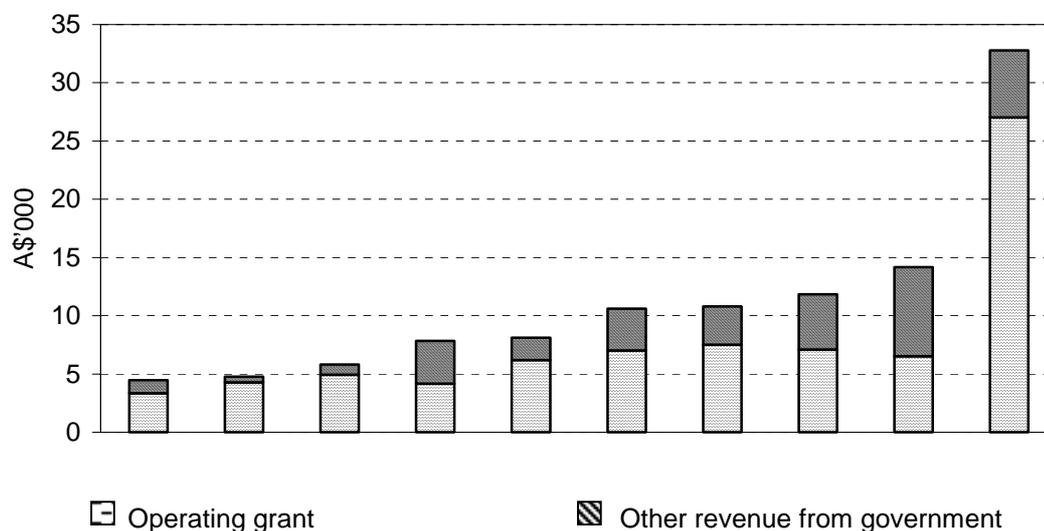
Figure 5.8 Revenue from government — selected universities, 2001



Note The order of the universities in figure 5.8(a) is not the same order in which the universities appear in figure 5.8(b). That is, the amount of government revenue per student and the proportion of revenue from government are not necessarily linked. A university receiving a large quantum of revenue from government per student does not necessarily receive a high proportion of revenue from government (relative to other universities), and vice versa. Georgetown and Stockholm are not shown due to data limitations. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). **a** Bond is not visible on this scale. **b** Revenue from government may be under-represented due to data limitations. **#** Student headcount figures were used for eight of the selected overseas universities because FTE figures were not available. As headcount figures are generally greater than FTE figures for a university, the levels of revenue from government per FTE for these universities may be greater than shown in the figure.

Data source: Appendix D.

Figure 5.9 Revenue from government per FTE student — selected Australian public universities, 2001



Note The operating grant includes only the base operating grant paid to universities under the *Higher Education Funding Act 1988*. Bond has been excluded from this figure as it is a private university and does not receive an operating grant from government.

Data source: Appendix D.

The amounts of revenue from government per domestic FTE student and per FTE staff member, are shown in figure 5.10. Data on domestic student numbers were only available for six of the selected overseas universities.

The proportion of revenue from government received by a university can be influenced by a number of factors such as the different levels of government support of the higher education sector. As discussed in chapter 3, governments choose to support higher education to different extents. Other factors include whether universities charge student tuition fees and, if so, what proportion of teaching costs they aim to recover.

Figure 5.10 Revenue from government — selected universities, 2001



Note Domestic student figures were only available for six of the overseas universities. No information on staff numbers was available for eight of the overseas universities. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). ^a Bond is not visible on this scale. [#] Student headcount figures were used for Yale because FTE figures were not available. As headcount figures are generally greater than FTE figures for a university, the level of revenue from government per domestic FTE for Yale may be greater than shown in the figure. ^{*} Staff headcount figures were used for seven of the overseas universities because FTE figures were not available. As headcount figures are generally greater than FTE figures for a university, the levels of revenue from government per FTE staff member for these universities may be greater than shown in the figure.

Data source: Appendix D.

5.4 Revenue from students

Student contributions in the form of tuition and related fees accounted for a considerable proportion of the revenue of most of the selected universities. Included in the Commission's definition of revenue from students is all revenue related to tuition, including course fees for non-award and short courses.

Revenue from students was also taken to include revenue received by the university under student loan schemes. Consequently, all HECS revenue (both student upfront payments and Australian Government contributions) is included. However, as discussed above, this treatment leads to the inclusion of payments made by government which are not later repaid by students.

It should also be noted that the treatment of scholarships and financial aid varies in the financial statements of the selected universities. Where the financial aid or scholarship is awarded by the university as a discount on tuition or related fees, this will not be classified as revenue, as it does not involve a receipt by the university. Alternatively, if the scholarship is paid to the student, who then pays tuition or related fees to the university, the amount will be classified as revenue from students.

Revenue received from students not directly related to tuition has been excluded. This includes revenue for the provision of auxiliary services such as student accommodation, food and beverage sales, recreation facilities, bookshop sales and fines imposed on students, such as for overdue library borrowings.

The legal framework within which off-shore campuses operate differs among the universities, leading to different treatments in the universities' consolidated financial statements. For example:

- Some universities, such as RMIT, include the gross revenue of their off-shore campuses (operating as subsidiaries) in their consolidated financial statements. In this case, the fees paid by students studying at these off-shore campuses would be captured in the student revenue figures presented in this chapter.
- Others, such as Bond, include only the net revenue of their off-shore campuses in their financial statements. In this case, the fees paid by students studying at the off-shore campuses of these universities would be excluded from the consolidated financial statements and student revenue figures. Instead, the university's share of profit made by these campuses would be classified as revenue from other sources under the Commission's definitions.

Consequently, the revenue received from students studying at off-shore campuses may or may not be included in the data presented in this section. Also, it varies as to

whether the students studying at these off-shore campuses are included in the student FTE and headcount figures presented.⁸

Among the selected universities, there was a substantial range in the quantum of revenue received from students, and in the proportion of total revenue sourced from students (see figure 5.11). Revenue from all students — domestic and international — accounted for between 6.1 per cent (Yale) and 76 per cent (Bond) of total revenue among the selected universities (see figure 5.11(a)).

The Australian universities appear to have received a higher proportion of revenue from students than the selected overseas universities. Apart from ANU, the selected Australian universities were all in the top half of the universities in the sample, generally receiving between 25 per cent and 45 per cent of total revenue from students.

Most of the universities studied received less than A\$10 000 in revenue from students on a per FTE student basis, with the Australian universities largely falling in the top half of the range (see figure 5.11(b)). However, five universities received significantly higher amounts of revenue from students per FTE student, being Yale A\$19 041, Stanford A\$22 875, Bond A\$23 290, Georgetown A\$26 240 and Pennsylvania A\$29 112.

When comparing the level of revenue from students per FTE student, the provision of scholarships or financial aid by the university should be kept in mind. Where a university provides financial aid in the form of a discount, the cost of the student's tuition must be funded from another source of revenue, or subsidised by other students.

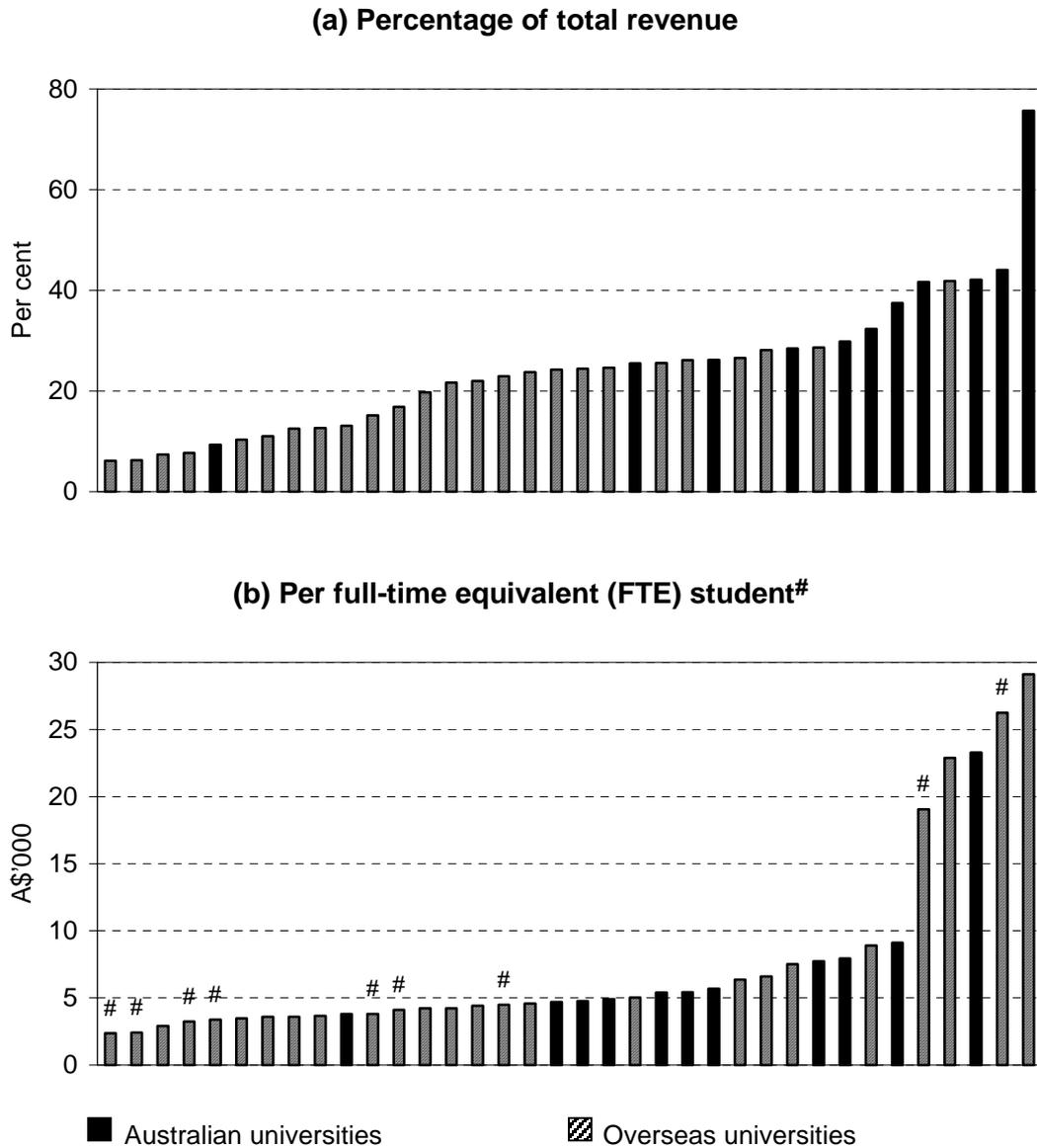
Of the selected universities, seven universities (six in the United States and Bond) reported that significant levels of financial aid had been provided by the university during the reporting period.⁹

⁸ Student headcount and FTE figures for the Australian public universities were sourced from DEST (2002f). Students studying at off-shore campuses of these universities are included in the DEST figures where the student is studying towards a qualification awarded by the university.

Students studying at off-shore campuses of Bond are not included in the student headcount and FTE figures presented in this report.

⁹ In 2001, the amounts of scholarships and financial aid awarded by Bond, Oklahoma, Oklahoma State, Yale, Stanford and Pennsylvania were A\$7.4 million, A\$15.6 million, A\$30 million, A\$116.5 million, A\$122 million and A\$135 million respectively. No data on the scholarships awarded by Georgetown was available.

Figure 5.11 Revenue from students — selected universities, 2001



Note It is important to note that the order of the universities in figure 5.11(a) is not the same order in which the universities appear in figure 5.11(b). That is, the amount of student revenue per student and the proportion of revenue from students are not necessarily linked. A university receiving a large quantum of revenue from students per student does not necessarily receive a high proportion of its total revenue from students (relative to other universities), and vice versa. Stockholm is not shown due to data limitations. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). # Student headcount figures were used for nine of the selected overseas universities because FTE figures were not available. As headcount figures are generally greater than FTE figures for a university, the levels of revenue from students per FTE for these universities may be greater than shown in the figure.

Data source: Appendix D.

For the Australian universities, four of the UK universities and one New Zealand university, revenue from students was separated into revenue from international students and revenue from domestic students (see figure 5.12).

For the Australian universities, revenue from international students includes only revenue from full-fee-paying overseas students.¹⁰ For the UK universities, revenue from international students includes only fees from full-time overseas students.¹¹ Revenue from domestic students was defined as total revenue from students less revenue from international students. For the Australian universities, this includes HECS payments to institutions, full-fee-paying domestic student fees, non-award and short-course fees.

Full-fee-paying international students accounted for 39 per cent of Bond's total revenue and between 2.9 per cent (ANU) and 21 per cent (RMIT) of total revenue among the other selected Australian universities. This compares with between 4.7 per cent and 9 per cent among the five overseas universities for which data were available.

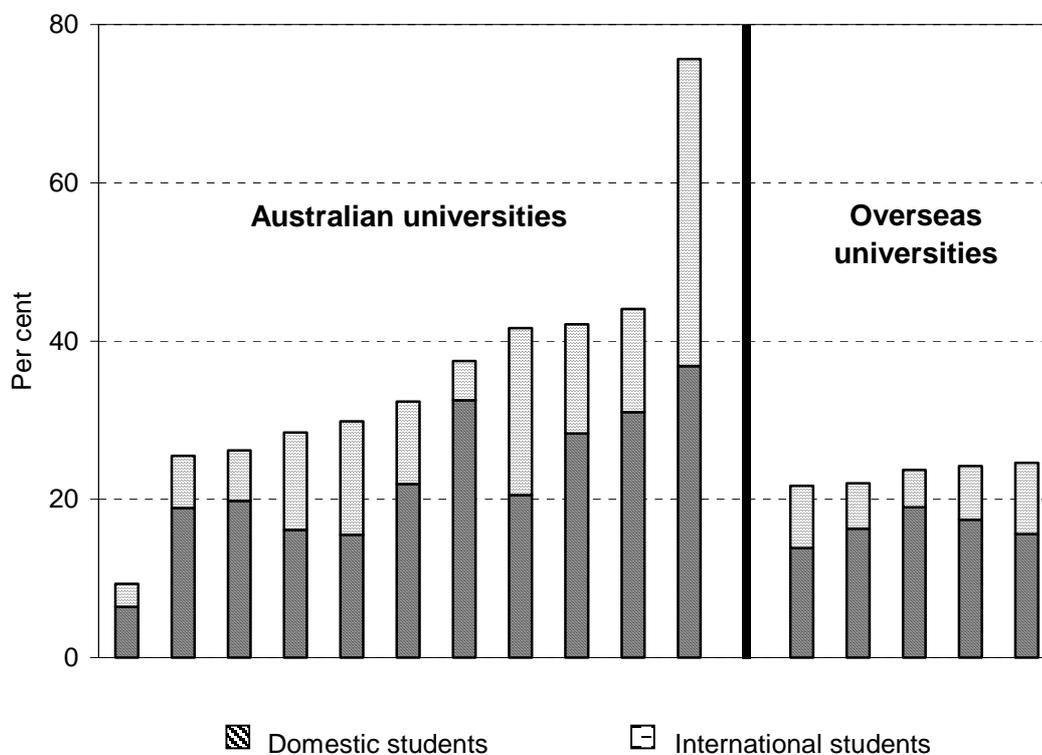
Of the total amount of revenue from students received by the selected Australian universities, between 13 per cent (Charles Sturt) and 51 per cent (RMIT and Bond) was sourced from international students (see figure 5.12). This compares with between 20 per cent and 37 per cent of the revenue from students of the five overseas universities for which data were available.

When revenue from international students was netted out of student revenue, revenue from domestic students accounted for between 6.4 per cent (ANU) and 37 per cent (Bond) of total revenue among the Australian universities. There was much less variation among the five overseas universities, with revenue from domestic students accounting for between 14 per cent and 19 per cent of total revenue.

¹⁰ This may under-represent the amount of student fees paid by international students who may also pay short or non-award course fees, and provide revenue to the university through off-shore programs.

¹¹ This does not capture revenue from international students studying part-time.

Figure 5.12 Revenue from students (domestic and international) as a percentage of total revenue — selected universities, 2001



Note For the Australian universities, revenue from international students includes only revenue relating to full-fee-paying overseas students. For the UK universities, revenue from international students includes only fees from full-time overseas students. Revenue from domestic students was defined as total revenue from students less revenue from international students.

Data source: Appendix D.

There is a number of reasons why the revenue from students received by the universities may differ, including student characteristics, government regulation and the significance of other sources of revenue.

The characteristics of the student population may influence the amount of revenue from students, where different types of students are charged different fees. For example:

- postgraduate students may pay higher fees than undergraduate students;
- international students may be charged more than domestic students; and
- student charges may differ across disciplines.

Further disaggregation of revenue from students into broad fee categories may provide some indication of the mix of students attending a university and the relative contributions of each fee category to a university's revenue. For the

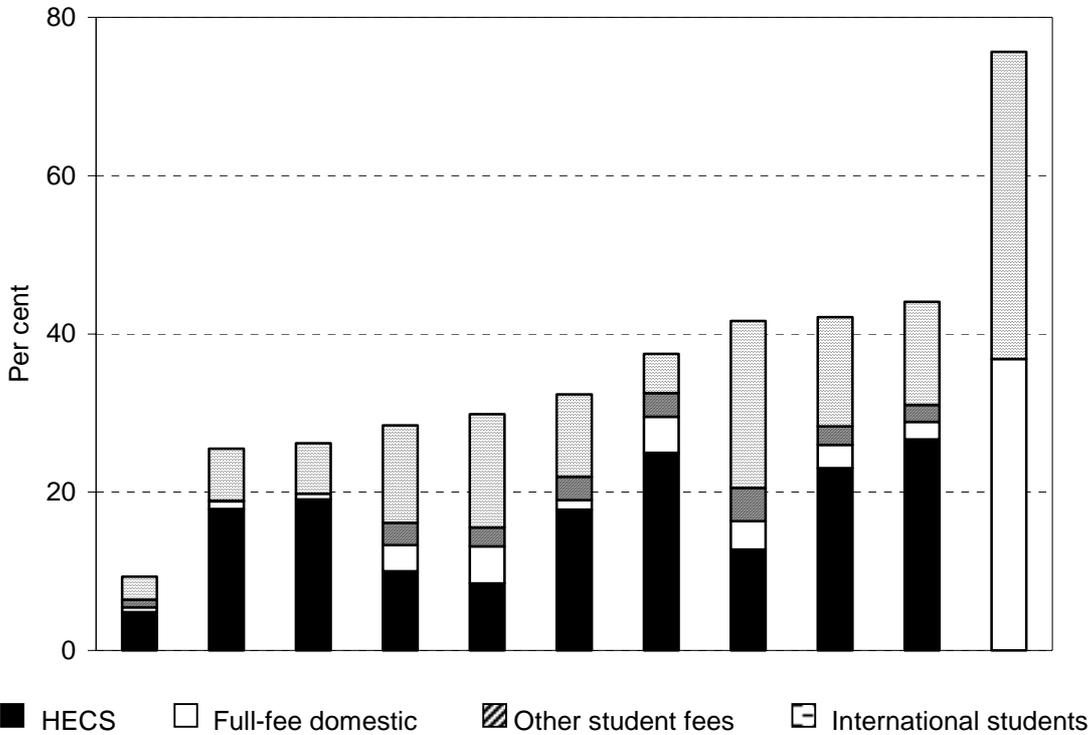
Australian universities, revenue from students can be disaggregated according to the following categories:

- HECS payments (both upfront payments by students and payments by the Australian Government);
- full-fee-paying domestic student fees;
- other student fees; and
- international student fees.

The first three of these fee categories were included by the Commission as revenue from domestic students.

Among the selected Australian public universities, revenue from students was predominantly sourced from HECS payments and international students, with only small proportions coming from full-fee-paying domestic students (see figure 5.13). For three of the selected Australian public universities, revenue from full-fee-paying international students exceeded revenue from HECS payments.

Figure 5.13 Revenue from students (by fee category) as a percentage of total revenue — selected Australian universities, 2001



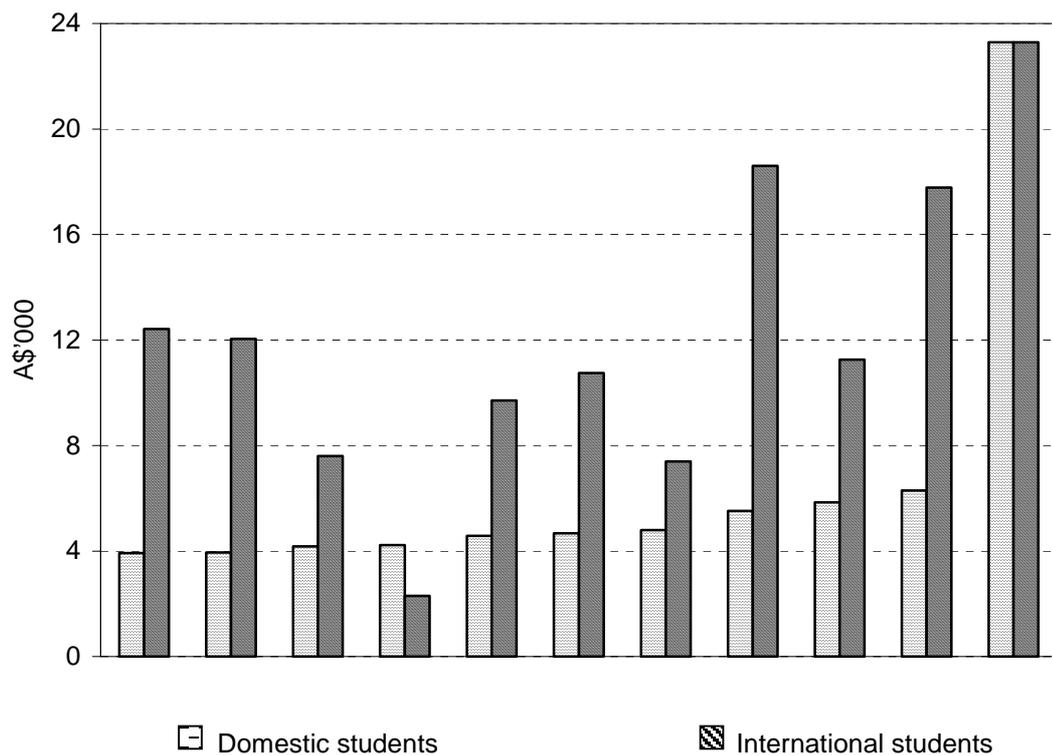
Note See glossary for definitions.

Data source: Appendix D.

A university with relatively high proportions of postgraduate or international students may have higher levels of revenue from students per FTE student than other universities.

The selected Australian universities appears to receive higher levels of revenue from students (on a per FTE basis) than the overseas universities (see figure 5.11(b)). However, Australian universities tend to have a relatively larger number of international students who pay relatively higher fees. An indication of the contribution of Australian and international students in terms of domestic student revenue per domestic FTE student, and international student revenue per international FTE student is given in figure 5.14.

Figure 5.14 Revenue from domestic and international students per full-time equivalent (FTE) student of each group — selected Australian universities, 2001



Note New Zealand students studying in Australia have been treated as domestic students.

Data source: Appendix D.

Universities, particularly those that are publicly funded, may also be subject to government imposed constraints on the revenue they can receive from students (see chapter 4). For example:

- Universities may only be allowed to charge particular types, or a certain percentage, of students. For example, universities in Sweden are not able to levy tuition fees (although students may be charged administration fees).¹² Universities in Ireland cannot levy tuition fees on first-time undergraduate students.¹³
- The level of fees universities can charge may be centrally determined. For example, the UK government sets university tuition fees annually.
- Universities may have to charge different fees for different disciplines. For example, in Australia, tuition fees for HECS-liable students are set at three different levels.
- Universities in New Zealand were offered additional government funding in 2001 and 2002 in return for a freeze on tuition fee levels.

Those universities with substantial earnings from other private sources of income (mainly overseas universities) may also be able to charge students less to achieve a given level of cost recovery.

5.5 Other revenue

Whilst revenues from governments and students represented large proportions of university revenue, there was still a significant component of revenue from other sources (see figures 5.5 and 5.6). Most of this revenue falls within one of the following three categories:

- investment income;
- gifts and donations; or
- commercial income.

¹² This is not reflected in the figures shown in this chapter as revenue breakdowns for Stockholm were not available.

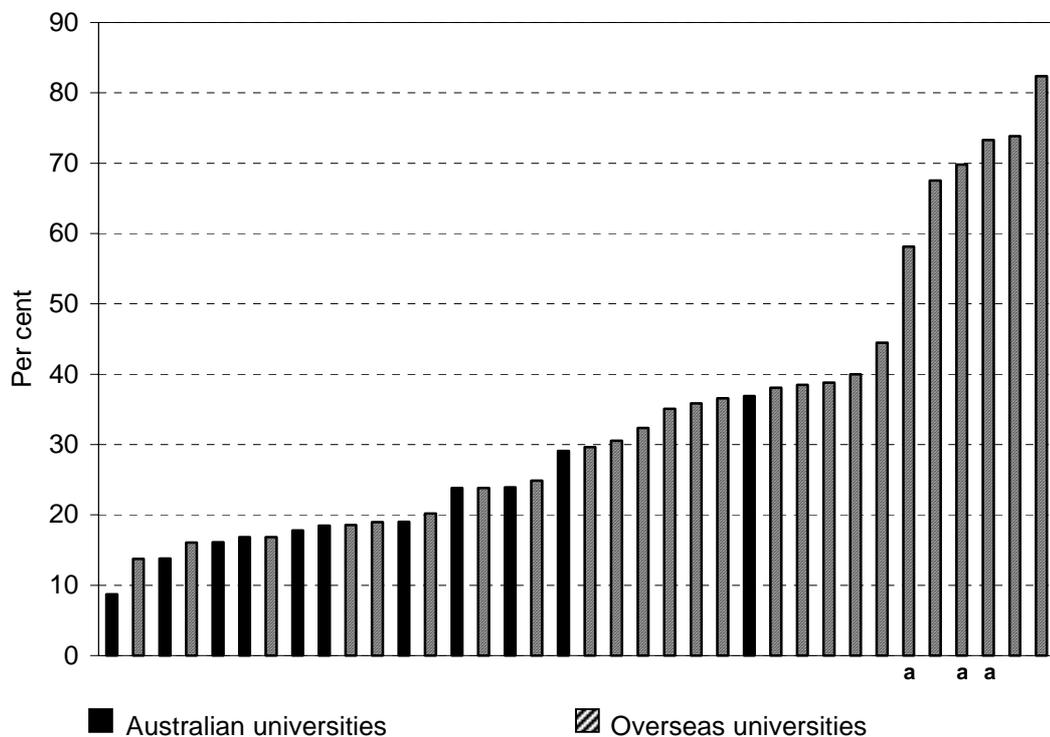
¹³ Despite this limitation, the two Irish universities in the sample — Limerick and Trinity College Dublin — had among the highest proportions of total revenue from students among the overseas universities (25.6 per cent and 26.1 per cent respectively). These universities did not have the lowest levels of revenue from students per FTE student (A\$3800 and A\$4102 respectively).

Revenues within the first two of these categories are further examined in this section. The commercial income of the selected universities is presented in chapter 9.

Data limitations have, in a few cases, resulted in revenue from government or students being included in this category. For example, some universities reported revenue from ‘research grants and contracts’ and, whilst some or all of this may have been from government, the Commission has included this in ‘other revenue’, as the source of the revenue was not clear.

The five overseas universities that received the highest proportions of revenue from other sources (and significantly more than the other universities), also received the lowest proportions of revenue from government among the overseas universities (see figures 5.6 and 5.15). Of the overseas universities, four of the six universities with the highest proportions of revenue from other sources were private US universities.

Figure 5.15 **Other revenue as a percentage of total revenue — selected universities, 2001**



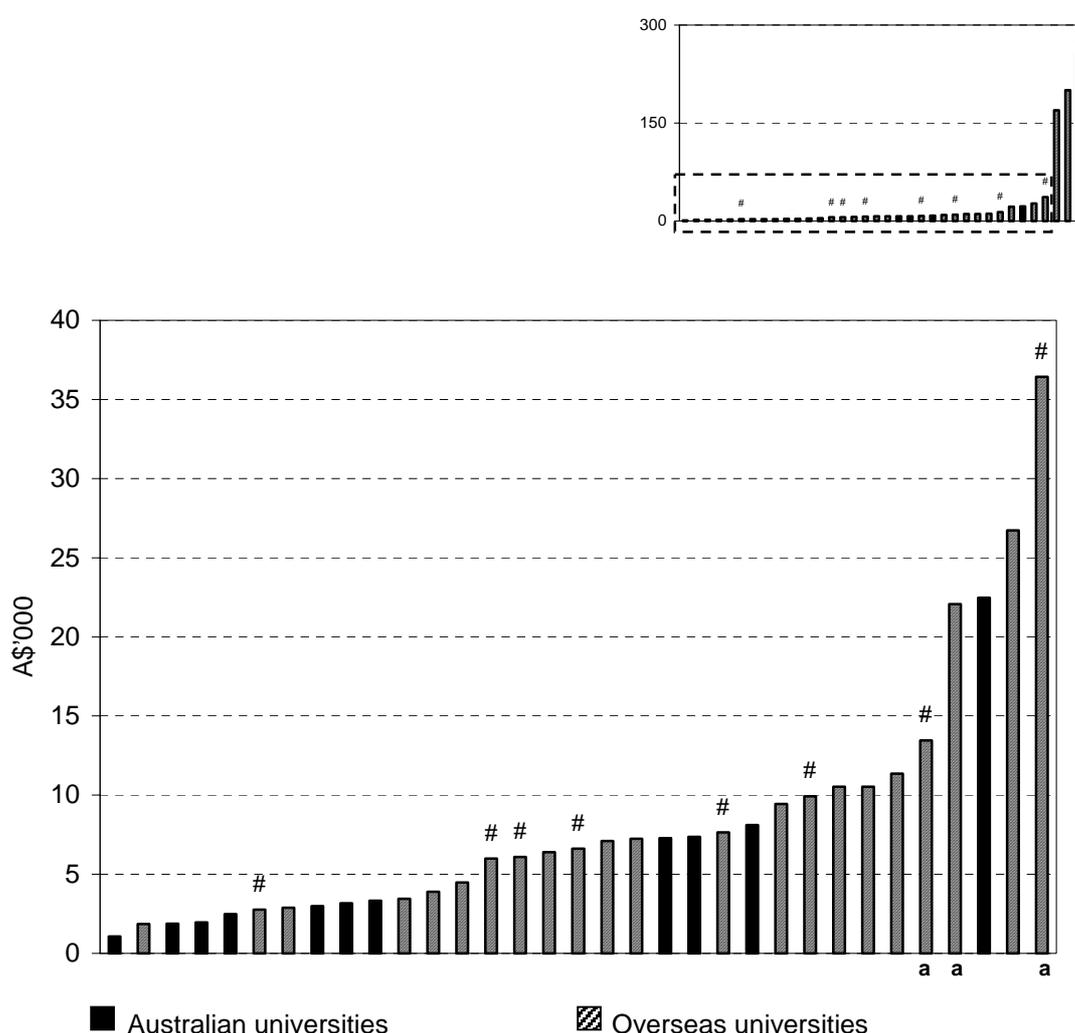
Note Stockholm is not shown due to data limitations. ^a These figures may include some revenue from government due to data limitations.

Data source: Appendix D.

Three of the overseas universities had other revenue per FTE student that was substantially higher than that of the other selected universities (see inset to figure 5.16). These were three of the private US universities in the sample; Pennsylvania (A\$169 552), Stanford (A\$200 330) and Yale (A\$256 001).

Of the Australian universities selected, Western Sydney received the least amount of other revenue per FTE student (\$1073) and ANU received the most (\$22 476).

Figure 5.16 Other revenue per full-time equivalent (FTE) student[#] — selected universities, 2001



Note Stockholm is not shown due to data limitations. The 'other' revenues per FTE student of Pennsylvania (A\$169 552), Stanford (A\$200 330) and Yale (A\$256 001 [headcount]) have been excluded from the main figure for presentation purposes. These universities are shown in the inset. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). ^a These figures may include some revenue from government due to data limitations. [#] Student headcount figures were used for nine of the selected overseas universities because FTE figures were not available. As headcount figures are generally greater than FTE figures for a university, the levels of other revenue per FTE for these universities may be greater than shown in the figure.

Data source: Appendix D.

Other revenue varied in amount and as a proportion of total revenue among the selected universities. The Australian universities generally received proportionately less revenue from other sources than the overseas universities in the sample. However, once Stanford, Pennsylvania and Yale are excluded, they were more evenly represented in the sample on the per FTE student basis, although there was a bias toward the lower end of the spectrum.

Insight into the differences between the levels of other revenue received by the universities can be obtained by further disaggregation.

Investment income

The Commission has defined investment income as all revenue received and receivable from financial assets. This encompasses the following types of revenue:

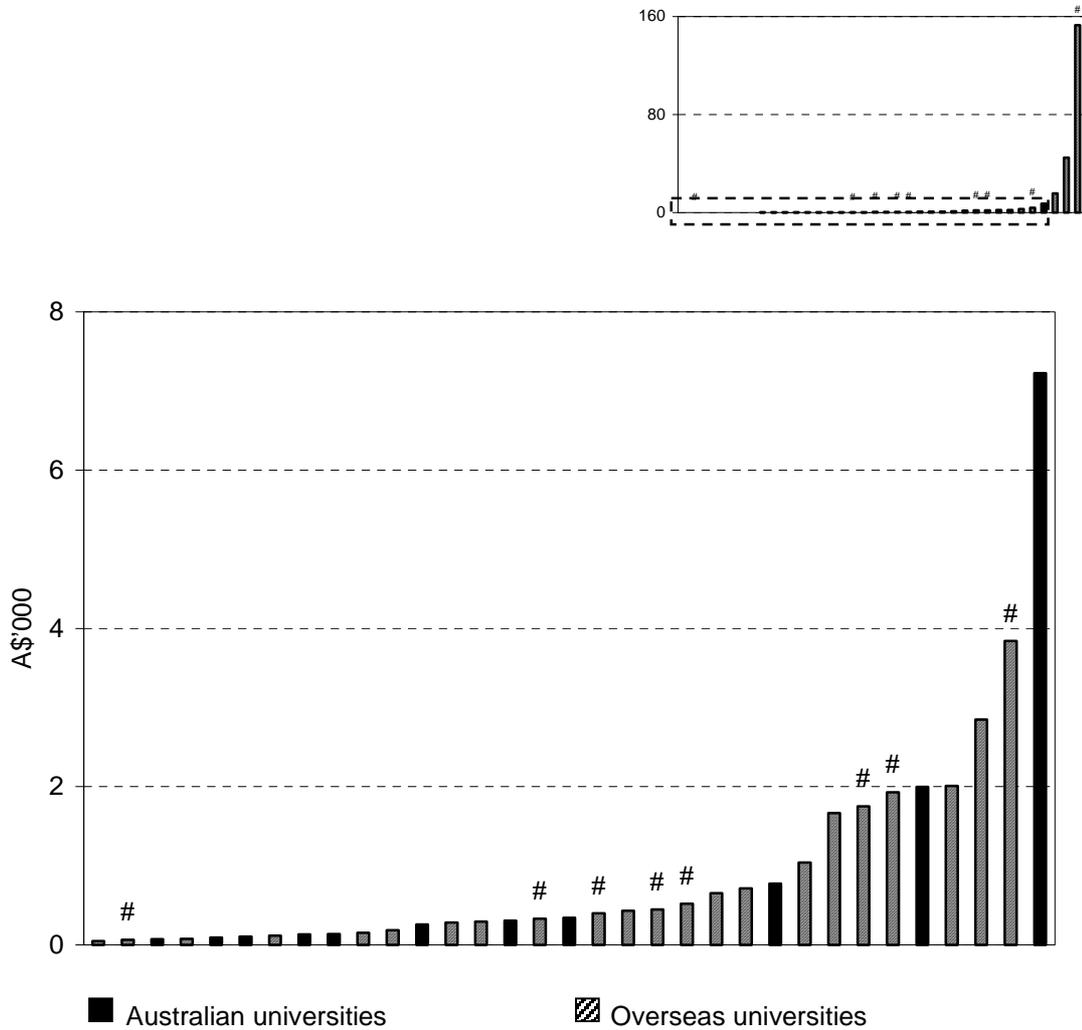
- interest on deposits, bonds and loans;
- dividends on shares; and
- other returns from financial assets.

For most of the selected universities, investment income did not represent a significant component of revenue, nor did it equate to a large amount of revenue per FTE student (see figures 5.17 and 5.18).

The selected universities received between 0.4 per cent (Limerick) and 49 per cent (Yale) of their total revenue from investment activities. Generally, investment income represented less than 5 per cent of total revenue (see figure 5.17).

Of the Australian universities in the sample, only Melbourne (7.2 per cent) and ANU (12 per cent) received greater than 5 per cent of their total revenue from investment activities.

Figure 5.18 Investment income per full-time equivalent (FTE) student# — selected universities, 2001



Note Stockholm is not shown due to data limitations. The investment income per FTE student of Pennsylvania (A\$15 716), Stanford (A\$44 880) and Yale (A\$152 933 [headcount]) have been excluded from the main figure for presentation purposes. These universities are shown in the inset. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). # Student headcount figures were used for nine of the selected overseas universities because FTE figures were not available. As headcount figures are generally greater than FTE figures for a university, the levels of investment income per FTE for these universities may be greater than shown in the figure.

Data source: Appendix D.

The diversity in investment income received reflects the different focuses and approaches of the universities to investment activities. Some universities have large investment portfolios with a spread of financial interests and risk levels. Other universities have limited investments with risk averse investment strategies.

The extent of investment income reflects the level and nature of the financial assets available to universities. Some have large endowment funds for perpetual

investment and others, like Hong Kong, are able to invest staff superannuation funds. Other universities are limited by cash flows and can invest only on a short term, low risk basis (such as where the financial assets consist mainly of government grants paid in advance).

The size of a university's financial asset base is also an important determinant of investment income. The three overseas universities that received the largest amounts of investment income are all private universities in the United States which have built up large endowment funds over a period of time. The size of a university's financial asset base, and in turn the level of investment income received, depends on the level of gifts and donations, and operating surpluses in previous years (see chapter 7).

Gifts and donations

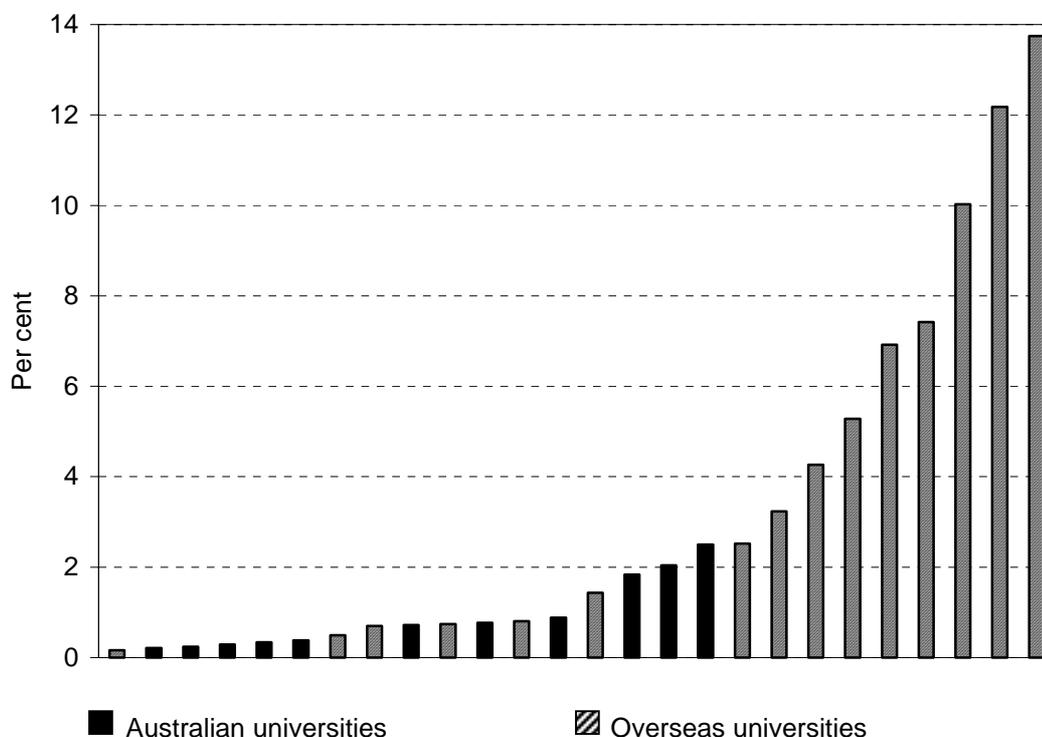
Revenue from gifts and donations includes financial and non-financial gifts, donations, and bequests that are recorded as revenue in university financial statements. Gifts may take the form of money, shares or property, and may be for general or specific purposes.

Where the university receives income from an endowment or trust fund, but does not control the fund (that is, the fund is not part of the university's asset base), this income would generally enter the university's financial statements as a gift. However, if the university was acting as trustee or had control over the fund (that is, the endowment fund was an asset of the university), then the income would be recorded in the university's financial statements as investment income.

For most of the selected universities, gifts and donations did not represent a significant component of revenue, nor did it equate to a large amount of revenue per FTE student (see figures 5.19 and 5.20).

The selected universities received between 0.2 per cent (Nanyang Technological) and 14 per cent (Georgetown) of their total revenue in gifts and donations. However, all of the selected Australian universities received less than 2.5 per cent of their revenue as gifts and were not represented in the top one third of the spectrum. Hong Kong (10 per cent) was the only non-US university to receive greater than 4 per cent of total revenue from gifts and donations (see figure 5.19).

Figure 5.19 Gifts and donations as a percentage of total revenue — selected universities, 2001

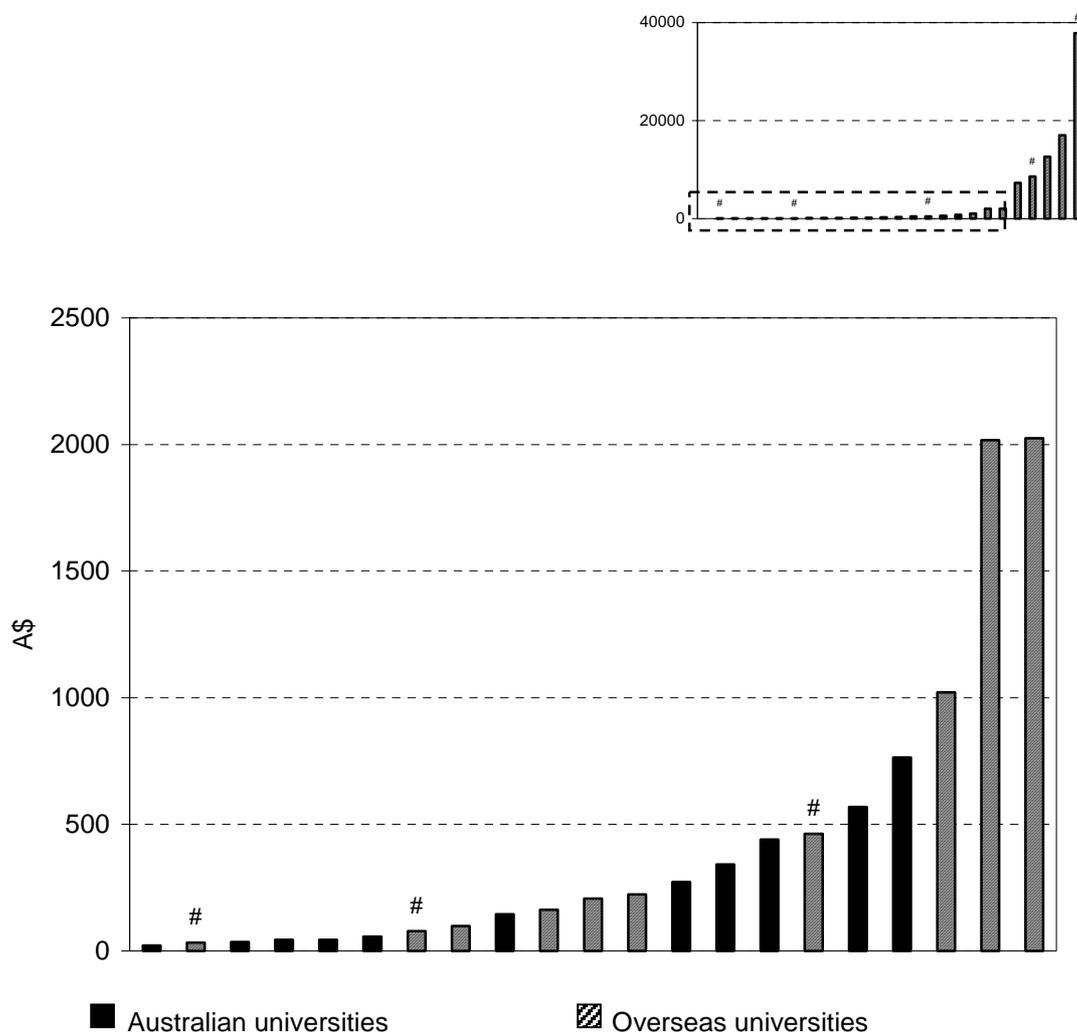


Note Data on gifts and donations was either not available or nil for nine of the selected overseas universities.
Data source: Appendix D.

Gifts and donations, when presented in dollar terms per FTE student, also varied significantly among the selected universities (see figure 5.20). Stanford, Pennsylvania and Yale were by far the outliers among the sample with gifts per FTE student of A\$12 640, A\$17 032 and A\$37 845 respectively (see inset to figure 5.20).

Four other overseas universities (Oklahoma, Oklahoma State, Hong Kong and Georgetown) also received significantly more revenue from gifts per FTE student than the other sample universities. Among the remaining sample universities, the level of gifts and donations per FTE student ranged between A\$22 (Charles Sturt) and A\$1021 (Queens), with Australia generally being biased to the middle and bottom of the spectrum.

Figure 5.20 Gifts and donations per full-time equivalent (FTE) student# — selected universities, 2001



Note Data on gifts and donations was either not available or nil for nine of the selected overseas universities. The gifts and donations per FTE student of Hong Kong (A\$7 323), Georgetown (A\$8 613 [headcount]), Stanford (A\$12 640), Pennsylvania (A\$17 032) and Yale (A\$37 845 [headcount]) have been excluded from the main figure for presentation purposes. These universities are shown in the inset. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). # Student headcount figures were used for five of the selected overseas universities because FTE figures were not available. As headcount figures are generally greater than FTE figures for a university, the levels of gifts and donations per FTE for these universities may be greater than shown in the figure.

Data source: Appendix D.

The level of gifts and donations received by a university will be influenced by a number of factors, including any tax incentives established by government (see chapter 4), the size of the university’s alumni, the university’s prestige and status within the community of potential benefactors, and the community’s propensity to donate to education and research.

6 University expenses

The types of expenses incurred by universities, and the relative importance of each type of expense, are presented in this chapter. Total expenses are not dealt with in detail in this chapter as they are similar to total revenues, which are reported in chapter 5.

Expenses are reported at the university level for a selection of Australian and overseas universities. For more detailed information on the data presented in this chapter, the definitions adopted, and the selected universities, see appendix D and the glossary. Information on some student and staff characteristics of the selected universities, and a discussion of the selection of the universities, can be found in chapter 1.

The information contained in this chapter was derived from the consolidated financial statements of the selected universities. Expense data in foreign currencies were adjusted to a common unit of account using Purchasing Power Parities.¹

A wide array of factors influence the types and amounts of university expenses. An understanding of these factors is desirable when considering the expense comparisons presented in this chapter. Contextual information presented in other chapters of the report, and in appendix D, provides some basis for considering differences.

Because of the wide range of factors, only very general conclusions can be drawn from the diversity observed among the universities. Comparisons between individual universities are not appropriate without detailed analysis of the factors specific to each university. Also the calculation of averages across the sample is not appropriate, because it is not representative.

6.1 Expense categories

There are several ways in which a university's expenses can be categorised — on the basis of type, on the basis of function, or according to the administrative unit that incurred the expense.

¹ For a discussion of Purchasing Power Parities, see chapter 1 and appendix B.

A breakdown of expenses on the basis of *type* focuses on the nature of the expense incurred. For example, expenses will fall into a number of categories, including staff costs, maintenance, and depreciation. Some of these categories are discussed in further detail in section 6.2.

When expenses are reported by *function*, each expense incurred by the university is disaggregated to a particular function or activity such as teaching, research or administration. Each of these categories will include several different types of expenses. Expenses disaggregated by function are further explored in section 6.3.

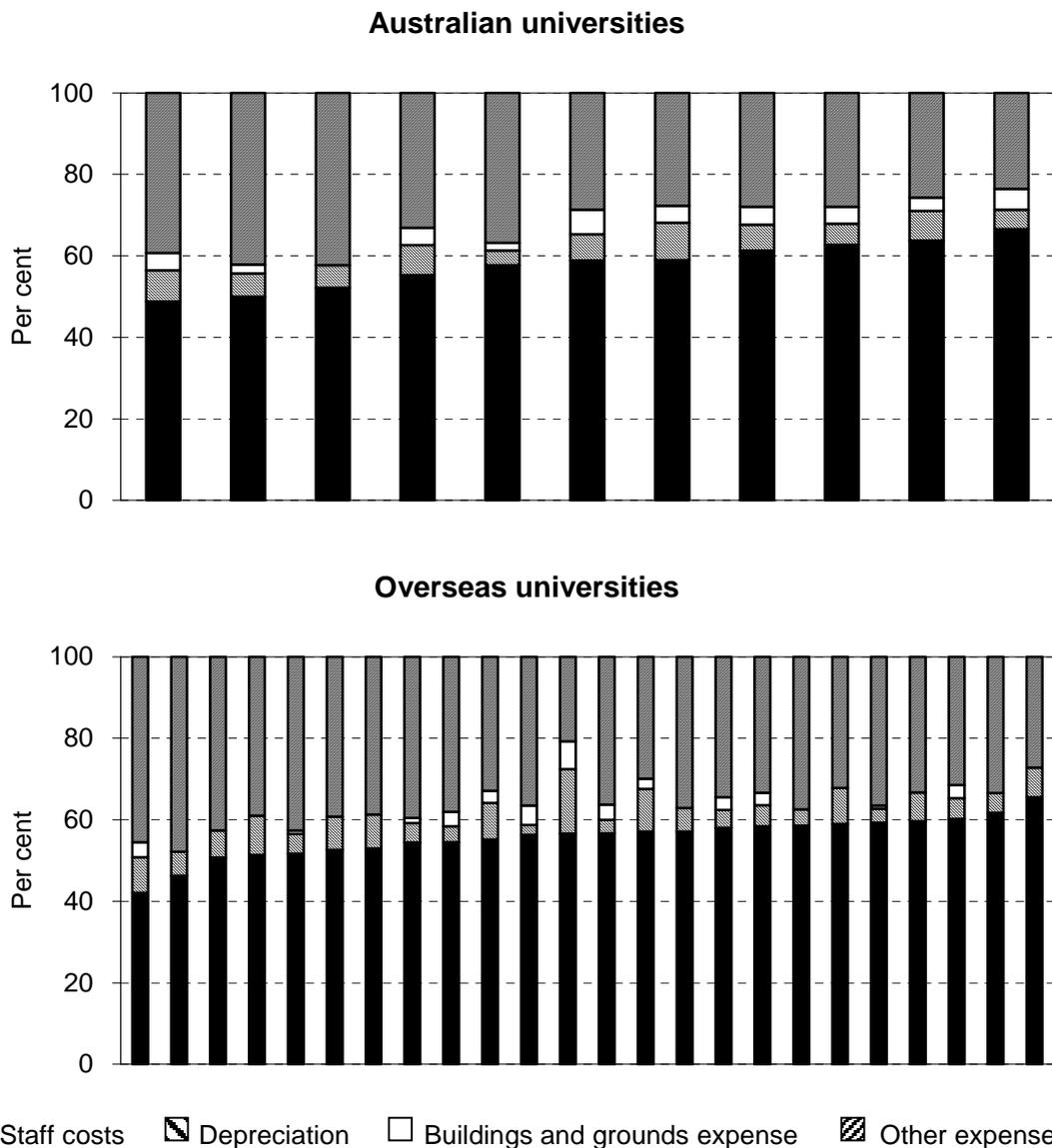
Typically, *administrative units* within a university include academic faculties and departments (such as Arts, Science, Law and Medicine), libraries, central administration and student services. Each of these units of operation will incur different types of expenses and will typically contribute to a number of functions.

The comparisons that follow mainly relate to different types of expenses. This categorisation was made because it is the most consistently reported in financial statements. Where possible, expenses are also reported by function. However, these comparisons are limited because functions vary and categorisations are inconsistent. It is not possible to compare the expenses of the selected universities according to administrative unit, owing to the diversity of units within and between universities.

6.2 Expenses by type

The main type of expense for each of the selected universities was staff costs (see figure 6.1). The next largest commonly identified components, although much less significant among the selected universities, were depreciation, and buildings and grounds expenses. Comparisons of some of the common expense types reported by the universities are presented below.

Figure 6.1 Expenses by type — selected universities, 2001



Note An expense breakdown by type was not available for Hong Kong or Pennsylvania. Buildings and grounds expenses could not be separated from 'other expenses' for Bond or 11 of the selected overseas universities due to data limitations.

Data source: Appendix D.

Staff costs

The Commission has defined staff costs as all salaries and salary related expenses of university employees. Salary related expenses include such costs as personal and recreation leave, superannuation contributions, payroll tax (where applicable) and workers' compensation payments.

It is important to note that contractors are not employees of the university and their salaries and related costs will not fall within the definition of staff costs. The salary costs of contractors would appear in the financial statements as a contractual expense.

Among the selected Australian universities, staff costs accounted for between 49 per cent (ANU) and 67 per cent (Flinders) of total expenses. Staff costs represented between 42 per cent (Limerick) and 66 per cent (British Columbia) of total expenses for the overseas universities studied (see figure 6.2(a)).

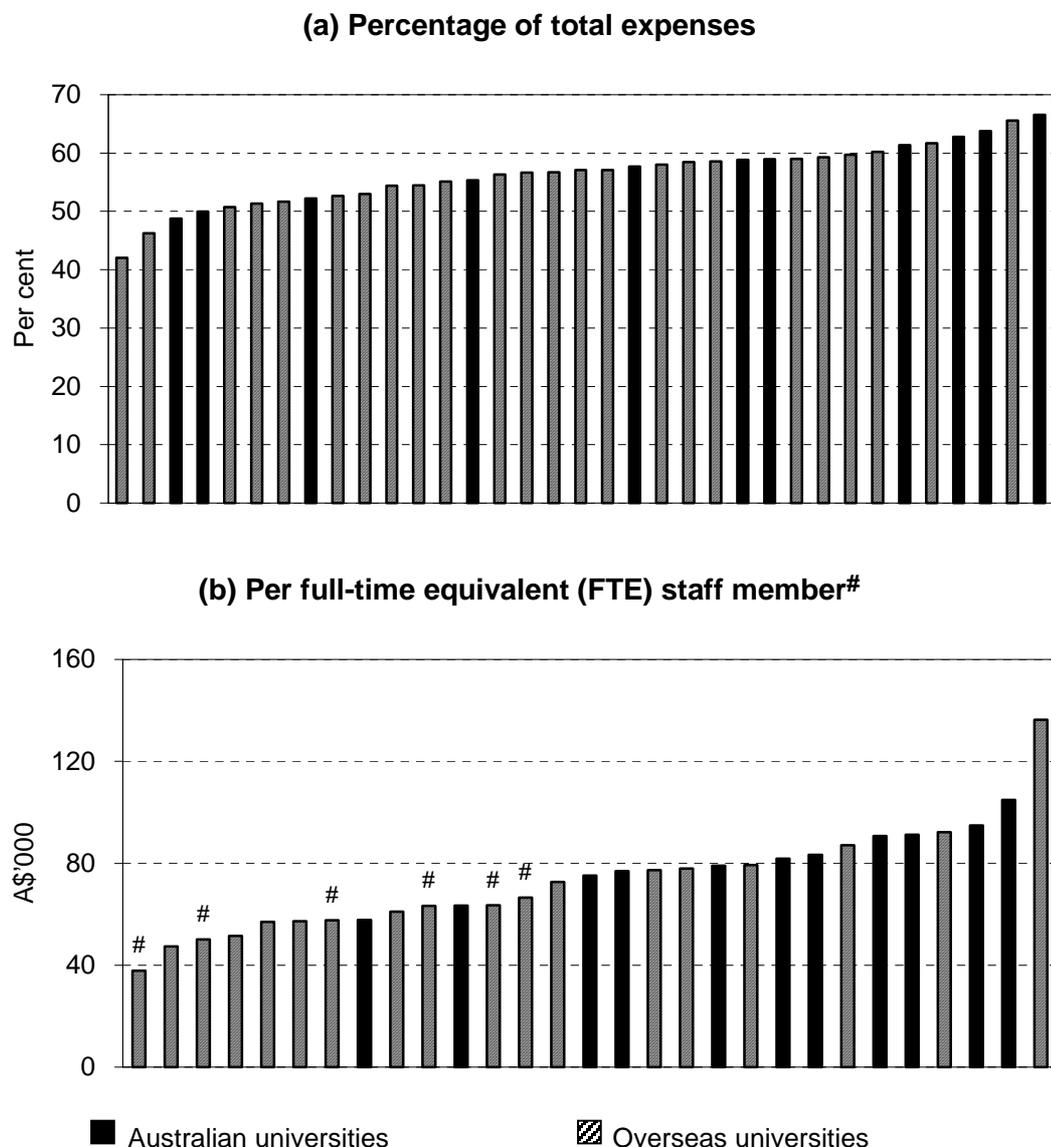
There was far more variation in the quantum of staff costs than that shown by staff costs as a proportion of total expenditure. This indicates a wide variation in staff numbers, levels of remuneration or both.

Total staff costs divided by the number of full-time equivalent (FTE) staff members for each of the selected universities is shown in figure 6.2(b).

The staff costs per FTE staff member of the selected universities varied significantly, both among the Australian universities and the overseas universities. Among the Australian universities, the level of staff costs per FTE staff member ranged from A\$57 714 (Bond) to A\$104 850 (UNSW). Although data availability prevented the inclusion of all the overseas universities, a similar range of average remuneration levels is apparent among the overseas universities.²

² Most notably, the level of staff costs per FTE staff member was only available for one of the US universities (Yale, \$A136 322).

Figure 6.2 Staff costs — selected universities, 2001



Note Staff costs were not available for Hong Kong or Pennsylvania. Staff numbers were not available for six of the overseas universities. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). # Staff headcount figures were used instead of FTE figures for six of the overseas universities. As the staff headcount generally exceeds the number of FTE staff for a university, the levels of staff costs per FTE staff member for these universities may be greater than shown in the figure.

Data source: Appendix D.

Universities employ a wide array of staff, who possess different qualifications and have varied responsibilities. Therefore, differences in staff costs per staff member could be the result, in part, of differences in relative numbers of staff at the various levels of qualification and remuneration among the universities.

The Commission has separated the staff costs of the selected universities into academic staff costs and non-academic staff costs where data were available.

Academic staff were defined as university employees who are principally engaged in teaching, research or both, and staff to whom such persons are responsible in relation to their teaching and research.³

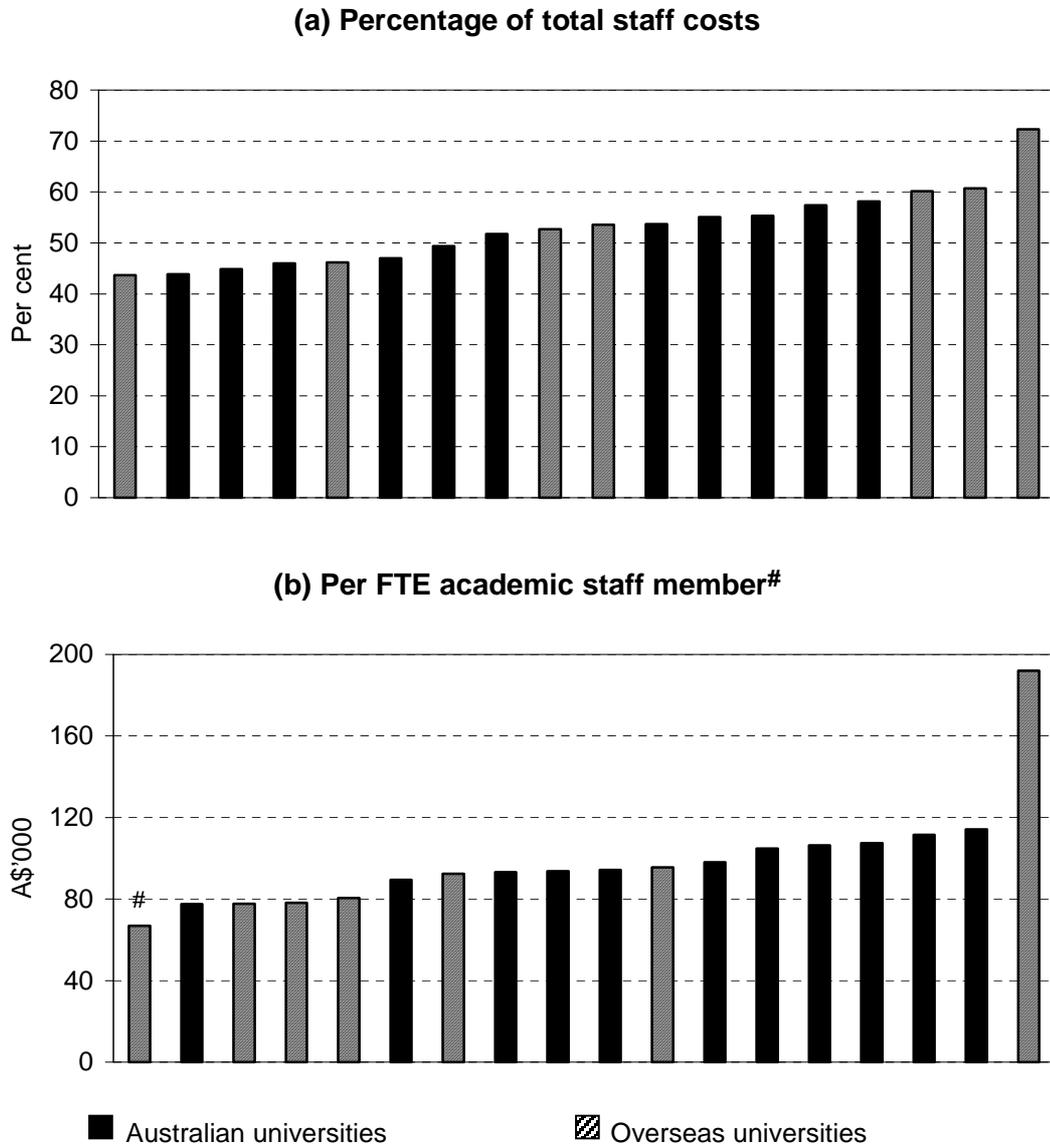
The level of staff costs per FTE staff member should not be equated with earnings. Staff costs include items such as payroll tax (in Australia) and superannuation. Academic staff may receive income as a result of their research and consulting activities in addition to the salary they receive from the university. Information on average academic staff salaries in selected countries is presented in chapter 2 (see table 2.6).

Around half of the total staff costs of the selected universities were attributable to academic staff (see figure 6.3(a)). Among the sample universities, academic staff costs comprised between 44 per cent (Simon Fraser) and 72 per cent (Massey) of total staff costs. Data were available for only seven of the selected overseas universities.

Although figure 6.3(a) shows that academic staff costs made up around half of total staff costs, academic staff typically accounted for less than half of a university's total staff numbers. This suggests that the costs of academic staff were more than those of non-academic staff. The quantum of academic staff costs per FTE academic staff member for selected universities is shown in figure 6.3(b).

³ This definition corresponds with the Australian Department of Education, Science and Training's definition.

Figure 6.3 Academic staff costs — selected universities, 2001



Note Academic staff costs were only available for seven of the selected overseas universities. Academic staff costs, but not academic staff numbers were available for Warwick. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). # Staff headcount figures were used instead of FTE figures for Limerick. As the staff headcount generally exceeds the number of FTE staff for a university, the level of staff costs per FTE staff member for Limerick may be greater than shown in the figure.

Data source: Appendix D.

Levels of staff costs per staff member are affected by a range of factors, both external and internal to the university. These include the general wage level, superannuation requirements and other non-salary benefits, workplace arrangements, and the relative bargaining positions of the employees. In Australia, staff costs also include payroll tax. The unique characteristics of each university and its staff are also relevant, along with the range of activities it undertakes.

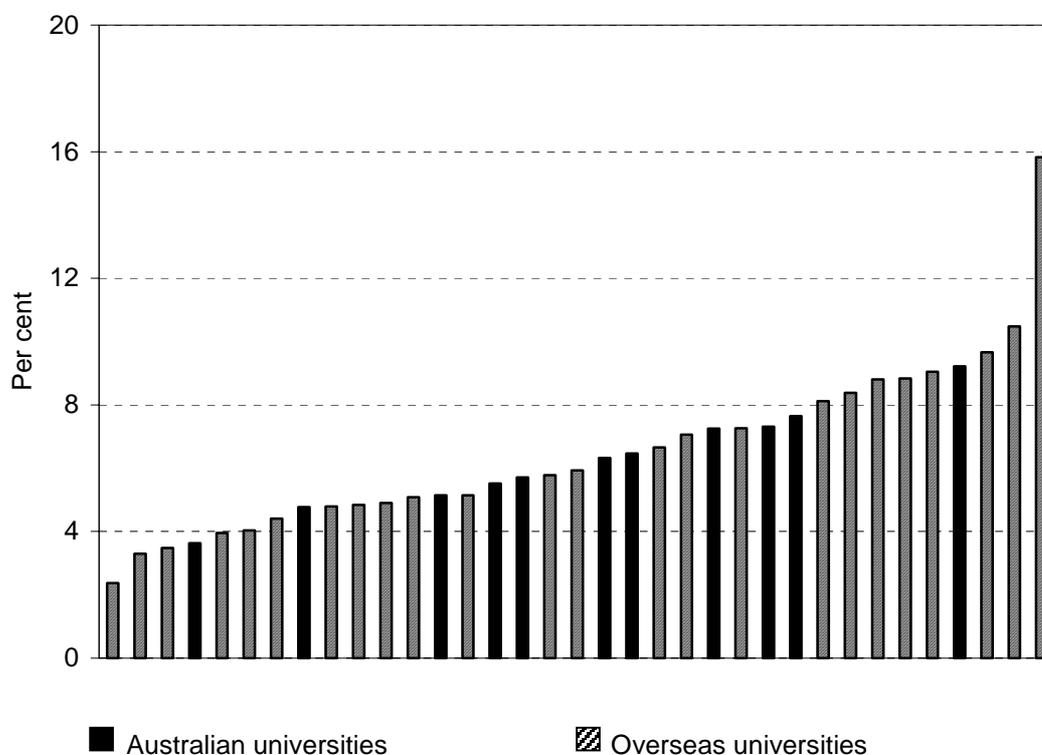
Depreciation expense

Depreciation expense was generally the next largest operating expense item among the selected universities (see figure 6.1).

Depreciation expense is defined in the Australian Accounting Standards as the 'expense recognised systematically for the purpose of allocating the depreciable amount of a depreciable asset over its useful life' (AASB 2002). This is the amount that the recorded value of a university's fixed assets changes over a year, attributable to wear and tear.

Depreciation expenses as a percentage of total expenses for the selected universities are shown in figure 6.4. The Australian universities had broadly similar levels of depreciation as the overseas universities (when expressed as a percentage of total expenses). Among the overseas universities, depreciation expense made up between 2.4 per cent (Nottingham) and 16 per cent (Nanyang Technological) of total expenses.

Figure 6.4 **Depreciation expense as a percentage of total expenses — selected universities, 2001**



Note Depreciation expenses were not available for Hong Kong or Pennsylvania.

Data source: Appendix D.

The level of depreciation recorded in the financial statements is influenced by a number of factors, including whether fixed assets have been valued at historical cost (see chapter 7). Depreciation will also vary among the universities because of differences in the age of the university's assets, the type of assets, and the rate of depreciation applied.

Buildings and grounds expenses

Buildings and grounds expenses include items that relate to the planning, design, repair and maintenance of the plant, equipment and buildings, as well as the maintenance of university grounds.⁴ Universities commonly report these expenses under the expense item 'repairs and maintenance'.

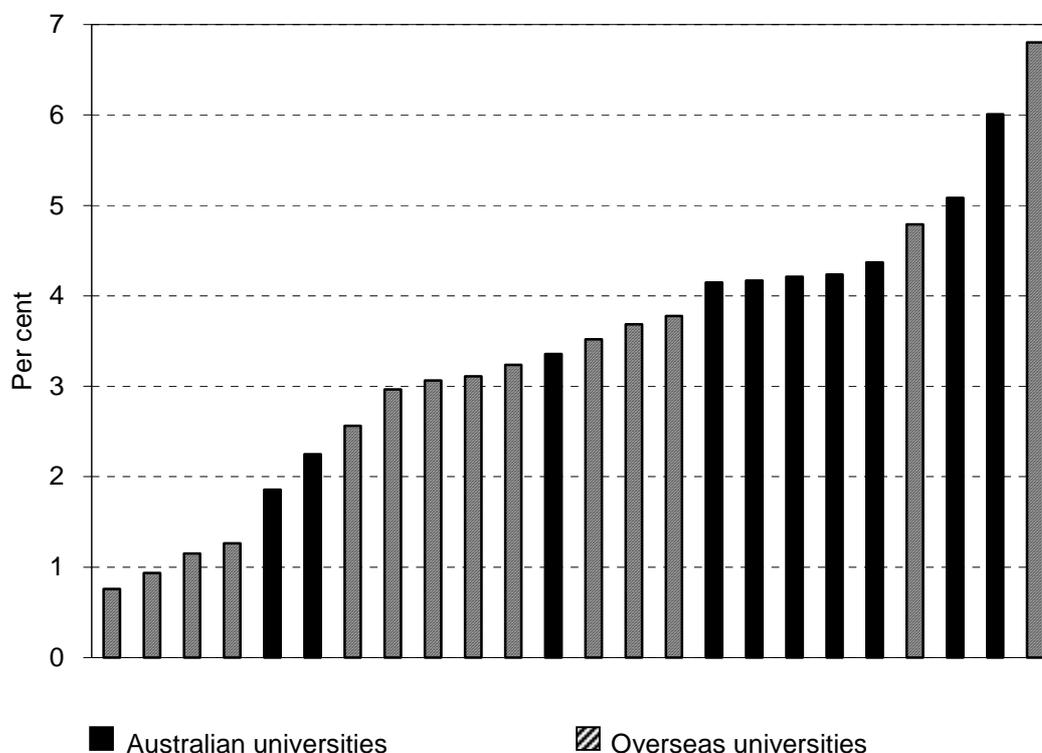
This definition includes the cost of minor capital works but excludes the cost of major capital works.⁵ The salaries and related costs of university employees undertaking these activities are also excluded. However, the wages of persons undertaking these activities would be included where they are provided under contract to the university.

Buildings and grounds expenses, as a proportion of total expenses of the selected universities, are shown in figure 6.5. The selected Australian universities had buildings and grounds expenses of between 1.9 per cent (Southern Queensland) and 6 per cent (Murdoch) of total expenses. The buildings and grounds expenses of the selected overseas universities generally represented similar proportions of total expenses, although data were not available for all of these universities.

4 The costs of staff involved in maintenance activities are included in staff costs, where the staff member is an employee of the university, and in buildings and grounds expenses where the person undertaking the activity is providing services under a contract to the university.

5 Major capital works are not a current expense, but are recorded as an asset and are treated in the profit and loss account as a depreciation expense.

Figure 6.5 Buildings and grounds expenses as a percentage of total expenses — selected universities, 2001



Note Buildings and grounds expenses were not available for Bond or 12 of the overseas universities due to data limitations and inconsistencies.

Data source: Appendix D.

Buildings and grounds expenses vary among the universities with the size and nature of the land and buildings, and the extent to which maintenance and repair services are contracted. Also, the extent to which the university campus is utilised during traditional vacation periods will influence buildings and grounds expenses.

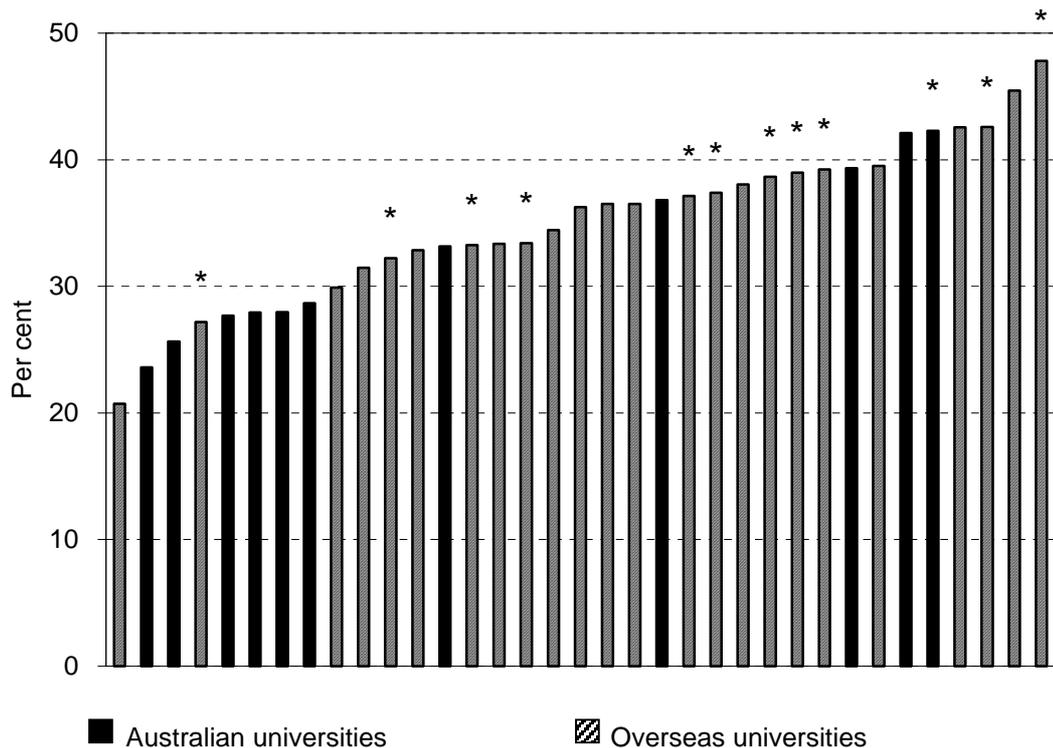
Other expenses

Although staff costs, depreciation and buildings and grounds expenses accounted for a significant proportion of university expenses, there was still a large component of total expenses that was represented by other costs (see figure 6.6).

The three types of expenses outlined above generally accounted for a higher proportion of total expenses among the Australian universities compared to the overseas universities. Differences in definitions and reporting standards between Australian and overseas universities may account for some of this variation.

The other expenses of the selected universities include a mixture of different expense items that vary among the universities depending on the level of disaggregation reported. Other expenses may include items such as scholarships, purchases of equipment and consumables, utility costs, insurance and rent.

Figure 6.6 **Other expenses as a percentage of total expenses — selected universities, 2001**



Note Data were not available for Hong Kong or Pennsylvania. * 'Other expenses' includes buildings and grounds expenses for 12 of the selected universities.

Data source: Appendix D.

In a commercial context, two other operating expenses — borrowing costs and income tax expense — are commonly examined. Although these expenses are generally significant in a commercial environment, they accounted for a very low proportion of the total expenses of the selected universities.

Borrowing costs comprise interest and other costs incurred in connection with the borrowing of funds (AASB 2002).

Only three of the Australian universities reported borrowing costs. However, more than half of the overseas universities reported borrowing costs and these generally represented higher proportions of total expenses than the borrowing costs of the Australian universities.

The insignificance of borrowing costs, particularly among the Australian universities, reflects the low incidence of interest bearing liabilities among universities (see chapter 7). To the extent that borrowings exist, their costs are influenced by the type of liabilities and the structure of debt. For example, finance leases may attract higher rates of interest than loans.

Income tax expense is the amount of tax levied by the government on operating profit before tax.

Universities are typically classified for tax purposes as charitable organisations and, as such, are not subject to income tax. However, entities controlled by the university may be liable to pay income tax on profits. As the data presented in this chapter were sourced from university consolidated financial statements, these tax payments will be recorded. Only three of the selected universities (all Australian) reported paying income tax. In each case, these payments represented less than 0.05 per cent of the university's total expenses.

6.3 Expenses by function

As outlined earlier, disaggregating expenses by function is an alternative to disaggregating expenses by type. A breakdown of expenses by function may provide useful information about a university, such as the predominance of activities other than the core functions of teaching and research.

Universities that report their expenses according to function have varying numbers and types of functions against which they report.

It was not possible to compare the expenses of the selected Australian and overseas universities on a functional basis. However, within countries, data is often collected and published at a national level by education departments and authorities, which compares the expenses of the universities within that country on a consistent functional basis.

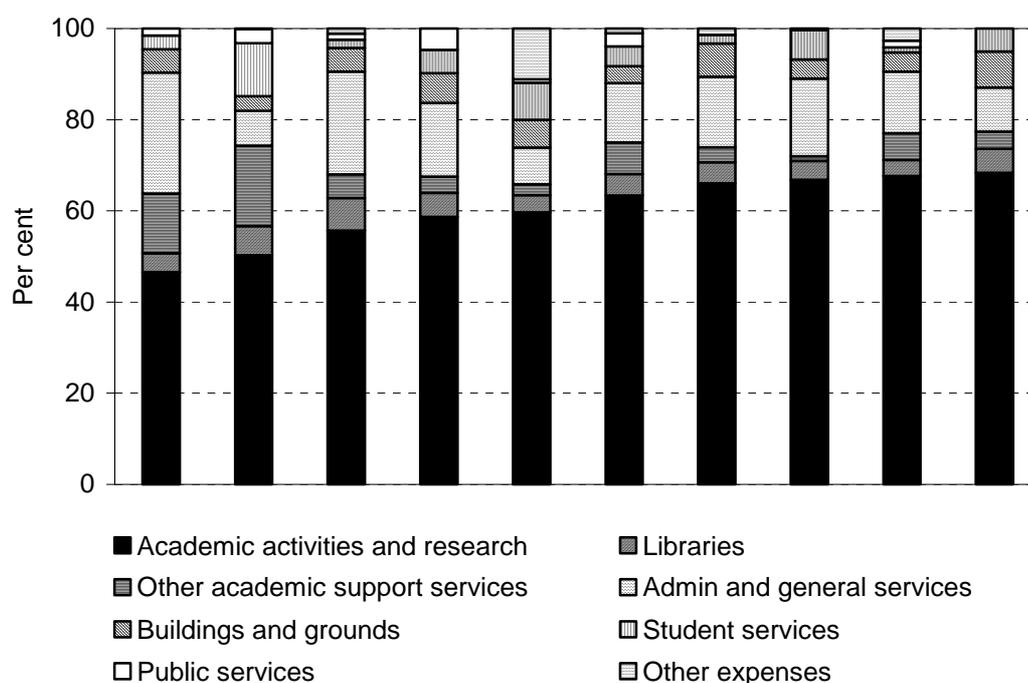
In Australia, the Department of Education, Science and Training requires all publicly funded universities to report their expenses for the following functional categories:

- academic activities and research;
- libraries;
- other academic support services;
- administration and other general institution services;

- buildings and grounds;
- student services;
- public services; and
- other expenses.

The expenses of the selected Australian public universities, (disaggregated by these functional categories), are shown in figure 6.7. The predominance of each of these functions varies among the universities. However, academic activities and research is clearly the largest functional category, with expenses on administrative and general services generally the second-largest.

Figure 6.7 **Expenses by function — selected Australian public universities, 2000**



Note As staff costs are included in this functional breakdown, buildings and grounds expense is not the same as the buildings and grounds item presented above in the disaggregation of expenses by type.

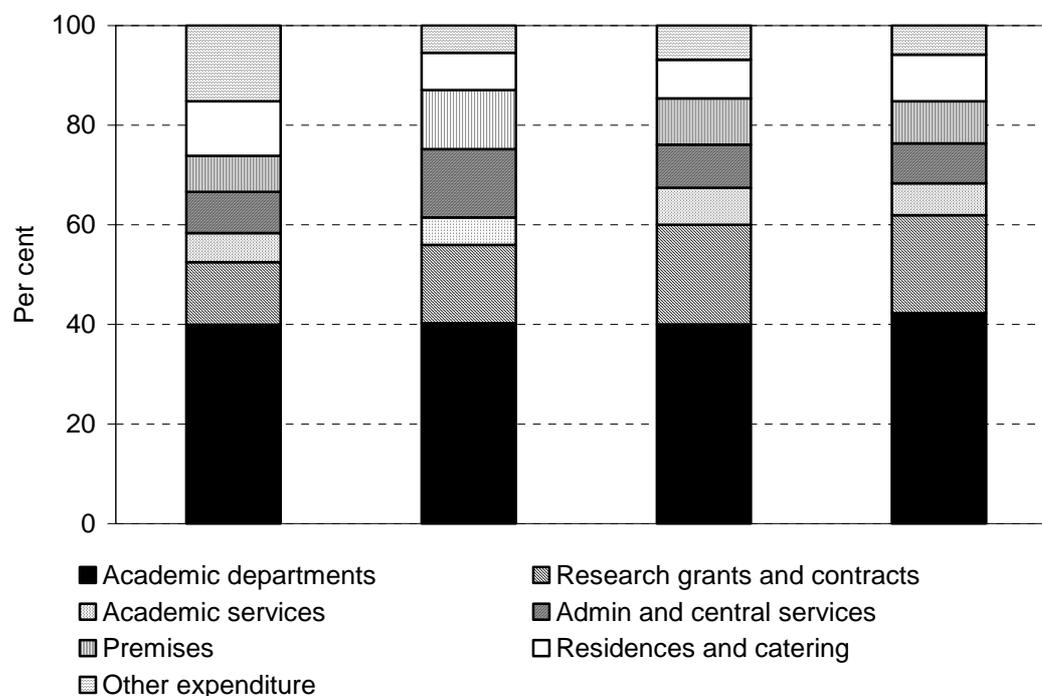
Data source: DEST (2002a).

The Higher Education Statistics Agency (HESA) in the United Kingdom also publishes expenses by a set of functions for universities in England (see figure 6.8).

The expenses of the selected UK universities, when disaggregated by function, appear to be much more uniform than the functional expense breakdowns of the

Australian universities. Once again, academic and research activities accounted for the largest proportions of total expenses.

Figure 6.8 Expenses by function — selected UK universities, 2001



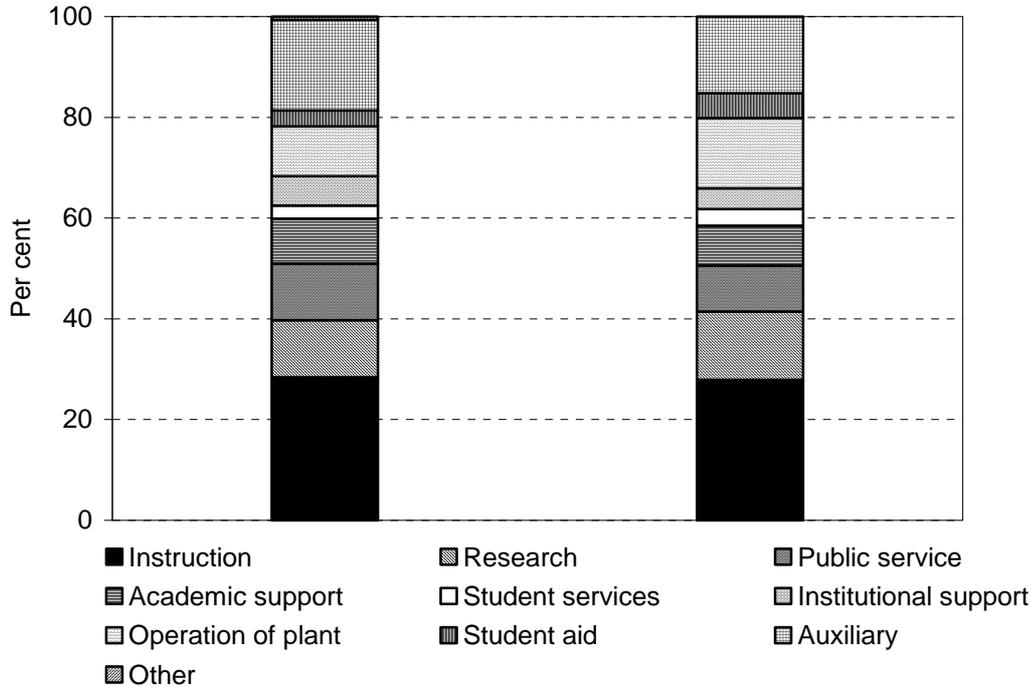
Data source: HESA (2002a).

The data set for UK universities has fewer functional categories. It is not possible to directly compare these expense categories with those of the Australian universities despite the similarity of category names, owing to differences in definitions.

The UK data shows the differing research intensities of the four universities and enables a comparison of the resources utilised in teaching and research activities. This comparison may be useful in helping to explain the divergence in the totals and types of revenues and expenses of these universities.

Although data published at a national level was not available for all of the selected US universities, Oklahoma State University and the University of Oklahoma reported comparable functional expense breakdowns in their financial statements (see figure 6.9). Instructional and research activities again accounted for significant proportions of total expenditure, although these were less significant for Oklahoma and Oklahoma State than for the selected Australian and UK universities. Also of significance for Oklahoma and Oklahoma State were expenses related to public services, the operation of plant and auxiliary activities.

Figure 6.9 Expenses by function — Oklahoma State University and the University of Oklahoma, 2001



Data sources: Oklahoma State University (2001); University of Oklahoma (2001).

Of the remaining overseas universities in the sample, only some reported their expenses by function and each of these reported different functional categories to the three presented above. Some of the functional expense categories that other overseas universities report are shown in table 6.1. Further, some universities disaggregated expenses using a combination of type and functional breakdowns. For example, Trinity College Dublin disaggregated expenses by function but also separated the depreciation expense of each of these functional categories into a separate expense category.

Table 6.1 Functional expense categories — selected overseas universities, 2001

<i>University</i>	<i>Country</i>	<i>Expense categories</i>
Auckland	New Zealand	Teaching and research Research programmes Student services Academic services Institutional services
Yale	United States	Instruction and departmental research Organised research Patient care and other related services Libraries and other academic support Student aid and services Public service Administration and other institutional support
Trinity College Dublin	Ireland	Academic faculties and departments Academic and other services Premises Central administration and services General educational expenditure Student services Ancillary services Miscellaneous expenditure Depreciation

Source: University annual reports.

7 University assets and liabilities

The 37 universities examined in this report had assets worth almost A\$76 billion and liabilities worth around A\$17 billion in 2001. The value of total assets and liabilities of the universities varied significantly, driven by factors such as the size and age of the university, and the legal obligations of the university to its employees.

Comparison of assets and liabilities between universities is difficult, due to differences in accounting practices. Differences in the valuation of physical assets, the capitalisation of equipment, and the treatment of trusts and cultural assets all affect comparisons.

Assets and liabilities are reported at the university level for a selection of Australian and overseas universities. For more detailed information on the data presented in this chapter, the definitions adopted, and the selected universities, see appendix D and the glossary. Information on some student and staff characteristics of the selected universities, and a discussion of the selection of the universities, can be found in chapter 1.

The information contained in this chapter was derived from the consolidated financial statements of the selected universities. Financial data in foreign currencies were adjusted to a common unit of account using Purchasing Power Parities.¹

7.1 Assets

Assets are any items of value, owned or controlled by an entity. The Australian Accounting Standards Board defines assets to be ‘future economic benefits controlled by the entity as a result of past transactions or other past events’ (AASB 2002). Within this chapter, assets are examined as reported in the consolidated financial statements of each selected university.

University assets include physical assets (such as land, buildings, motor vehicles and other equipment), financial assets (including cash on hand, bank deposits,

¹ For a discussion of Purchasing Power Parities, see chapter 1 and appendix B.

shares and bonds) and intangible assets (goodwill and intellectual property, such as patent rights).

Some factors affecting the value of university assets

The value of the physical assets of a university will be influenced by the extent and nature of the academic activities it undertakes. Generally speaking, universities that focus on liberal-arts disciplines will require fewer assets than universities that have a broad discipline base or focus on scientific and technical areas such as medicine or engineering.

Only significant differences in the number of enrolled students are likely to affect the value of physical assets in universities. Marginal differences in student numbers have little or no effect on the value of each university's asset base.

A university's stock of physical assets appears to be related to the age of the institution. Older universities have generally benefited more from land grants and capital donations, whether from government, the church or private individuals. Land grant universities — which began operating in the United States during the 1800s — were given large tracts of land on which they still operate. Similarly, it is unlikely that 80 hectares in the heart of Melbourne could be set aside for a university built today, as it was in the 1850s.

Apart from physical assets, universities' major group of assets are financial assets. Financial assets primarily consist of cash, investments and endowments, which are the accumulated bequests and donations to the university.

The size of the endowment, and the university's ability to attract further funds to the endowment, depends on factors such as the size of the potential benefactor community, the university's prestige and status within the community of potential benefactors, and the community's propensity to donate to education and research.

A culture of giving clearly assists US universities compared to Australian universities and others in the sample set. Combined donations to the education and research sector in Australia each year are around A\$500 million (Philanthropy Australia 2001). This includes donations made to schools and private research centres not connected to universities. By comparison, a single donation of A\$530 million was made by the Hewlett Foundation to Stanford University in 2001 (Stanford 2001).

The age of the university can also affect financial assets because alumni, who make up most of the community of potential benefactors, grow in numbers over time. Age

also can imbue status on a university and this prestige can assist in the generation of new bequests and donations.

Accounting practices that affect comparison of university assets

Comparison of university assets, especially physical assets, can be affected by different methodologies for reporting assets both within and among different countries.

The following discussion highlights differences in the valuation of physical assets and in the inclusion and exclusion of assets in university accounts. It is not intended to advocate particular accounting treatments over others, only to reveal possible contributing factors — other than actual differences in the universities — to the observed variation in university asset values.

Valuation of physical assets

Several methods are used to value assets for reporting purposes. The particular method employed by the university is generally determined by the reporting requirements in the country where the university operates. Different valuation methods can result in similar assets having very different reported values in the financial statements of different universities:

- *Historical cost* — the cost to the university of the acquisition of an asset at the time the transaction took place. Assets reported under historical cost are usually depreciated, most commonly using a straight-line method. Historical cost, while inexpensive and easy to record, can produce misleading results due to the impact of changing market environments, technical obsolescence and inflation, particularly given the longevity of some physical assets controlled by universities.
- *Current cost* — either the current market buying price of a similar asset (where a similar asset can be purchased), or the cost of replacing the existing asset's service potential with a different asset that has a similar service potential. Current cost is not easily applied to many highly specialised assets, such as custom-made scientific equipment, or assets where the service potential is difficult to determine, such as cultural collections.
- *Current value* — either the net market value of the asset or its net present value. Market value is the amount which the university would expect to receive if the asset were sold at the reporting date, less any costs incurred in obtaining the proceeds of the sale. This method, while theoretically accurate, requires a mature and readily observable market to indicate fair value. Alternatively, net present

value measures the present value of the net cash inflows that the entity expects to receive from the use of the asset over its remaining life.

In Australia, universities generally value their assets using a current value or current cost methodology, while historical cost is the preferred method for asset valuation in most of the selected overseas universities (see table 7.1).

Historical cost normally understates the value of long-lived and donated assets. This raises particular problems for the university sector, due to the abundance of gifted assets. To counteract this problem, universities that, for the most part, use historical cost generally value gifted assets using a current fair value approach at the time the asset is donated. However, assets granted to the universities, such as campus land, are often only recorded at a token value.

Historical cost can also cause difficulties when comparing short-lived assets between universities. The short economic life of information technology and scientific equipment means that differences in the depreciation rate used by universities can have a significant impact on the value given for similar assets. For example, Simon Fraser depreciates computing equipment over three years, Charles Sturt over four years and ANU over five years. The same 2-year-old computer is therefore valued at almost twice the amount at ANU than at Simon Fraser, assuming it has negligible residual value.

There are practical problems with current valuation methods despite their theoretical accuracy. There is unlikely to be a mature market for specialised university assets. Similarly, restricted assets (such as donated buildings, equipment or Crown land) cannot be sold and therefore must be given an estimated value. Valuations are costly and do not appear to be based on a consistent methodology across the sector.

Land appears to be the most inconsistently reported asset among the universities in the sample. Of the five universities with the most valuable land holdings in the sample, four were Australian universities. However, this is most likely due to different valuation practices. For instance, based on financial statement information, 300 hectares of land at Murdoch was more valuable than the 1000 hectares of combined land at Yale, Waterloo and Simon Fraser.

Table 7.1 Valuation methods for different asset classes — selected universities, 2001

<i>University</i>	<i>Country</i>	<i>Method used to value land</i>	<i>Method used to value buildings</i>	<i>Method used to value cultural assets^a</i>
UNSW	Australia	Campus at market value.	Depreciated replacement cost.	Art at fair retail replacement cost. Library holdings at historical cost.
Melbourne	Australia	Small and medium sites on basis of market evidence, large sites on fair value basis.	Core buildings at depreciated replacement cost, non-core at market value.	Majority of library at historical cost, rare books at current market value. Method of valuing art works not specified.
Murdoch	Australia	Current use land at fair value, all other land at market value.	Depreciated replacement cost.	n.a.
Flinders	Australia	Market value for existing use.	Market value for existing use.	Library collection valued at depreciated replacement cost. Works of art at historical cost.
Auckland	New Zealand	Optimised replacement cost.	Depreciated optimised replacement cost.	n.a.
Warwick	United Kingdom	Historical cost.	Historical cost.	n.a.
Limerick	Ireland	Current value based on existing use.	Current value based on existing use.	n.a.
Waterloo	Canada	Historical cost (fair value if donated).	Historical cost (fair value if donated).	Art collection and rare books at fair value. Library at historical cost.
Georgetown	United States	Historical cost (fair value if donated).	Historical cost (fair value if donated).	Works of art and museum collections are not valued. Library collection at historical cost.
Yale	United States	Historical cost.	Historical cost.	Collections are not valued but expensed in the period when acquired.
NUS	Singapore	Historical cost.	Historical cost.	Historical cost.
Hong Kong	Hong Kong	Not valued.	Amortised over length of finance lease or not valued. ^b	Not valued.
Amsterdam	Netherlands	Historical cost.	Historical cost.	Historical cost.

^a Cultural assets comprise library collections, works of art and historical collections. ^b Fixed assets acquired through credit facilities and finance leases or for an activity with a clear objective for profit are capitalised and amortised over their estimated useful lives. All other assets are not capitalised, but expensed in the year in which the expenditure is incurred. **n.a.** Information not available from annual reports.

Source: University annual reports.

Even if each university used the same valuation methodology, differences in the capitalisation threshold can affect comparisons of total asset value. In particular, different thresholds will significantly affect the comparison of equipment assets, such as computers. For example, UNSW capitalises all assets with a useful life exceeding 12 months and a cost of acquisition exceeding A\$5000, while Nottingham only capitalises assets exceeding A\$61 000.

Inclusion and exclusion of assets

The reported assets of universities are not equivalent to all resources available to universities. Generally accepted accounting principles require an asset to be recognised by an entity when three conditions are satisfied:

- the entity has control of the asset;
- it is probable that any economic benefits associated with the asset will flow to the entity; and
- the item has a cost or value that can be measured with reliability.

External trust funds, rare cultural assets and the assets of collaborative operations may be excluded from the reported assets of universities. This can affect the comparison of asset levels across universities.

External trust funds and permanently restricted endowments

An external trust is a fund that operates for the benefit of a university but is controlled by an external party. The value of a trust is generally easy to determine and the benefits will flow to the university. However, its assets and liabilities will not be part of the university's consolidated accounts because the control of external trusts rests with an external entity.

For example, the SFU Foundation receives, manages and invests funds for the purposes of Simon Fraser. The single shareholder is the Province of British Columbia and the foundation's assets do not appear in Simon Fraser's consolidated accounts (Simon Fraser 2001).

Comparison can be compromised between institutions with external trusts as the issue of control is not always clear. For example, Charles Sturt does not include the assets (or liabilities) of a collection of trusts in its consolidated accounts. However, the NSW Auditor-General suggested that Charles Sturt should include these assets and liabilities in its consolidated statements as it 'has the capacity to dominate decision making' (Charles Sturt 2002).

Permanently restricted endowments are assets received from an outside donor that must be retained inviolate and in perpetuity. For example, in 2001, Stanford reported cash and investment assets of A\$14.6 billion, of which A\$3.6 billion was permanently restricted.

The presence of these permanently restricted financial assets affects comparisons with universities that do not control the trusts or foundations from which they benefit. Although both permanently restricted endowments and external trusts benefit the university, only permanently restricted assets are recorded as assets.

In the sample of universities studied, the use of external trusts appears greater in Australia, Canada and New Zealand relative to the United States and the United Kingdom, which favour permanently restricted endowments. For the purposes of this report, the Commission has not made adjustments to the reported asset values of the selected universities.

Rare cultural assets

Universities are repositories for extensive collections of cultural assets, comprising library, art and museum collections. Although libraries, collections of art and historical pieces are among the most recognisable assets held by universities, many do not value them as they are considered to be 'invaluable'. This is the case for several universities in the sample, including Yale, Georgetown and Hong Kong. The reason, when given, is generally that it is not possible to reliably estimate the value of these collections to the university.

Assets of collaborative operations

Several universities in the sample participated in research and educational activities in collaboration with other universities or government departments. Often the assets and liabilities of these partnerships are not included in the financial statements. For example:

- Stanford operates the Stanford Linear Accelerator Center (SLAC) for the US Department of Energy. Although the university operates the centre and controls its use, the value of SLAC's assets and liabilities are not included as part of Stanford's assets (Stanford 2001).
- UNSW receives substantial funding from the Australian Department of Defence to operate a university college within the Australian Defence Force Academy. These facilities, which incorporate teaching, research and administrative buildings, are not included in the consolidated assets of the university (UNSW 2001).

These operations and similar operations at other universities constitute a valuable resource even though their value is not recognised in the measures of total assets.

Total assets

While recognising the many caveats mentioned above, some analysis can be undertaken of the reported asset values for the selected universities. The 37 universities examined, reported total assets ranging from A\$79 million to over A\$19 billion, and a combined asset base of almost A\$76 billion in 2001 (see figure 7.1).

Twelve of the universities in the sample had total assets worth less than A\$500 million; 13 had assets worth between A\$500 million and A\$1 billion, with the remaining 12 having assets worth in excess of A\$1 billion.

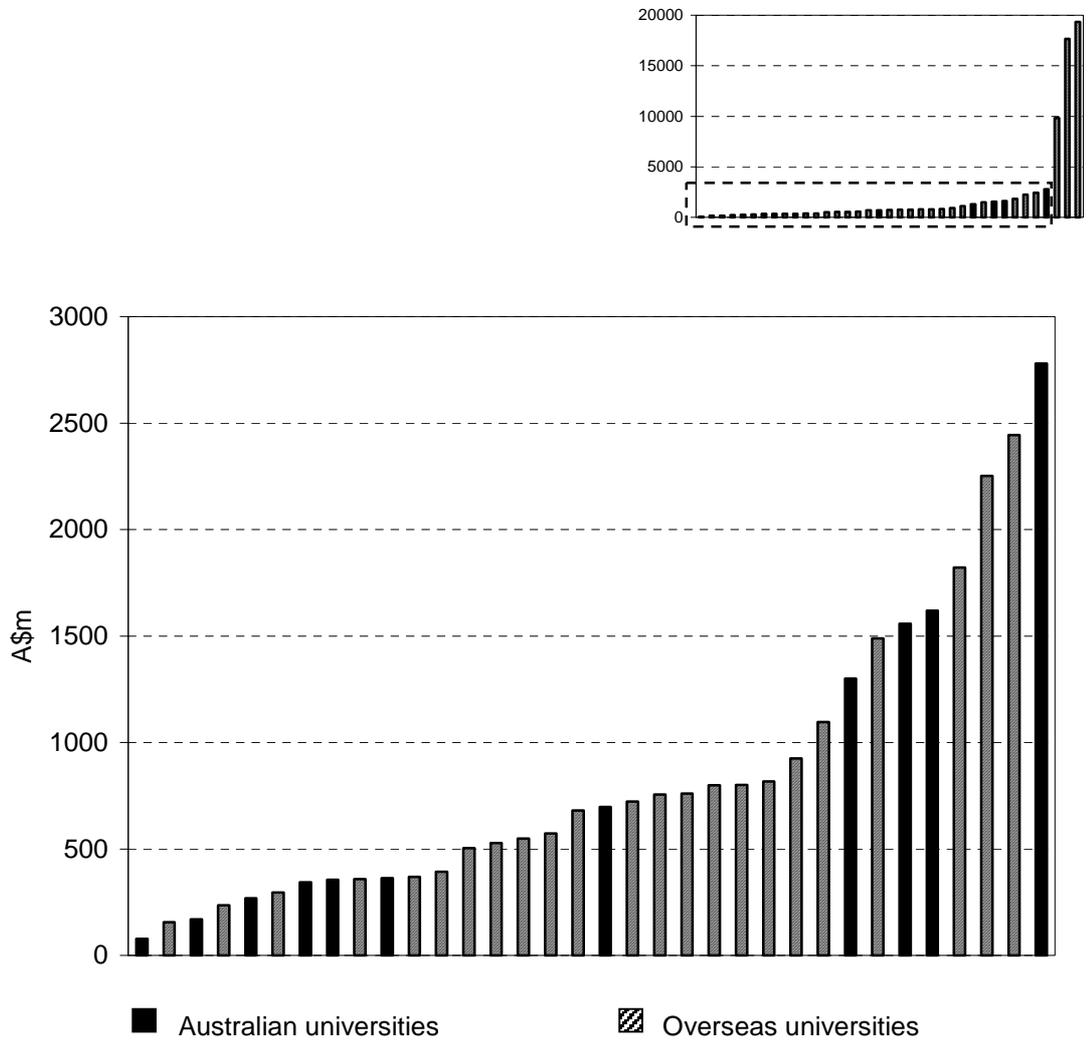
The three clear outliers among the selected universities, evident in the insets to figures 7.1 and 7.2, are Stanford, Yale and Pennsylvania. The combined value of assets at these three private, independent US universities was almost three times as great as the combined asset value of the remaining 34 universities.

These three outliers are not unique in the United States, where there are over 60 institutions that are larger — in terms of total assets — than Melbourne, the largest non-US university in the sample (Lombardi et al. 2001). For instance, Harvard University's assets alone are roughly equivalent to the sum of Stanford's and Yale's, and are larger than the combined assets of Australia's 37 publicly funded universities.

When Stanford, Yale and Pennsylvania were excluded, the Australian universities were broadly distributed throughout the remaining universities in the sample (see figure 7.1).

For the entire sample group of universities, total assets did not show a significant correlation with the number of full-time equivalent (FTE) students (see figure 7.2). Again, there was no discernible differentiation of the selected Australian universities from those overseas.

Figure 7.1 Value of total assets — selected universities, 2001

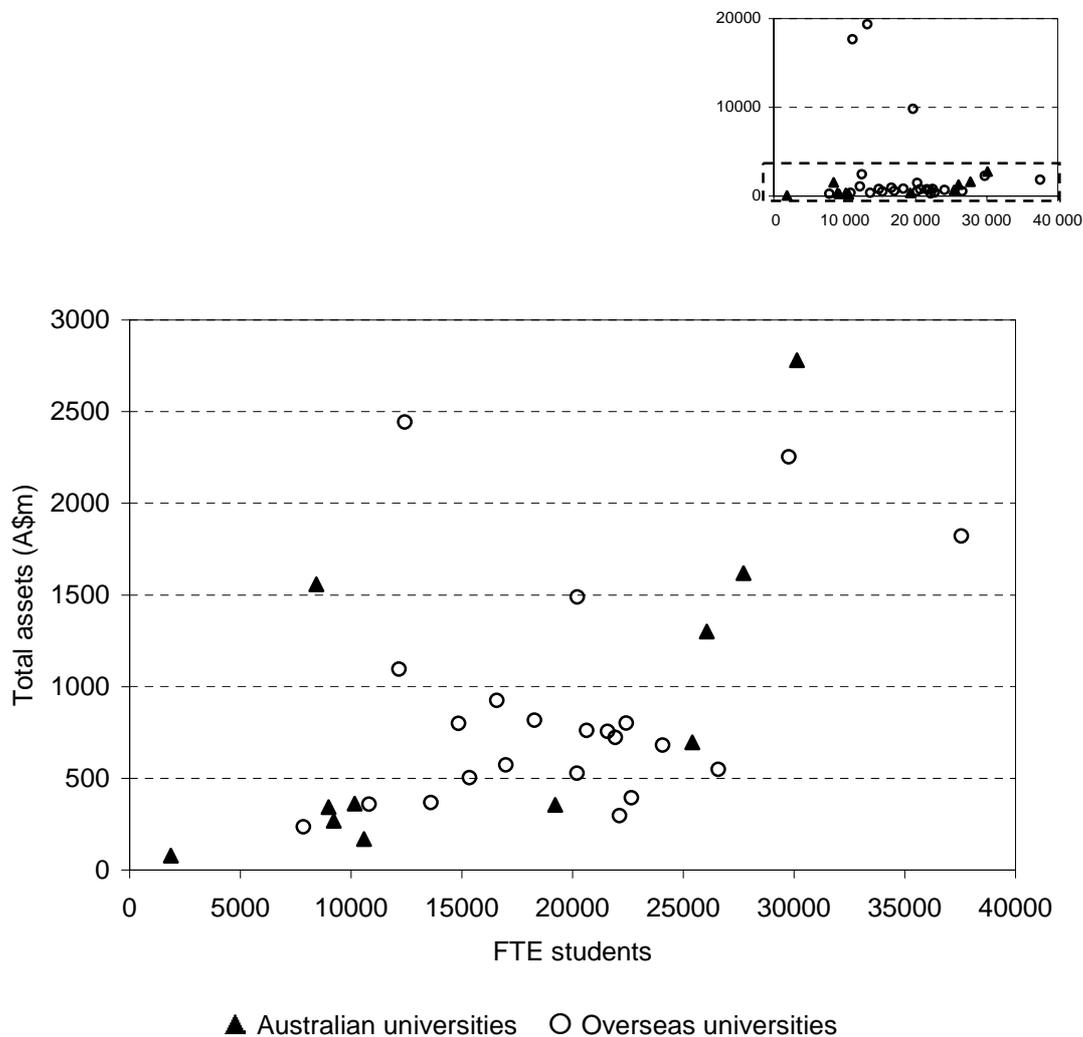


Note The value of total assets for Stanford (A\$19.3 billion), Yale (A\$17.6 billion) and Pennsylvania (A\$9.8 billion) have been excluded from the main figure for presentation purposes. The value of total assets for these universities are shown in the inset. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B).

Data source: Appendix D.

Over the past six years, the value of assets of the selected Australian universities has increased substantially (see figure 7.3). For the group, assets have increased in real terms by over \$910 million or 11 per cent since 1996. However, the group’s growth was driven by larger universities — Melbourne in particular, contributed 60 per cent of the increase in the group’s asset value. The change in assets ranged from a 16 per cent decline (Tasmania) to an increase of 60 per cent (Bond).

Figure 7.2 Value of total assets by full-time equivalent (FTE) students^a — selected universities, 2001

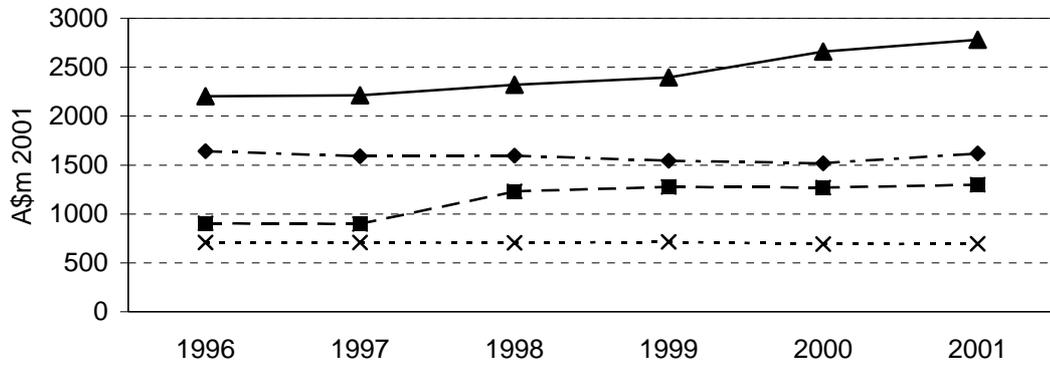


Note The value of total assets and number of FTE students for Stanford (A\$19.3 billion, 13 183 FTE students), Yale (A\$17.6 billion, 11 126 students [headcount]) and Pennsylvania (A\$9.8 billion, 19 658 FTE students) have been excluded from the main figure for presentation purposes. The value of total assets and the number of FTE students for these universities are shown in the inset. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). No information on student numbers was available for Stockholm. ^a Student headcount figures were used for nine of the selected universities because FTE figures were not available. As the student headcount generally exceeds the number of FTE students, these universities appear biased to the right in the figure.

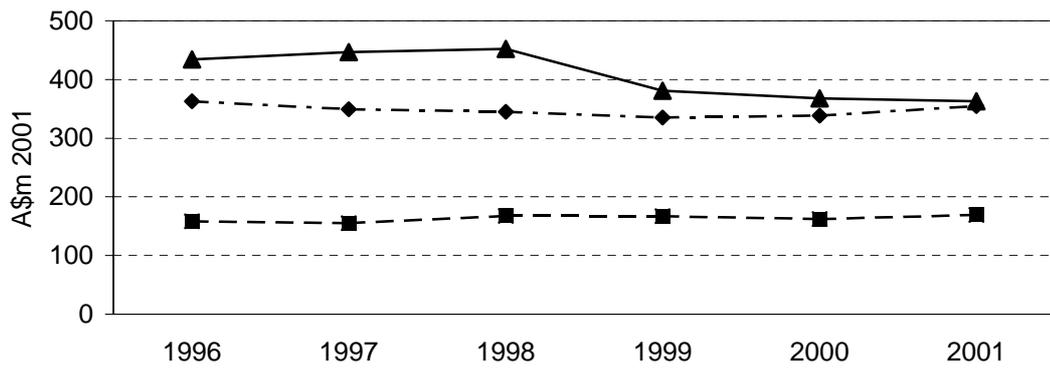
Data source: Appendix D.

Figure 7.3 Value of total assets — selected Australian universities, 1996 to 2001

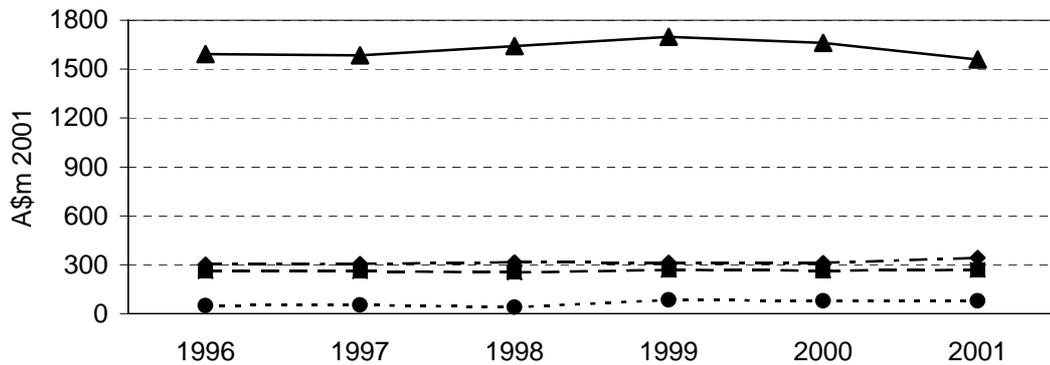
(a) Large universities — greater than 20 000 FTE students



(b) Medium universities — 10 000 to 20 000 FTE students



(c) Small universities — less than 10 000 FTE students

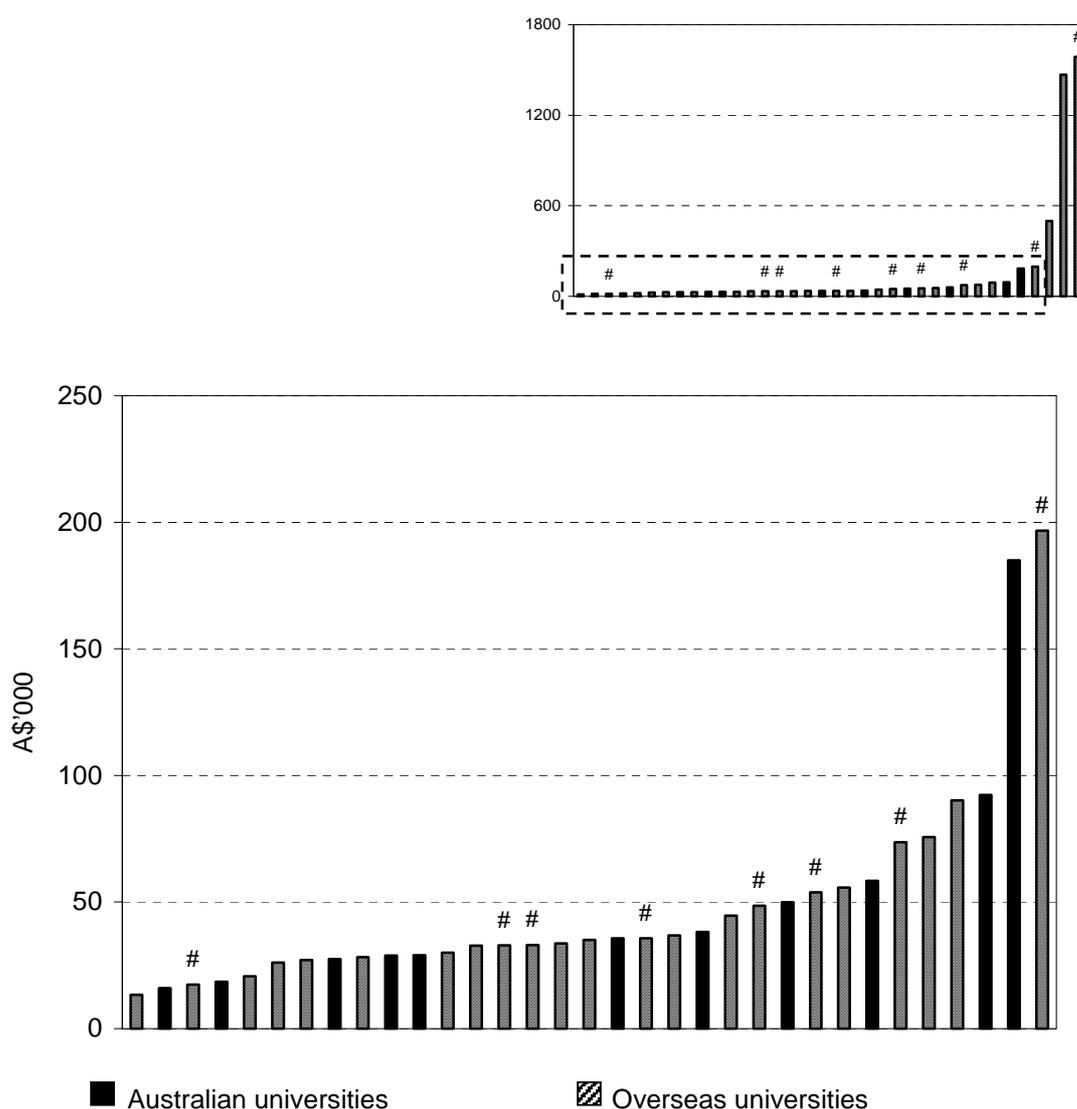


Note Asset values were converted to 2001 dollars using the chain price index 'General Government: Other' final consumption expenditure deflator.

Data source: Appendix D.

In general, the dispersion of assets per student was of the same order of magnitude as the variation in total assets — ranged from around A\$13 000 per student (De Montfort) to just under A\$1.6 million per student (Yale) (see inset to figure 7.4). Most of the selected universities had total assets per student between A\$20 000 and A\$60 000.

Figure 7.4 **Total value of assets per full-time equivalent (FTE) student — selected universities, 2001**



Note The value of total assets per full-time equivalent (FTE) student for Yale (A\$1.6 million [headcount]), Stanford (A\$1.5 million) and Pennsylvania (A\$0.5 million) have been excluded from the main figure for presentation purposes. These universities are shown in the inset. No information on student numbers was available for Stockholm. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). # Student headcount figures were used for nine of the selected universities because FTE figures were not available. As headcount figures are generally greater than FTE figures for a university, the value of assets per FTE for these universities may be greater than shown in the figure.

Data source: Appendix D.

The values of total assets per FTE student for Yale (A\$1.6 million) and Stanford (A\$1.5 million) were three times greater than for Pennsylvania and around eight times greater than Georgetown (A\$197 000) and ANU (A\$185 000).

The variation in assets per student is due in part to the multifaceted operations of larger universities relative to smaller universities. A greater proportion of the assets of universities with larger asset bases was linked to research activities and consolidated entities, such as hospitals, veterinary clinics and research and development companies. The assets of these entities increase the variation in the assets per student ratio compared to smaller institutions. However, the variation in this ratio is unlikely to reflect equivalent variation in the level of resources available to undergraduate students.

Types of assets held by universities

The two main categories of assets held by universities in the sample were property, plant and equipment, and cash and investments.

Property, plant and equipment assets

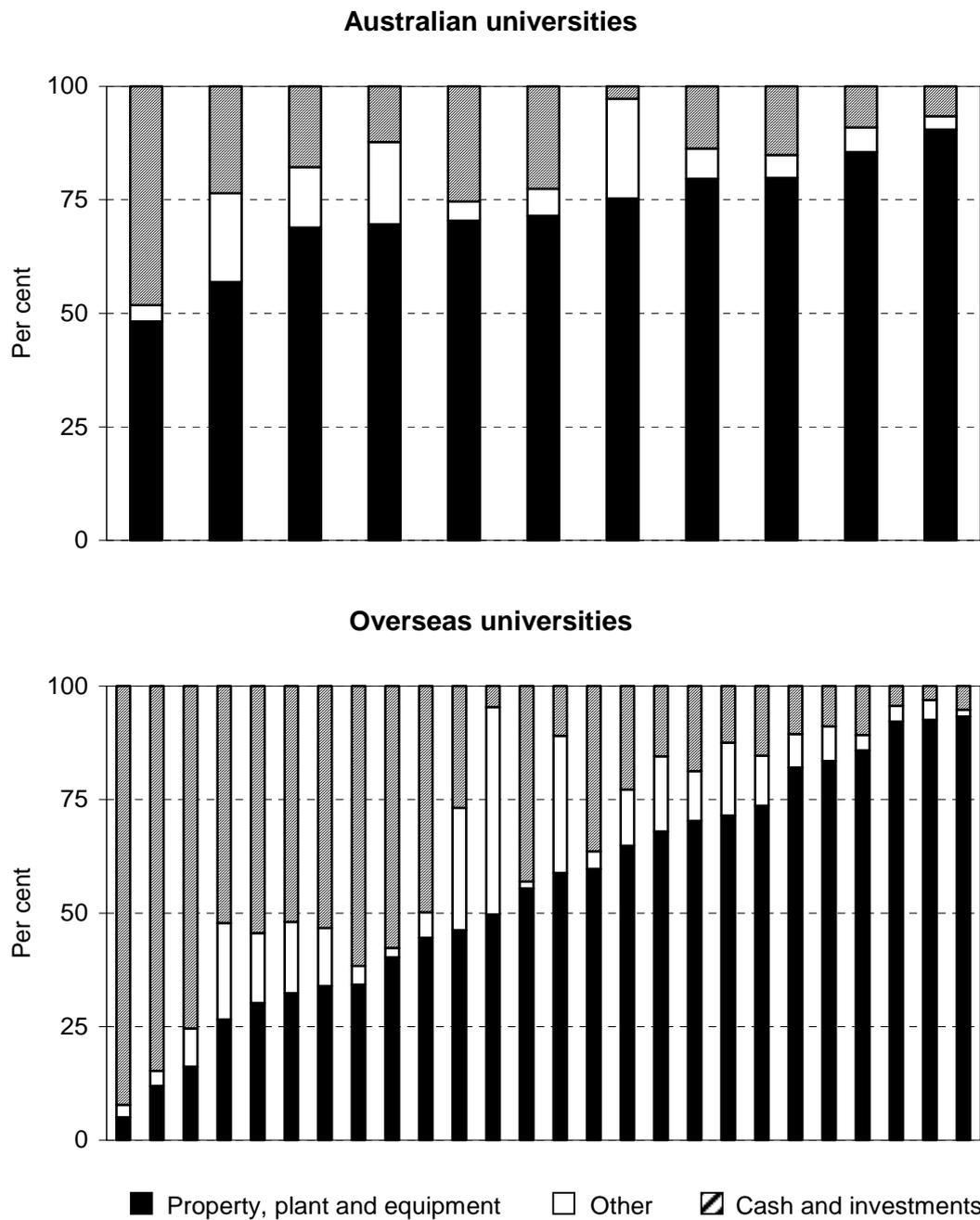
Property, plant and equipment (PPE) are the physical assets of a university expected to have an economic life of at least a year. PPE assets include land, infrastructure (such as roads and pipes), buildings, buildings under construction, equipment — including motor vehicles, furniture and computers — and art and library collections.

For the universities studied, PPE assets had a reported value of A\$25 billion in 2001. The Australian universities studied reported PPE assets worth A\$6.4 billion, ranging from around A\$62 million to just under A\$2 billion.

PPE assets as a percentage of total assets averaged 33 per cent for the entire sample, ranging from 5 per cent to over 90 per cent (see figure 7.5). Within PPE, buildings (including buildings under construction) were generally the most valuable type of asset, followed by equipment then land.

Differences in the quantity and quality of PPE assets at different universities can be expected to affect the quality of the teaching and research that each university undertakes. Unfortunately, differences in the quality and quantity of PPE assets cannot be inferred from differences in the reported value of these assets.

Figure 7.5 Assets by type — selected universities, 2001

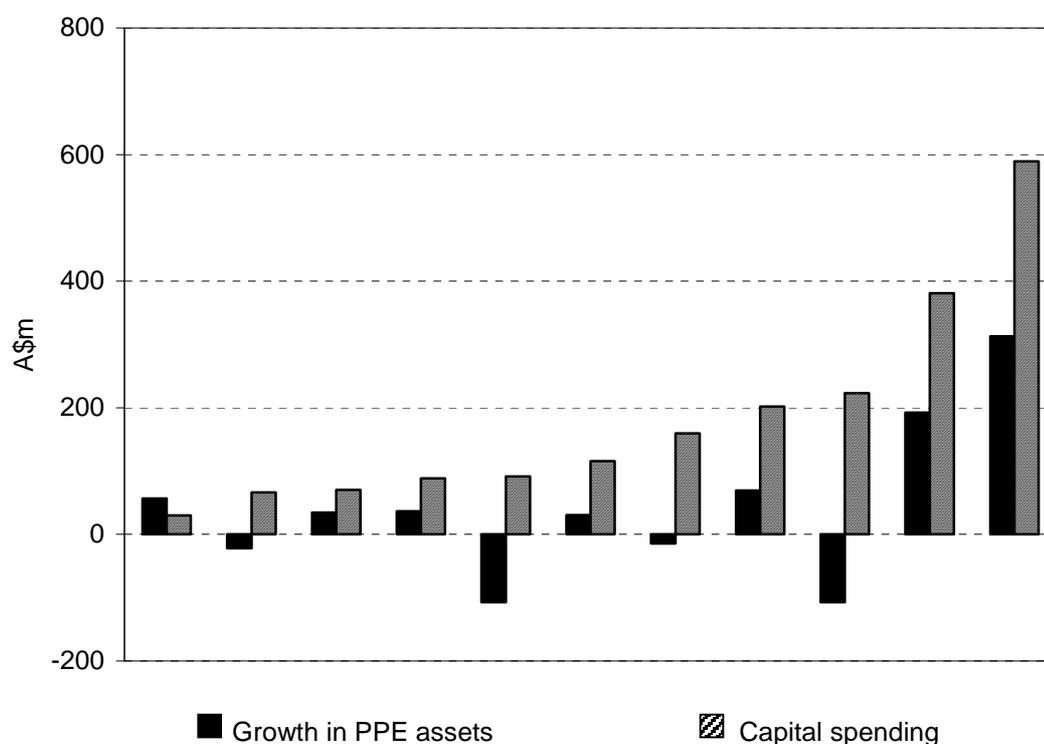


Data source: Appendix D.

In the past six years the value of physical assets increased in seven of the eleven selected Australian universities. In total, the value of PPE in the selected Australian universities increased in real terms by over \$480 million, or 8 per cent from 1996 (see figure 7.6). This growth has not been consistent across the sector with the value of PPE assets decreasing in real terms for four of the universities over the period.

Figure 7.6 Change in property, plant and equipment assets — selected Australian universities, 1996 to 2001

All values in 2001 dollars



Data source: Appendix D.

Growth in physical asset values is linked to capital spending — where capital spending is the sum of cash outflows attributed to the purchase of PPE assets over the period. The universities which experienced the greatest growth in PPE asset values over the period generally had relatively high levels of capital spending (see figure 7.6). Capital spending will not increase the value of PPE assets if it does not exceed the depreciation expense on the university's assets over the same period.

In total, the selected Australian universities have spent over A\$2 billion on PPE assets since 1996. Each university spent more on PPE assets in this period than their reported depreciation expense.

The distortion caused by different accounting (and in particular valuation) practices in different countries is particularly severe for PPE assets. Land, buildings and collections are affected by different valuation methods and some properties and collections are often excluded from universities' accounts. Similarly, the value of equipment assets, such as computers, can be affected by differences in the capitalisation threshold and depreciation rate assigned to university equipment.

Despite the adoption of a range of current value and current cost methods by Australian universities, comparisons between these universities are likely to be more robust than comparisons with overseas universities.

The valuation of PPE assets in overseas universities is unlikely to be indicative of the value of assets. For example, of the ten universities with the lowest valued PPE assets, four were from the United Kingdom. Manchester, which ranked 13th in numbers of students, 13th in terms of total revenue and 12th in terms of cash and investment assets, only ranked 30th in terms of the reported value of PPE assets.

Cash and investments

Cash and investments represent the financial assets of universities. For the selected universities, cash and investment assets were worth over A\$44 billion in 2001, ranging from around A\$12 million to almost A\$15 billion.

Four US universities (Yale, Stanford, Georgetown and Pennsylvania) controlled over A\$36 billion, or 80 per cent of the cash and investments reported by the selected universities. By comparison, the 11 Australian universities controlled A\$2.1 billion, while the remaining 22 overseas universities controlled around \$6.4 billion.

The average percentage of assets reported by the universities in cash and investments was 60 per cent, although there was considerable variation among the different universities (see figure 7.5). Australian universities recorded between 3 per cent and 48 per cent of their assets as being cash and investments. Generally, the selected overseas universities reported a larger percentage of their total assets in cash and investments — although there was greater variation. Five of the overseas universities had over 75 per cent of their assets in cash and investments.

Cash and investments were the fastest growing asset class among the selected Australian universities over the past six years. Since 1996, cash and investment assets have grown in real terms by 25 per cent for the selected Australian universities, compared to 7 per cent for property, plant and equipment. In real terms the value of cash and investment assets grew for nine of the eleven Australian universities.

The assets of independent trusts of which universities are beneficiaries, do not appear on the universities' balance sheets. As a result, reported financial assets are likely to understate the available financial resources of the university, especially outside the United States.

The selected universities reported a variety of investments, such as equity (predominantly portfolio), securities (government and corporate), bank bills and property trusts.

Variation in the nature of investment instruments held appeared to be related to the total value of a university's financial assets. Universities with relatively few financial assets held most, if not all, of their cash and investments in bank bills and deposits. Universities with larger cash and investment assets held a greater proportion of their investments in equity and securities and generally held a wider variety of instruments.

The types of investments held by universities will also be influenced by their governance structures (see chapter 10). The investment practices of independent universities are determined by the controlling councils and trustees of the university. Public universities may have to follow overarching standards set by external statutory arrangements such as the *Public Utilities (Financial Arrangements) Act 1987* (Cwlth), which broadly regulates the investment activities of UNSW and Charles Sturt.

Not all public universities appear bound by external legislative arrangements. For example, Melbourne University, under the terms of the *Melbourne University Act 1958* (Vic), can invest its funds in any form of investment whatsoever, although bestowed endowment funds must be invested in accordance with the *Trustee Act 1958* (Vic) (Phillips Fox 2001).

Although public universities generally have more external legislative controls over their investment policies than private universities, there was no evidence of systemic differences in the types of investment held among the selected public and private universities.

7.2 Liabilities

Under the Australian Accounting Standards, liabilities are future payments that the entity is presently obliged to make to other entities as a result of past transactions or events. Within this chapter, liabilities are examined as reported in the financial statements of each university.

The selected universities reported total liabilities worth around A\$16 billion in 2001. The Australian universities had total liabilities of almost A\$2.2 billion, while the selected overseas universities reported just under A\$14 billion in total liabilities.

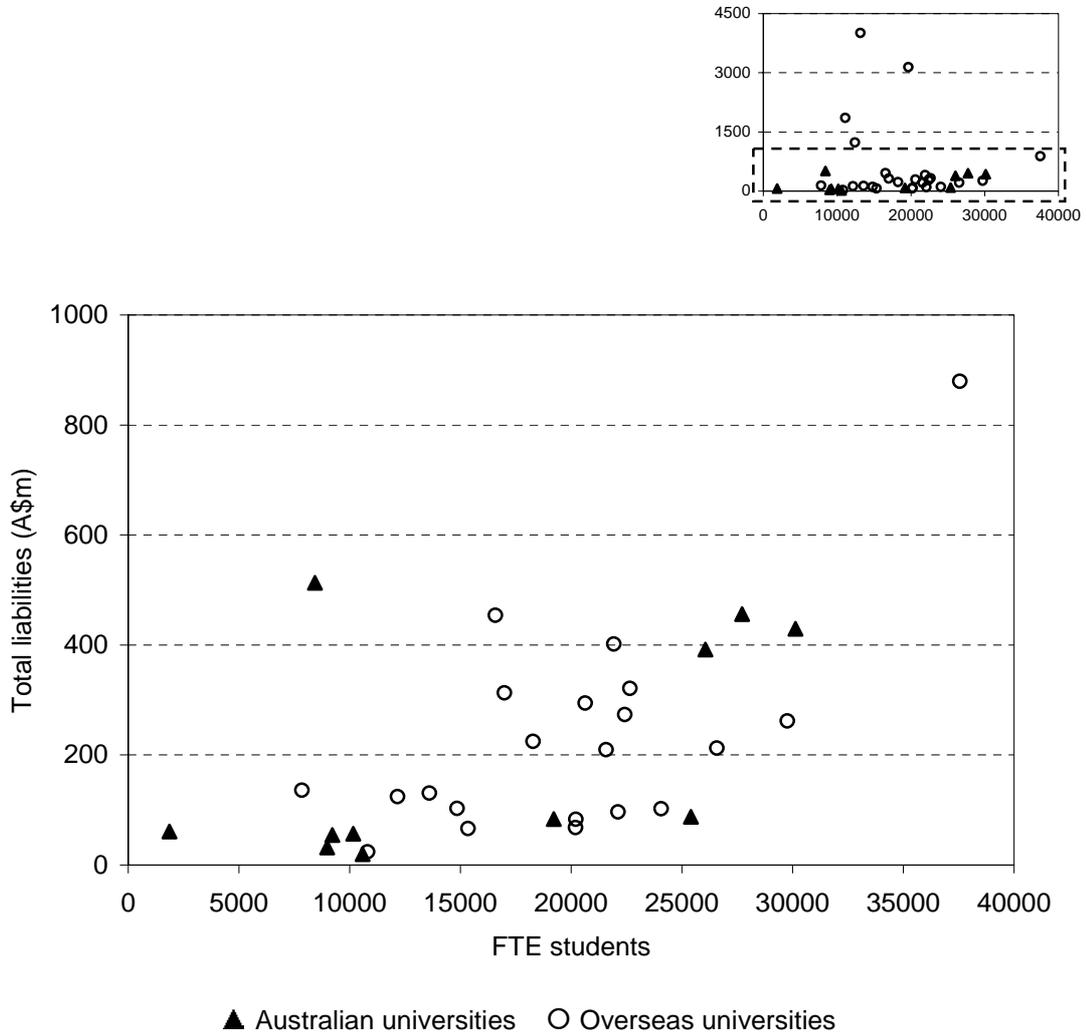
Typically, university liabilities mainly consisted of provisions for employee wages and entitlements, borrowings and accounts payable. The value of reported liabilities ranged from just under A\$20 million to over A\$4 billion (see figure 7.7).

Since 1996, liabilities have increased (in real terms) for five of the eleven selected Australian universities and increased relative to assets for four of the institutions.

Compared to the value of assets, liabilities are significantly less for most universities. This is reflected in the liabilities to assets ratio. For the group of selected universities, the median ratio was less than 28 per cent (see figure 7.8).

From the sample set, there appears to be some relationship between the liabilities to assets ratio and the country in which a particular university is based. Of the universities with the ten highest liabilities to assets ratios, four were from Canada and three were from the United Kingdom.

Figure 7.7 Value of total liabilities by full-time equivalent (FTE) students^a — selected universities, 2001



Note The values of total liabilities and student numbers for Stanford (A\$4 billion, 13 183 FTE students), Pennsylvania (A\$3.1 billion, 19 658 FTE students), Yale (A\$1.9 billion, 11 126 students [headcount]) and Georgetown (A\$1.2 billion, 12 427 students [headcount]) have been excluded from the main figure for presentation purposes. These universities are shown in the inset. No information on student numbers was available for Stockholm. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). ^a Student headcount figures were used instead of FTE figures for nine of the selected universities because FTE figures were not available. As the student headcount generally exceeds the number of FTE students, these universities appear biased to the right in the figure.

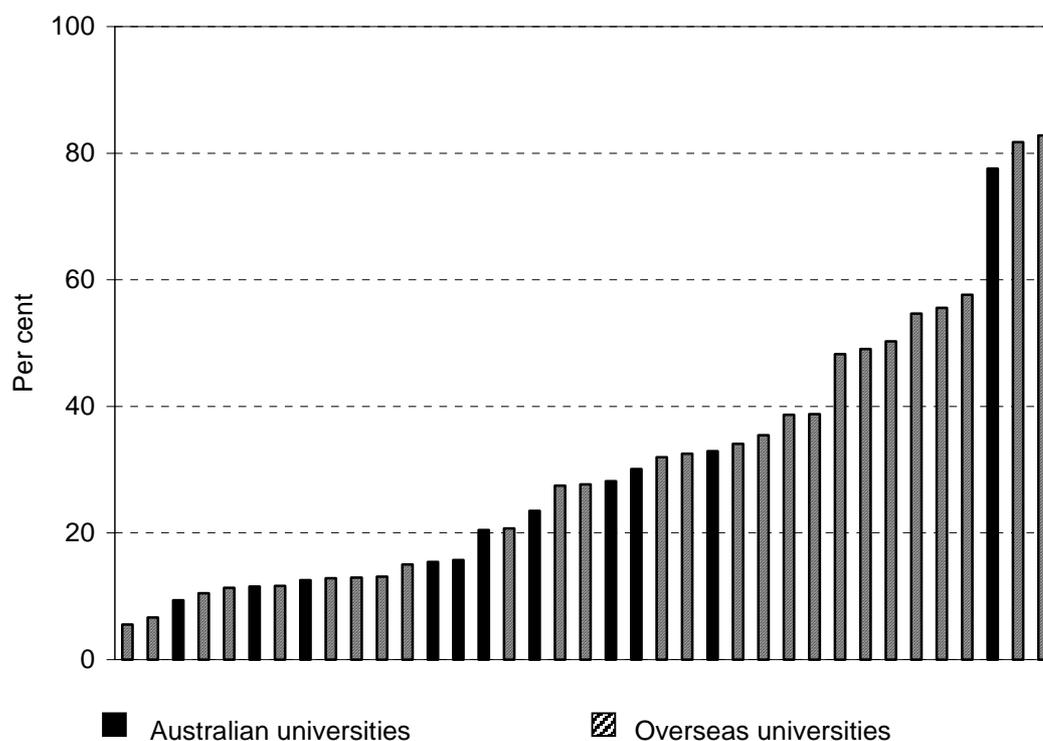
Data source: Appendix D.

Bond University borrowed funds to purchase its campus in 1999, significantly increasing its liabilities to assets ratio. With this exception, the Australian universities tended to have relatively low liabilities to assets ratios.

This is partly due to the differences in the treatment of assets in different countries, discussed earlier, which tends to result in similar assets having higher values in

Australia than in other countries. It also reflects differences in the governance constraints and legislative requirements placed on universities in different countries.

Figure 7.8 **Liabilities to assets ratio — selected universities, 2001**



Data source: Appendix D.

Types of liabilities

The two major liability categories in most of the sample universities were employee provisions and borrowings (see figure 7.9). ‘Other’ liabilities (shown in figure 7.9) are generally the sum of a university’s trade creditors (accounts payable) and other liabilities, such as income in advance and funds held on behalf of external entities. The relative size of ‘other’ liabilities is overstated in four of the overseas universities due to data problems.

Provisions

Provisions are liabilities where the timing or amount of the obligation is uncertain. For universities, provisions are generally employee entitlements, such as superannuation and long service leave. Under international accounting standards, a provision must be recognised when:

-
- a university has a present obligation as a result of a past event;
 - an outflow of resources embodying economic benefits is expected to be required to settle the obligation; and
 - a reliable estimate can be made of the amount of the obligation.

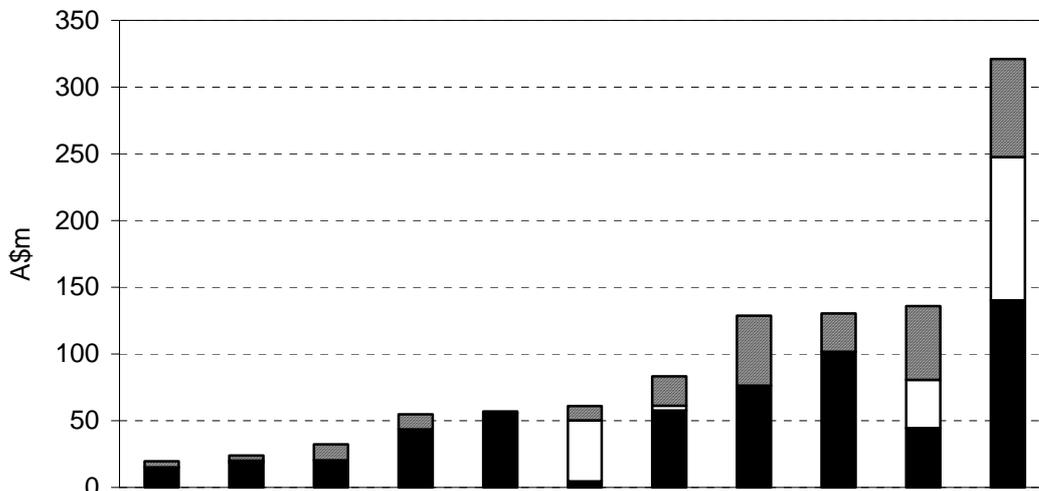
The value of provisions recorded on the balance sheet of different universities is related to the legal obligations of the university with regards to their employees. In particular, different responsibilities for superannuation, long service leave and other employee entitlements in different jurisdictions affect the size of provisions at different universities.

The reported value of provisions for the selected universities was over A\$3.4 billion in 2001. On average, provisions accounted for around 70 per cent of reported liabilities in the selected Australian universities, compared to around 13 per cent for the overseas universities.

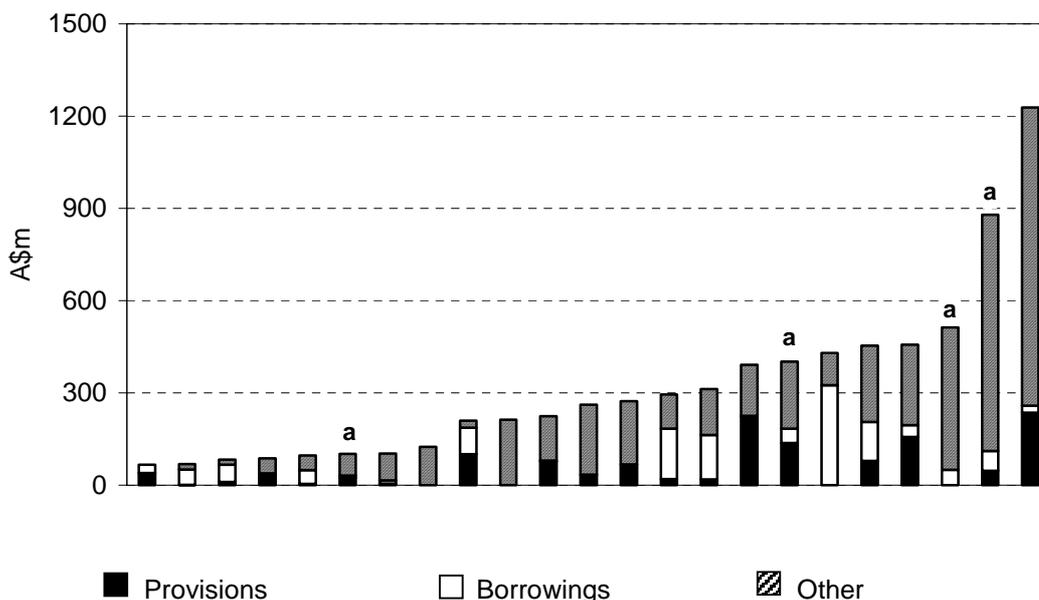
Superannuation liabilities may be overstated among a number of the Australian universities. Under an arrangement with the Commonwealth Government, universities report a liability (and a matching receivable asset) for unfunded liabilities under the State Superannuation Schemes. Although this does not affect their net asset position it overstates their liabilities. Some Auditors-General have questioned the assurances given by universities that their superannuation responsibilities have been fully absolved by the government guarantee.

Figure 7.9 Liabilities by type — selected universities, 2001

(a) Australian universities



(b) Overseas universities



Note The values of total liabilities for Stanford (A\$4 billion), Pennsylvania (A\$3.1 billion) and Yale (A\$1.9 billion) have been excluded from figure (b) for presentation purposes. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). ^a Accounts payable and provisions could not be fully separated for Waterloo, Georgetown, Queens or British Columbia. These liabilities have been included in 'other' for these universities.

Data source: Appendix D.

Borrowings

Compared to the value of total assets, the reported borrowing levels of the selected universities were generally quite low. Around 70 per cent of the universities in the sample reported borrowings and as a group, the debt to total assets ratio was 11 per cent. Stanford reported the largest borrowings in the group, with just over A\$2.6 billion of debt. However, even Stanford had a debt to total assets ratio of only 14 per cent.

Universities generally sell their primary service, teaching, at a considerable loss and rely on gifts, interest and grants to remain viable. The return on core projects within universities are therefore unlikely to meet the cost of borrowings — the market interest rate.

However, there are exceptions. Universities often control for-profit operations, such as consulting companies and intellectual property development groups (see chapter 9). Unlike core functions at not-for-profit universities, these operations may be expected to earn a commercial return.

8 University financial position

The key indicators of a university's financial position include its operating surplus, net cash flows and current ratio. They reflect the multiple components of a university's financial position including operating performance, cash management and financial management.

These indicators for 2001 are presented for each of the selected universities, to give a general impression of the universities' position and whether there are systematic differences in the results between the selected Australian and overseas universities. Also presented are indicators for earlier years, to show trends and year-to-year variability in financial performance.

The information contained in this chapter was derived from data in the consolidated financial statements of the selected universities. Financial data in foreign currencies were adjusted to a common unit of account using Purchasing Power Parities.¹

8.1 Operating surplus

An operating surplus is reported when a university's total revenue exceeds its total expenses for a given year. Surpluses represent capital savings which can be invested in financial assets to produce revenue or directed to the university's own operations.

Although most universities do not generally seek profits or operate with a profit motive,² deficits are undesirable in that, other things being equal, they are not sustainable in the long-term. As universities are intended to exist in perpetuity, sustainable, positive operating results are very important.

The size of a surplus is determined by factors affecting revenues and expenses. Any factor that affects the ability of a university to raise revenue, such as the degree of

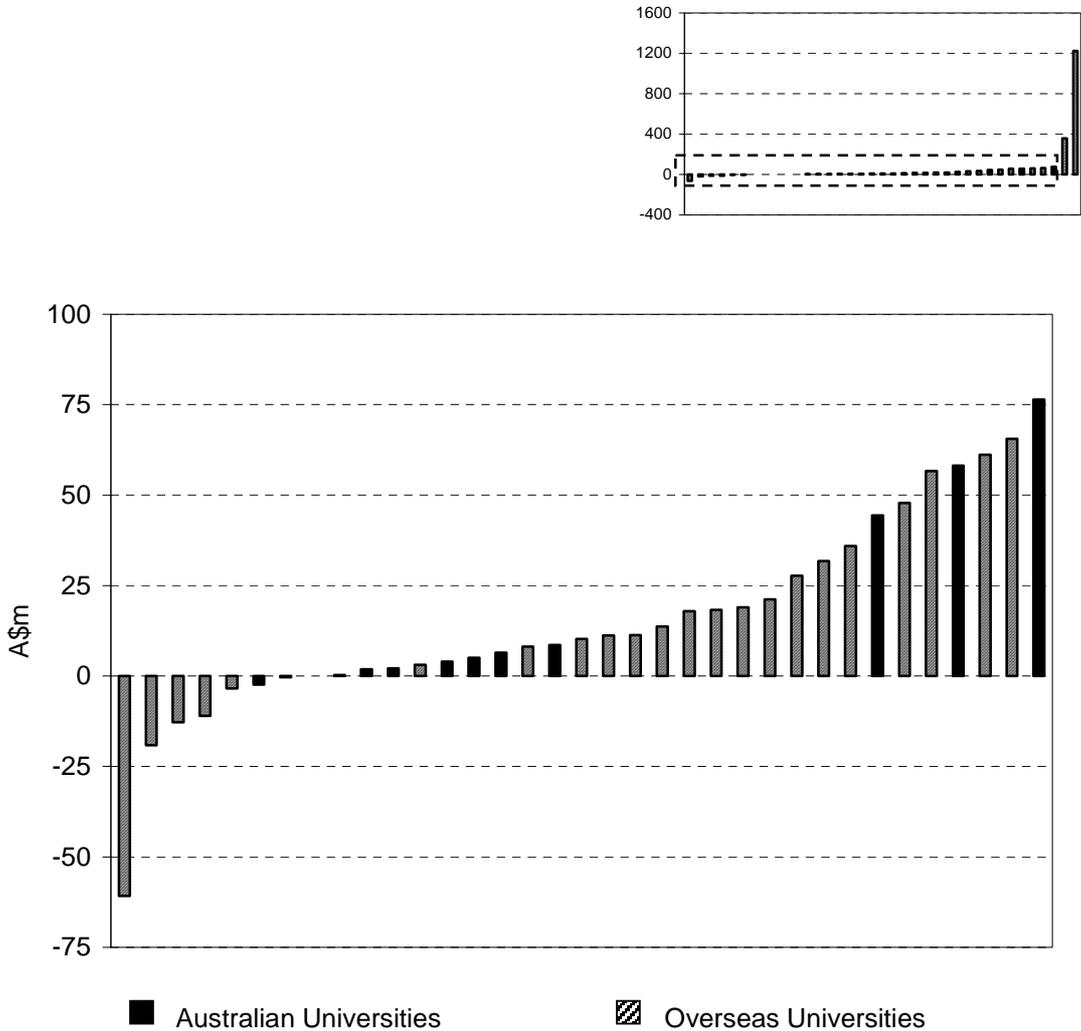
1 For a discussion of Purchasing Power Parities, see chapter 1 and appendix B.

2 Most universities are not-for-profit entities. There is, however, a growing number (especially in the United States) of for-profit private universities, generally offering specialised postgraduate degrees to business professionals. The largest of these institutions is the University of Phoenix, which has over 40 000 students (see Sperling 1998).

government control, or that determines a university's expenditures, such as the types of activities undertaken by the university, will influence its operating result.

In 2001, Yale posted an operating surplus of A\$1.2 billion — by far the largest operating surplus among the selected universities (see inset to figure 8.1). When Yale is excluded, results for the remaining 36 universities, ranged from a surplus of A\$357 million for Pennsylvania to a A\$61 million deficit for Georgetown. The operating results of the Australian universities in 2001 ranged from a surplus of A\$76.4 million to a A\$2.4 million deficit.

Figure 8.1 Operating surplus — selected universities, 2001



Note The value of operating surplus for Yale (A\$1.2 billion) and Pennsylvania (A\$357 million) are excluded from the main figure for presentation purposes). These universities are shown in the inset. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B).

Data source: Appendix D.

The operating margin (surplus as a proportion of revenue) provides an indication of the importance of a result to a particular university and enables greater comparability of results between universities of various sizes. Of the 30 universities that produced a surplus in 2001, four — three overseas universities and Melbourne — reported an operating margin greater than 10 per cent.³

The operating margins of the Australian universities studied were not systematically larger or smaller than those of the overseas universities (see figure 8.2 (a)).

A surplus result for a single year may give a misleading impression about the financial position of a university. Surpluses may be the product of, or exaggerated by, extraordinary items. For example, ANU reported revenue of A\$32 million in 2001, when land held by the university was valued for the first time. If this item were netted out, ANU's surplus would be A\$26 million as opposed to the A\$58 million reported.

More of the selected Australian universities reported smaller operating surpluses in 2000 and 2001 than in 1996 and 1997 (see figure 8.2(b)). In 1997, only one reported an operating margin of less than two per cent, whereas in 1999 and 2000, four reported a margin of less than two per cent. In 2001, five universities reported margins of less than two per cent.

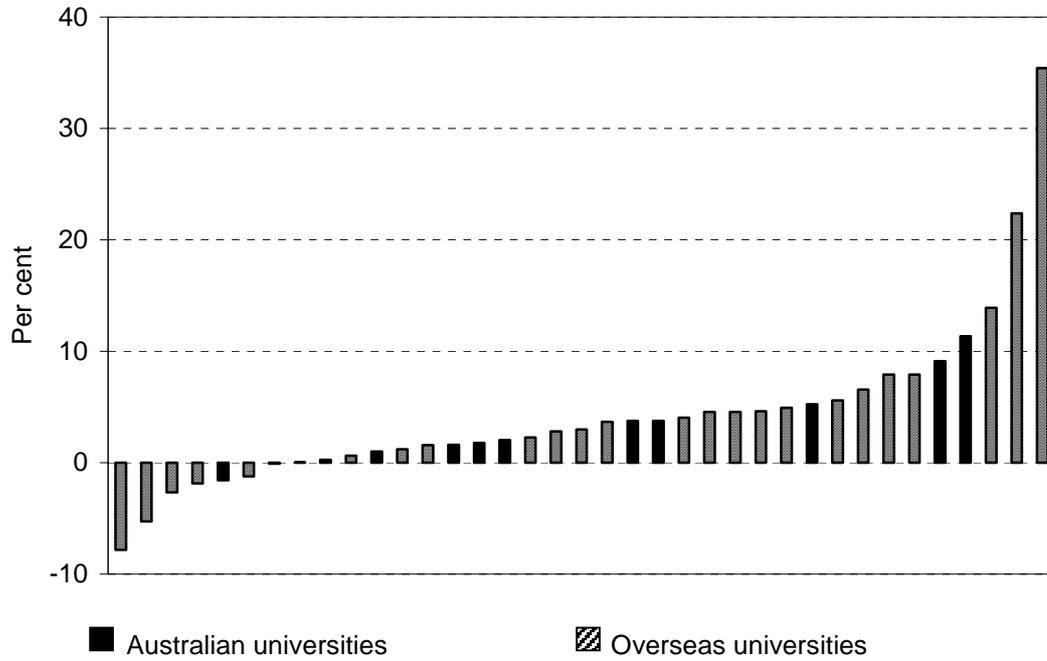
Although the operating margins for the selected Australian universities have stayed with a consistent band over the past five to six years, the results of the individual universities have varied considerably from year-to-year.

The trends are reported for arbitrary groupings — larger institutions (over 20 000 students), medium-sized institutions (between 10 000 and 20 000 students) and smaller institutions (less than 10 000 students) — for presentation purposes (see figure 8.3).

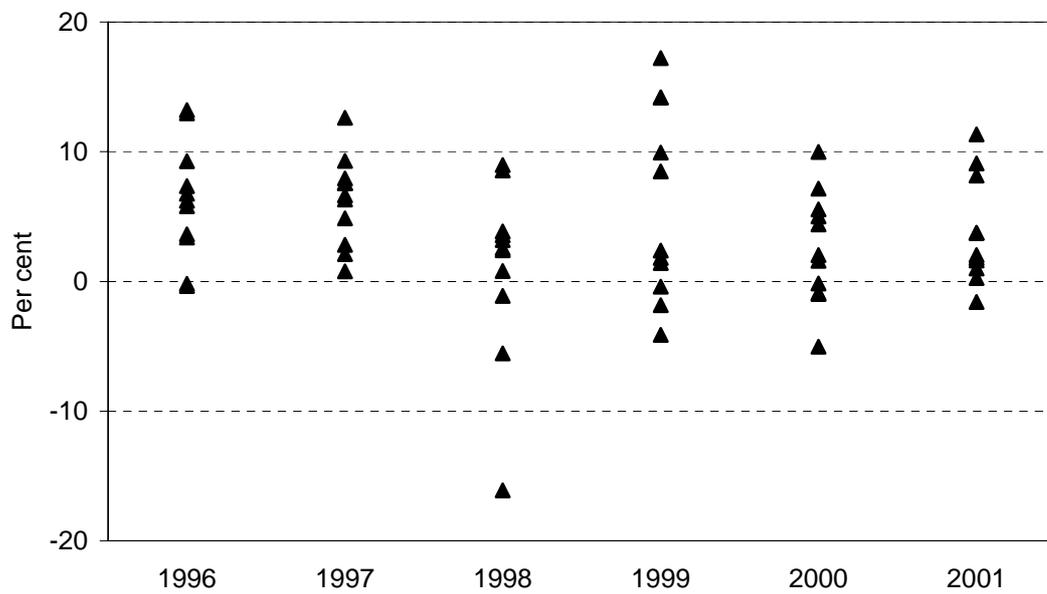
³ An alternative measure of financial performance is the 'cash result' — in effect the operating margin where the surplus is adjusted by adding back depreciation. DETYA (2001a) recommended that a university should aim for a cash result of around 5 per cent. In 2001, nine of the eleven selected Australian universities achieved this result. Overall, over 75 per cent of the selected universities reported a 'cash result' in excess of 5 per cent in 2001.

Figure 8.2 Operating margin

(a) Selected universities, 2001



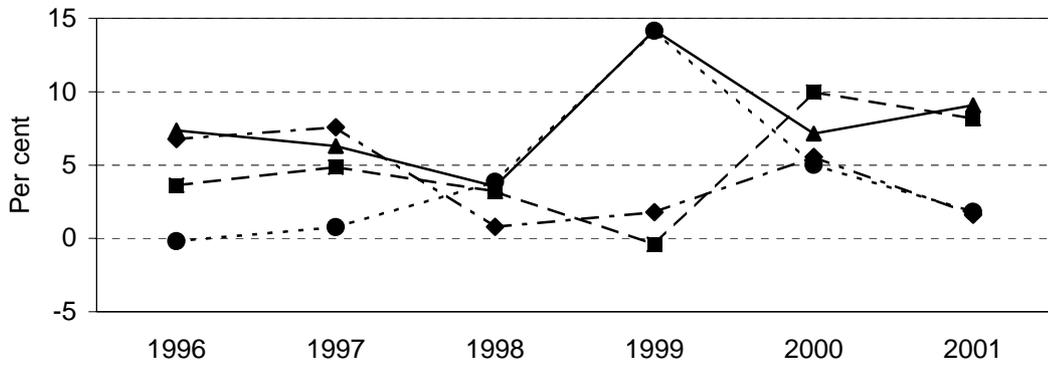
(b) Selected Australian universities, 1996 to 2001



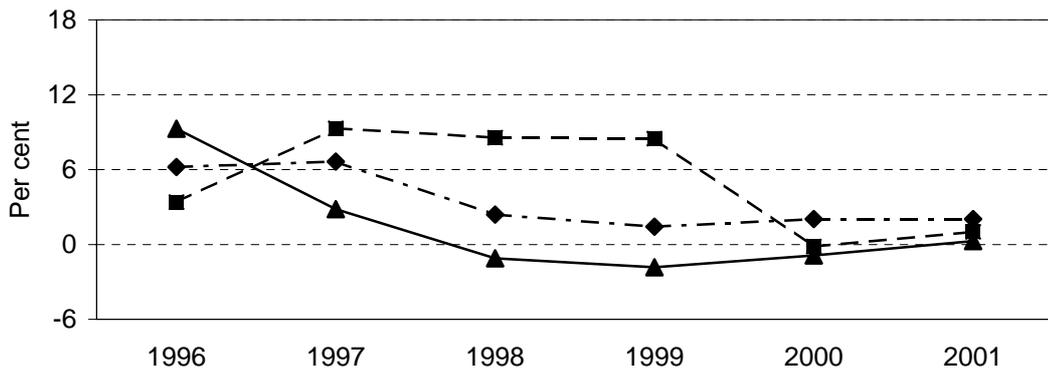
Data source: Appendix D.

Figure 8.3 **Operating margin — selected Australian universities, 1996 to 2001**

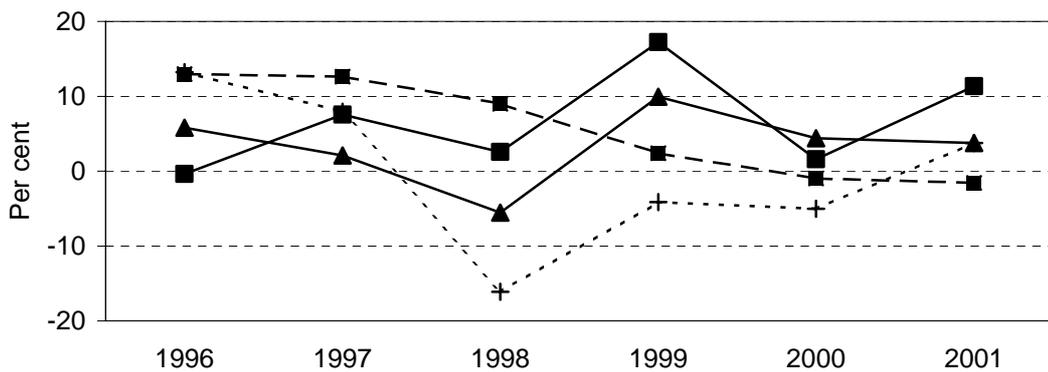
(a) Large universities — greater than 20 000 FTE students



(b) Medium universities — 10 000 to 20 000 FTE students



(c) Small universities — less than 10 000 FTE students



Data source: Appendix D.

8.2 Net cash flows

The cash flow statement for a university provides a summary of its transactions — all deposits and payments made in a given year. It does not include certain revenues, such as the initial recognition of pre-existing assets. Expenses such as depreciation — for which no actual transaction takes place — are also excluded.⁴

Notionally, there are three components to net cash flow — net cash flow from operating activities, net cash flow from investing activities, and net cash flow from financing activities.

Operating activities involve selling the university's goods and services, and the associated expenditures and receipts. Investing activities relate to the acquisition and sale of assets. Financing activities involve raising funds from either lenders or owners, to finance operating and investing activities.

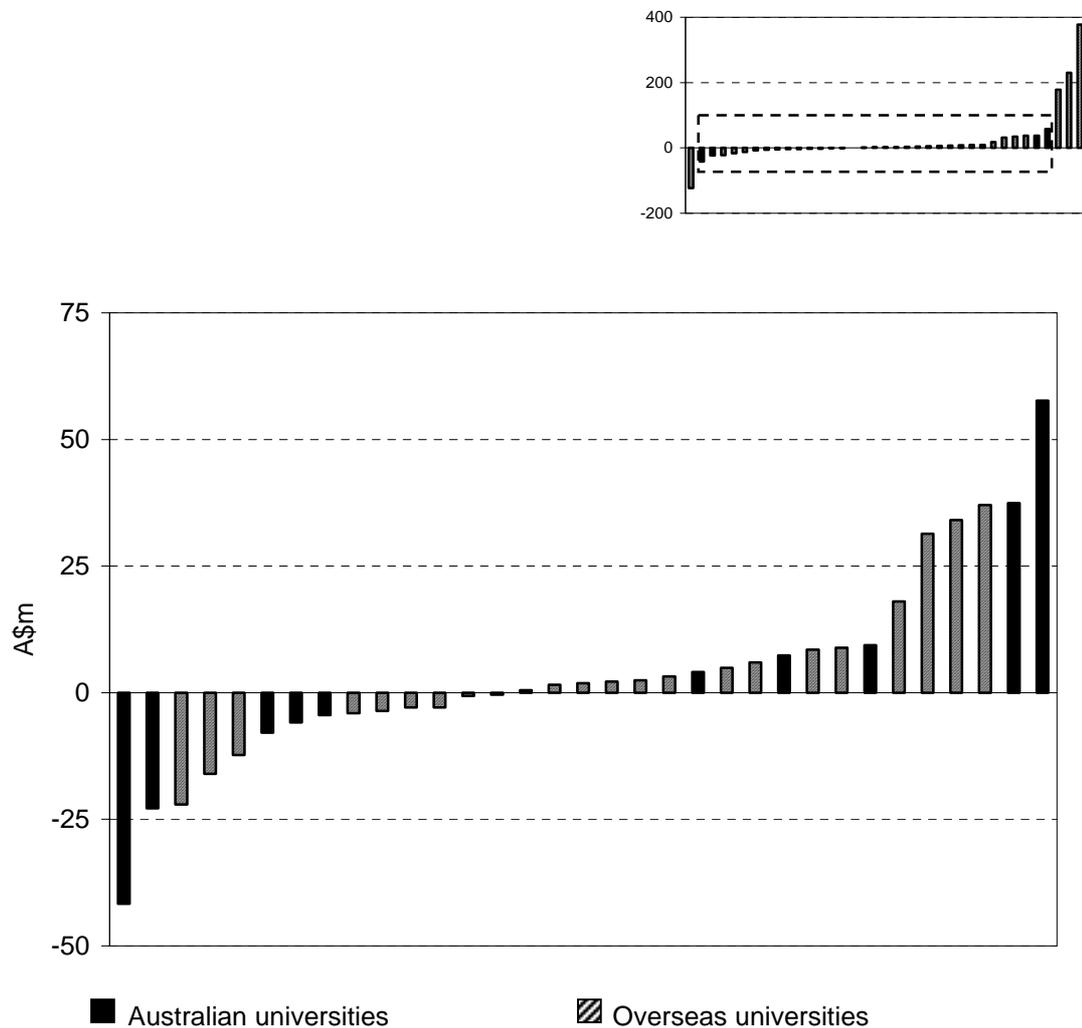
In 2001, net total cash flows for the selected universities ranged from a net outflow of A\$123 million for Georgetown to a net inflow of A\$377 million for Stanford (see inset to figure 8.4). Fourteen of the selected universities reported net total cash outflows including six of the Australian universities.

Among the selected Australian universities, only two of the three net cash flow components were generally significant — net flows from operating activities and net flows from investing activities (see figure 8.5(a)). Similarly, among the overseas universities, operating and investing activities were the most significant forms of cash flow (see figure 8.5(b)).

The treatment of government grants in some overseas universities reduced the comparability of university cash flow structures. Government grants, which accounted for between 25 per cent and 65 per cent of total university revenue, were recorded by some overseas universities as cash from financing, rather than operating activities. This included universities in Singapore (NUS and Nanyang Technological) and in Ireland (Limerick and Trinity College Dublin), and Oklahoma.

⁴ Under accrual accounting, the revenues and expenses that determine the surplus include non-transaction items — such as depreciation.

Figure 8.4 Net total cash flows — selected universities, 2001



Note The net total cash flows of Georgetown (-A\$123 million), Yale (A\$178 million), Pennsylvania (A\$230 million) and Stanford (A\$377 million) have been excluded from the main figure for presentation purposes. These universities are shown in the inset. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B).

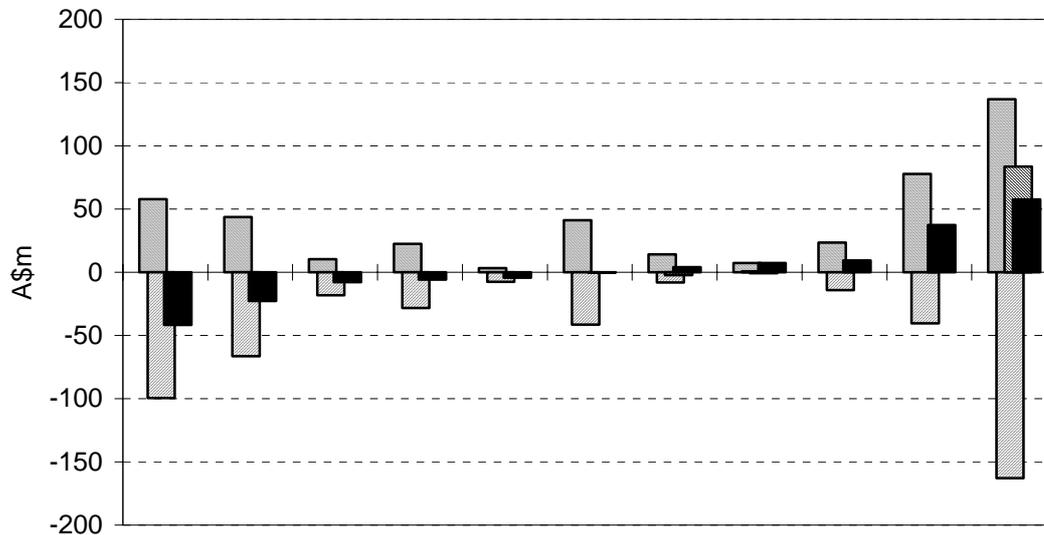
Data source: Appendix D.

Only three of the selected universities, Oklahoma, Hong Kong and Bond, reported positive cash inflows from investing activities. The major outflow from investment activities at most of the universities was the acquisition and improvement of physical assets.

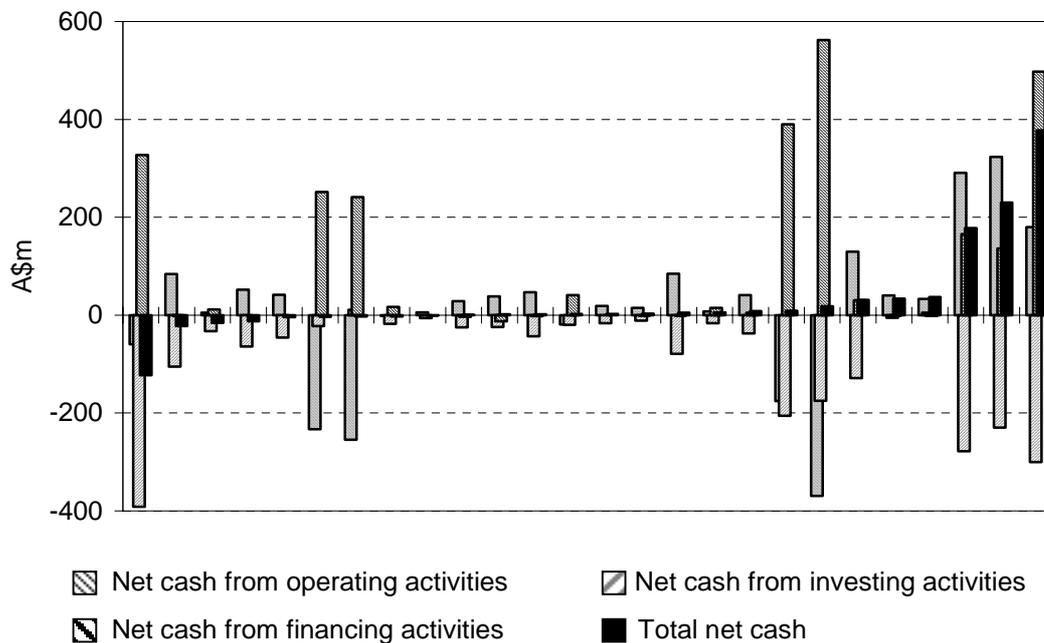
Financing activities had little impact on the net cash position of most of the universities. Nine of the universities did not report any cash flows resulting from financing activities in 2001. A further eight had net cash flows from financing activities of less than A\$1 million.

Figure 8.5 Net cash flows from operating, investing and financing activities — selected universities, 2001

(a) Australian universities



(b) Overseas universities



Net cash from operating activities
 Net cash from investing activities
 Net cash from financing activities
 Total net cash

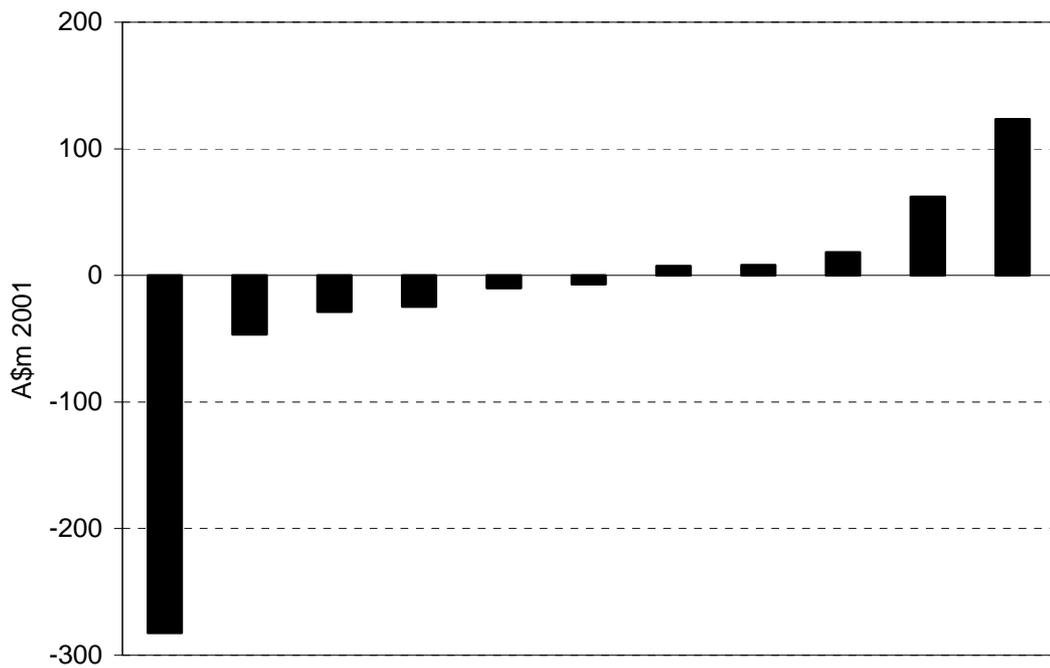
Note Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B).

Data source: Appendix D.

As the information on net cash flows is only for a single year, caution needs to be applied when interpreting the figures. The timing of expenditure on capital projects will affect the net cash position of a university in a given year. For example, net outflows in a given year can be caused by expenditure on capital works for which funds were obtained in a previous period. If this is the case, the drawing down of short-term financial assets is simply applying funds previously set-aside for development.

The real movements in the cash position (measured in 2001 prices) for each of the selected Australian universities over the 6-year period, 1996 to 2001, are shown in figure 8.6. Among the selected Australian universities, four have increased their cash stocks over this period, while cash stocks have decreased in seven. At the extremes are ANU (reductions of over A\$280 million) and UNSW, which increased its cash position by over A\$120 million in the same period.

Figure 8.6 Real change in cash position — selected Australian universities, 1996 to 2001



Note Values were converted to 2001 dollars using the chain price index 'General Government: Other' final consumption expenditure deflator.

Data source: Appendix D.

8.3 The current ratio

The current ratio shows the current (short-term) assets available to a university to cover its current liabilities at the balance date. It provides a useful indication of a university's liquidity and overall financial management. As the current ratio does not rely on inconsistent measures of fixed physical or financial assets, it is a relatively unbiased comparator of liquidity among the selected universities.

An alternative indicator of financial management, net assets (equity), is not reported in this chapter. Because some significant assets are not valued consistently (see chapter 7), comparisons of net assets are dubious, especially across countries.

The current ratio has been used in previous reviews of university financial performance. In DETYA (2001a) it was felt that:

Good practice is a current ratio of more than 1.5 to less than 3.0. Less than 1.5 provides a margin too low to provide safety and results in an overly tight cash flow. Too high a ratio (over 3.0) indicates surplus funds for which some use should be found, either in expanding the range of university activities or in longer-term investments with reasonable yields.

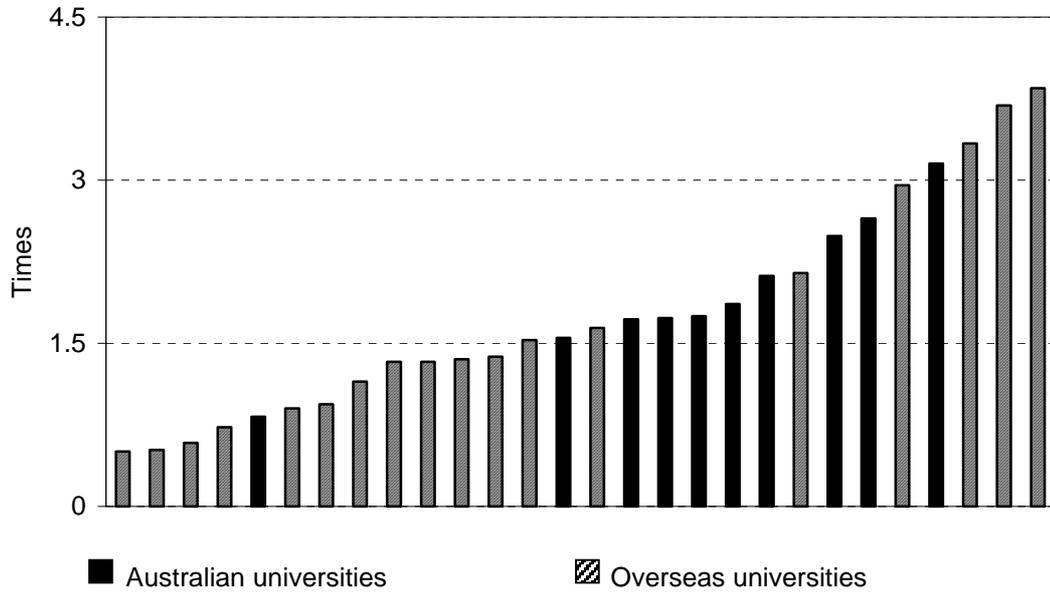
Ten of the eleven Australian universities reported a current ratio greater than 1.5 in 2001, of which one slightly exceeded the upper threshold recommended by DETYA (see figure 8.7(a)). In terms of keeping within this range, the Australian universities performed better in 2001 than the selected overseas universities.

Several universities reported low current ratios in 2001, including seven which had ratios of less than one. Overall, the ratios ranged from 0.5 for Limerick and Otago to over 3.5 for Nanyang and Hong Kong. Current ratios could not be calculated for most of the US universities due to data deficiencies.

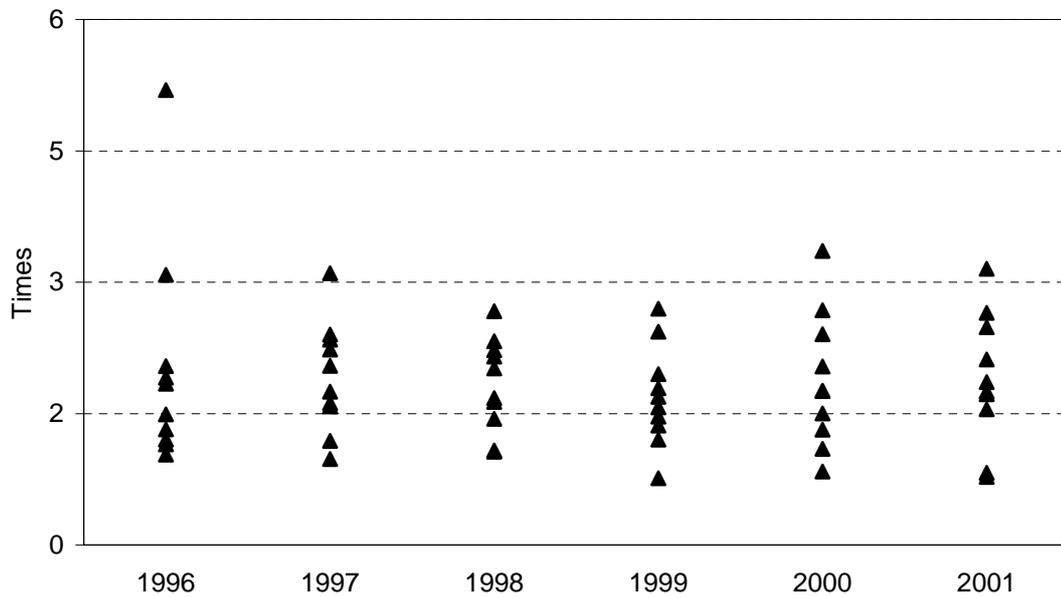
Compared to 1996, the current ratios of the selected Australian universities in 2001 were more tightly confined to the DETYA 'good practice range' (see figure 8.7(b)).

Figure 8.7 Current ratio

(a) Selected universities, 2001^a



(b) Selected Australian universities, 1996 to 2001



^a Current ratios are not shown for nine of the selected universities due to data limitations.

Data source: Appendix D.

9 University commercial activities

The nature and structure of commercial activities and their effect on a university's financial position are described in this chapter for the selected Australian and overseas universities.

It was possible to place only an approximate bound on the financial aspects of commercial activities for most universities. The diverse range of activities and legal structures used by universities to undertake commercial activities also limited the comparisons that could be made.

9.1 Scope

Universities usually provide a range of goods and services in addition to core teaching and research activities (see table 9.1 for a subset of the universities studied). Universities have invested in a range of commercial or business activities, including specialised schools, contract research, residential accommodation, consultancies, hospitals and companies established to exploit intellectual property.

The following are typical of the arrangements employed by universities for undertaking commercial activities:

- auxiliary operations — integrated with the university's core activities in the financial accounts;
- controlled entities (usually wholly-owned);
- associated business undertakings — in which the university has a substantial investment and exercises significant influence;
- other business undertakings — in which the university has an investment but does not have significant influence; and
- joint ventures — in which the university contractually agrees to jointly control a separate entity with other parties.

The financial treatment of these arrangements varies. Different approaches are adopted by universities to reporting, and different accounting standards and reporting guidelines apply across jurisdictions.

Table 9.1 The nature and structure of commercial activities — selected activities and universities, 2001

Activity	Melbourne		Charles Sturt		Queens		Stanford		Manchester	
	University	Subsidiary	University	Subsidiary	University	Subsidiary	University	Subsidiary	University	Subsidiary
Teaching and research										
• Private university	✓	✓								
• Continuing education	✓	✓	✓	✓	✓		✓		✓	✓
Activities in support of core functions										
• Accommodation	✓		✓		✓		✓		✓	
• Childcare	✓		✓		✓		✓		✓	
• Printing			✓		✓		✓		✓	
Cultural activities										
• Museum/art gallery	✓				✓		✓		✓	
• Publishing	✓	✓					✓		✓	
• Theatre	✓	✓			✓		✓		✓	
Other activities										
• Consulting services	✓	✓			✓		✓		✓	✓
• Fundraising	✓						✓		✓	✓
• Hospital					✓			✓		
• Development of intellectual property	✓				✓		✓		✓	✓

Note The selected activities do not necessarily represent all of the activities undertaken by each university. Subsidiaries are entities that are separately identified by each university and whose financial results may be consolidated with those of the university.

Source: University annual reports.

Further, often it is not clear what parts of each university's activities are considered commercial by the university. A narrow definition includes non-core activities that are predominantly focussed on generating a surplus for the university. A broader definition may include the wider range of priced activities (see box 9.1).

Box 9.1 The Commission's methodology for attributing university revenue to commercial activities

Revenue items disclosed in university financial statements were initially attributed to government, students and 'other' (see chapter 5).

Estimates for the narrower definition of commercial revenue for each university include items of 'other' revenue that could be directly attributed to commercial activities. For example:

- *Conference function charges;*
- *Seminar, conference and course fees;*
- *Copyright and royalty income;*
- *Patient care; and*
- *Industry and Commerce.*

In addition to the above, a broader definition of commercial activities includes items of 'other' revenue that appear to have the characteristics of being earned by the university through the imposition of fees, fines or charges for goods or services. For example:

- *Product sales;*
- *Accommodation;*
- *Residences, catering and conferences;*
- *Childcare centre fees; and*
- *Student accommodation charges.*

There were some items included in 'other' revenue for which there was insufficient information to exclude them from the broader definition of commercial activities. These items were included by the Commission as part of the broader definition of commercial revenue.

Source: University annual reports.

Goods and services may be provided at a loss or on a cost recovery basis. In other cases, a university may undertake these activities with the specific objective of earning a surplus. For example, consultancies undertaken by staff at Tasmania are required to ensure ‘... an adequate return to the University for the deployment of its resources, and to generate additional income for research’ (University of Tasmania 1999).

The potential for universities to earn revenue from commercial activities differs. It is affected by factors such as the teaching and research activities of each university and the characteristics of its campuses, for example, the capacity or requirement to offer student accommodation and parking facilities. In Australia, for example, the potential to earn commercial revenue from licensing by a university appears to be related to its experience in managing commercial licensing activities (ARC et al 2002).

9.2 Revenue from commercial activities

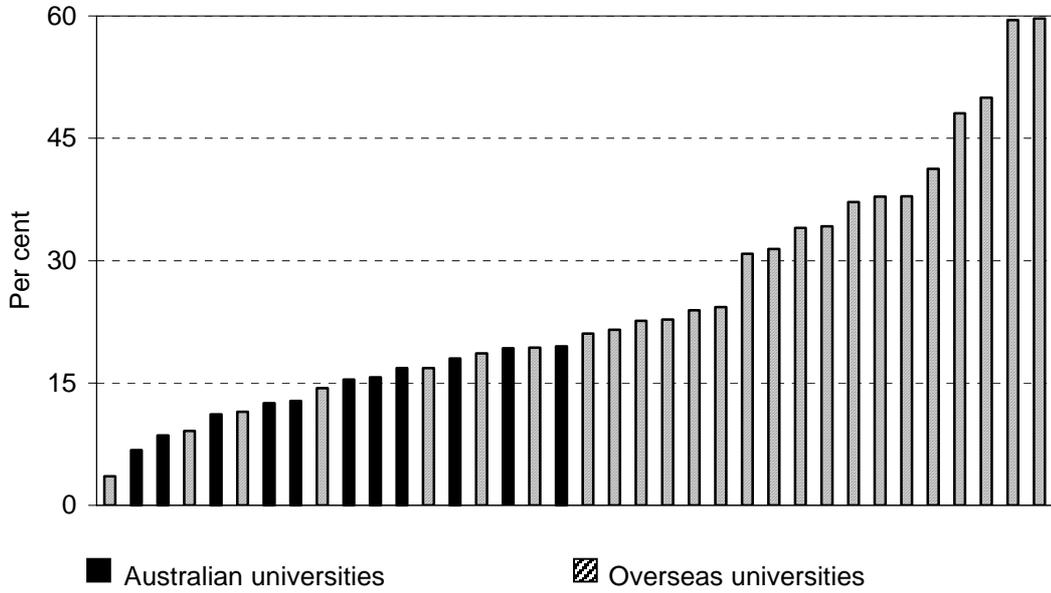
In 2001, compared to their overseas counterparts, Australian universities generated a smaller share of their revenue from sources other than student tuition fees and governments (see figures 5.10 and 5.11 in chapter 5).

The share of total revenue from commercial activities — based on the Commission’s approach to defining these activities (see box 9.1) — varies across universities. The variation does not appear to be related to the number of students enrolled at each university (see figure 9.1). This observation does not significantly change when a narrower definition of commercial activities is used (see figure 9.2).

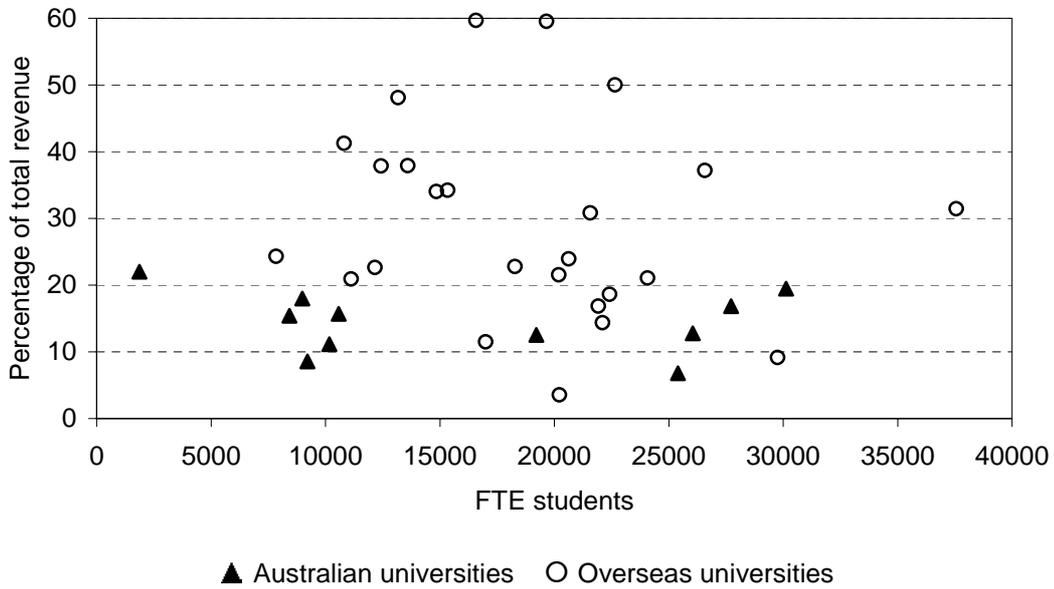
The estimates should be interpreted with caution. Part of the revenue attributed by the Commission to government is competitively allocated between universities and other research institutions. Therefore, it could be categorised as revenue from commercial activities (see box 9.2).

Figure 9.1 Revenue from commercial activities (broadly defined) — selected universities, 2001

(a) Percentage of total revenue



(b) Percentage of total revenue by number of full-time equivalent (FTE) students^a

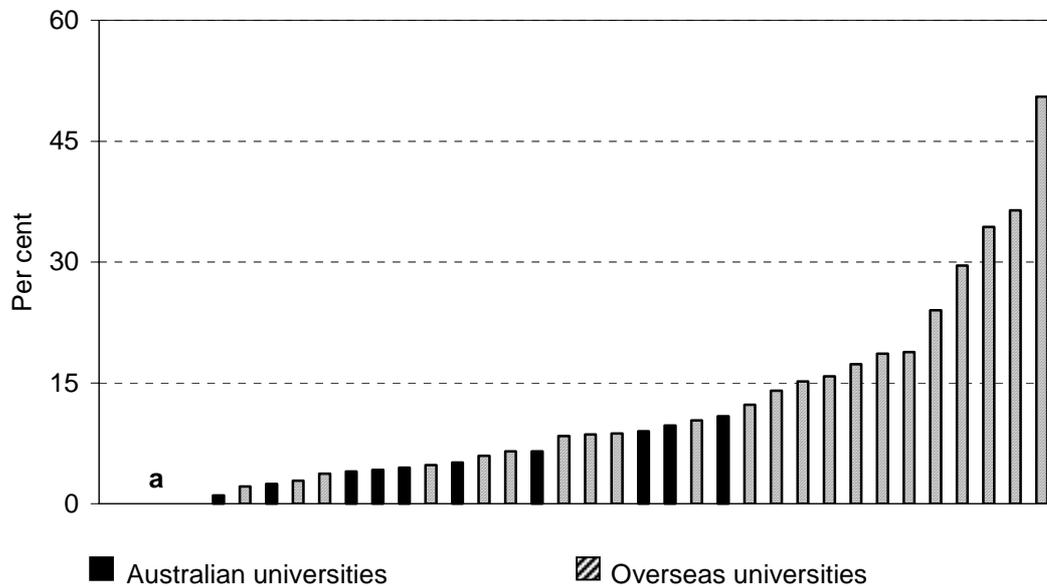


Note Some universities are not shown due to data limitations. ^a Student headcount figures were used instead of FTE figures for eight of the selected universities. As the student headcount generally exceeds the number of FTE students, these universities appear biased to the right in the figure.

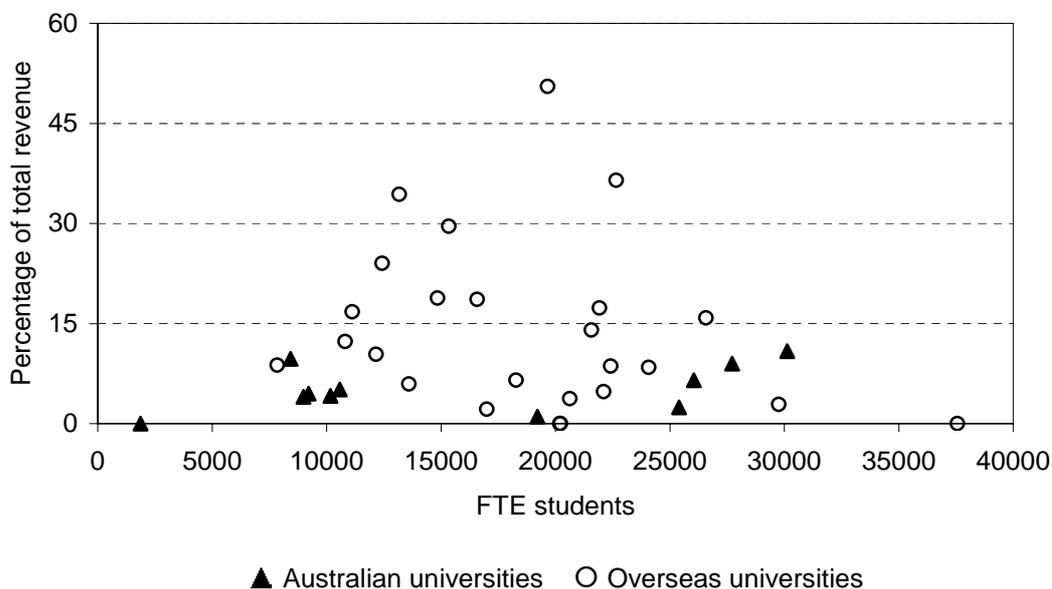
Data source: PC estimates based on university annual reports.

Figure 9.2 Revenue from commercial activities (narrowly defined) — selected universities, 2001

(a) Percentage of total revenue



(b) Percentage of total revenue by number of full-time equivalent (FTE) students^b



Note Some universities are not shown due to data limitations. ^a Bond and three overseas universities — Massey, Nanyang Technological and British Columbia — did not appear to have revenues from narrowly defined commercial activities. ^b Student headcount figures were used instead of FTE figures for eight of the selected universities. As the student headcount generally exceeds the number of FTE students, these universities appear biased to the right in the figure.

Data source: PC estimates based on university annual reports.

Box 9.2 Revenue from government — selected Australian universities

In 2001, the selected Australian public universities received approximately \$1.8 billion in revenue from Australian governments, including government agencies.

Approximately \$392 million of this funding was for designated research activities. The extent to which the selected Australian public universities received money from governments for these purposes ranged from 3 per cent to 35 per cent of total revenue.

Only part of this revenue is allocated competitively (see chapter 4). For example, in 2001, around \$92 million was received by the selected Australian universities from competitive grants programs administered by the Australian Research Council.

Source: PC estimates based on university annual reports.

For some universities, some student revenue may also be considered as the proceeds of commercial activities. These universities set fees and charges to recover at least the full costs of tuition, without any significant supplementation by government or other private sources.

Where this is the case, student fees could be regarded by the university as a commercial activity. For example, in Australia, the fees charged to international students at public universities and fees for all students at Bond are set to cover the full cost of tuition, including a capital contribution.¹

If these services are treated as commercial activities, the share of revenue from commercial operations would increase significantly (see box 9.3).² There would be a compensating reduction in the share of revenue from student tuition fees.

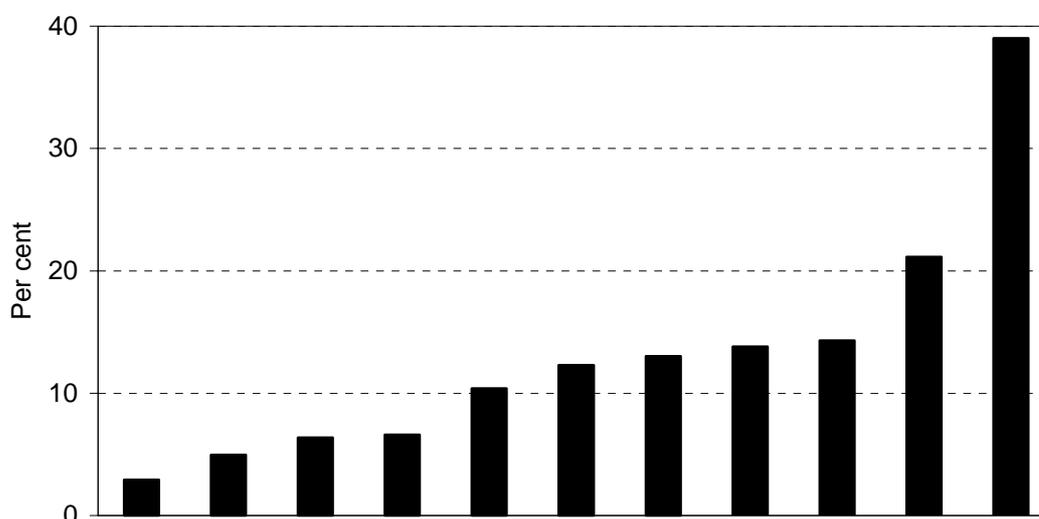
¹ In Australia, the Department of Education, Science and Training (DEST) sets indicative minimum fees for full-fee-paying overseas students for Australian public universities, which include recurrent and capital components. Under Ministerial Guidelines, universities are required to charge a fee of at least the full average cost of the course. However, universities may charge less than the indicative minimum fee as long as it meets the full average cost of the course and they have the written permission of DEST. Universities may charge above the indicative minimum fees (DEST 2002j).

² Revenue received from full-fee-paying students makes up a significant share of revenue received by the subsidiaries of some Australian universities examined in section 9.3.

Box 9.3 Revenue from full-fee-paying students — selected Australian universities

In 2001, the selected Australian universities received around \$450 million from almost 40 000 full-fee-paying international students (see chapter 5). Revenue from international students accounted for around 12 per cent of total revenue for these universities. The share of total revenue from full-fee-paying international students at the selected Australian public universities ranged from 3 per cent (ANU) to 21 per cent (RMIT) for public universities. Bond received around 39 per cent of its total revenue from international students.

Percentage of total revenue from international students — selected Australian universities, 2001



Recently, Australian public universities have also been able to raise revenue from full-fee-paying *domestic* students (see chapter 4). In 2001, the selected Australian universities received around \$134 million from full-fee-paying domestic undergraduate and postgraduate students. The share of total revenue from full-fee-paying domestic students at each university ranged between 1 per cent and 5 per cent (Charles Sturt and UNSW). Bond received around 37 per cent of its total revenue from domestic student fees.

Source: PC estimates based on university annual reports.

Including revenues from international students as revenue from commercial activities generally increases the share of revenue obtained from these sources.

Not all commercial activities generate surpluses. Moreover, universities do not always choose to use surplus funds to support core teaching and research activities. For example, at Simon Fraser ‘Ancillary Enterprises (bookshop, food services, residences, parking operations and computer shop) are mandated to break even, but

are allowed to retain their surpluses for future upgrades to facilities, equipment replacement and for new service initiatives' (Simon Fraser 2001).

There is often limited disclosure by universities on the costs associated with providing commercial activities. In addition, the allocation of expenses that are shared between core activities and commercial activities is often subjective (CCNCO 1998).

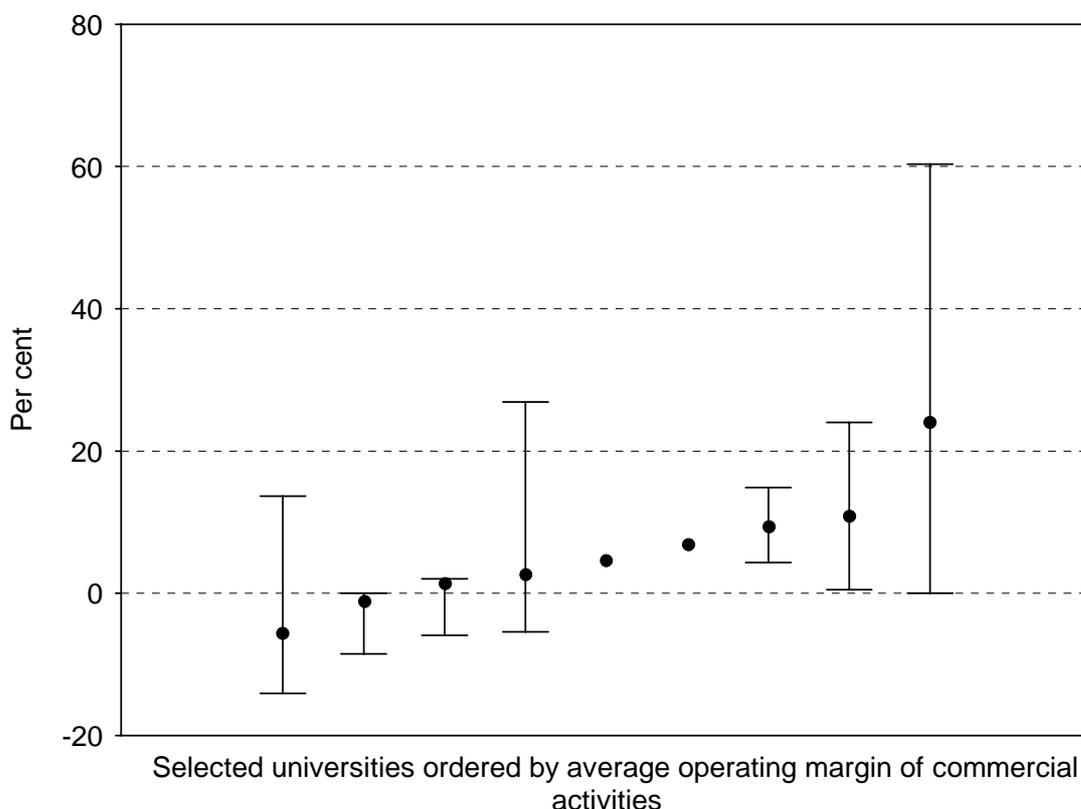
Where the expenses associated with revenue from commercial activities (as broadly defined by the Commission) are disclosed, it was apparent that the operating margin varied across universities and activities (see figure 9.3).³ The operating margin for these activities of the selected Australian universities was only available for Charles Sturt.

The operating margin of commercial activities also varies within a university. For example, at Warwick, the operating margins for residences, catering and conferences (0.5 per cent), retail operations (10 per cent), research grants and contracts (17 per cent) and post-experience centres (24 per cent), contributed to an overall margin of 11 per cent for selected commercial activities.

The magnitude of revenues from commercial operations is not, therefore, necessarily a good indicator of the level of surplus that is generated. For example, Pennsylvania — the university with the second highest share of revenue from commercial operations in 2001 — had an overall operating margin of around 1.6 per cent and generated a surplus of A\$38 million from around A\$2.4 billion in commercial revenue. In contrast, some of Bath's commercial activities had an overall operating margin of around 10 per cent and earned a surplus of A\$2 million from around A\$26 million in commercial revenue.

³ The operating margin is defined as $(\text{revenue} - \text{expenses})/\text{revenue} * 100$. It expresses the surplus or deficit as a percentage of total revenue. A negative percentage indicates that revenue was less than expenses in a particular period.

Figure 9.3 **Operating margin for commercial activities — selected universities, 2001**



Note The dot represents the weighted average operating margin of the selected commercial activities and the 'whiskers' represent the range of margins for the various commercial activities at that university. The commercial activities do not account for all commercial revenue at each university (see figure 9.1). This is limited to activities, within the broadly defined set of commercial activities, for which expense data was available.

Data source: PC estimates based on university annual reports.

9.3 Subsidiary activities and operations

Part of the revenue reported by universities is contributed by separate legal entities controlled by the university (typically included in consolidated financial statements), or from investments in entities in which the university has an ownership interest but does not exercise control, such as joint ventures.⁴ Legislation

⁴ In Australia, the entire operations of subsidiaries that are *controlled* by the university are consolidated into the university's financial statements (AASB 1024). Where the university has *significant influence* (such as in joint ventures and operations with a minority shareholding), the operations of subsidiaries are incorporated into financial statements under 'equity accounting'. Under this method, the university's initial investment is recognised as an asset and adjustments are made to the asset to reflect the university's share of profits (or losses) over time.

governing the operations of most Australian universities usually provides for the establishment of subsidiary companies, although these powers may be limited in some jurisdictions to the scope of each university's functions (Phillips Fox 2001).

Subsidiary activities can be identified from financial statements when universities report the operations of the university separately from the combined operations of the university and its subsidiaries.⁵

University subsidiaries in Australia have been established using a number of corporate structures — companies limited by guarantee, companies limited by shares, trusts and unincorporated bodies (VAGO 2002). A company structure is usually adopted to limit risk exposure (QAO 2002).

In Australia, DETYA (2001b) identified 64 entities that were controlled by the 10 selected public universities in 2001. Entities controlled by some of these universities were involved in a range of commercial and non-commercial activities (see table 9.1). Not all subsidiaries appear to undertake activities aimed at generating surpluses for the university. For example, Meanjin Company Ltd, a controlled entity of Melbourne, publishes a quarterly literary magazine and receives funding from the University, the Australia Council for the Arts, and the Victorian Government.

In some cases, the Commission allocated some revenue from subsidiaries' activities to government or student revenue (see boxes 9.2 and 9.3). Where this was the case, the operations of subsidiaries are not included in the estimates of universities' commercial activities presented in section 9.2.

Almost all overseas universities selected for this study use separate legal entities to operate or participate in a range of commercial and non-commercial activities. These entities usually take the form of wholly-owned incorporated subsidiaries. Many of these subsidiaries operate as not-for-profit enterprises and are not liable to pay tax on surpluses. Several universities (or their subsidiaries) are also involved in joint venture operations.

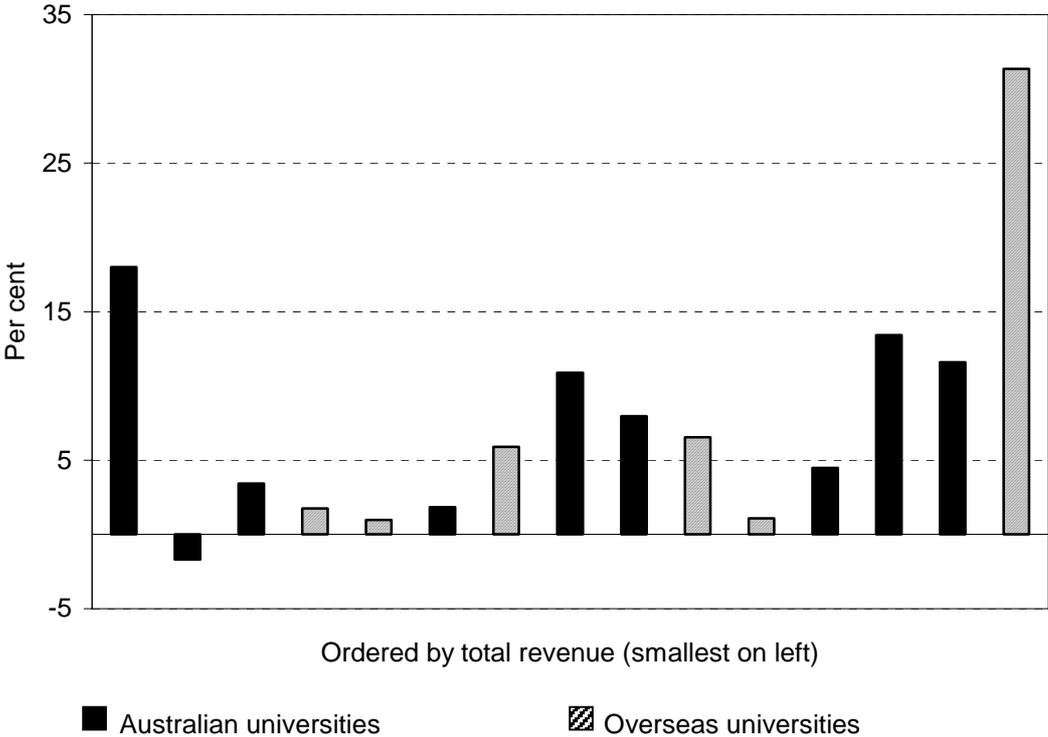
Subsidiary assets and revenue

In 2001, the controlled entities of the selected Australian public universities had assets of around A\$345 million, representing about 4 per cent of all assets operated

⁵ Under accounting standards, the combined operations of the university and its subsidiaries represent its 'consolidated' operations. The operations of the university — excluding subsidiaries — represent the operations of the 'parent' entity. Transactions between subsidiaries and the parent entity are eliminated on consolidation.

by these universities. These controlled entities generated revenue of around A\$346 million, accounting for around 9 per cent of total revenue received. The amount of revenue generated by controlled entities for each of the selected Australian universities as a percentage of total revenue, varied between -2 per cent and 18 per cent (see figure 9.4).

Figure 9.4 Subsidiary contribution to total revenue — selected universities, 2001



Note The controlled entities of Charles Sturt and Southern Queensland did not make a material contribution to the consolidated revenue of these universities and are excluded from the figure. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B).

Data source: PC estimates based on university annual reports.

The consolidated financial statements only reveal the extent to which the transactions of controlled entities are made outside the university. Therefore, when a subsidiary predominantly undertakes transactions with the university, it may appear that the subsidiary makes a limited contribution to the consolidated financial results. For example, the controlled entities of Charles Sturt — Charles Sturt Services Ltd, Mitchell Services Ltd, Olive Street Services Ltd and Rivservices Ltd — are reimbursed for services provided to the University and do not generally undertake activities external to the University. As a result, they did not make a significant contribution to the consolidated revenue of the University in 2001, despite having a combined turnover of around A\$3.5 million.

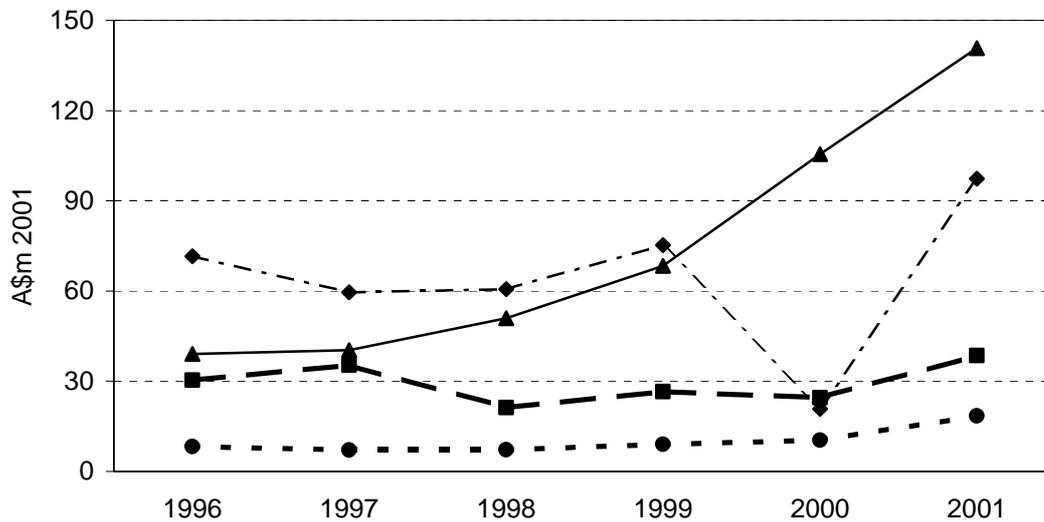
Revenues from the subsidiaries of some Australian universities have been relatively stable or increasing over the last few years (see figure 9.5). However, for some others, the revenues have fluctuated from year-to-year.

It was not possible to systematically compare the operations of the subsidiaries of Australian universities with those of most overseas universities. Overseas universities have different reporting requirements than Australian universities. Differences in reporting are likely to reflect differences in accounting standards and other requirements. For example, around 50 per cent of the selected overseas universities did not disclose the operations of subsidiary companies on the basis that they were not material to the operations of the university.

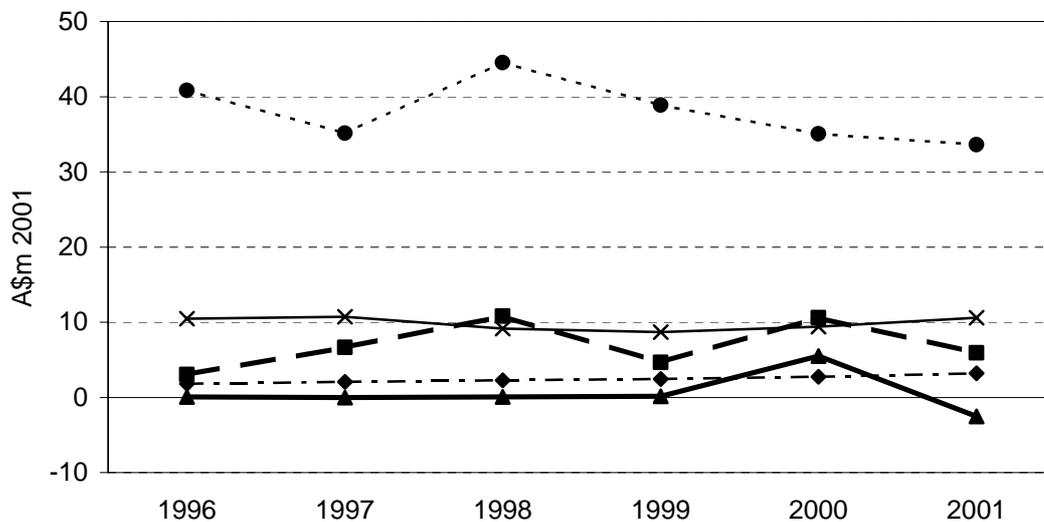
For several of the overseas universities, the operations of subsidiaries accounted for a significant share of the revenues of consolidated university operations (see figure 9.4). For example, the hospital operations of Stanford accounted for around 6 per cent of assets and 30 per cent of revenue for the consolidated operations of the University in 2001.

Figure 9.5 **Subsidiary revenue — selected Australian universities, 1996 to 2001**

(a) Large universities — greater than 20 000 FTE students



(b) Small universities — less than 20 000 FTE students



Note Revenues from subsidiary activities were converted to 2001 dollars using the chain price index 'General Government: Other' final consumption expenditure deflator. The subsidiaries of Charles Sturt and Southern Queensland are excluded from the figure because they did not record any significant revenue between 1996 and 2001.

Data source: PC estimates based on university annual reports and ABS 2002b.

Subsidiary contribution to surplus

The contribution of subsidiaries to the overall surplus of a university depends on the scale of operations and the operating margin (surplus expressed as a percentage of revenue).

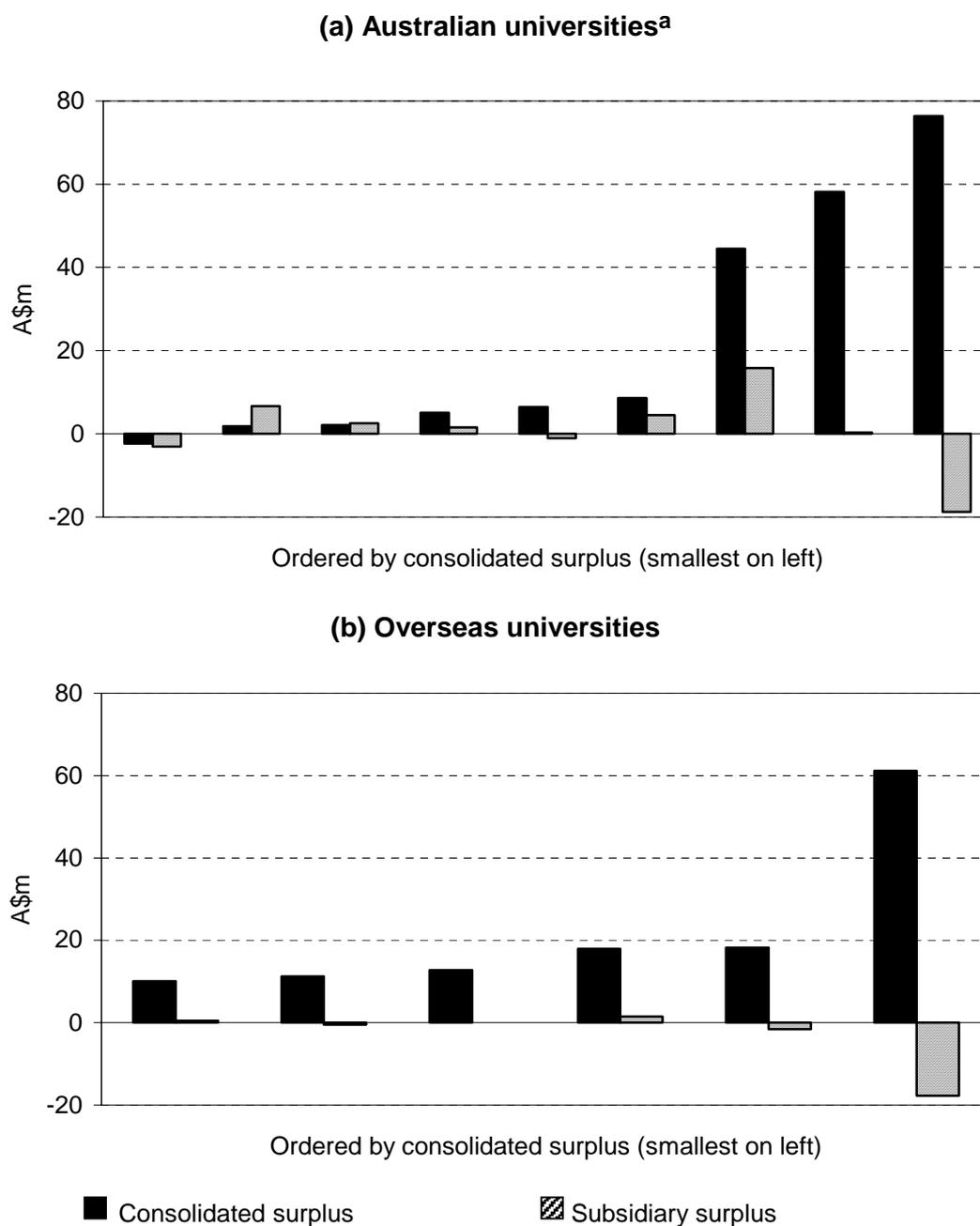
For the selected Australian universities, the highest value of revenue earned by subsidiaries in 2001 was A\$141 million (UNSW). Three of the selected Australian universities earned no significant revenue from their subsidiaries' activities.

For some of the selected universities, there were substantial variations in the operating margins for subsidiary activities. For example, the overall operating margins of the subsidiaries of UNSW ranged from -2.3 per cent to 85 per cent (PC estimates based on NSWAG 2002).

The impact of the surpluses of subsidiaries for some of the selected Australian universities can be significant. This is partly due to the small overall surplus of the selected universities (see chapter 8). In 2001, entities controlled by all but three of the selected Australian universities made a positive contribution to the overall surplus for each university (see figure 9.6(a)). In particular, the surplus generated by the controlled entity of Tasmania, Uitas Consulting Ltd, turned a deficit of A\$5 million for the University's operations into an overall surplus of A\$2 million.

The subsidiaries of selected overseas universities did not generally make a significant contribution to the overall surplus reported for each university (see figure 9.6(b)). Indeed, for Stanford, losses reported by the university's hospital operations reduced the consolidated surplus of the University by around A\$20 million.

Figure 9.6 **Subsidiary and consolidated operating surplus — selected universities, 2001**



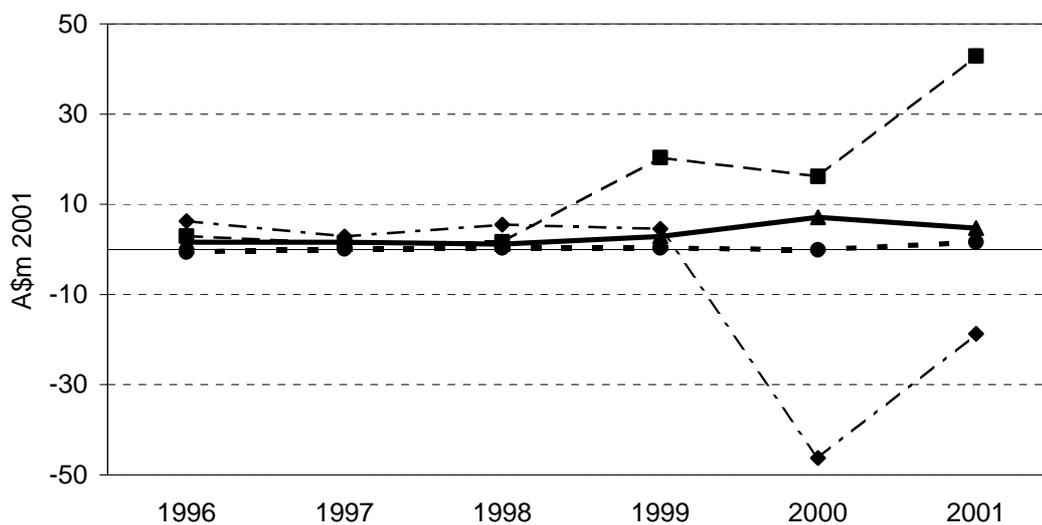
Note Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). ^a The subsidiaries of Charles Sturt and Southern Queensland did not make a material contribution to the surplus of each university and are excluded from the figure.

Data source: PC estimates based on university annual reports.

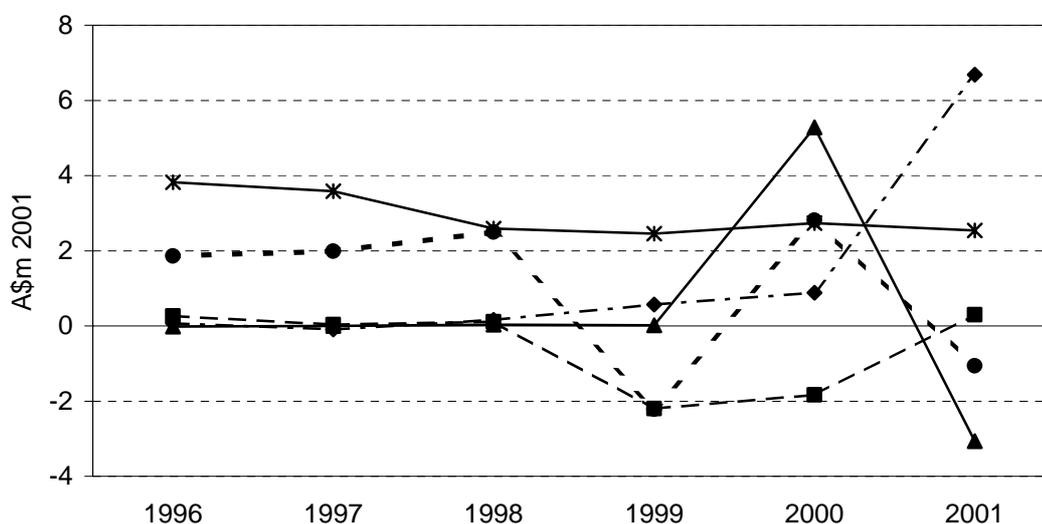
In Australia, surpluses from university subsidiary activities appear to vary from year-to-year for some universities (see figure 9.7). Consequently, some universities may not necessarily be able to rely on annual contributions from subsidiaries to financially supplement core teaching and research activities.

Figure 9.7 **Subsidiary operating surplus — selected Australian universities, 1996 to 2001**

(a) Large universities — greater than 20 000 FTE students



(b) Small universities — less than 20 000 FTE students



Note Revenues from subsidiary activities were converted to 2001 dollars using the chain price index 'General Government: Other' final consumption expenditure deflator. The subsidiaries of Charles Sturt and Southern Queensland did not make a material contribution to the surplus of each university and are excluded from the figure.

Data source: PC estimates based on university annual reports and ABS 2002b.

10 University governance

Governance arrangements are central to the efficient management of universities. Good governance is as relevant to not-for-profit organisations, such as most universities, as it is for public companies. In many cases, public funds are provided in trust that they will be used ‘efficiently’ to the benefit of the community.

The aspects of university governance considered for this chapter were the processes that affect incentives for the achievement of outcomes consistent with the purpose of universities, however defined. Specifically, the processes examined were performance reporting, monitoring and auditing. Government oversight of these processes was also examined.

The processes were examined in the context of key university activities — financial and physical asset management — along with one aspect of broader corporate governance, quality assurance.

Processes not explored were those associated with the allocation of resources within the university — among faculties, departments and support activities — and human resource management.

Three universities from Australia (Melbourne, Tasmania and RMIT) and two from England (Manchester and Warwick) were used to highlight differences in processes. The efficacy of the processes was not assessed or compared.

The information presented is based on university responses to the Commission’s questions. University input was required because in many cases the details of processes were not documented publicly. The information is summarised in attachment A.

10.1 Governance of the corporate university

In the past, many universities, especially long established ones, had a tradition of extensive self-governance, sometimes guaranteed by royal or city charters. Members of the university community often chose peers to serve in governance and management positions while continuing other academic duties.

More recently, the composition, duties and powers of governing bodies have been commonly specified in state or national government legislation. The governing boards are typically comprised of university corporation members and government representatives — either appointed by government or elected by the university community.

Increasingly, universities have employed full-time executives and senior managers into positions formerly filled by seconded academics. This ‘managerial revolution’ is viewed by some as being inconsistent with the tradition of self-governance of the academic community. Corcoran (1999) also argues that employing full-time executive managers is in conflict with the common law right of members to govern corporations for their own interests — to fulfil the university purpose.

Governing bodies, under Acts and Statutes, generally have unrestricted authority to do anything to meet the university purpose. The university purpose or objects (contained in Acts and Statutes) are generally very broad. In some cases, the objects are a list of functions. However, in general terms, the university purpose is to provide higher education and conduct and nurture research and scholarship.

The influence of external interests

Although universities are generally self-governing, they rely on funding from external sources (such as government benefactors and private financiers of research). This brings with it explicit or implicit obligations to be accountable to these providers.

Governments expect universities to use funds to produce graduates and research that will contribute to the economic and social wellbeing of the country. In meeting these objectives, governments also expect that universities will use public funds efficiently (see box 10.1).

Box 10.1 Value for money in higher education

Ensuring value for money of public investment in higher education is a common goal for government. In Australia, the Department of Education, Science and Training (DEST) includes value for money in its principles for a sustainable education system, seeking a higher education system that is cost effective, high quality and value adding.

In England, all universities that receive public funds must sign a financial memorandum with the Higher Education Funding Council for England (HEFCE) that requires, among other things, university governing bodies to be responsible for delivering value for money from public funds. To help universities deliver value for money, the HEFCE produces benchmarking studies, guidelines on good practice, case studies and in depth studies.

Sources: DEST (2002i); HEFCE (2001b).

Governments, either through direct regulation or by linking funding to university activities or outcomes, act to ensure that public funds are used to meet their objectives. For example, Australian universities are required to report on performance against government priorities (under the Australian Quality Assurance and Improvement Plan) that in turn shape university priorities. In England, the allowable use of public funds is stipulated in the Financial Memorandum between all publicly funded universities and the Higher Education Funding Council for England (HEFCE).

For Australian universities, the Commonwealth Government has also encouraged university research to become more market focussed by linking its funding to the universities' success in attracting private research funding (see chapter 4).

University governing bodies, under pressure to expand funding sources, have had to adjust incentives within the university to deliver outcomes consistent with the needs of new funding partners. For example, providing incentives for researchers to become commercially orientated may require governing bodies to tie departmental funding to their ability to win private research contracts.

These changed incentives can result in conflict with the interests of members (to ensure the purpose of the university is fulfilled) and the interests of government. For example, commercialising research could restrict the availability of knowledge, which may be in conflict with a common purpose of universities to widely transmit knowledge.

10.2 Scope of analysis

The Cadbury Principles (Cadbury Committee 1992) is a framework of governance incentive structures that is widely accepted among for-profit and not-for-profit sectors.¹ These principles relate to establishing accountability and transparency and ensuring integrity of processes, especially those related to reporting and review.

The university and government processes of reporting, monitoring and auditing (integral for transparency and integrity) are examined in this chapter in the context of key university activities — quality assurance, financial asset management and physical asset management.

Quality assurance

Quality assurance is concerned with activities that maintain or promote quality output. Defining quality output is difficult because the benefits of research and education accrue over a long period of time. As well, the quality of teaching and learning outputs is dependent, to some degree, on the quality of students. Defining the quality of outputs, although an important governance issue, is beyond the scope of this study.

In a competitive and changing market, quality assurance provides confidence to students and industry in the quality of university outputs, in turn maintaining or enhancing demand for its services.

University quality assurance can be undertaken at different levels within the institution — university-wide, faculty (for example, Health Sciences), department (for example, Medicine), course (for example, bachelor of Medicine) and unit (for example, Anatomy). This chapter considers processes at all levels.

Financial asset management

In this chapter, financial asset management means the investment of surplus funds for the purpose of earning a return, not including investments by university commercial ventures.

¹ The Cadbury Committee was set up in May 1991 by the Financial Reporting Council of England, the London Stock Exchange and the accountancy profession to form a set of principles of best corporate governance (Cadbury Principles). The Committee, headed by Adrian Cadbury, was established in response to waning confidence in corporate accounting and the ability of auditors to safeguard accounting standards.

A major source of funds for university investment is endowments, especially for the US private universities (see chapter 7). Endowment funds are generally held in trust, but universities are often free to invest earnings from trusts — subject to requirements of the trust or trust legislation.

In Australia and England, invested endowment funds are far less than in private US universities. For Australian universities, other sources of funds for investment include government funding and fees from students received in advance. In England, universities may hold funds from the sale of land or buildings (that were acquired by government funds) for up to three years.

Powers of investing these funds are generally very broad. In Australia, the only constraint is that funds should be used for the purposes of the university. In some establishing Acts, such as the *Royal Melbourne Institute of Technology (RMIT) Act 1992* (Vic), the University may invest in any manner approved by the Council.

In Australia, internal investment guidelines are typically conservative and short-term, requiring most of their cash and investments to be in bank bills and deposits. With relatively few financial assets compared to overseas universities, the priority for Australian universities' investment guidelines is to ensure security and liquidity to safeguard the funding of academic services. For example, for RMIT, investments or deposits are only allowed to be with commercial banks with a high credit rating and in short-term instruments with low risk.

Physical asset management

In this chapter, physical asset management means space utilisation, capital project management and asset maintenance. These activities have implications for the level and cost of service provision.

Physical assets — property, plant and equipment — is often a university's most valuable asset. A long history of campus-based education has left a legacy of infrastructure built on very valuable land, often in or within close proximity to the central business districts of large cities. For example, the value of physical assets of Melbourne in 2001 was estimated to be A\$1.65 billion (see figure 7.1 in chapter 7). Maintaining old buildings is a considerable expense, especially for older universities.

The management of physical assets is generally the responsibility of the university. Most of these assets are held in trust for university purposes. In many Australian Statutes, universities are given the power to exploit these assets for commercial purposes (Phillips Fox 2001).

Although many universities are embracing new off-campus forms of education to increase enrolments, campus-based education remains important to university prestige. This is illustrated in The University of Melbourne 2001 Strategic Plan, which states:

The great competitive advantage of the traditional university will remain the ‘magic of the campus’ and the opportunity to conduct teaching and learning in the rich intellectual ambience of a research culture (University of Melbourne 2001, p. 13).

10.3 Performance reporting

Producing reports on performance against goals is crucial to accountability and transparency and to making well informed decisions. Different interest groups require different information. For example, students are interested in information on processes and outcomes at the course level, while governments are mainly interested in information on the performance of the university as a whole.

Information on university performance reporting in this section is based mainly on university input presented in attachment A (see tables A10.1, A10.4, A10.7, A10.10 and A10.13).

External oversight

Quality assurance, financial asset management and physical asset management are discussed in turn.

Quality assurance

The two main reasons for government involvement in quality assurance are to ensure value for money for public investment and to provide quality assurance at national and international levels. This was recognised by DETYA:

Foreign governments and institutions considering education relationships with Australia, and families considering personal education investment, must have confidence in the quality of Australian universities and in the quality and reputation of Australian degrees (DETYA 2000, p. 2).

Universities in Australia and England are required to report on their quality assurance strategies under the Quality Assurance and Improvement Plan and the Teaching, Learning and Assessment Strategy respectively. As well, surveys of student employment and university learning experiences are undertaken, either by government or by universities on behalf of government.

A key difference in these requirements is that under the Quality Assurance and Improvement Plan, Australian universities report mainly on outcomes and outputs. Whereas in England, reporting requirements under the Teaching, Learning and Assessment Strategy are focussed on the implementation of quality assurance processes.

Australian universities are required to establish goals based on government objectives, such as equality of access and community development. In contrast, universities in England are required to set processes that support the achievement of university objectives.

A national survey of the quality of research outputs is undertaken in England every three years to evaluate institutional outputs. Research outputs in up to 69 subject areas are evaluated on a 7-point scale. A panel of experts in each subject area conducts the evaluation and the results are distributed on the Internet.

Financial asset management

The internal procedures followed for external reporting of financial asset management are based on the financial reporting standards established by governments. In Australia and England, these requirements are set out in a framework that facilitates comparison of annual financial statements across universities in each country. These requirements are established by the Department of Education, Science and Training (DEST) and the Higher Education Statistics Agency (HESA) in Australia and England respectively.

Government financial reporting standards establish the level of disclosure that is required for reporting on financial assets. In both Australia and England, universities are required to report on asset values and earnings. In Australia, universities are also required to report on the level of investment portfolio risk by separating the value of assets according to different risks — interest rate, market, credit and cash.

As part of their financial statements, the HEFCE also requires English universities to provide an overview of governance that includes a statement of internal control. In evaluating internal control, universities are asked to report against the HEFCE (2000) good practice guide — Risk Management in the Higher Education Sector.

Physical asset management

External reporting requirements for physical asset management are generally part of the requirements for financial statements. In Australia and England, these include

requirements to report on value, expenditure, earnings (from use and sale of assets) and expenses. Universities in England, unlike in Australia, are required to separate earnings from the use of assets for teaching and learning, from income from other asset uses.

The HEFCE has also developed, in partnership with the higher education sector, a voluntary reporting program to record information on estate management — the Estate Management Strategy (EMS). The information includes ratios to measure performance against key indicators such as frequency and occupancy of space use, building condition, maintenance and functional suitability.

The EMS was adopted in 2000, with 87 per cent of publicly funded institutions participating. Data collected from universities has been used by the HEFCE to form a picture of issues facing the sector as a whole. This information is also used by the HEFCE for international comparisons.

University reporting

The contribution of reports to performance evaluation is dependent on the type of reporting, the clarity of goals, the methods used to report against goals, the timeliness of reporting and the availability of reports.

For all levels of university reporting, making reports on performance widely available is central to transparency and a key ingredient of building trust. In particular, reports should be available to those who are most affected by reported outcomes. For example, reports on units should be available to prospective students of that unit and not just to the unit coordinator. Making unit information available to prospective students helps them make well-informed decisions and provides incentives to unit coordinators to ensure the unit is of a high standard.

Quality assurance

At a university-wide and faculty level, performance reporting is generally undertaken against established goals. However, at the course and unit levels, reporting is generally not against goals, but is undertaken by reporting key indicators such as pass rates, student satisfaction and employment rates.

A key observation is that internal reports against university goals for Melbourne and RMIT (established in university strategic plans) are more transparent than the reports presented in their Quality Assurance and Improvement Plans. For Melbourne, there are no goals specified in its Quality Assurance and Improvement Plan, only high-level objectives, against which performance is difficult to measure.

In contrast, its strategic plan contains well-defined goals against which performance is easily measured using indicators.

Of the universities examined, only Tasmania distributed its report on goals from its strategic plan outside the university (via the Internet). However, these reports are generally available from universities on request.

Financial asset management

Among the universities examined, reports on financial asset management generally measure performance against quantitative goals and are undertaken regularly, at least quarterly. Goals are usually minimum returns required on an asset. Manchester uses recognised industry benchmarks of portfolio performance as goals. In some cases, such as Manchester, reports contain a narrative of possible future risks and explain any discrepancy between goals and outcomes.

Reports are generally scrutinised by a committee, usually a finance committee, and are presented to the university governing body.

Physical asset management

Reports on physical asset management are produced by all of the selected universities and generally measure performance against goals. Reporting is undertaken at least annually, but may vary according to the cost of the project. For example, Melbourne reports monthly on outcomes of building projects which cost more than A\$1 million in total, and annually on other projects.

Objectives for physical asset management are closely linked to higher order objectives related to core university activities. Goals are mainly outcomes (for example, to complete a building project by a given time). Reports from Tasmania contain comparisons with benchmarks from other universities. The benchmarking information is from the university's participation in the Australian Association of Higher Education Facilities Managers.

Reports are generally made available to the governing body and to all university staff. Melbourne integrates reports on physical asset management into its overall university-wide reporting (established in strategic plans). This report is externally available on request.

10.4 Monitoring effectiveness of processes

Since good outcomes are only partially related to good processes, the quality of processes cannot be evaluated by measuring outcomes alone. Monitoring the effectiveness of processes, along with reporting, is essential to performance review in higher education.

Information on university monitoring in this section is based mainly on university input presented in attachment A (see tables A10.2, A10.5, A10.8, A10.11 and A10.14).

External oversight

External monitoring is undertaken in a formal manner by governments or by agencies on their behalf. Others, such as students and industry, may undertake less formal monitoring. Monitoring of university quality assurance processes within the context of professional accreditation is viewed as monitoring internal to the university in this section.

Quality assurance

External monitoring of the effectiveness of university quality assurance procedures is commonly undertaken by operationally independent, government funded organisations. The Australian University Quality Agency (AUQA) and the Quality Assurance Agency (QAA) undertake monitoring in Australia and England respectively. In both cases, monitoring combines self-evaluation and external review, with information from self-evaluation used as evidence for external review (generally by peers).

Unlike the AUQA review, where the focus of monitoring is on university-wide processes, the QAA review is centred mainly on monitoring departmental processes. The QAA evaluates processes on six attributes on a scale of 1 to 4. This review (called the subject review) provides information for the university-wide review.

University-wide review by the QAA uses the QAA Code of Practice for the Assurance of Academic Quality and Standards in Higher Education (QAA 2001) as a benchmark for evaluating university-wide processes.

The QAA determines the appropriateness of university goals by comparing university bachelor course goals against national benchmark goals. The benchmark goals, which are produced by academics, provide employers and students with an

understanding of the intellectual capability and skills that should be developed to pass a course.

Financial asset management

Universities are not subject to disciplines imposed by the debt market, such as the monitoring of management processes of debtors by creditors or credit rating agencies. Universities in Australia and England are not heavily indebted because of low levels of borrowing — generally limited for the purposes of the university.

As well, not-for-profit universities are not subject to disciplines imposed by equity markets. Generally, shareholders, and their elected board, monitor the effectiveness of investment strategies to ensure that the value of equity is enhanced.

Governments in Australia and England monitor financial asset management by analysing university financial reports. In England, however, additional information is required on investment strategies.

The HEFCE requires universities to demonstrate how they intend to implement their strategic plans while maintaining financial viability. As part of these plans, universities are required to provide investment strategies and estimated returns from investments for the upcoming year.

From time to time, both the HEFCE in England and the Auditors-General in Australia conduct audits of the effectiveness of internal processes, including financial asset management.

Physical asset management

Governments in Australia and England require universities to present information on physical asset management strategies. In both countries, general commentary is required on the physical condition of buildings, maintenance programs, capital investments and asset disposals.

In addition to these requirements, HESA (on behalf of the HEFCE) conducts *ad hoc* reviews that include university visits. It is the intention of the HEFCE to develop a more systematic asset review program (HEFCE, Bristol, pers. comm., 30 August 2002).

The HEFCE in England and the Auditors-General in Australia have powers to conduct reviews of university physical asset management.

Monitoring internal to the university

Features of monitoring include that it should be undertaken regularly, as part of a broader framework of performance review. Reviews should be undertaken by a party independent from those responsible for the outcomes of processes and with appropriate skills to ensure the integrity of the process. Further, the terms of reference and reports from monitoring should be widely available for scrutiny. Preferably, well recognised principles of review (for example, International Organisation for Standardisation (ISO) standards) should be used. For control purposes, the compliance with any recommendations from reports should be monitored.

Quality assurance

Most of the universities examined monitor the effectiveness of quality assurance processes at all levels within the university (university-wide, faculty, department, course and unit level). Generally, the frequency of monitoring at the course and unit level is greater than at the faculty or university-wide level.

In general, a university committee with both internal and external members undertakes monitoring. In the Australian universities examined, professional organisations monitor the effectiveness of university processes as part of professional accreditation.

Warwick relies on students to monitor the effectiveness of unit processes. Students are encouraged to provide feedback to departments, via a Staff–Student Liaison Committee, on issues relating to teaching processes, assessment procedures and unit content. Each department has at least one Staff–Student Liaison Committee that comprises departmental staff and representatives from the Student Union.

The Staff–Student Liaison Committee forms recommendations on each issue raised and reports recommendations to the appropriate staff and or departmental meetings. Student Union representatives monitor the implementation of these recommendations by attending staff and departmental meetings.

For most of the universities examined, individuals responsible for coordinating or delivering units conduct unit level review. This potentially jeopardises the independence of the review.

The terms of reference for monitoring are generally documented in all universities examined. However, the forum in which they are made available to university members varies. At Tasmania, the terms of reference for any monitoring follow a given framework that is made clear in its Quality Assurance Manual. At

Manchester, terms of reference for all reviews are available on the staff intranet. At RMIT, the terms of reference are based on ISO standards or Australian Business Excellence Criteria. This increases the acceptance of review methodology.

Compliance with recommendations from monitoring is also reviewed and reported against for all of the universities examined. From the evidence available, reviewing compliance with recommendations is not widely undertaken at the unit level. Given that there is not extensive reporting of unit performance, and that those responsible for coordinating or delivering units also monitor, there appears little control over the quality of unit processes among the cases examined.

The responsibility for ensuring that recommendations are implemented generally lies either with university committees, which are independent of the relevant area, or with senior management. At RMIT, the responsibility for ensuring that recommendations are implemented is made clear by incorporating key action items into senior management work plans.

Financial asset management

At the universities examined, monitoring the effectiveness of financial asset management procedures happens at least every three years.

Committees undertake monitoring and report findings to the governing body, either directly or through other committees. At Manchester and Tasmania, the responsibility for monitoring lies with the committees that are also responsible for outcomes from investment management. Although this may compromise independence, these committees are also best skilled (among university management) to monitor.

At all of the universities examined, where monitoring takes place, compliance with recommendations is monitored.

Physical asset management

The extent of monitoring of physical asset management processes varies across the universities examined. Melbourne and RMIT both have monitoring procedures in place, while Manchester and Tasmania are currently implementing monitoring procedures.

The committees responsible for monitoring processes at Melbourne and RMIT are also responsible for outcomes.

10.5 Auditing compliance with external regulation and university procedures

The integrity of university procedures, including reporting and monitoring, is essential for maintaining trust. Auditing involves reviewing compliance with government regulations and agreed university procedures (including reporting and monitoring procedures).

Information on university auditing in this section is based mainly on university input presented in attachment A (see tables A10.3, A10.6, A10.9, A10.12 and A10.15).

External oversight

Auditing is generally required by government and is usually undertaken by a body independent of government, but government funded. In Australia, governments instruct Auditors-General to audit universities, while in England, the HEFCE and the QAA have powers to audit.

Quality assurance

The academic standards of a university are dependent, to a large degree, on adherence to the standards set by members of individual disciplines. Although universities are responsible for conferring academic awards, senior university officials rely on experts within departments to evaluate students according to the academic standards of the discipline. For universities, encouraging academics to remain loyal to the standards of their discipline is vital for assuring the quality of awards.

These standards are also upheld by using external examiners for PhD theses and involving external discipline experts on committees to appoint professors and promote academics. As well, adherence to academic standards set by professional organisations is reviewed as part of accreditation from these groups.

In terms of government oversight, Australia and England (through the AUQA and the QAA respectively) review the strength of internal audit of university quality assurance procedures. The QAA, in its course reviews also evaluates whether course standards are in accordance with course benchmark statements.

The HEFCE produces a number of codes of best practice, including an auditing code and a code of academic standards. Although not compulsory, it is expected that these codes will be followed.

Financial asset management

Through audits of financial statements, governments can encourage high quality reporting on investments. Judgements on the integrity of reports are based on whether accounting principles applied by the universities comply with recognised accounting principles and government requirements. The auditor also evaluates whether the financial statements fairly represent the financial position of the university.

Auditors-General in Australia conduct external auditing of university financial reports, whereas in England, the university can appoint an accredited external auditor.

Physical asset management

In Australia and England, a range of government regulations relates to the construction, operation and use of buildings. For example, in England, there are requirements for the adoption of environmentally friendly technologies, such as CFC-free air conditioning and energy efficiency requirements. The government periodically audits compliance with these regulations.

The Auditors-General in Australia and the HEFCE in England are responsible for ensuring compliance with regulations regarding the use of buildings (which are generally restricted for university purposes). Auditing of compliance with building codes is generally the responsibility of municipal governments.

University internal auditing

Universities audit adherence to their own procedures and government requirements. Auditing, like monitoring, is a review process and the characteristics of effective monitoring are also applicable to auditing (see section 10.4 for a discussion on the characteristics of effective university monitoring).

Quality assurance

All of the universities examined conduct audits of compliance with teaching, learning and evaluation procedures at a unit level and some at a course and department level. The frequency of audits varies between universities. For example, Tasmania audits courses and units from time to time, while Manchester audits units annually.

Among the universities examined, only RMIT audits compliance with reporting procedures. Reporting against university objectives is a relatively new development in university governance. Increasing demands on universities to report against goals could focus the attention of universities on verifying the integrity of reports in the future.

In most cases, the committee responsible for auditing of quality procedures contains external members. For example, at RMIT, unit audits are undertaken by a panel of peers — members from the same discipline, but from a different institution. An exception is Tasmania, where quality audits are undertaken by the Pro-Vice-Chancellor for teaching and learning.

In all of the universities examined, the terms of reference for the audits are made clear prior to the audits and are subject to committee approval. At RMIT, the terms of reference comply with ISO9001 international standards of internal audit.

University committees of the academic board, or the academic board directly, monitor compliance with recommendations. At RMIT, recommendations are incorporated into management work plans.

Financial asset management

Auditing of financial asset management is focussed on compliance with internal investment guidelines. Of the case studies, only Melbourne regularly audits government reporting requirements.

The frequency of audit varies among the universities examined. Tasmania and Melbourne conduct audits quarterly and annually respectively, while the frequency of audit at Manchester and RMIT depends on the perceived risk.

Internal audit groups are responsible for auditing. In all cases, the terms of reference are approved by the audit committee and are often documented in manuals. At Tasmania, adherence to the audit terms of reference is also monitored. In all cases, audit reports are presented to the audit committee for scrutiny.

Integrity of auditing at Melbourne is assured by ensuring that procedures are in line with Australian Auditing Standards. In addition, the Victorian Auditor-General is regularly invited to attend audit committee meetings.

Compliance with audit recommendations is generally monitored by the audit committee and typically culminates in a report on progress after 6 to 12 months.

Physical asset management

At the universities examined, audits of physical asset management generally focus on ensuring compliance with government regulation, especially with respect to the construction and operation of buildings. Tasmania also audits equipment management systems quarterly. This ensures that equipment is used only for intended purposes and that equipment is secure from theft and damage.

Manchester and Warwick only conduct audits of physical asset management when there is a perceived problem. However, Manchester intends to implement systematic auditing of physical asset management.

Auditing of compliance with government regulation is conducted by internal audit, except for Melbourne where it is the responsibility of the Compliance Officer. The internal audit function is outsourced at Manchester and at Tasmania.

To ensure a high integrity of audit, the terms of reference and audit report are generally scrutinised by the audit committee. Audit committees often contain external members. For example, at Tasmania, the audit committee contains members of senior auditing partners from accounting firms. At RMIT, audits of physical asset management are also presented to the governing body. RMIT also periodically reviews their auditing procedures.

In all of the universities examined, procedures are in place to monitor the implementation of audit report recommendations.

Attachment A

This attachment contains information on the university processes discussed in this chapter — performance reporting, monitoring and auditing. The information is based mainly on university responses to questions presented by the Commission and excludes information on government processes.

The information is presented in tables. Each table contains information for a process at a particular university. Processes are compared across three activities — quality assurance, financial asset management and physical asset management.

To make the information in the tables comparable across universities, the Commission modified the university responses. Each of the universities examined checked the accuracy of the modified information.

Table A10.1 The University of Melbourne — performance reporting

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management^a</i>
Type and frequency		
University-wide and faculty reports against goals are prepared annually.	Report against goals is produced annually. ^b Reports on the progress of major building projects are produced monthly. ^c The performance of architects and building contractors is reported annually.	Report against goals is produced 6 times a year. An external actuary reports annually on the performance of the portfolio.
Specification of goals		
University-wide goals are mainly outcomes and are clearly linked to objectives. ^d Faculty goals are processes and outcomes. ^e	Reports against goals include several objectives. Goals (outcomes and processes) are clearly related to objectives.	Goals are minimum outcomes set for each investment type and include asset income yield.
Performance measurement		
University-wide indicators are provided on each goal and judgments are made as to what degree a goal has been met. ^f Faculty reports are self-assessment reports. They contain narrative of the performance of the faculty against set criteria. ^g	Key performance indicators relevant to each goal are reported. The degree to which the goal is met is identified. ^f	Indicators are produced for each goal.
Availability		
Reports are widely distributed throughout the university and are available externally on request.	The reports are provided to the relevant committee(s) and Council. They are also disseminated within the university and are available to the public on request.	The Investment Management Committee reviews reports. Reports are also presented to the Finance Committee of Council.

Note Information presented on quality assurance is based mainly on reports (for example, reports against goals in strategic plans) presented to the Commission rather than university responses. ^a This is a description of the existing investment processes. In the near future, the university plans to outsource the management of investments, but will set guidelines and target outcomes. ^b Is part of the reporting against goals from the annual strategic plan (called operational plan). ^c Includes project cost estimates. ^d The annual budget provides incentives to achieve goals. ^e The goals for each faculty are grouped under key criteria clearly linked to university-wide objectives. ^f Reported as either met or partly met. ^g The criteria are assessment of students, improving and evaluating teaching, student experience, faculty achievements and issues to be addressed.

Table A10.2 The University of Melbourne — monitoring

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management^a</i>
Type and frequency		
Annual review of faculty teaching and learning processes. ^b	Property management procedures are reviewed every 3 years.	Monitoring of investment guidelines is conducted every 3 years.
Monitoring of department performance appraisal processes every 4 years. ^c	Programs on maintenance, space utilisation and prioritising capital works are reviewed.	
Internal undergraduate course monitoring every 5 years. ^d	Property and Buildings services are reviewed annually through Administration Performance Review.	
Professional accreditation of courses every 3 to 5 years.		
Postgraduate program and unit reviews.		
Responsibility for monitoring		
Faculty and undergraduate course review by committees of the Academic Board. ^e	Property and Buildings Department reviews property management procedures.	Investment Management and Finance Committees.
Postgraduate courses by various internal groups. ^f	The Capital Projects Committee reviews other programs.	
Unit reviews are undertaken by the unit coordinator and the department. ^g		
Transparency and integrity of monitoring		
The terms of reference for all reviews are made available to all relevant persons in advance.	The terms of reference for the Capital Projects Committee contain terms of reference for review.	The terms of reference for monitoring are in the Finance Committee's terms for review.
All reports from monitoring, except unit reviews, are presented to the Academic Board and Council.		
Compliance with recommendations		
Implementation of recommendations is reviewed annually as part of the annual accountability cycle.	Implementation of recommendations is reviewed annually as part of the annual accountability cycle.	The Finance Committee monitors the implementation of guidelines and reports to Council (through the Finance Committee).

^a This is a description of the existing investment processes. In the near future, the University plans to outsource the management of investments, but will set guidelines and target outcomes. ^b Included is a review of departmental processes that is conducted by visiting academics. ^c Includes evaluating how departments evaluate performance against international benchmarks. ^d Review of new courses or changed courses is also undertaken as needed. ^e Through the Teaching and Learning Quality Assurance Committee for existing courses and through the Academic Program Committee for changed and new courses. ^f These include the School of Graduate Studies and the Research Higher Degree Committee. ^g Reviewers may be from other departments and faculties depending on the unit.

Table A10.3 The University of Melbourne — auditing

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management^a</i>
Type and frequency		
<p>Department academic audits conducted every 4 years. Annual audits of compliance with student selection and academic procedures. Regular audits with legislative requirements.</p>	<p>Compliance with government regulations, such as building standards, is audited regularly.</p>	<p>Internal auditing of compliance with investment guidelines and government regulation (such as reporting) is continuous.</p>
Responsibility for auditing		
<p>Department audits are conducted by the Vice-Chancellor, Deans and Vice-Principals. Legislative audits are conducted by the Compliance Officer.</p>	<p>General compliance with government regulations is conducted by the Compliance Officer. Property and building staff and contractors are responsible for audit of compliance with building regulations.</p>	<p>Internal Audit Group.</p>
Transparency and integrity of auditing		
<p>The terms of reference are made available to all relevant people in advance. Audit reports are presented to relevant committees.</p>	<p>Compliance with building standards is through inspection and testing, as defined in the AS1851 series of Australian Standards.</p>	<p>Audit program is approved by the Audit Committee which contains 6 external members. The Audit Committee also receives all reports. The Auditor-General's is invited to attend meetings of the audit committee. Auditing procedures are in line with Australian Auditing Standards.</p>
Compliance with recommendations		
<p>As part of the University's accountability cycle, areas identified for improvement are monitored annually.</p>	<p>Compliance with recommendations are incorporated into plans for the upcoming year. Reports on compliance are made to relevant committees.</p>	<p>The Internal Auditor reports to the Audit Committee on progress 6 months after the report is published. Follow-up actions are taken in accordance with the risk rating.</p>

^a This is a description of the existing investment processes. In the near future, the University plans to outsource the management of investments but will set guidelines and target outcomes.

Table A10.4 University of Tasmania — performance reporting

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency		
University-wide reporting on goals annually. Course performance reports are also conducted annually. ^a	Reports on goals have not been produced at this point. ^b The University is currently developing a framework for reporting on space utilisation and maintenance.	Reports on investment goals are prepared monthly and quarterly.
Specification of goals		
University-wide goals are 'high-level' objectives. There are several indicators that are linked to objectives.	Objectives are linked to other university objectives. ^c Several goals accompany each objective, they are based on outcomes and processes. Objectives are set over a triennium but are reviewed annually.	Investment goals are specified in investment policies approved by University Council.
Performance measurement		
University-wide indicators are produced for each objective annually. Some indicators are presented through time. Course reports include performance against agreed indicators. ^d	Asset management systems have been installed and are recording asset maintenance and utilisation data for performance measurement. The University also participates in the Australasian Association of Higher Education Facilities Managers benchmarking process.	Reports contain performance data against agreed industry benchmarks and commentary on portfolio performance. Income projections are also included.
Availability		
University reports are widely distributed, including on the Internet. Course reports are presented to the faculties.	..	Reports are presented to the Investment Sub-committee and Finance Committee.

Note Information presented on quality assurance is based mainly on reports presented to the Commission rather than university responses. ^a Includes indicators but not goals. ^b From 2001, the University has embarked upon a strategy of total asset management. The years 2002 and 2003 are years of transition to this new strategy. ^c Made clear in Asset Management Services and Design & Acquisitions operational plans, part of the new total asset management strategy. ^d Indicators include course demand, entry scores, enrolment trends, assessment outcomes, completion rates, retention rates, student survey responses and staff to student ratios. .. Not applicable.

Table A10.5 University of Tasmania — monitoring

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency		
Department reviews every 5 to 6 years. Courses every 4 years. Units every 3 years.	Monitoring processes are currently being implemented. ^a Monitoring will be on an annual basis.	Reviews of the effectiveness of investment guidelines are conducted at least annually.
Responsibility for monitoring		
Department and course level reviews are undertaken by a panel that consists of external members. ^b Some courses are reviewed on a regular basis by professional organisations for accreditation purposes. Unit reviews are undertaken by unit coordinators.	Planning and Resources Committee.	The Investment Sub-committee. ^c
Transparency and integrity of monitoring		
Terms of reference for reviews are made clear in the Quality Assurance Manual, which is available to all staff. ^d	..	Terms of reference provide clear direction for monitoring. Reports from review are presented to the Finance Committee and Council.
Compliance with recommendations		
Departments must develop an implementation plan that is approved by Academic Senate. Progress reports on the implementation of recommendations are presented to the Academic Senate after 6 and 12 months.	..	Progress on implementing recommendations is reported to both the Investment Sub-committee and Finance Committee.

^a Asset management policies and procedures are being documented as a result of the new total asset management strategy. ^b Including industry representatives, employers, representatives from other universities and academics from other departments or courses. ^c A sub-committee of the Finance Committee. ^d Except for course reviews by professionals. .. Not applicable.

Table A10.6 University of Tasmania — auditing

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency		
Audits of compliance with agreed teaching and learning processes, from time to time, to investigate any course or unit.	Internal audit of equipment to ensure they are being used for intended purpose and that they are managed in a way that prevents damage and theft.	Quarterly audits of adherence to investment guidelines.
Responsibility for auditing		
Pro-Vice-Chancellor (teaching and learning).	Internal Audit (the internal audit function is outsourced).	Internal Audit.
Transparency and integrity of auditing		
Terms of reference for quality audits in teaching and learning are approved by the Teaching and Learning Committee. Reports are presented to the Teaching and Learning Committee and Academic Senate.	Audit procedures are monitored by the Audit Committee. ^a Reports are presented to the Vice-Chancellor and Audit Committee.	Audit procedures are documented in the annual Internal Audit Scope which is approved by the Audit Committee. Adherence to these procedures is monitored by the Audit Committee. All audit reports are presented to the Planning and Resources Committee, Audit Committee and Finance Committee.
Compliance with recommendations		
Academic Senate receive progress reports after 6 and 12 months.	Audit and Finance Committees monitor follow-up action.	Each audit report includes action to be taken in respect to items raised in previous reports. Follow-up action is monitored by both Audit and Finance Committees.

^a The Audit Committee includes members of the accounting profession who are senior audit partners in accounting firms.

Table A10.7 RMIT University — performance reporting

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency		
University-wide reports against goals triennially.	Outcomes of major projects are reported monthly. ^c	Performance of financial assets is compared against goals in monthly reports.
University-wide reports annually. ^a	Outcomes of minor projects are normally consolidated into annual reports.	
Faculty reports against goals annually.		
Course reports annually. ^b		
Specification of goals		
University-wide goals are outcomes and are clearly linked to objectives.	Several goals accompany each objective.	Budgeted income from financial investments.
Faculty goals are university average outcomes and outputs. ^d	Goals are based on achieving outcomes in the form of completed projects.	
Performance measurement		
University-wide and faculty indicators are presented on each goal.	The extent to which each goal is met is addressed within the reports.	Reports include quantifying income and possible exposure to interest rate risk.
Indicators are reported for courses.		
Availability		
Reports are available to all staff.	Reports for all projects are provided to the University Council (through the Finance and Major Initiatives Committee).	Results are consolidated quarterly and presented to the Finance and Major Initiatives Committee and then to Council.
	They are available as part of the Council's public record.	

Note Information presented on quality assurance is based on reports presented to the Commission rather than university responses. ^a These reports do not contain goals. However there are plans to introduce annual goals as well. ^b Includes indicators but not goals. ^c Major projects are defined as costing over A\$1 million. ^d There is an intention to introduce faculty specific goals that will be established through negotiations between Deans and the executive.

Table A10.8 RMIT University — monitoring

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency		
University-wide every 6 months. ^a Faculty reviews every 5 years. Department review annually. ^b Unit review for all units with 1 year, 3 year and 5 year reporting cycles. ^c	Procedure reviews are ongoing.	Monitoring of investment guidelines annually. ^d
Responsibility for monitoring		
University-wide, faculty, department and 5 year unit reviews are conducted by external reviewers. Other unit reviews are conducted by members of the department. Professional associations also accredit various units, usually every 5 years.	Property Services Group and Internal Audit periodically.	Finance and Major Initiatives Committee.
Transparency and integrity of monitoring		
The university-wide and department review are based on ISO standards, while the faculty review is based on the Australian Business Excellence Criteria. Annual unit review reports are presented to the Deans.	Terms of reference are circulated to all affected parties. Recommendations for significant changes are reported to executive and Council.	Terms of reference for the Finance and Major Initiatives Committee are circulated throughout the university.
Compliance with recommendations		
Compliance at a university-wide and departmental level is monitored. Recommendations for action are included in senior management work plans. Reports on compliance with recommendations are presented to senior management and Council.	Progress in implementing recommendations is widely reported.	Progress reports are made to the Finance and Major Initiatives Committee.

^a For teaching and learning and research development. ^b For selected departments. ^c Each part of the cycle has a different criteria for review. ^d RMIT does not have extensive financial investments and has adopted prudent investment guidelines recommended by the Australian Commonwealth Treasury.

Table A10.9 RMIT University — auditing

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency		
University and unit compliance with agreed processes every 6 months and 5 years respectively. Service Agreement audits are conducted annually. Auditing of faculty performance indicators conducted regularly.	Audit of internal financial reports and compliance with government legislation, such as the Essential Services Act, are conducted regularly.	The regularity of compliance audits depends on the level of risk and perceived level of control.
Responsibility for auditing		
University-wide auditing conducted by accredited external auditor. Unit audit by external panel. ^a Service Agreement audits by Internal Auditor.	Financial Services Group/Internal Auditor.	Internal Auditor.
Transparency and integrity of auditing		
University-wide audit procedures comply with ISO9001. ^b External audit guidelines are predetermined by external auditors. Audit reports are presented to the areas being audited, to university management committees and Council.	Review reports contain audit terms of reference and are presented to the Audit Committee and Council. The Internal Auditor periodically carries out reviews of their auditing procedures.	Audit procedures are documented in the Audit Manual. Audit reports are presented to the Asset and Risk Management Committee.
Compliance with recommendations		
Progress reported quarterly to the Management Quality Review meeting. Action items are included in management work plans and progress is reported in subsequent audits.	Implementation of audit recommendations by the Property Services Group is monitored by the Audit Committee.	The Asset and Risk Management Committee monitors the implementation of recommendations. The priority for monitoring depends on the risk rating.

^a Comprising members from partner or peer organisations. ^b A standardised framework for internal audit.

Table A10.10 University of Manchester — performance reporting

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency		
University-wide and faculty reports against goals are produced annually. Reports are also completed every 3 years, drawing on annual reports.	Report against goals is prepared quarterly.	Report on investment performance every quarter.
Specification of goals		
Goals are to implement strategies (processes) and are set over a triennium. ^a	Each objective has several goals that are inputs, processes and outputs required to achieve the overall objective.	Goals are outcomes and include target income flows and nationally recognised benchmarks.
Performance measurement		
The degree to which strategies have been implemented is reported.	The degree to which goals have been implemented is reported.	Reports contain a narrative explaining discrepancies with goals and future strategies.
Availability		
Annual university-wide report on strategies is incorporated in the Annual Operating Statement and presented to government. ^b All reports are available to staff.	Performance reports are presented to the Administrative Management Team.	Reports are not distributed beyond those directly responsible for monitoring performance.

Note Information presented in this table on quality assurance is based mainly on reports presented to the Commission rather than university responses. ^a From the Strategy to Enhance Learning, Teaching and Assessment which is a reporting requirement of the Higher Education Funding Council for England (HEFCE) to gain funding for developing quality. ^b A document required by HEFCE.

Table A10.11 University of Manchester — monitoring

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency		
Department review is undertaken annually (in compliance with the Quality Assurance Agency code of practice). Recommendations from review may be targeted at the faculty, department or unit level.	Monitoring is currently conducted informally. It is the intention of the Estates Office to create a Quality Manual for all policies and procedures which will be reviewed annually.	Investment guidelines reviewed every year with a full re-assessment every 3 years.
Responsibility for monitoring		
Departmental review is undertaken by the Academic Standards and Quality Committee. ^a	Estate Office.	Investment of Funds Committee.
Transparency and integrity of monitoring		
Terms of reference for reviews are made available to staff through their intranet. Reports are presented to the Academic Standards and Quality Committee.	The Quality Manual will be available on the university intranet.	The terms of reference are reviewed by the Finance Committee annually.
Compliance with recommendations		
Recommendations are monitored by various university committees.	Annual assessments of achievements are reported to the Administrative Management Team.	Progress in implementing recommendations is reviewed quarterly.

^a Includes senior academics from all faculties of the University.

Table A10.12 University of Manchester — auditing

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency		
<p>Department and unit audits of compliance with the Higher Education Funding Council for England (HEFCE) Code of Practice take place once every 5 years.</p> <p>Unit audits are also carried out annually by a committee responsible for each unit of study to ensure teaching and evaluation processes comply with university standards.</p>	<p><i>Ad hoc</i> auditing is usually carried out in response to a reported problem.</p> <p>It is anticipated that once the Quality Manual is produced, adherence to the manual will be conducted by regular team meetings.</p>	<p>The regularity of internal compliance audit is based on risk assessment over a 3-year horizon.</p>
Responsibility for auditing		
<p>Audit panels comprise relevant faculty members and external members.^a</p>	<p>Internal Audit (an external consortium).</p>	<p>Internal Audit.</p>
Transparency and integrity of auditing		
<p>The audit procedures are documented in the HEFCE Academic Standard Code of Practice.</p> <p>Annual unit audit reports are presented to the Faculty Teaching Standards Committee and the unit director or head of department.^b</p> <p>Five year audit report is presented to the head of department.</p>	<p>The terms of reference are documented and comply with the HEFCE Audit Code of Practice.</p> <p>Draft audit reports are discussed with the relevant staff to ensure factual accuracy.</p> <p>A summary report is presented to the Audit Committee.</p>	<p>Report is presented to the Audit Committee.</p> <p>The process conforms with the HEFCE Audit Code of Practice.</p>
Compliance with recommendations		
<p>The Academic Standards and Quality Committee monitors progress on implementation of recommendations.</p> <p>For Quality Assurance Agency (QAA) audits, progress reports on meeting recommendations are submitted to the Senate and QAA.</p>	<p>Internal audit operates a follow-up review to confirm that action plans are implemented within an agreed time frame, usually reporting 12 months after the initial audit report.</p>	<p>Implementations of recommendations are monitored by internal auditors and the Audit Committee.</p> <p>The internal auditors produce a report on progress 12 months after their original report.</p>

^a Usually a member of another faculty, a member of the Academic Quality Unit and an external specialist subject reviewer. ^b Includes representatives from each department in the faculty.

Table 10.13 University of Warwick — performance reporting

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency Annual reporting against university-wide goals.	Reports against goals for building projects are prepared 3 times a year. Reports on space utilisation are prepared annually.	Reports on management of liquid assets are prepared 7 times per year.
Specification of goals Goals are processes and outcomes established for key development areas, taking into consideration the performance of other universities. Student recruitment goals are set over 5 years.	Goals are quantitative and qualitative outcomes. Goals for space utilisation take into account industry averages for space utilisation.	Goals are not used.
Performance measurement Performance indicators are compared against appropriate goals.	Performance indicators are compared against appropriate goals.	Rates of interest received are reported along with the cash position.
Availability Available to users within the University via the intranet. ^a	Reports are made available to the Budget Steering Group and to the Building Committee and its sub-committees.	Reports are presented to the Finance Committee and the University Council.

^a Warwick intends to publish some indicators, such as student progression rates. As well, many of the indicators are made public through newspaper league tables.

Table 10.14 University of Warwick — monitoring

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency		
Unit processes are monitored on an ongoing basis by students. Course processes are monitored annually.	Estate management processes, including space utilisation, are monitored annually.	The university bank deposit policy is reviewed approximately every two years.
Responsibility for monitoring		
Students provide feedback to the department via a Staff–Student Liaison Committee. Staff–Student Liaison Committees comprise representatives of the Student Union and academic staff. Department and Faculty committees are responsible for monitoring course processes.	Estate Office.	Finance Committee and Internal Audit.
Transparency and integrity of monitoring		
Staff–Student Liaison Committees present recommendations to appropriate staff or departmental meeting. Staff–Student Liaison Committee reports are made available to academic committees. Course reports are considered by academic committees, which contain student representatives.	Reports are scrutinised by various committees and sub-committees.	The reports are presented to Finance Committee and Audit Committee.
Compliance with recommendations		
Student representatives are invited to staff and departmental meetings to review compliance with recommendations. Faculty boards take responsibility for implementing recommendations.	Internal Audit conducts periodic reviews of compliance with recommendations.	Internal Audit conducts periodic reviews of compliance with recommendations.

Table 10.15 University of Warwick — auditing

<i>Quality assurance</i>	<i>Physical asset management</i>	<i>Financial asset management</i>
Type and frequency		
Course audit and departmental audit take place every 5 to 6 years.	Audit is carried out in response to a reported problem.	Audit of the banking arrangements is conducted approximately every 2 years.
Responsibility for auditing		
Both audits are conducted by committees, which include internal and external experts. The committees are coordinated by the central administration under procedures approved by Senate.	Internal Audit.	Internal Audit.
Transparency and integrity of auditing		
The audit reports are considered by senior committees of the University. ^a The procedures of course audit are based on guidelines set by the Quality Assurance Agency.	The Audit Committee follows the HEFCE Audit Code of Practice.	Internal Audit follows the HEFCE Audit Code of Practice. The audit reports are presented to the Vice-Chancellor as well as the Audit Committee.
Compliance with recommendations		
Departments are required to report to academic committees on their response to both course and departmental audits.	Internal Audit undertakes follow-up reviews on the implementation of their recommendations.	Internal Audit undertakes follow-up reviews on the implementation of their recommendations.

^a Warwick intends to make course audit reports publicly available in the near future.

A Participation

The Commission had contact with a number of organisations and individuals during the course of the study (listed below).

Following the release of the draft report the Commission invited comments on its factual content, scope and the presentation of information.

As part of its consultation process, a workshop was held on Thursday 14 November 2002 to provide a forum for discussion of the study, the presentation of results and their interpretation.

Adam Johnston^a

Australian Academy of Science^a

The Australian National University

Australian Scholarships Group (Friendly Society Ltd)^a

Australian Vice-Chancellors' Committee^{a,b}

Bond University^{a,b}

Business Council of Australia^b

Centre for Human Factors and Applied Cognitive Psychology, University of Queensland^a

Charles Sturt University

Department of Education (US)

Department of Education, Science and Training (Australia)^{a,b}

Department of Education and Training (New South Wales)

Department of Education Services (Western Australia)

Department of Employment, Further Education, Science and Small Business

Department of the Treasury (Australia)

Education and Manpower Bureau of Hong Kong

Flinders University

Gavin Moodie^a

Group of Eight Universities^a

Higher Education Authority (Ireland)

Higher Education Funding Council for England

Massey University

Melbourne Institute of Applied Economic and Social Research

Ministry of Advanced Education (British Columbia)

Ministry of Education (Singapore)

Murdoch University

National Agency of Higher Education (Sweden)

National Tertiary Education Union^{a,b}

National University of Singapore

Peter Karmel^a

Queens University

RMIT University^{a,b}

Royal Australian Chemical Institute^a

Simon Fraser University

Stockholm University

The University of Amsterdam

The University of Auckland

University of Bath

University of Hamburg

The University of Hong Kong

The University of Manchester

The University of Melbourne^b

The University of New South Wales

University of Otago

University of Southern Queensland

University of Tasmania^b

The University of Warwick

University of Western Sydney

Utrecht University

^a Provided comments on draft report. ^b Attended workshop.

B Purchasing Power Parity Conversion

Purchasing Power Parity (PPP) rates were used in the report to convert local currency values into Australian dollar terms.

Interpretation of PPP adjusted prices

Purchasing Power Parity rates (PPP_{GDP}) are derived by determining the cost in local currency of purchasing the same fixed economy-wide basket of goods and services in each country.

The PPP for country i , expressed in terms of the amount of local currency per Australian dollar, is calculated as:

$$PPP_{GDP\ i} = P_{GDP\ i} / P_{GDP\ (AUS)}$$

where $P_{GDP\ i}$ is the local currency price of an *economy-wide basket of goods and services* in country i , and $P_{GDP\ (AUS)}$ is the Australian price of the same economy-wide basket in Australia.

The price or monetary value of *tertiary or higher education* in a country can be expressed in terms of Australian dollars by using PPP rates as follows:

$$P_{E\ i\ (AUS)} = P_{E\ i} / PPP_{GDP\ i}$$

where $P_{E\ i\ (AUS)}$ is the price of tertiary or higher education in country i expressed in Australian dollars, and $P_{E\ i}$ is the price of higher education in country i expressed in local currency.

Substituting the expression for $PPP_{GDP\ i}$ in the above identity:

$$P_{E\ i\ (AUS)} = P_{E\ i} / (P_{GDP\ i} / P_{GDP\ (AUS)}) = P_{GDP\ (AUS)} * P_{E\ i} / P_{GDP\ i} = k * P_{E\ i} / P_{GDP\ i}$$

where $P_{GDP\ (AUS)}$ is constant while $P_{E\ i} / P_{GDP\ i}$ varies by country.

Prices or values for tertiary or higher education converted using PPP rates provide an index of value relative to the general price level in that country.

PPP rates used in the study

The PPP rates used to convert local currencies into Australian dollars are given in table B.1.

Table B.1 **Purchasing Power Parities (PPPs), 2001**

<i>Country</i>	<i>Local currency</i>	<i>Local currency per US dollar</i>	<i>Local currency per Australian dollar</i>
Australia	Australian dollar	1.33	1.00
Canada	Canadian dollar	1.20	0.90
Germany	Mark	0.94	0.71
Japan	Yen	150.00	112.78
Korea	Won	721.00	542.11
Ireland	Punt	0.96	0.72
Netherlands	Guilder	0.93	0.70
New Zealand	New Zealand dollar	1.48	1.11
Sweden	Krona	9.51	7.15
United Kingdom	Pound	0.65	0.49
United States	US dollar	1.00	0.75
Singapore	Singapore dollar	1.80	1.35 ^a
Hong Kong	Hong Kong dollar	8.30	6.24 ^a

Note PPPs published by the OECD were used for the OECD countries. ^a PPPs estimated by the World Bank using 1999 data. These are likely to be good estimates of 2001 values since PPPs do not vary much from year-to-year.

Source: PC estimates based on OECD (2002) and World Bank (2001).

C Tax treatment of gifts and donations to universities — selected countries

The Commission engaged a consultant to provide information on the tax treatment of gifts and donations to universities in Australia, Canada, New Zealand, the United Kingdom and the United States. The material in this appendix is reproduced from the consultant's report (Krever and O'Connell 2002).

C.1 Australia

In Australia, the *Income Tax Assessment Act 1997* (ITAA 1997) allows all taxpayers (individuals, trustees of trusts, partnerships and companies), whether resident or non-resident, a deduction for certain gifts made to recipients endorsed by the Commissioner of Taxation as a 'deductible gift recipient' (DGR).¹

In Australia, tax is imposed on 'taxable income', that is, 'assessable (gross) income' less 'deductions'.² The effect of a deduction is to reduce taxable income and thereby reduce the tax payable. The amount of the reduction depends on the taxpayer's tax rate. Individuals are subject to progressive rates of tax with the top rate (48.5 per cent) applying to income in excess of A\$60 000 per annum.³ Companies pay tax at a flat rate of 30 per cent.⁴

The legislation does not define the term 'gift'. However, according to case law, in order to be a gift, money or property must be transferred voluntarily and no advantage of a material character should be received by the donor.⁵ This means that a donation to a university where tuition fees are reduced or some other benefit is provided to the donor would not qualify as a gift.

¹ *Income Tax Assessment Act 1997* (ITAA 1997), div. 30.

² ITAA 1997, s. 4-5.

³ *Income Tax Rates Act 1986*, schd. 7.

⁴ *Income Tax Rates Act 1986*, s. 23.

⁵ *McPhail v FCT* (1968) 117 CLR 111; see also Taxation Determination TD 92/110.

In relation to restrictions on the use of funds, the legislation provides that a gift to a DGR must be applied for the principal purposes of the organisation.⁶

Donations made by individuals and companies

Generally, only gifts made *inter vivos* qualify for the deduction and no deduction is available for testamentary gifts.⁷ However, a special gift deduction regime applies to testamentary gifts of cultural property.⁸

The gift can be money or property, including trading stock. If the gift is money, the amount of the deduction is the amount of money given.⁹ If the gift is trading stock, the amount of the deduction is generally the market value of the trading stock.¹⁰ If the gift is property that is not trading stock, the amount of the deduction is generally the lesser of market value at the date of gift or the amount paid for the property.¹¹

If the gift is property valued at more than A\$5000 and not purchased in the previous 12 months, the amount of the deduction is the value of the property as determined by the Commissioner of Taxation.¹² The disposal of trading stock, outside the ordinary course of business, will also give rise to assessable income.¹³ The deduction available where trading stock is gifted to a DGR would offset any potential income gain.

The minimum amount of the gift is A\$2.¹⁴ There is no maximum amount specified, but the gift deduction cannot give rise to a tax loss, that is deductions for the relevant year cannot exceed assessable income.¹⁵

Only gifts to those recipients endorsed by the Commissioner of Taxation as DGRs qualify as deductions.¹⁶ Furthermore, the recipient organisation must be in Australia.¹⁷

⁶ ITAA 1997, ss. 30-125(4) and (5).

⁷ ITAA 1997, s. 30-15(2). Some relief for testamentary gifts arises under the capital gains tax provisions.

⁸ ITAA 1997, subdiv. 30-D.

⁹ ITAA 1997, s. 30-15, table item 1, column 3(a).

¹⁰ ITAA 1997, s. 30-15, table item 1, column 3(c).

¹¹ ITAA 1997, s. 30-15, table item 1, column 3(b).

¹² ITAA 1997, s. 30-212.

¹³ ITAA 1997, s. 70-90(1).

¹⁴ ITAA 1997, s. 30-15, table item 1, special conditions (b).

¹⁵ ITAA 1997, s. 26-55.

¹⁶ ITAA 1997, s. 30-17.

In order to be eligible for endorsement, the recipient must fall within one or more categories in the table set out in subdivision 30-B of the ITAA 1997. The relevant categories, are listed under the headings ‘Education’ and ‘Research’. Under ‘Education’, are ‘a public university’¹⁸ or ‘a higher education institution within the meaning of the *Employment, Education and Training Act 1988*’.¹⁹ Under the heading ‘Research’ is ‘a university ... or organisation which is an approved research institute’.²⁰

The term public university has been interpreted by the Australian Taxation Office (ATO) to mean ‘an institution open to the public ...’²¹ and can therefore include a private (‘non-government’ or ‘for-profit’) university. The ATO has endorsed several universities that are regarded as private rather than public universities.²² The entity must apply to the Commissioner of Taxation to be endorsed.²³ It must also maintain a separate fund for gifts of money or property and must only use such funds for the principal purpose of the entity.²⁴

Other taxes

Capital gains tax

The Australian income tax legislation measures gains and losses from the disposal of some types of property, other than trading stock, under a discrete set of ‘capital gains tax’ (CGT) rules in the income tax legislation. The CGT rules are based on the occurrence of certain events, such as the disposal of certain assets.²⁵ The amount of the capital gain is generally calculated as the difference between what the taxpayer paid to acquire and maintain the asset (the cost base) and the consideration received on disposal.²⁶

¹⁷ ITAA 1997, s. 30-15, table item 1, special conditions (a).

¹⁸ ITAA 1997, s. 30-25(1), item 2.1.1.

¹⁹ ITAA 1997, s. 30-25(1), item 2.1.3.

²⁰ ITAA 1997, s. 30-40(1), item 3.1.1.

²¹ See ATO ClubPack, page 41.

²² See the list of entities endorsed as DGRs on the Australian Business Register at www.business.gov.au.

²³ ITAA 1997, subdiv. 30-BA.

²⁴ ITAA 1997, s. 30-125(4) and (5).

²⁵ ITAA 1997, parts 3-1 and 3-2.

²⁶ See, for example, ITAA 1997, s. 104-10(4).

Net gains are included in assessable income²⁷ and are generally subject to tax at the taxpayer's appropriate rate.²⁸ If an asset is gifted, that is, no benefit is received in exchange for the asset, the taxpayer will generally be deemed to receive the market value of the asset.²⁹ However, the offsetting deduction may be limited to the cost rather than the market value used to calculate the gain, yielding a mismatch in gain recognition and deduction.

No gain or loss is recognised in the case of testamentary gifts of property to entities that are DGRs and no deduction is available in respect of the gift.³⁰ The non-recognition of gain does not apply if the property is subsequently reacquired by the donor's estate or an associate of the donor.³¹ In this case there will be recognition of gain and no offsetting deduction.

As noted earlier, a special deduction regime applies to certain bequests of cultural property.

Goods and Services Tax

A Goods and Services Tax (GST) applies where an entity makes taxable supplies of goods and services, including real property and rights.³² The supply must be for consideration and it must be connected to Australia.³³ A gift to a university will not attract GST because it is not consideration for a taxable supply.

Stamp duty

Stamp duty is imposed by each of the states and territories on various transactions. Most jurisdictions impose tax on a transfer of 'dutiabale property'.³⁴ However, it is

²⁷ ITAA 1997, s. 102-5.

²⁸ Individuals and trusts generally only have to include 50 per cent of the gain in assessable income: ITAA 1997, div. 115.

²⁹ ITAA 1997, s. 116-30(1).

³⁰ ITAA 1997, s. 118-60.

³¹ ITAA 1997, s. 118-60(3).

³² *A New Tax System (Goods and Services Tax) Act 1999* (GST Act 1999).

³³ GST Act 1999, s. 9.

³⁴ See *Duties Act 1999* (Cwlth) which applies to instruments relating to land and marketable securities in the Australian Capital Territory; *Duties Act 1997* (NSW) which applies to agreements, share transfers and conveyances in New South Wales; *Stamp Duties Act 1978* (NT) which applies to conveyances of dutiabale property and marketable securities in the Northern Territory; *Duties Act 2001* (Qld) which applies to transfers of land, rights, marketable securities, business assets and chattels in Queensland; *Stamp Duties Act 1923* (SA) which

unlikely that a gift of property to a university would attract any stamp duty as most jurisdictions have an exemption for transfers of property to charitable entities.³⁵ A gift of money would not be subject to gift duty in any jurisdiction.

Other

Australia does not have any gift or death duties or inheritance taxes.

C.2 Canada

Donations made by individuals

Individuals can claim an income tax credit for gifts to registered charities and approved donees against both their federal and provincial income tax liability.³⁶ The effect of the tax credit is to reduce the amount of tax payable. The amount of the credit is 16 per cent of the first Can\$200 and 29 per cent of amounts that exceed Can\$200,³⁷ subject to limits discussed below.

The Canadian–US tax treaty permits Canadians with US–source income to make gifts to certain US entities and receive a tax credit against Canadian tax.³⁸ There is also a concession for gifts by ‘commuters’, defined as Canadian residents who live near the US border and work in the United States, who are eligible for a credit if their gift would be deductible under US law to a US taxpayer.³⁹

applies to transfers of property in South Australia; *Stamp Duties Act 1931* (Tas) which applies to transfers of property in Tasmania; *Duties Act 2000* (Vic) which applies to transfers of property including land, shares, goods and interests in deceased’s estates in Victoria; and *Stamp Act 1921* (WA) which applies to transfers of any property in Western Australia.

³⁵ Schedule 1, item (e) *Duties Act 1999* (Cwlth); *Duties Act 1997* (NSW); *Stamp Duties Act 1978* (NT), schd. 2, item 36; *Duties Act 2001* (Qld), s. 459; *Stamp Duties Act 1931* (Tas), schd 3; *Duties Act 2000* (Vic), s. 45; *Stamp Act 1921* (WA), s. 75AA.

³⁶ Income Tax Act [RSC 1985 (5th Supp), c 1] (ITA 1985), s. 118.1. The making of such gifts can also result in a credit against provincial taxes. Provincial credits vary from province to province: see D Stevens ‘Update on Charity Taxation’ paper delivered to the September 2001 Canadian Tax Foundation Annual Conference, Conference Proceedings p. 20.

³⁷ ITA 1985, s. 118.1(3).

³⁸ Article XXI(6). The Canadian Customs and Revenue Agency (CCRA) accepts that entities that are tax exempt under section 501(c)(3) of the US Inland Revenue Code are eligible for this treatment.

³⁹ ITA 1985, s. 118.1(9).

The legislation does not define the term ‘gift’. According to Canadian case law a gift is a voluntary transfer of money or property for which the donor receives no benefit in return, other than benefits of nominal value.⁴⁰ The Canadian Customs and Revenue Agency has stated that for a benefit to be of nominal value it must be valued at less than Can\$50.⁴¹ The payment of tuition fees has been held to not constitute a gift but rather the payment of a fee for value.⁴²

To qualify and maintain its registered status, a charity must devote substantially all its resources to charitable activities.⁴³ Each year a charitable organisation must directly spend a certain amount on charitable activities. This is referred to as a ‘disbursement quota’.

A charitable organisation must spend at least:

- 80 per cent of the amounts for which it issued official donation receipts in the immediately preceding year (but not including gifts of capital received by way of bequest, gifts subject to a trust and gifts from other registered charities); and
- 80 per cent of the amounts that were gifts of capital received by way of bequest, gifts subject to a trust and gifts from other registered charities, whenever received.⁴⁴

The tax credit is available for *inter vivos* gifts and for testamentary gifts.⁴⁵ Gifts made by will are deemed to have been made by the individual immediately before death and are eligible for higher limits, as are gifts made by a donor in the year of death (the limits are discussed below).⁴⁶

The gift can be money or property (referred to as ‘gifts in kind’) but not services.⁴⁷ Generally, the value of a gift of property for the purpose of calculating the tax credit is the fair market value on the date it was given.⁴⁸ Property in this context could include capital property and business inventory (trading stock).⁴⁹

⁴⁰ *Friedberg v The Queen* 89 DTC 5115.

⁴¹ CCRA ‘Tax Benefits of Donating to Charity’ Publication RC 4142, p. 7.

⁴² *McBurney* 85 DTC 5433.

⁴³ ITA 1985, s. 149.1.

⁴⁴ ITA 1985, s. 149.1.

⁴⁵ ITA 1985, s. 118.1(5).

⁴⁶ ITA 1985, s. 118.1(4).

⁴⁷ *Slobodrian v The Queen* [1998] 3 CTC 2654.

⁴⁸ ITA 1985, s. 118.1(1).

⁴⁹ ITA 1985, s. 69(1)(b)(ii).

Capital property includes depreciable property and any other property which could result in a capital gain or loss, for example, securities, land and buildings and personal use property. If the fair market value of capital property donated to a qualified donee is greater than the cost of the property, the disposal could be subject to tax as a capital gain. In such a case, the annual donation limit is increased by another 25 per cent of the gain and the donee has the option to include an amount between the cost and fair market value as the proceeds of disposition.⁵⁰ This is sufficient to eliminate tax on any realised gain and reduce tax payable on other income. Further relief is available under capital gains tax provisions.

Gifts of inventory are treated differently. In such a case, the fair market value of the property must be included in the donor's income. The donor is entitled to claim a credit for the fair market value of the property and the annual donation limit is increased by another 25 per cent of the recapture.⁵¹ The net effect is to cancel out the income gain.

There are special incentives for gifts of property such as artwork, books or manuscripts designated as significant cultural property by the Canadian Cultural Property Export Review Board. The limit for these types of gifts is 100 per cent of net income⁵² and there is no capital gains tax resulting from the gift.

As already noted, the amount of the tax credit for gifts to registered charities is 16 per cent of the first Can\$200 and 29 per cent of amounts thereafter. This is subject to a limit of 75 per cent of the donor's net income.⁵³ The limit for charitable donations, including bequests, in the year an individual dies rises to 100 per cent of the individual's net income. The limit for the year before the individual's death is also 100 per cent.⁵⁴ An individual can also carry forward any unused charitable gifts for up to 5 years.⁵⁵

The recipient of the gift must be a registered charity or a qualified donee.⁵⁶ A registered charity is an organisation, corporation, or trust that has been registered as a charity by the Minister of National Revenue for the purposes of the

⁵⁰ ITA 1985, s. 118.1(6). The relief is also available for gifts of cultural property by artists: ITA 1985, ss. 118.1(7) and (7.1). The relief is not available where the fair market value of the property is less than the cost.

⁵¹ ITA 1985, s. 118.1(1).

⁵² ITA 1985, s. 118.1(1).

⁵³ ITA 1985, s. 118.1(1). To the extent that gifts of capital property result in a capital gain or recapture, 25 per cent of the taxable gain or recapture is added to this limit.

⁵⁴ ITA 1985, s. 118.1(1).

⁵⁵ ITA 1985, s. 118.1(1).

⁵⁶ ITA 1985, s. 118.1(1).

Income Tax Act 1985 (ITA 1985).⁵⁷ The organisation must operate for charitable purposes and use its resources for charitable activities. The organisation must be either created or established in Canada and be resident in Canada. Registered charities can be charitable organisations, public foundations or private foundations.⁵⁸

The Charities Division of the Canada Customs and Revenue Agency (CCRA) has to determine whether organisations that apply to be registered as charities under the ITA 1985 are established for charitable purposes and carry on charitable activities. The legislation does not define charitable purposes. However, the Canadian courts have accepted the common law doctrine that charitable purposes are ‘the relief of poverty, the advancement of education, the advancement of religion or other purposes beneficial to the community as a whole that the courts have identified as charitable’.⁵⁹

It has been held that to advance education in the charitable sense means training the mind, advancing the knowledge or abilities of the recipient or improving a useful branch of human knowledge through research. Furthermore, the training must be provided in a structured manner and include an actual teaching and learning component. It must also be reasonably objective.⁶⁰ The CCRA accepts that the establishment and operation of universities will fall within the notion of advancement of education and enable universities to be registered as charities.⁶¹

Gifts by individuals to ‘qualified donees’ will also qualify for the tax credit. The legislation includes a list of qualified donees in addition to registered charities. The list includes a large number of universities outside Canada.⁶²

⁵⁷ ITA 1985, s. 149.1.

⁵⁸ A charitable organisation must devote its resource mainly to charitable activities carried on by itself, have more than 50 per cent of its directors or trustees deal with each other at arm’s length and receive less than 50 per cent of its funds from one person or organisation. A public foundation is constituted and operated for charitable purposes but gives more than 50 per cent of its income to ‘qualified donees’. That is, it distributes to other charitable organisations rather than carries out charitable activities. Qualified donees include other registered charities and some other entities. An organisation is a private foundation if it is not a charitable organisation or a public foundation.

⁵⁹ Reference is often made to the UK case of *Commissioners for Special Purposes of Income Tax v Pemsel* [1891] AC 531 (discussed in section C.4).

⁶⁰ *Vancouver Society of Immigrant and Visible Minority Women v The Minister of National Revenue* [1999] 1 SCR 10.

⁶¹ CCRA Publication RC 4107E ‘Registered Charities: Education, Advocacy and Political Activities’, p 5.

⁶² The list was expanded in May 2001: see Income Tax Regulations, Schedule VII.

Donations made by companies

Corporate donors are entitled to a deduction for gifts made to registered charities and qualified donees.⁶³

The main features of the corporate deduction are as follows:

- the gift can be money or property as for individuals;
- the limit on the deduction is 75 per cent of the corporation's net income;⁶⁴ and
- the recipient must be a registered charity or qualified donee as for individuals.

Other taxes

Capital gains tax

A portion, currently 50 per cent, of capital gains realised on the disposal of capital assets is included in a taxpayer's income and is subject to tax at the normal personal or company rate.⁶⁵

A deemed market value consideration receipt applies to transfers for no consideration. However, the inclusion rate for gains on publicly traded securities gifted to registered charities is 25 per cent.⁶⁶ There is no inclusion of gains resulting from the gifting of Canadian cultural property (including gifts of inventory by artists).⁶⁷ Gains resulting from the gifting of property other than capital property are fully included in assessable income. However, the tax on the gain may be offset by the tax credit for the gift.

As noted earlier, taxpayers gifting capital assets may nominate a deemed consideration for the gift anywhere between the adjusted cost base of capital property and its fair market value, if higher.⁶⁸ Generally taxpayers will choose a value that provides the maximum tax credit they can utilise. Thus, they will try to generate a tax credit exceeding the tax on the gift so the excess credit can be used to offset tax on other income.

⁶³ ITA 1985, s. 110.1.

⁶⁴ ITA 1985, s. 110.1. As for individuals the percentage is increased by a further 25 per cent for gifts of capital property or depreciable property.

⁶⁵ ITA 1985, s. 38(a).

⁶⁶ ITA 1985, s. 38(a2).

⁶⁷ ITA 1985, s. 39(1)(a)(i.1).

⁶⁸ ITA 1985, s. 118.1(6).

Goods and Services Tax

GST applies to supplies of goods and services in the course of commercial activity.⁶⁹ However, GST will not apply to gifts contributed to a charity if no benefit is received for the gift.

Other

Canada does not have separate gift or death taxes.

C.3 New Zealand

In New Zealand, gifts to specified recipients are eligible for tax relief under the Income Tax Act 1994 (ITA 1994). The relief available depends on the nature of the donor. An individual taxpayer is eligible for a rebate, that is, a reduction in tax payable, up to certain limits.⁷⁰

In the 1999-2000 income year, the requirement to claim a rebate for donations as part of the annual income tax return filing requirements ended. Taxpayers now file an annual donations rebate claim form and the amount of rebate is now a refund rather than a reduction in the tax payable. This change was implemented as part of the reforms to remove the need for salary and wage earners to file tax returns. The taxpayer is required to declare that he or she has sufficient taxable income to claim the rebate.

Donations made by individuals

Only individuals are eligible for the rebate (companies and trusts are explicitly excluded but companies may be entitled to a deduction, as explained below). The individual must be a resident for at least part of the income year (that is, not an 'absentee' individual).⁷¹

Companies, other than closely held companies, are eligible for a limited deduction, that is, taxable income is reduced.⁷² All companies are taxed at a flat rate of 33 per cent. A closely held company is defined as a company with 5 or fewer

⁶⁹ Excise Tax Act [RS 1985, c E-15], Part IX.

⁷⁰ Income Tax Act 1994 (NZ) (ITA 1994), s. KC 5.

⁷¹ An absentee is defined as 'a person other than a person who is resident in New Zealand during any part of the income year': ITA 1994, s. OB 1.

⁷² ITA 1994, s. DJ 4.

shareholders who between them control more than 50 per cent of the share capital of the company.⁷³ Legislation currently before Parliament will allow a closely held company to claim a deduction provided the company's shares are quoted on the official list of a recognised exchange.⁷⁴

The ITA 1994 does not define the term 'gift' except to provide that it includes 'a subscription to an organisation where the Commissioner is satisfied that the subscription does not confer any rights arising from membership in the organisation concerned'.⁷⁵ The New Zealand courts have tended to follow Australian case law (such as *McPhail v FCT*⁷⁶) that requires that a gift should be made without contractual obligation and without the donor receiving any material benefits.⁷⁷

In relation to restrictions on the use of funds, the legislation provides that funds of an approved donee must be 'applied wholly or principally to [a] charitable purpose within New Zealand'.⁷⁸

Only *inter vivos* gifts qualify for the rebate and testamentary gifts are explicitly excluded from the concession.⁷⁹

The legislation only applies to gifts of money and the rebate is not available for gifts of property. The logic behind this restriction, presumably, is the absence of any capital gains tax regime in New Zealand and thus no mechanism to recognise accrued gains on gifted property.

The required minimum amount of the donation is NZ\$5.⁸⁰ The amount of the rebate is 33.3 per cent of the total amount of gifts made to eligible recipients or NZ\$500, whichever is less.⁸¹ This means that the value of qualifying gifts beyond which no greater rebate can be claimed is NZ\$1500.⁸² It is administrative practice to allow excess donations to be transferred to a spouse who has earned taxable income. This

⁷³ ITA 1994, s. OB 1.

⁷⁴ Taxation (Annual Rates, Maori Organisations, Taxpayer Compliance and Miscellaneous Provisions) Bill 2002. The measures are stated to come into effect from 1 April 2002, but the legislation had not been enacted as at November 2002.

⁷⁵ ITA 1994, s. KC 5(4).

⁷⁶ (1968) 117 CLR 111.

⁷⁷ *Case J76* (1987) 9 NZTC 1451; see also Public Binding Ruling BR99/1.

⁷⁸ ITA 1994, s. KC 5(1).

⁷⁹ ITA 1994, s. KC 5(1).

⁸⁰ ITA 1994, s. KC 5(1).

⁸¹ ITA 1994, s. KC 5(2).

⁸² It is proposed to increase the maximum rebate to NZ\$630 from 1 April 2002: Taxation (Annual Rates, Maori Organisations, Taxpayer Compliance and Miscellaneous Provisions) Bill 2002.

is achieved by completing a rebate form and providing details referring to the spouse.

The recipient of the gift must be an ‘organisation which is not carried on for pecuniary profit of any individual and the funds of which are, in the Commissioner’s opinion, applied wholly or principally to any charitable, benevolent, philanthropic or cultural purpose within New Zealand’.⁸³ Section OB 1 of the ITA 1994 does contain a definition of ‘charitable purpose’ that includes ‘every charitable purpose, whether it relates to the relief of poverty, the advancement of education, or religion, or any other matter beneficial to the community’.

The definition reflects the common law notion of charitable purpose.⁸⁴ Universities are most likely to be within the common law notion of a charity as being ‘for the advancement of education’. The New Zealand Inland Revenue maintains a list of approved donee organisations which includes universities such as the universities of Auckland, Canterbury and Otago.⁸⁵

Donations made by companies

The main features of the concession available to corporate donors are as follows:

- only gifts of money qualify;⁸⁶
- there is no minimum amount but the maximum amount of the deduction is NZ\$4000 (or 1 per cent of the company’s net income, excluding the amount of the donation) per donee and NZ\$1000 (or 5 per cent of the company’s net income) in total;⁸⁷ and
- the recipient must be the same type of qualifying organisation as referred to earlier in the discussion on donations made by individuals.

⁸³ ITA 1994, s. KC 5(1).

⁸⁴ See *Income Tax Special Purposes Commissioners v Pemsel* [1891] All ER Rep 28 at 55 discussed under United Kingdom.

⁸⁵ See www.ird.govt.nz/otherservices/donees.

⁸⁶ ITA 1994, s. DJ 4.

⁸⁷ ITA 1994, s. DJ 4. It is proposed to simplify the deduction to allow the total gifts in an income year to be not more than 5 per cent of the net income of the company from 1 April 2002: Taxation (Annual Rates, Maori Organisations, Taxpayer Compliance and Miscellaneous Provisions) Bill 2002.

Other taxes

Gift duty

Gift duty is imposed on gifts of property made *inter vivos* and valued at more than NZ\$27 000 under the Estate and Gift Duty Act 1968.⁸⁸ There is an exemption for gifts made to charities.⁸⁹ As a university is a charitable institution at common law, the gift duty exemption would apply. There is also an exemption for gifts of up to NZ\$2000 per annum made to the same donee 'for the education of a relative'.⁹⁰

Goods and Services Tax

Provided the gift is an unconditional gift, there would be no supply for consideration and GST would not apply.⁹¹

Other

New Zealand does not have separate capital gains tax. Estate duty was abolished in 1993 and stamp duty was abolished in 1999.

C.4 United Kingdom

Gift aid — individuals

A specific type of tax relief is available to individuals (resident and non-resident) in respect of one-off (and certain covenanted) gifts made to charities.⁹² The unusual feature of the scheme is that most of the relief goes to the charity as a direct payment from the government rather than indirectly through a taxpayer.⁹³

Qualifying gifts are made net of 'basic rate' tax (currently 22 per cent) and the charity claims the tax directly from Inland Revenue. That is, if an individual donates

⁸⁸ Estate and Gift Duty Act 1968 (NZ) (EGDA), s. 62 and schd. 3.

⁸⁹ EGDA, s. 73.

⁹⁰ EGDA, s. 72.

⁹¹ Goods and Services Tax Act 1985 (NZ), s. 6.

⁹² Finance Act 1990 (UK), s. 25. As amended by the Finance Act 2000, s. 39.

⁹³ Finance Act 1990, s. 25(10).

£78, no relief is provided to the individual but the charity will be able to claim the basic rate tax of £22 that the taxpayer would have paid on a £100 gift.

Note that this system achieves the same final result as a deduction system such as that used in Australia. In the Australian system, assuming the same tax rates, the taxpayer would give A\$100 to the charity, then lower taxable income by A\$100 and receive a A\$22 tax refund so the net cost to the taxpayer is A\$78 and the charity ends up with A\$100. In Australia, the individual pays the charity his or her own after-tax cost of the gift *and* the amount that will be paid indirectly (through the taxpayer) by the government.

In the United Kingdom, the taxpayer pays the charity what would have been his or her own after-tax cost of the gift and the Inland Revenue pays directly to the charity the tax it would have collected and handed back to the taxpayer had the taxpayer gifted the larger amount and claimed a deduction for the gift.

If the tax treated as deducted is greater than the donor's liability to income or capital gains tax, the donor is assessable to tax on so much of the donation as is necessary to make up the shortfall. Thus, for example, if the taxpayer gifted £78 and would have only paid £12 on the notional £100 that is assumed for the purpose of calculating the Inland Revenue payment to the charity, the taxpayer will be assessed for an additional £10.⁹⁴

Direct relief is available to taxpayers on higher rates of tax. A higher rate of 40 per cent tax applies to income in excess of £29 000 and taxpayers liable for the higher rate can claim additional relief at the rate of 18 per cent. Thus, for example, a gift of £78 is treated as a gift of £100. The recipient charity may reclaim the amount of basic tax (£22) and the donor can claim the difference between the basic rate and the higher rate of tax (£18).

A gift to a charity may also take the form of a covenanted payment, that is, an obligation in writing and under seal, by which a person undertakes to pay a regular or annual sum to a charity. Prior to 2000, separate tax relief was available for such gifts but they are now treated as part of a gift aid scheme and qualify for relief in the same way as one-off gifts.⁹⁵

The gift must not be conditional on or associated with, or part of an arrangement involving, the acquisition of property by the charity, otherwise than by way of gift, from the donor or a person connected with the donor.⁹⁶ Gifts made in consideration

⁹⁴ Finance Act 1990, s. 25(8).

⁹⁵ Finance Act 1990, s. 25. As amended by the Finance Act 2000, s. 39.

⁹⁶ Finance Act 1990 ss. 25(2)(b) and (f).

of some tangible return benefit are not deductible.⁹⁷ For example, the payment of an amount in return for tuition by a university would not be deductible.

The legislation specifically limits the value of benefits received in return for making the gift as follows:

- £0 – 100 25 per cent of the value of the gift;
- £101-1000 £25;
- £1001-10,000 2.5 per cent of the value of the gift; and
- £10,001 + £250.⁹⁸

There are no specific provisions in the tax legislation that impose any restriction on how a charitable recipient expends donations. Failure to apply funds for ‘charitable purposes’ may ultimately result in loss of charitable status.

The concessions are limited to *inter vivos* gifts. Some relief from inheritance tax is provided for testamentary gifts under the Inheritance Tax Act 1984.

The gift must be money.⁹⁹ However, there is also a separate scheme where a donor can claim a deduction against taxable income for gifts of qualifying investments to charities and for gifts of equipment or trading stock.¹⁰⁰ Qualifying investments are quoted shares or securities, units in an authorised unit trust, shares in an open-ended investment company and an interest in an offshore fund.¹⁰¹

Individual donors are able to claim a deduction for the full market value of the investment at the date of the gift plus incidental costs of disposal,¹⁰² less any consideration or benefit received for or from the donation.¹⁰³ From April 2002,¹⁰⁴ the relief has been extended to include gifts of ‘qualifying interests in property’, that is, real property (land and or buildings) provided the whole interest is given.¹⁰⁵ This relief is in addition to CGT relief.

⁹⁷ Finance Act 1990, s. 25(2)(e).

⁹⁸ Finance Act 1990, s. 25(5A).

⁹⁹ Finance Act 1990, s. 25(2)(a).

¹⁰⁰ Income and Corporations Taxes Act 1988 (ICTA), s. 587B. Inserted by the Finance Act 2000, s. 43.

¹⁰¹ ICTA, s. 587B(9).

¹⁰² ICTA, ss. 587B(4) and (6).

¹⁰³ ICTA, s. 587B(5).

¹⁰⁴ From 1 April 2002 for companies and 6 April 2002 for individuals.

¹⁰⁵ ICTA, s 587B as amended by the Finance Act 2002, s. 97.

There are no longer any minimum or maximum gift amounts.

The gift (of money, qualifying investments or qualifying interests in land) must be made to a charity.¹⁰⁶ A charity is defined as ‘any body of persons or trusts established for charitable purpose only’.¹⁰⁷ The charity must be established in the United Kingdom. Neither the tax legislation, nor the legislation dealing with regulation of charities generally defines what constitutes charitable purposes and so the common law meaning applies.¹⁰⁸

Reference is often made to the Preamble to the Statute of Charitable Uses 1601, referred to as the Statute of Elizabeth I (since repealed). The most influential pronouncements on the notion of charitable purposes was made in 1891 in *Income Tax Special Purposes Commissioners v Pemsel*.¹⁰⁹ In that case, Lord McNaughton stated:

Charity in its legal sense comprises four principal divisions: trusts for the relief of poverty; trusts for the advancement of education; trusts for the advancement of religion; and trusts for other purposes beneficial to the community not falling under any of the preceding heads.

Education as a charitable purpose has been held to include private educational institutions provided they are not operated for profit.¹¹⁰

Under the Charities Act 1993, certain charities are required to be registered by the Charities Commission. Registration is required for entities in the United Kingdom and Wales that are charities according to common law concepts, except for certain exempt organisations.¹¹¹ Registration is conclusive proof of entitlement to eligibility as a charitable gift recipient. If a charity is not required to be registered it must apply to Inland Revenue for approval as a charitable gift recipient.¹¹²

¹⁰⁶ Finance Act 1990, s. 25(1); ICTA, s. 587B(1).

¹⁰⁷ ICTA, s. 506.

¹⁰⁸ Charities Act 1993.

¹⁰⁹ [1891] All ER Rep 28 at 55.

¹¹⁰ *IRC v McMullen* [1981] AC 1.

¹¹¹ Charities Act 1993, s. 3(5). Schedules 2(b) and (c) exempt universities from the requirement to register.

¹¹² A division of Inland Revenue (IR Charities) deals with applications for charitable status: see http://www.inlandrevenue.gov.uk/charities/chapter_2.htm

Payroll giving — individuals

If an individual taxpayer is an employee and his or her employer has in place an approved scheme for the deduction of charitable contributions, the individual will be entitled to an immediate deduction for the value of cash gifts.¹¹³ Under such a scheme, the employer makes a payment on behalf of the employee to an approved agency and the agency then forwards the payment to the relevant charity.

The employer will deduct the amount of the contribution from the employee's pay before calculating PAYE tax. The employee receives his or her pay net of the charitable contribution and PAYE tax which is calculated on the reduced income amount.¹¹⁴

The government also pays a 10 per cent supplement on donations made between 6 April 2000 and 5 April 2003, payment being made via an approved agency.¹¹⁵

The nature of the scheme means:

- only gifts of money qualify for the relief;
- there are no minimum amounts or maximum amounts;¹¹⁶ and
- the payment is made in the first instance to an approved agent but the ultimate recipient must be a charity.¹¹⁷

Gift aid — companies

Tax relief in the form of a deduction is available for UK companies making contributions to charities.¹¹⁸ Corporate donors can deduct the amount of the contribution in computing profits for company tax purposes in the relevant accounting period. If the donor is a close company, that is, under the control of 5 or fewer persons, there are limits on the benefits that the company, or a person connected with the company, can receive.¹¹⁹ Other business taxpayers (sole traders

¹¹³ ICTA, s. 202. As amended by the Finance Act 2000, s. 38.

¹¹⁴ ICTA, s. 202(2).

¹¹⁵ Charitable Deductions (Approved Schemes) (Amendment No. 2) Regulations 2000, SI 2000 No. 2083.

¹¹⁶ The previous limit of £1200 per annum was removed by the Finance Act 2000, s. 38.

¹¹⁷ The term 'charity' is stated to have the same meaning as for the other provisions: ICTA, s. 202.

¹¹⁸ ICTA, s. 339. As amended by the Finance Act 2000, s. 40.

¹¹⁹ ICTA, ss. 339 (3B) to (3E). As amended by the Finance Act 2000, s. 40.

and trading partnerships) are also eligible for relief for gifts of equipment or trading stock.¹²⁰

The gift must be a sum of money.¹²¹ As for individuals, separate relief is available for gifts of ‘qualifying investments’, ‘qualifying interests in property’ or ‘business assets’, that is, trading stock or equipment. The position in relation to business assets is that a disposal would normally be treated as a disposal at market value and so would trigger an income gain. Where such items are given to a charity, no amount is included as a trading receipt but the taxpayer is nevertheless entitled to a deduction for the value of the donated asset.¹²²

There is no minimum amount required for relief and no maximum.

Recipients must be charities as discussed for individuals.

Other taxes

Capital gains tax

Normally a gift of shares or a gift of real property for no consideration (or for consideration less than market value) would give rise to a taxable gain.¹²³ There is, however, an exemption for gifts to charities, where the donor is treated as having received an amount that gives rise to neither a gain nor a loss.¹²⁴ While there is no recognition of gain on the gift, if the donated asset is a qualifying asset there will be a full deduction for income tax purposes for the value of the asset.

Inheritance tax

Inheritance tax is imposed on testamentary and some *inter vivos* transfers of value.¹²⁵ Gifts of property to charities are generally exempt from inheritance tax.¹²⁶

¹²⁰ ICTA, s. 83A. Inserted by the Finance Act 1999, s. 55.

¹²¹ ICTA, s. 339(1). As amended by the Finance Act 2000, s. 40.

¹²² ICTA, s. 83A.

¹²³ Taxation of Chargeable Gains Act 1992 (TCGA), s. 1(3).

¹²⁴ TCGA, s. 257.

¹²⁵ Inheritance Tax Act 1984 (IHTA).

¹²⁶ IHTA, s. 23.

Value added tax

Value added tax (VAT) is charged on taxable supplies of goods and services made in the course of business in the United Kingdom.¹²⁷ A supply is defined as anything done for consideration.¹²⁸ The making of a gift to a charity is not a supply for consideration and will not, therefore, be subject to VAT. However, if the donor receives something other than token benefits there may be a supply for VAT purposes.

Other

The United Kingdom does impose stamp duty on transfers of certain securities but only if the transfer is for consideration in money or money's worth.¹²⁹ A gift of securities to a charity will not, therefore, attract stamp duty.

C.5 United States

Donations made by individuals

An individual can deduct a gift or contribution made to, or for the use of, a qualified organisation.¹³⁰ There is also a deduction for companies, but no deduction for trusts or partnerships (although individual partners can treat a share of partnership gift as their own gift).¹³¹ The deduction can be claimed in the year in which the gift or contribution is made subject to maximum limits but there is also provision for carry-over of surplus amounts.¹³²

There is no definition of the terms 'gift' or 'contribution' in the legislation. However, it is provided that if the donor receives a benefit as a result of making a gift or contribution, only the amount of the contribution that is more than the fair market value of the benefit received can be deducted.¹³³ It is also provided that a person cannot deduct the value of time or services provided to a qualifying

¹²⁷ Value Added Tax Act 1994 (VATA).

¹²⁸ VATA, s. 5.

¹²⁹ Finance Act 1986, s. 86(1).

¹³⁰ Internal Revenue Code (IRC), s. 170(a).

¹³¹ Internal Revenue Regulations (IRC Regs), r. 1.170A-7.

¹³² IRC, s. 170(d).

¹³³ IRC Regs, r. 1.170A-1(h).

organisation¹³⁴ (but can deduct out-of-pocket expenses).¹³⁵ A person also cannot deduct contributions to specific individuals.¹³⁶

In relation to restrictions on the use of funds, the rules relating to who is eligible to receive deductible gifts require the gifted amounts to be used exclusively for the purposes of the organisation.

The income tax deduction is limited to *inter vivos* gifts.¹³⁷

The gift can be money or property. If the gift is property that has *decreased* in value from the time the donor acquired it, the amount of the contribution is limited to the fair market value (and not original cost).¹³⁸ The tax rules that apply if gifted property has *increased* in value from the time of acquisition will depend on the type of property. US tax law distinguishes between ‘ordinary income property’ and ‘capital gain property’. The former comprises property where the sale is treated as income gains or short-term capital gains and includes inventory (trading stock) and property held for less than 12 months. Capital gain property is property other than inventory that is held for more than 12 months prior to disposal.¹³⁹

The deduction for gifts of ordinary income property that has increased in value is limited to the cost of the property to the donor unless the appreciation is included in the gross income of the donor.¹⁴⁰ The deduction for gifts of capital gains property is generally the fair market value of the property at the time of gifting. In a limited range of cases, however, the deduction is limited to the cost of the property. They include where the property is contributed to a private non-operating foundation or the contributed property is tangible personal property (as opposed to securities, for example).¹⁴¹

There is no minimum amount for a gift. There are limits on the amount of the deduction based on the taxpayer’s income.¹⁴² The limits also depend on the type of property given and on the type of recipient organisation. If a 50 per cent limit applies, the deduction for charitable contributions cannot be more than 50 per cent

¹³⁴ IRC Regs, r. 1.170A-2(a)(2).

¹³⁵ IRC Regs, r. 1.170A-1(g).

¹³⁶ IRC Regs, r. 1.170A-1(g).

¹³⁷ IRC Regs, r. 1.170A-1(j)(1).

¹³⁸ IRC Regs, r. 1.170A-1(c).

¹³⁹ IRC, s. 170(e).

¹⁴⁰ IRC, s. 170(e).

¹⁴¹ IRC, s. 170(e)(1)(B).

¹⁴² IRC, s. 170(b)(1)(A).

of the taxpayer's adjusted taxable income.¹⁴³ This amount is the taxpayer's gross income less allowable deductions, other than the deduction for charitable contributions.¹⁴⁴

Only certain organisations qualify as '50 per cent limit organisations'. The list includes 'educational organisations with a regular faculty and curriculum that normally have a regularly enrolled student body attending classes on site'¹⁴⁵ as well as organisations operated only for charitable, educational or scientific purposes'.¹⁴⁶

Gifts of capital gain property to '50 per cent limit organisations' are subject to a 30 per cent limit.¹⁴⁷ The 30 per cent limit also applies to gifts for the use of any organisation and to all gifts to organisations that are not '50 per cent limit organisations' (20 per cent for gifts of capital gains property).¹⁴⁸ Any deduction that exceeds the relevant limits may be carried forward for up to 5 years and claimed in an eligible future income year.¹⁴⁹

The recipient of the gift must be a qualified organisation. This includes 'a corporation, trust, community chest, fund or foundation created or organised in the US and organised and operated exclusively for, *inter alia*, charitable or educational purposes'.¹⁵⁰ Universities established in the United States are clearly within this definition and moreover, are likely to qualify as '50 per cent limit organisations' (see above).¹⁵¹

Donations made by companies

Corporations may also claim a deduction for contributions made to or for the use of a qualified organisation.¹⁵² The deduction is subject to limits. A corporation cannot avoid those limits by claiming the deduction as an ordinary business deduction.¹⁵³

¹⁴³ IRC, s. 170(b)(1)(A).

¹⁴⁴ IRC, s. 170(b)(1)(F).

¹⁴⁵ IRC, s. 170(b)(1)(A)(ii).

¹⁴⁶ IRC, s. 170(b)(1)(A)(iv).

¹⁴⁷ IRC, s. 170(b)(1)(C).

¹⁴⁸ IRC, ss. 170(b)(1)(B)(i) and (D)(i).

¹⁴⁹ IRC, s. 170(d)(1).

¹⁵⁰ IRC, s. 170(c)(2).

¹⁵¹ An updated list of qualified organisations is contained in IRS Publication 78 (see www.irs.gov).

¹⁵² IRC, s. 170(a).

¹⁵³ IRC, s. 162.

The gift may be money or property. The rules relating to valuation of property are the same as for individuals.

The limit of the deduction is 10 per cent of a company's taxable income, calculated without taking into account the charitable contribution and certain losses.¹⁵⁴ Corporations are also entitled to carry forward excess deductions for up to 5 years.¹⁵⁵

The recipient must be a qualified organisation, as defined for individuals.

Other taxes

Capital gains tax

The Internal Revenue Code makes a distinction between short-term and long-term capital gains. Short-term gains are those made on sale or exchange of a capital asset held for less than 12 months. Long-term capital gains are those made on sale or exchange of a capital asset held for more than 12 months.¹⁵⁶ Long-term gains are eligible for a concessional inclusion rule. A capital asset is property held by the taxpayer other than inventory (trading stock).¹⁵⁷ Generally, a person disposing of property for less than market value will be deemed to have received fair market value for the disposal. However, the market value rule does not apply to gifts to qualifying organisations.¹⁵⁸

As noted earlier, in most cases a person donating property will be entitled to a deduction for the market value of the property at the time of gifting. Thus, the accrued gain is not recognised for capital gains or income tax purposes but the gain is taken into account when determining the concessional deduction available to the taxpayer.

Estate and gift tax

There is an unlimited deduction from estate and gift tax for transfers to charitable organisations.¹⁵⁹

¹⁵⁴ IRC, s. 170(b)(2).

¹⁵⁵ IRC, s. 170(d)(2).

¹⁵⁶ IRC, s. 1222.

¹⁵⁷ IRC, s. 1221(a).

¹⁵⁸ IRC, s. 1245(b).

¹⁵⁹ IRC, ss. 2055(a)(2) and 2522(a)(2).

Other

The United States does not impose stamp duty on transfers of property. Sales tax is imposed by state governments but would not apply to transfers for no consideration (gifts).

D University data

In this appendix, summary information is presented for each university included in the study. This information includes:

- an introductory overview of the university, including its history, legal status, activities, recent developments and interactions with other universities;
- the range of activities which the university is involved in, its faculty structures and research interests; and
- data on the selected universities' finances, students and staff as used in chapters 5, 6, 7, 8 and 9.

Where possible, time series data is included to show how financial information for the latest year compares with previous years. Information was sourced from the universities' consolidated financial statements and other university publications.

Care should be taken in directly comparing universities based on the information provided. The financial, student and staff data contained in the tables will be generally comparable. However, definitions are not always consistent, especially between institutions in different countries.

The financial information is in Australian dollars. Data for overseas universities was converted using Purchasing Power Parities (see appendix B). All financial information relates to the consolidated university entity.

For the financial tables, the number of full-time equivalent (FTE) students in each university was used as a scalar to normalise for the size of each institution.¹ These totals do not necessarily reflect the actual revenue, expenses, or assets a given student would face at a particular university. It is recognised that they may not be as meaningful in some circumstances as other measures.

The shortened names for each of the universities used throughout the report are listed in tables D.1 and D.2. The university summaries are presented for each university in the order in which they appear in these tables.

¹ For universities where FTE information was not available, headcount data was used. Data on staff costs was scaled using FTE (or headcount) staff information.

Table D.1 Australian and overseas universities

<i>University name</i>	<i>Shortened name</i>
The Australian National University	ANU
Bond University	Bond
Charles Sturt University	Charles Sturt
Flinders University	Flinders
Murdoch University	Murdoch
RMIT University	RMIT
The University of Melbourne	Melbourne
The University of New South Wales	UNSW
University of Southern Queensland	Southern Queensland
University of Tasmania	Tasmania
University of Western Sydney	Western Sydney

Table D.2 Overseas universities

<i>Country</i>	<i>University name</i>	<i>Shortened name</i>
Canada	Queens University	Queens
	Simon Fraser University	Simon Fraser
	University of British Columbia	British Columbia
	University of Waterloo	Waterloo
Hong Kong	The University of Hong Kong	Hong Kong
Ireland	The University of Dublin, Trinity College	Trinity College Dublin
	University of Limerick	Limerick
Netherlands	The University of Amsterdam	Amsterdam
	Utrecht University	Utrecht
New Zealand	Massey University	Massey
	University of Otago	Otago
	The University of Auckland	Auckland
Singapore	National University of Singapore	NUS
	Nanyang Technological University	Nanyang Technological
Sweden	Stockholm University	Stockholm
United Kingdom	University of Bath	Bath
	The University of Manchester	Manchester
	University of Nottingham	Nottingham
	The University of Warwick	Warwick
	De Montfort University	De Montfort
United States	Georgetown University	Georgetown
	Oklahoma State University	Oklahoma State
	Stanford University	Stanford
	The University of Oklahoma (Norman Campus)	Oklahoma
	University of Pennsylvania	Pennsylvania
	Yale University	Yale

D1 The Australian National University (Australia)

The Australian National University (Canberra, ACT) was founded in 1946 as a research university. Undergraduate teaching commenced in 1960.

The University is a public institution, operating under the *Australian National University Act 1991* (Cwlth), and reports to the Commonwealth Parliament through the Minister for Education, Science and Training.

A significant change in the University's recent history was an amalgamation with the Institute of Arts in 1992.

The University is a member of the Association of Pacific Rim Universities, which aims to foster cooperation in teaching and research between its 35 members.

University profile

The main campus in Acton houses six faculties and covers 148 hectares of land close to the Canberra city centre. The campus also includes facilities for a school of art and music, 6 university centres and 10 research schools of the Institute of Advanced Studies.

The University offers diploma, bachelor and doctorate courses in a variety of areas. In 2000, 2575 courses were completed in six faculties, the largest of which (by number of full-time equivalent (FTE) students) was the Faculty of Arts, followed by the Faculty of Science and the Faculty of Economics and Commerce.

In 2001, there were around 8400 FTE students, making it the 31st-largest university in Australia (DEST 2002f). Of these students, 27 per cent were postgraduates and 17 per cent were international students. There were 2811 FTE staff (1064 academic staff) (see table D1.1). In 2001, the student to teaching-staff ratio was 21.9 in FTE terms, up from 16.9 in 1997.²

ANUTECH is a wholly-owned subsidiary of the University. ANUTECH provides a range of services including consulting and project management, education, technology commercialisation, and the development and manufacture of scientific instruments.

² Includes teaching only and teaching and research staff (see DEST 2002f).

Table D1.1 Students and staff — The Australian National University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	8 425	
Undergraduate students	6 181	
Postgraduate students	2 246	
Full-time students	n.a.	7 902
Part-time students	n.a.	1 734
International students	1 399	
Domestic students	7 027	
Staff		
Total staff	2 811	
Academic staff	1 064	
Non-academic staff	1 747	

Note For definitions see glossary. **n.a.** Not available.

Sources: Australian National University, pers. comm., Canberra, 20 August 2002; DEST 2002f.

Revenue, expenses and cash flows

In 2001, revenues were over A\$513 million (see table D1.2). Revenue from all levels of government was 54 per cent of total income. Operating grant funding from the Commonwealth Government represented 83 per cent of government revenue, with grants from the Australian Research Council contributing a further 8 per cent (A\$23 million). In 2000, the University ranked second among Australian universities in terms of expenditure on research and experimental development (DEST 2002h).

Around 8 per cent of total revenue was sourced from students under the Higher Education Contribution Scheme (HECS) and through full-fee-paying domestic and international students. Full-fee-paying international students provided around 3 per cent of total revenue in 2001.

In 2001, revenue from other sources included A\$32 million from an initial valuation of land held on perpetual lease. This initial valuation, required by accounting standards, is not a cash inflow. The University also received revenue of A\$23 million from the sale of goods and services. Revenue from investments represented around 12 per cent of total revenue.

Table D1.2 Revenue — The Australian National University, 2001

Revenue^a	A\$'000	Per FTE student (A\$)
Total revenue	513 425	60 941
Government	276 156	32 778
Operating grant funding	227 665	
Other government revenue	48 491	
Student	47 908	5 686
Domestic students ^b	32 864	4 677 ^c
HECS	24 778	
Full-fee-paying domestic	3 253	
Other student fees	4 833	
International students ^d	15 044	10 753 ^e
Other revenue	189 361	22 476
Investment income	60 858	7 224
Gifts and donations	3 705	440
Other ^f	124 798	14 813

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Higher Education Contribution Scheme (HECS) revenue (both student and Australian Government contributions) is included in student revenue. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from domestic students per full-time equivalent (FTE) domestic student. ^d Revenue from international students is revenue from full-fee-paying international students. ^e Revenue from international students per FTE international student. ^f Includes A\$32 million attributed to an initial valuation of land held on perpetual lease. This initial valuation, which is required by accounting standards, is not a cash inflow.

Sources: Australian National University Annual Report 2001; Australian National University, pers. comm., Canberra, 20 August 2002; DEST 2002f.

In 2001, total expenses were over A\$455 million (see table D1.3). Staff costs (salaries plus associated costs) were around 49 per cent of total expenses. Other significant expenses included depreciation (8 per cent of total) and buildings and grounds expenses (around 4 per cent).

An operating surplus of A\$58 million was reported in 2001, of which subsidiaries contributed around A\$300 000. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 11 per cent in 2001, compared to an average margin of 7 per cent over the past six years.

The University reported net cash outflows in four of the past six years, including 2001. In real terms, the University's net cash position has decreased by over A\$282 million since 1997.

Table D1.3 Expenses and cash flows — The Australian National University, 2001

Expenses by type	<i>A\$'000</i>	<i>Per FTE staff member (A\$)</i>
Total expenses	455 225	
Total staff costs	222 083	79 005
Academic staff costs	99 643	93 649 ^a
Non-academic staff costs	122 440	
Buildings and grounds expenses	19 286	
Depreciation expense	34 815	
Other expenses	179 041	
Borrowing expense	11 600	
Income tax expense	—	
Other	167 441	
Cash flows		
Net total cash flows	-41 660	
Net flows from operating activities	57 865	
Net flows from investing activities	-99 525	
Net flows from financing activities	—	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per FTE academic staff member. — Nil.

Sources: Australian National University Annual Report 2001; Australian National University, pers. comm., Canberra, 20 August 2002; DEST 2002f.

Assets and liabilities

In 2001, the University had over A\$1.5 billion in assets (see table D1.4). Physical assets (property, plant and equipment) comprised around 48 per cent of asset value, with cash and investments accounting for a similar share.

Plant and equipment assets were independently revalued in 1999. Plant and equipment purchased since the revaluation are valued at cost.

The University has around 48 hectares of land at the main Acton campus. Additional land holdings, used predominantly for research purposes, are at Mt Stromlo (81 hectares), Coonabarabran (151 hectares), Tennant Creek (26 500 hectares), Darwin (4 hectares) and in Fiji (1 hectare). Most land is revalued every three years on the basis of market value for existing use. Land used for accommodation services is valued on the basis of current market prices.

Table D1.4 **Assets and liabilities — The Australian National University, 2001**

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	1 558 296	184 961
Cash and investments	751 534	
Property, plant and equipment	750 989	
Buildings	572 312	
Land	38 280	
Equipment	112 207	
Other PPE assets	28 190	
Intangibles	131	
Other assets	55 642	
Liabilities		
Total liabilities	512 770	60 863
Borrowings	—	
Provisions	500 753	
Accounts payable	11 484	
Other liabilities	533	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. — Nil.

Sources: Australian National University Annual Report 2001; Australian National University, pers. comm., Canberra, 20 August 2002; DEST 2002f.

In 2001, the main liabilities were provisions for employee entitlements. Employee entitlements comprised mainly of staff superannuation (A\$375 million), long service leave (A\$35 million) and recreation leave (A\$9 million).

Financial trends

Since 1996, total revenue has grown in real terms by around 6 per cent, compared to expenses, which have declined by 6 per cent in the same period (see table D1.5). Subsidiaries have contributed, on average around 8 per cent of total revenues and expenses since 1996.

University assets declined, in real terms, by around A\$34 million (2 per cent) over the six years to 2001. Cash and investment assets grew by 33 per cent over this period, while property, plant and equipment declined by around 12 per cent. Liabilities declined from A\$712 million in 1996 to almost A\$513 million in 2001 — a decrease of around 6 per cent.

Table D1.5 Financial trends — The Australian National University, 1996 to 2001

2001 Australian dollars

	1996	1997	1998	1999	2000	2001
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenues						
Total	485 481	507 585	483 138	477 314	464 531	513 425
University only	444 653	472 432	438 605	438 447	429 488	479 818
Subsidiaries	40 827	35 153	44 533	38 867	35 043	33 607
Expenses						
Total	486 371	488 379	473 989	471 923	457 122	455 225
University only	445 808	453 260	429 564	430 860	420 241	421 911
Subsidiaries	40 562	35 119	44 425	41 063	36 881	33 314
Cash flows						
Net flows from operations	63 315	59 063	67 555	59 988	64 447	57 865
Net flows from Investing activities	-81 930	5 310	-192 316	-228 605	-43 409	-99 525
Net flows from financing activities	-5 199	-8 993	—	—	—	—
Payments for PPE	38 532	20 474	31 341	42 821	40 175	49 519
Assets						
Total assets	1592 087	1585 455	1641 130	1698 385	1660 183	1558 296
Current assets	123 291	190 174	204 771	206 115	214 740	208 826
PPE assets	857 954	830 108	762 381	801 718	724 492	750 989
Cash and investments	566 252	631 419	736 910	746 446	769 729	751 534
Liabilities						
Total liabilities	712 032	672 988	690 744	631 203	657 310	512 770
Current liabilities	102 363	93 012	92 066	121 894	122 115	121 356

Note For definitions see glossary. — Nil.

Sources: ABS Cat. No. 5206.0, *National Income, Expenditure and Product, Australian National Accounts*, ABS, Canberra; The Australian National University Annual Report (various editions);

D2 Bond University (Australia)

Bond University (Gold Coast, Queensland) was founded in 1987 by Alan Bond and was given university status under the *Bond University Act 1987* (Qld). It is one of only two private, not-for-profit universities in Australia. The original joint venture partners were Bond Corp and EIE (International). Teaching began in May 1989.

The University operates three semesters a year, enabling six-semester programs to be completed in two years. A number of three-semester coursework Masters programs can be completed in 12 months.

University profile

The campus is situated next to Lake Orr on Queensland's Gold Coast. The campus includes 117 hectares of lakes and waterways and a 2000 metre Olympic rowing course. Buildings at Bond are sandstone clad. The University also operates on-campus student residences that house between 500 and 600 students.

The University offers a range of courses from certificate to doctorate level in five faculties — Business, Humanities and Social Sciences, Information Technology, Law, and Health Sciences. It has awarded around 7000 degrees since 1990.

In 2001, there were 1866 students and 178 academic staff in full-time equivalent (FTE) terms (table D2.1). There were 10.5 FTE students per academic staff member. Between 1998 and 2001, enrolments increased by over 40 per cent. International students accounted for more than half of enrolments (in FTE terms). In 2001, undergraduate student fees were set at A\$2550 per subject for the Bachelor of Science (Information Technology), equating to A\$81 600 for its 32 subjects.

The University also offers undergraduate programs in Business, Information Technology, Humanities and Social Sciences and a MBA in South Africa. It also offers an MBA program in Japan in conjunction with local providers. Students, staff and other resources employed in joint venture operations overseas are not included in the statistics compiled for Bond for the purpose of this publication. However, Bond's share of the net profits (and losses) from such ventures is included.³

³ Bond, pers. comm., Gold Coast, 17 December 2002.

Table D2.1 Students and staff — Bond University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	1 866	
Undergraduate students	1 363	
Postgraduate students	503	
Full-time students	n.a.	1 816
Part-time students	n.a.	348
International students	958	
Domestic students	908	
Staff		
Total staff	500	
Academic staff	178	
Non-academic staff	322	

Note For definitions see glossary. **n.a.** Not available.

Source: Bond University, pers. comms., Gold Coast, 14 August 2002 and 18 September 2002.

Revenue, expenses and cash flows

In 2001, the University received more than A\$57 million in revenue (see table D2.2). The main source of revenue was student fees (76 per cent). Bond does not receive significant revenues from government.

Revenue in 2001 increased by over 20 per cent from 2000, due mainly to an 11 per cent increase in student enrolments.

Table D2.2 **Revenue — Bond University, 2001**

Revenue	A\$'000	per FTE student (A\$)
Total revenue	57 439	30 782
Government	254	136
Student	43 459	23 290
Domestic students	21 147	23 290 ^a
HECS	..	
Full-fee-paying domestic	21 147	
Other student fees	..	
International students	22 312	23 290 ^b
Other revenue	12 543	6 722
Investment income	571	306
Gifts and donations	508	272
Other	11 464	6 144

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Revenue from domestic students per full-time equivalent (FTE) domestic student. ^b Revenue from international students per FTE international student. .. Not applicable.

Source: Bond University, pers. comms., Gold Coast, 14 August 2002, 18 September 2002, 6 November 2002 and 11 December 2002.

Total expenses were over A\$55 million (see table D2.3). Staff costs (salaries plus associated costs) were around 52 per cent of total expenses. Other expenses included depreciation (5.5 per cent) and borrowing expenses (6.2 per cent).

In 2001, the University reported an operating surplus of A\$2.2 million, of which subsidiaries contributed A\$2.5 million. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 3.7 per cent in 2001, compared to an average margin of minus 0.1 per cent over the past six years.

The University reported net cash inflows in two of the past six years, including 2001. In real terms, net cash position has decreased by over A\$24 million since 1996, with the major part of this decrease being due to the acquisition of the campus in 1999.

Table D2.3 Expenses and cash flows — Bond University, 2001

Expenses	<i>A\$'000</i>	<i>Per staff member (A\$)</i>
Total expenses	55 290	
Total staff costs	28 857	57 714
Academic staff costs	16 780	94 270 ^a
Non-academic staff costs	12 077	
Buildings and grounds expenses	n.a.	
Depreciation expense	3 052	
Other expenses	23 381	
Borrowing expense	3 437	
Income tax expense	—	
Other	19 944	
Cash flows		
Net total cash flows	7 383	
Net flows from operating activities	7 448	
Net flows from investing activities	674	
Net flows from financing activities	-739	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per full-time equivalent academic staff member. **n.a.** Not applicable. — Nil.

Source: Bond University, pers. comms., Gold Coast, 14 August 2002, 18 September 2002, 6 November 2002 and 11 December 2002.

Assets and liabilities

In 1999, the University acquired the campus land and buildings valued at around A\$60 million. As part of the transaction, around A\$45 million was borrowed.

In 2001, the University had over A\$78 million in assets (see table D2.4). Physical assets (property, plant and equipment) comprised around 80 per cent of total asset value, with cash and investments accounting for 15 per cent.

The University's main liability in 2001 was borrowings, which accounted for around 75 per cent of total liabilities.

Table D2.4 Assets and liabilities — Bond University, 2001

Assets	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total assets	78 659	42 154
Cash and investments	11 885	
Property, plant and equipment	62 818	
Buildings	47 190	
Land	11 000	
Equipment	2 365	
Other PPE assets	2 263	
Intangibles	—	
Other assets	3 956	
Liabilities		
Total liabilities	60 994	32 687
Borrowings	45 633	
Provisions	4 532	
Accounts payable	5 029	
Other liabilities	5 800	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2002. — Nil.

Source: Bond University, pers. comms., Gold Coast, 14 August 2002, 18 September 2002, 6 November 2002 and 11 December 2002.

Financial trends

Since 1996, total revenue has grown in real terms by around 28 per cent, compared to expenses which have declined by 41 per cent in the same period (see table D2.5). Subsidiaries have contributed around 15 per cent of total revenues and 10 per cent of expenses since 1996.

University assets increased, in real terms, by around A\$30 million (60 per cent) over the six years to 2001. Cash and investment assets declined by 72 per cent over this period, compared to property, plant and equipment which increased by over 900 per cent. Liabilities declined from A\$119 million in 1996 to almost A\$61 million in 2001 — a decrease of around 50 per cent.

Table D2.5 Financial trends — Bond University, 1996 to 2001

2001 Australian dollars

	1996	1997	1998	1999 ^a	2000	2001
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenues						
Total	45 042	45 242	41 650	136 378	48 542	57 439
University only	35 834	35 658	33 373	128 311	39 422	46 825
Subsidiaries	9 208	9 585	8 278	8 067	9 120	10 614
Expenses						
Total	39 093	41 656	48 356	142 016	50 984	55 290
University only	33 243	35 280	42 420	136 230	44 517	47 216
Subsidiaries	5 850	6 375	5 936	5 786	6 467	8 074
Cash flows						
Net flows from operations	7 796	8 180	-5 261	-4 014	384	7 448
Net flows from Investing activities	-983	-12 083	6 579	-21 212	-190	674
Net flows from financing activities	-514	-652	-8 965	-424	-738	-739
Payments for PPE	-1 341	-3 789	-2 570	-19 515	-900	-1 972
Assets						
Total assets	49 104	53 767	38 629	84 948	79 323	78 659
Current assets	42 871	46 450	31 230	11 756	13 137	15 830
PPE assets	6 233	7 306	7 389	73 181	66 175	62 818
Cash and investments	42 189	36 829	29 039	8 006	9 227	11 885
Liabilities						
Total liabilities	119 403	119 162	110 019	65 716	63 334	60 994
Current liabilities	8 252	19 337	11 706	15 411	15 664	20 360

Note For definitions see glossary. ^a The consolidated results include an abnormal gain of A\$88 million from the extinguishment of a subordinated debt. Bond University Ltd reached agreement with the receivers of Limgold Pty Ltd resulting in acquisition of campus land and buildings for the sum of A\$62 million, the extinguishment of the subordinated debt of A\$88 million and the University borrowing A\$45 million to settle the transaction. The transaction resulted in an increase in the assets of the University.

Sources: ABS Cat. No. 5206.0, *National Income, Expenditure and Product, Australian National Accounts*, ABS, Canberra; Bond University, pers. comms., Gold Coast, 14 August 2002, 18 September 2002, 6 November 2002 and 11 December 2002.

D3 Charles Sturt University (Australia)

Charles Sturt University (NSW) was established in 1989 under the *Charles Sturt University Act 1989* (NSW), making it the 26th university established in Australia. The University is a public institution formed from the merger of the Mitchell College of Advanced Education and the Riverina-Murray Institute of Higher Education.

University profile

As required by its establishing Act, the University operates main campuses in four major regional cities in NSW — Albury-Wodonga, Bathurst, Dubbo and Wagga Wagga.

The University offers diploma, bachelor and postgraduate courses in a wide variety of areas. It has six faculties — Arts, Commerce, Education, Health Studies, Science, and Agriculture. It also operates five major research centres and a host of research groups and professional centres.

In 2001, there were over 19 000 full-time equivalent (FTE) students, making it the 13th-largest university in Australia (DEST 2002f). In terms of total student headcount, the University ranked eighth, highlighting the large percentage of part-time students. Part-time students made up over 60 per cent of all students (headcount) and postgraduate students made up over 15 per cent (in FTE terms). The University employed 1460 FTE staff (559 academic staff) (see table D3.1).

The University reported 6172 course completions in 2001, up 13 per cent on completions in 2000. Courses in business, administration and economics, law and legal studies and science all experienced strong growth in completions.

The student to teaching-staff ratio has increased by over 50 per cent since 1997, from 23.9 to 36.3.⁴ This is partly due to the University's increasing emphasis on distance and on-line education. In 2001, more than 2000 subjects in over 300 courses were supported on-line.

In 2001, the University operated several wholly-owned subsidiaries including Charles Sturt Services Ltd, Mitchell Services Ltd, Olive Street Services Ltd and Rivservices Ltd.

⁴ Includes teaching only and teaching and research staff (see DEST 2002f).

Table D3.1 Students and staff — Charles Sturt University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	19 214	
Undergraduate students	16 214	
Postgraduate students	3 001	
Full-time students	n.a.	11 441
Part-time students	n.a.	18 143
International students	4 207	
Domestic students	15 007	
Staff		
Total staff	1460	
Academic staff	559	
Non-academic staff	902	

Note For definitions see glossary. **n.a.** Not available.

Source: DEST 2002f.

Revenue, expenses and cash flows

In 2001, revenue was almost A\$195 million (see table D3.2). Revenue from all levels of government was 44 per cent of total income. Operating grant funding from the Commonwealth Government represented 75 per cent of government revenue, with grants from the Australian Research Council contributing 2 per cent (A\$1.5 million). In 2000, the University ranked 33rd among Australian universities in terms of expenditure on research and experimental development (DEST 2002h).

Almost 33 per cent of total revenue was sourced from students under the Higher Education Contribution Scheme (HECS) and through full-fee-paying domestic and international students. Full-fee-paying international students provided around 5 per cent of total revenue in 2001.

Revenue from other private sources, including donations, investments and research contracts, accounted for around 18 per cent of the University's revenue.

In 2001, total expenses were over A\$190 million (see table D3.3). Staff costs (salaries plus associated costs) were around 64 per cent of total expenses. Other expenses included depreciation (7 per cent of total) and buildings and grounds expenses (around 3 per cent).

Table D3.2 Revenue — Charles Sturt University, 2001

Revenue^a	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total revenue	194 759	10 136
Government	85 820	4 467
Operating grant funding	64 366	
Other government revenue	21 454	
Student	73 003	3 799
Domestic students ^b	63 341	4 221 ^c
HECS	48 638	
Full-fee-paying domestic	8 852	
Other student fees	8 851	
International students ^d	9 662	2 297 ^e
Other revenue	35 936	1 870
Investment income	1 979	103
Gifts and donations	414	22
Other	33 543	1 746

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Higher Education Contribution Scheme (HECS) revenue (both student and Australian Government contributions) is included in student revenue. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from domestic students per full-time equivalent (FTE) domestic student. ^d Revenue from international students is revenue from full-fee-paying international students. ^e Revenue from international students per FTE international student.

Sources: Charles Sturt University Annual Report 2001; DEST 2002f.

An operating surplus of just under A\$4 million was reported in 2001. The operating margin (surplus expressed as a percentage of revenue) was 2 per cent, compared to an average operating margin of 3 per cent over the past six years.

There were net inflows of cash in four of the past six years, including 2001. In real terms, the University's net cash position has increased by over A\$18 million since 1997.

Table D3.3 Expenses and cash flows — Charles Sturt University, 2001

Expenses by type	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	190 800	
Total staff costs	121 619	83 301
Academic staff costs	60 022	107 374 ^a
Non-academic staff costs	61 597	
Buildings and grounds expenses	6 404	
Depreciation expense	13 829	
Other expenses	48 948	
Borrowing expense	–	
Income tax expense	–	
Other	48 948	
Cash flows		
Net total cash flows	9 410	
Net flows from operating activities	23 510	
Net flows from investing activities	-14 100	
Net flows from financing activities	–	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per full-time equivalent academic staff member. – Nil.

Sources: Charles Sturt University Annual Report 2001; DEST 2002f.

Assets and liabilities

The University had almost A\$355 million in assets in 2001 (see table D3.4). Physical assets (property, plant and equipment) comprised around 70 per cent of asset value, with cash and investments accounting for a further 12 per cent.

Buildings are valued based on depreciated optimised replacement cost. Land is valued on an existing use basis. Assets acquired at no cost or for nominal consideration are recognised at fair value.

In 2001, the main liabilities were provisions for employee entitlements. Employee entitlements comprised mainly of provisions for accrued recreation leave and deferred superannuation.

Table D3.4 Assets and liabilities — Charles Sturt University, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	354 891	18 470
Cash and investments	43 466	
Property, plant and equipment	247 001	
Buildings	n.a.	
Land	n.a.	
Equipment	n.a.	
Other PPE assets	n.a.	
Intangibles	—	
Other assets	64 424	
Liabilities		
Total liabilities	83 340	4 337
Borrowings	—	
Provisions	66 284	
Accounts payable	10 722	
Other liabilities	6 334	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. **n.a.** Not available. — Nil.

Sources: Charles Sturt University Annual Report 2001; DEST 2002f.

Financial trends

Since 1996, total revenue has grown in real terms by around 5 per cent, compared to expenses which have increased by 10 per cent in the same period (see table D3.5). Subsidiaries are reimbursed for services provided to the University and do not generally undertake external activities.

University assets declined, in real terms, by around A\$8 million (2 per cent) over the six years to 2001. Cash and investment assets grew by 15 per cent over this period, while property, plant and equipment increased by around 14 per cent. Liabilities declined from A\$117 million in 1996 to just over A\$83 million in 2001 — a decrease of almost 30 per cent.

Table D3.5 Financial trends — Charles Sturt University, 1996 to 2001

2001 Australian dollars

	1996	1997	1998	1999	2000	2001
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenues						
Total	184 697	157 683	160 759	165 207	155 499	194 759
University only	184 697	157 683	160 759	166 092	155 454	194 751
Subsidiaries	—	—	—	-885	44	8
Expenses						
Total	173 232	147 215	156 899	164 322	152 335	190 800
University only	173 232	147 215	156 899	164 322	152 291	190 792
Subsidiaries	—	—	—	—	44	8
Cash flows						
Net flows from operations	20 428	22 776	16 408	9 913	18 970	23 510
Net flows from Investing activities	-11 527	-16 443	-20 620	-21 086	-9 929	-14 100
Net flows from financing activities	—	—	—	—	—	—
Payments for PPE	14 812	19 526	23 978	24 954	13 621	19 038
Assets						
Total assets	362 749	349 167	345 204	334 886	338 383	354 891
Current assets	38 879	44 295	45 486	42 170	47 494	56 934
PPE assets	216 774	216 931	223 342	227 008	253 027	247 001
Cash and investments	37 810	43 436	38 751	26 551	34 485	43 466
Liabilities						
Total liabilities	117 016	97 567	92 486	82 128	63 621	83 340
Current liabilities	19 058	18 893	19 545	15 642	17 732	21 495

Note For definitions see glossary. — Nil.

Sources: ABS Cat. No. 5206.0, *National Income, Expenditure and Product, Australian National Accounts*, ABS, Canberra; Charles Sturt University Annual Report (various editions).

D4 Flinders University (Australia)

Flinders University (Adelaide, SA) was established in 1966. It is a public institution, operating under *The Flinders University of South Australia Act 1966* (SA) and reports to the South Australian State Parliament through the Minister for Education and Children's Services.

A significant change in the University's recent history was an amalgamation with the Sturt Campus of the South Australian College of Advanced Education in 1991.

The University is a member of *Universitas 21*, a global network of universities which is aimed at expanding the international operations of its members.

University profile

The main campus covers over 165 hectares in Bedford Park, close to Adelaide's central business district. The University also has teaching centres in Port Lincoln, Darwin and Alice Springs.

The University offers diploma, bachelor and doctorate courses in a wide variety of areas. In 2000, 2928 courses were completed in four faculties — Education, Humanities, Law and Theology, Health Sciences, Science and Engineering, and Social Sciences.

In 2001, there were over 9000 FTE students, making it the 27th-largest university in Australia (DEST 2002f). Of these, 14 per cent were postgraduate students and 10 per cent were international students. There were 1437 FTE staff (621 academic staff) (see table D4.1). In 2001, the student to teaching-staff ratio was 17.8 in FTE terms, up from 17.3 in 1997.⁵

The University operated several wholly-owned subsidiaries in 2001. These included Flinders Consulting Pty Ltd, Flinders Technologies Pty Ltd and the National Institute of Labour Studies Inc.

⁵ Includes teaching only and teaching and research staff (see DEST 2002f).

Table D4.1 Students and staff — Flinders University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	9 218	
Undergraduate students	7 911	
Postgraduate students	1 308	
Full-time students	n.a.	7 767
Part-time students	n.a.	3 917
International students	945	
Domestic students	8 273	
Staff		
Total staff	1 437	
Academic staff	621	
Non-academic staff	816	

Note For definitions see glossary. **n.a.** Not available.

Source: DEST 2002f.

Revenue, expenses and cash flows

In 2001, revenue was around A\$173 million (see table D4.2). Revenue from all levels of government was 57 per cent of total revenue. Operating grant funding from the Commonwealth Government represented 66 per cent of government revenue, with grants from the Australian Research Council contributing a further 3 per cent (A\$3 million). In 2000, the University ranked 15th among Australian universities in terms of expenditure on research and experimental development (DEST 2002h).

Over 25 per cent of total revenue was sourced from students under the Higher Education Contribution Scheme (HECS) and through full-fee-paying domestic and international students. Full-fee-paying international students provided around 7 per cent of total revenue in 2001.

Revenue from other sources included A\$2.8 million from student housing and other rental charges, and A\$10.6 million from consultancy and contract research. Revenue from investments represented less than 2 per cent of total revenue.

Table D4.2 Revenue — Flinders University, 2001

Revenue^a	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	172 581	18 722
Government	97 855	10 616
Operating grant funding	64 685	
Other government revenue	33 170	
Student	43 996	4 773
Domestic students ^b	32 621	3 943 ^c
HECS	30 856	
Full-fee-paying domestic	1 688	
Other student fees	77	
International students ^d	11 375	12 037 ^e
Other revenue	30 730	3 334
Investment income	3 146	341
Gifts and donations	1 333	145
Other	26 251	2 848

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Higher Education Contribution Scheme (HECS) revenue (both student and Australian Government contributions) is included in student revenue. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from domestic students per full-time equivalent (FTE) domestic student. ^d Revenue from international students is revenue from full-fee-paying international students. ^e Revenue from international students per FTE international student.

Sources: DEST 2002f; Flinders University Annual Report 2001; Flinders University, pers. comm., Adelaide, 30 August 2002.

In 2001, total expenses were over A\$166 million (see table D4.3). Staff costs (salaries plus associated costs) were around 67 per cent of total expenses. Other significant expenses included depreciation (5 per cent of total) and buildings and grounds expenses (also around 5 per cent).

An operating surplus of A\$6.5 million was reported in 2001. The surplus was reduced due to deficits of around A\$1.1 million incurred by subsidiaries. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 4 per cent in 2001, compared to an average margin of 3 per cent over the past five years.

There were net outflows of cash in three of the past six years, including 2001. In real terms, the University's net cash position has decreased by around A\$10 million since 1996.

Table D4.3 Expenses and cash flows — Flinders University, 2001

Expenses by type	<i>A\$'000</i>	<i>Per FTE staff member (A\$)</i>
Total expenses	166 123	
Total staff costs	110 546	76 928
Academic staff costs	60 858	98 000 ^a
Non-academic staff costs	49 688	
Buildings and grounds expenses	8 447	
Depreciation expense	7 917	
Other expenses	39 213	
Borrowing expense	–	
Income tax expense	–	
Other	39 213	
Cash flows		
Net total cash flows	-7 892	
Net flows from operating activities	10 361	
Net flows from investing activities	-18 253	
Net flows from financing activities	–	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per full-time equivalent academic staff member. – Nil.

Sources: DEST 2002f; Flinders University Annual Report 2001; Flinders University, pers. comm., Adelaide, 30 August 2002.

Assets and liabilities

In 2001, the University had around A\$268 million in assets (see table D4.4). Physical assets (property, plant and equipment) comprised around 70 per cent of asset value, with cash and investments accounting for a further 18 per cent.

Buildings and infrastructure are independently valued every three years on the basis of market value for existing use. The value of the library collection is based on the average written down replacement cost as at 31 December 1993 — additions subsequent to this date are valued at cost. Land is valued on the basis of market value for existing use. Land purchased between valuations is valued at cost.

In 2001, the University's main liabilities were provisions for employee entitlements which comprised mainly of staff superannuation (A\$23 million), long service leave (A\$15 million) and recreation leave (A\$3 million).

Table D4.4 Assets and liabilities — Flinders University, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	267 767	29 048
Cash and investments	47 752	
Property, plant and equipment	184 459	
Buildings	87 751	
Land	11 610	
Equipment	9 728	
Other PPE assets	75 370	
Intangibles	—	
Other assets	35 556	
Liabilities		
Total liabilities	54 819	5 947
Borrowings	—	
Provisions	42 331	
Accounts payable	7 808	
Other liabilities	4 680	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. — Nil.

Sources: DEST 2002f; Flinders University Annual Report 2001; Flinders University, pers. comm., Adelaide, 30 August 2002.

Financial trends

Since 1996, total revenue has grown in real terms by around 6 per cent, compared to expenses which have increased by 11 per cent in the same period (see table D4.5). Subsidiaries contributed around 4 per cent of total revenues and expenses since 1996.

Assets increased, in real terms, by around A\$7 million (3 per cent) over the six years to 2001. Cash and investment assets grew by 105 per cent over this period, while property, plant and equipment declined by around 11 per cent. Liabilities increased from A\$58 million in 1996 to almost A\$62 million in 2001 — an increase of around 7 per cent.

Table D4.5 Financial trends — Flinders University, 1996 to 2001

2001 Australian dollars

	1996	1997	1998	1999	2000	2001
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenues						
Total	162 941	166 849	166 242	162 389	167 076	172 581
University only	159 904	160 195	155 425	157 736	156 476	166 668
Subsidiaries	3 037	6 654	10 817	4 654	10 600	5 913
Expenses						
Total	149 213	153 475	165 272	161 900	159 715	166 123
University only	148 038	148 806	156 952	155 026	151 923	159 145
Subsidiaries	1 174	4 669	8 320	6 874	7 793	6 978
Cash flows						
Net flows from operations	18 295	18 455	13 153	16 350	6 524	10 361
Net flows from Investing activities	-16 587	-13 937	-29 526	-16 543	2 529	-18 253
Net flows from financing activities	- 319	- 199	- 129	- 97	—	—
Payments for PPE	18 885	10 226	7 569	11 654	7 458	10 678
Assets						
Total assets	260 690	261 260	253 022	267 526	264 327	267 767
Current assets	24 160	28 102	30 655	39 254	35 842	34 633
PPE assets	206 470	196 897	183 520	187 836	181 370	184 459
Cash and investments	23 247	33 365	37 558	44 554	45 931	47 752
Liabilities						
Total liabilities	58 093	58 950	61 833	65 307	63 879	54 819
Current liabilities	26 284	24 075	24 506	26 526	27 604	20 014

Note For definitions see glossary. — Nil.

Sources: ABS Cat. No. 5206.0, *National Income, Expenditure and Product, Australian National Accounts*, ABS, Canberra; Flinders University Annual Report (various editions).

D5 Murdoch University (Australia)

Murdoch University (Perth, WA) commenced in 1975 after its constitution by an Act of Parliament in 1973. It was named after Sir Walter Murdoch, a prominent Australian academic and essayist.

The University is the only institution to have scored 5-stars for graduate satisfaction from the Australian Good Universities Guide for five years in a row. In 1998, the University won two Prime Minister's Awards for teaching.

University profile

The main campus, is on 227 hectares, 15 km south of the Perth central business district. In 1996, the University opened a second campus at Rockingham, a 75 hectare site, 45 km south of the Perth central business district. The University operates 30 research centres, a veterinary hospital and student accommodation for over 500 students.

The University has six divisions and offers a range of courses from non-award to doctoral studies, including 50 undergraduate courses. The largest fields of study (by the number of full-time equivalent (FTE) students are Society and Culture, and Management and Commerce.

Founded as a research institution, the University has six main research areas, including agriculture and veterinary biotechnology, mineral processing and purification, and Asian studies.

In 2001, there were about 9000 FTE students (see table D5.1), making it the 29th-largest university in Australia. The University employed about 1100 FTE staff — 40 per cent of whom were academics. In 2001, the student to teaching-staff ratio was 23.8 in FTE terms, up from 19.7 in 1997.⁶

The University has five wholly-owned subsidiaries and a partly owned subsidiary that are involved in activities such as retirement services, enrolment and support services for international students, and commercial research.

⁶ Includes teaching only staff, and teaching and research staff (DEST 2002f).

Table D5.1 Students and staff — Murdoch University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	8 988	
Undergraduate students	7 211	
Postgraduate students	1 776	
Full-time students	n.a.	7 396
Part-time students	n.a.	3 340
International students	2 108	
Domestic students	6 880	
Staff		
Total staff	1 097	
Academic staff	442	
Non-academic staff	655	

Note For definitions see glossary. **n.a.** Not available.

Source: DEST 2002f.

Revenue, expenses and cash flows

In 2001, revenue was A\$150 million (see table D5.2). Revenue from all levels of government was 49 per cent of total revenue. Operating grant funding from the Commonwealth Government represented 76 per cent of government revenue, with Western Australian Government grants and Australian Research Council grants contributing a further 4 per cent and 3 per cent respectively.

Over 29 per cent of total revenue was sourced from students under the Higher Education Contribution Scheme and through full-fee-paying domestic and international students. Full-fee-paying international students provided over 10 per cent of total revenue in 2001.

Table D5.2 Revenue — Murdoch University, 2001

Revenue ^a	A\$'000	Per FTE student (A\$)
Total revenue	150 014	16 690
Government	72 979	8 120
Operating grant funding	55 588	
Other government revenue	17 391	
Student revenue	48 529	5 399
Domestic students ^b	32 941	4 788 ^c
HECS	26 697	
Full-fee-paying domestic	1 800	
Other student fees	4 444	
International students ^d	15 588	7 395 ^e
Other revenue	28 506	3 172
Investment income	847	94
Gifts and donations	512	57
Other	27 147	3 020

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Higher Education Contribution Scheme (HECS) revenue (both student and Australian Government contributions) is included in student revenue. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from domestic students per full-time equivalent (FTE) domestic student. ^d Revenue from international students is revenue from full-fee-paying international students. ^e Revenue from international students per FTE international student.

Sources: DEST 2002f; Murdoch University Annual Report 2001.

In 2001, total expenses were over A\$152 million (see table D5.3). Staff costs (salaries plus associated costs) were around 59 per cent of total expenses. Other significant expenses included depreciation and buildings and grounds expenses — each around 6 per cent of total expenses.

The University recorded net inflows of cash in four of the last six years, including 2001. In real terms, the net cash position has increased by over A\$7 million since 1996.

In 2001, the University reported an operating loss of A\$2.4 million. Murdoch Retirement Services, a subsidiary of Murdoch University, reported a loss of A\$3 million in 2001. Murdoch has reported operating losses in three of the past six years.

Table D5.3 Expenses and cash flows — Murdoch University, 2001

Expenses by type	<i>A\$'000</i>	<i>Per FTE staff member (A\$)</i>
Total expenses	152 391	
Total staff costs	89 689	81 758
Academic staff costs	41 221	93 260 ^a
Non-academic staff costs	48 468	
Buildings and grounds expenses	9 157	
Depreciation expense	9 855	
Other expenses	43 690	
Borrowing expense	–	
Income tax expense	–	
Other	43 690	
Cash flows		
Net total cash flows	4 097	
Net flows from operating activities	14 220	
Net flows from investing activities	-7 972	
Net flows from financing activities	-2 151	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per full-time equivalent academic staff member. – Nil.

Sources: DEST 2002f; Murdoch University Annual Report 2001.

Assets and liabilities

The University had A\$343 million worth of assets, mostly property, plant and equipment (see table D5.4).

Land and Buildings are independently valued every five years. Campus land is valued at fair value, based on current use and buildings are valued at estimated current replacement cost less accumulated depreciation.

In 2001, the two largest liabilities were leave provisions, grants and fees and charges received in advance.

Table D5.4 Assets and liabilities — Murdoch University, 2001

Assets	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total assets	343 170	38 181
Cash and investments	22 671	
Property, plant and equipment	310 525	
Buildings	181 459	
Land	103 305	
Equipment	17 881	
Other PPE assets	7 880	
Intangibles	—	
Other assets	9 974	
Liabilities		
Total liabilities	32 185	3 581
Borrowings	8 559	
Provisions	10 532	
Accounts payable	2 851	
Other liabilities	10 243	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. — Nil.

Sources: DEST 2002f; Murdoch University Annual Report 2001.

Financial trends

Since 1996, total revenue has grown in real terms by around 6 per cent, compared to expenses which have declined by 6 per cent in the same period (see table D5.5).

Assets grew, in real terms, by around 14 per cent over the six years to 2001. Cash and investment assets grew by 48 per cent over this period, compared to property, plant and equipment which grew by around 13 per cent. Liabilities grew slightly, from under A\$31 million in 1996 to just over A\$32 million in 2001 — an increase of around 5 per cent.

Table D5.5 Financial trends — Murdoch University, 1996 to 2001

2001 Australian dollars

	1996	1997	1998	1999	2000	2001
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenues						
Total	127 031	133 402	138 471	132 206	133 483	150 014
University only	126 988	133 399	138 405	132 072	127 970	152 550
Subsidiaries	43	3	65	134	5 513	-2 536
Expenses						
Total	110 557	116 582	126 035	129 068	134 789	152 391
University only	110 493	116 545	126 003	128 947	134 556	151 862
Subsidiaries	64	37	32	122	233	529
Cash flows						
Net flows from operations	23 121	30 239	23 999	11 183	12 288	14 220
Net flows from Investing activities	-17 208	-27 343	-17 585	-17 613	-13 675	-7 972
Net flows from financing activities	-258	-6 188	-281	1 815	655	-2 151
Payments for PPE	18 135	24 955	11 669	19 408	5 837	8 597
Assets						
Total assets	300 680	306 521	315 578	312 964	311 675	343 170
Current assets	26 815	21 086	29 132	21 565	27 684	31 448
PPE assets	273 841	285 076	286 093	289 873	282 536	310 525
Cash and investments	15 307	16 005	24 801	16 435	19 140	22 671
Liabilities						
Total liabilities	30 577	24 654	24 347	20 046	32 268	32 185
Current liabilities	23 358	17 754	17 365	14 707	21 058	20 280

Note For definitions see glossary.

Sources: ABS Cat. No. 5206.0, *National Income, Expenditure and Product, Australian National Accounts*; ABS, Canberra; Murdoch University Annual Report (various editions).

D6 RMIT University

RMIT University (Melbourne, Victoria) was originally established as a technical college in 1887, and was granted university status in 1992. It continues to operate as a dual sector institution — offering courses at both university and TAFE level. It is a public institution, operating under the *Royal Melbourne Institute of Technology Act 1992* (Vic), and reports to the Victorian State Parliament through the Minister for Education and Training.

In 1993, the University's faculty of Art and Design merged with the Melbourne College of Decoration and Design. It merged with The Melbourne College of Printing and Graphic Art in 1995 and The Melbourne Institute of textiles in 1999. RMIT International University Vietnam opened during 2001.

The University is a founding member of the Global University Alliance and the Australian Technology Network. RMIT University has partnerships with almost 200 educational institutions around the world.

University profile

The University operates three main campuses in Melbourne (City, Bundoora and Brunswick) as well as smaller, specialist regional campuses in Hamilton and East Gippsland. The three main campuses have a total land area of just under 55 hectares and contain over 408 000 m² of floor space.

RMIT University has seven faculties, offering diploma, bachelor and doctorate courses, with a focus on applied, non-traditional subject areas. The two largest faculties (by number of full-time equivalent (FTE) students) are Business and Applied Science.

In 2001, there were over 26 000 FTE enrolments (see table D6.1), making it the 6th-largest university in Australia, in terms of FTE students (DEST 2002f). Over 18 per cent of FTE students were postgraduates and 35 per cent were international students. The University employed 3271 FTE staff (1499 academics) — this includes 1040 TAFE staff (538 academics)

The University operates several wholly-owned subsidiaries including, RMIT International, RMIT training, RMIT International University Vietnam and Spatial Vision Innovations Pty Ltd.

Table D6.1 Students and staff — RMIT University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	26 054	
Undergraduate students	21 253	
Postgraduate students	4 800	
Full-time students	n.a.	21 592
Part-time students	n.a.	10 452
International students	9 078	
Domestic students	16 976	
Staff^a		
Total staff	3 271	
Academic staff	1 499	
Non-academic staff	1 772	

Note For definitions see glossary. ^a Includes 538 academic staff and 502 non-academic staff employed in RMIT University's TAFE operations. **n.a.** Not available.

Sources: DEST 2002f; RMIT University, pers. comm., Melbourne, 19 November 2002.

Revenue, expenses and cash flows

In 2001, the University received almost A\$484 million in revenue (see table D6.2). Revenue from all levels of GOVERNMENT was 43 per cent of total revenue. Operating grant funding from the Commonwealth Government represented 53 per cent of government revenue, with grants from the Australian Research Council contributing 1 per cent (A\$2.5 million). The University received over A\$58 million (12 per cent of total revenue) from the Victorian Government for its TAFE operations.

In 2000, the University ranked 20th among Australian universities in terms of expenditure on research and experimental development (DEST 2002h).

Over 37 per cent of total revenue was sourced from students under the Higher Education Contribution Scheme (HECS) and through full-fee-paying domestic and international students. Full-fee-paying international students accounted for 51 per cent of student revenue, compared to 8 per cent from fees from domestic full-fee-paying students.

Revenue from other private sources, including donations, investment income and research contracts, accounted for around 16 per cent of the University's revenue.

Table D6.2 Revenue — RMIT University, 2001

Revenue ^a	A\$'000	per FTE student (A\$)
Total revenue	483 878	18 572
Government	204 385	7 845
Operating grant funding	108 769	
Other government revenue	95 616	
Student	201 540	7 735
Domestic students ^b	99 323	5 851 ^c
HECS	61 774	
Full-fee-paying domestic	17 381	
Other student fees	20 168	
International students ^d	102 217	11 260 ^e
Other revenue	77 953	2 992
Investment income	3 467	133
Gifts and donations	8 894	341
Other	65 592	2 518

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Higher Education Contribution Scheme (HECS) revenue (both student and Australian government contributions) is included in student revenue. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from domestic students per full-time equivalent (FTE) domestic student. ^d Revenue from international students is revenue from full-fee-paying international students. ^e Revenue from international students per FTE international student.

Sources: DEST 2002f; RMIT University Annual Report 2001.

In 2001, total expenses were over A\$475 million (see table D6.3). Staff costs (salaries plus associated costs) were around 63 per cent of total expenses. Other expenses included depreciation (5 per cent) and buildings and grounds expenses (4 per cent).

The University reported an operating surplus of A\$8.8 million. The operating margin (surplus expressed as a percentage of revenue) was 2 per cent, compared to an average operating margin of 4 per cent over the past six years.

The University reported net outflows of cash in four of the past six years, including 2001. In real terms, the net cash position has decreased by over A\$46 million since 1996.

Table D6.3 Expenses and cash flows — RMIT University, 2001

Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	475 273	
Total staff costs	298 268	91 186
Academic staff costs	171 081	114 130 ^a
Non-academic staff costs	127 187	
Buildings and grounds expenses	19 817	
Depreciation expense	24 426	
Other expenses	132 762	
Borrowing expense	1 097	
Income tax expense	198	
Other	131 467	
Cash flows		
Net total cash flows	-22 846	
Net flows from operating activities	43 605	
Net flows from investing activities	-66 384	
Net flows from financing activities	-67	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per full-time equivalent academic staff member.

Sources: DEST 2002f; RMIT University Annual Report 2001.

Assets and liabilities

The University reported over A\$1.3 billion in assets in 2001 (see table D6.4). Physical assets (property, plant and equipment) comprised around 75 per cent of asset value, with cash and investments accounting for 3 per cent.

Land and buildings are valued independently at fair value. Equipment assets are valued at cost.

The University reported liabilities of around A\$391 million in 2001, the majority of which were provisions for employee entitlements. Employee entitlements include annual leave, long service leave and superannuation benefits. The superannuation benefits accounted for A\$240 million, or almost 80 per cent of provisions.

Table D6.4 Assets and liabilities — RMIT University, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	1 300 279	49 907
Cash and investments	35 912	
Property, plant and equipment	979 167	
Buildings	663 290	
Land	252 601	
Equipment	55 458	
Other PPE assets	7 818	
Intangibles	148	
Other assets	285 052	
Liabilities		
Total liabilities	391 522	15 027
Borrowings	25 030	
Provisions	305 295	
Accounts payable	28 933	
Other liabilities	32 264	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001.

Source: DEST 2002f; RMIT University Annual Report 2001.

Financial trends

Since 1996, total revenue has grown in real terms by around 15 per cent, compared to expenses which have increased by almost 20 per cent over the same period (see table D6.5). Subsidiaries have contributed around 7 to 8 per cent of total revenues and expenses since 1996.

The value of assets increased in real terms by almost 45 per cent over the six years to 2001. Cash and investment assets decreased by over 60 per cent over this period, while property, plant and equipment grew by around 25 per cent. Liabilities increased from A\$104 million in 1996 to just over A\$391 million in 2001 — an increase of around 275 per cent.

Table D6.5 Financial trends — RMIT University, 1996 to 2001

2001 Australian dollars

	1996	1997	1998	1999	2000	2001
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenues						
Total	420 334	416 401	414 269	458 313	465 533	483 878
University only	389 993	381 006	393 054	431 725	441 007	445 319
Subsidiaries	30 341	35 395	21 214	26 588	24 527	38 559
Expenses						
Total	396 505	404 483	393 443	409 850	442 173	475 075
University only	367 767	370 700	373 384	386 105	424 759	441 244
Subsidiaries	28 738	33 784	20 059	23 745	17 414	33 831
Cash flows						
Net flows from operations	33 651	56 797	42 864	71 684	50 962	43 605
Net flows from Investing activities	-39 502	-69 899	-63 213	-46 258	-72 071	-66 384
Net flows from financing activities	-14 733	-1 321	27 549	-105	-116	-67
Payments for PPE	42 227	72 020	70 367	53 955	72 442	69 895
Assets						
Total assets	905 850	897 288	1 230 782	1 275 385	1 268 312	1 300 279
Current assets	106 109	76 661	93 637	125 176	106 591	88 288
PPE assets	786 653	813 934	906 207	920 224	927 836	979 167
Cash and investments	93 289	63 442	64 354	84 864	61 419	35 912
Liabilities						
Total liabilities	104 435	108 532	374 100	376 548	383 520	391 522
Current liabilities	71 205	78 271	88 005	91 718	97 292	107 043

Note For definitions see glossary.

Sources: ABS Cat. No. 5206.0, *National Income, Expenditure and Product, Australian National Accounts*, ABS, Canberra; RMIT University Annual Report (various editions).

D7 The University of Melbourne (Australia)

The University of Melbourne (Melbourne, Victoria) was established in 1853 and is the second-oldest in Australia. It is a public institution, operating under the *Melbourne University Act 1958* (Vic), and reports to the Victorian State Parliament through the Minister for Education and Training.

Significant changes in the University's recent history include amalgamations with the Melbourne College of Advanced Education and the Victorian College of Agriculture and Horticulture, affiliation with the Victorian College of the Arts, and the establishment of Melbourne University Private in 1998.

The University is a member of *Universitas 21*, a global network of universities which is aimed at expanding the international operations of its members.

The University was awarded Australian University of the Year by the Australian Good Universities Guide in 2001-02.

University profile

The University comprises ten faculties, the Institute of Land and Food Resources and the School of Graduate Studies. The main campus covers 19 hectares of land on the fringe of the Melbourne central business district. The Institute of Land and Food Resources offers higher education and TAFE programs across eight campuses, some of which are located in regional Victorian centres. The University also occupies three other campuses in the city of Melbourne. Together, these campuses have about 431 000 m² of useable floor space.⁷

The University offers diploma, bachelor and doctorate courses in a wide variety of disciplines. In 2000, there were 9840 course completions in 11 faculties. The largest faculty (by number of full-time equivalent (FTE) students) was the Faculty of Arts, followed by Medicine, Dentistry and Health Sciences and the Faculty of Science.

In 2001, there were over 30 000 FTE students, making Melbourne the third-largest university in Australia (DEST 2002f). Of these, 22 per cent were postgraduate students and 18 per cent were international students. There were 4655 FTE staff (2163 academic staff) (see table D7.1). In 2001, the student to teaching-staff ratio was 21.7 in FTE terms, up from 19.5 in 1997.⁸

⁷ The University of Melbourne, pers. comm., Melbourne, 17 December 2002.

⁸ Includes teaching only and teaching and research staff (see DEST 2002f).

Table D7.1 Students and staff — The University of Melbourne, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	30 125	
Undergraduate students	23 504	
Postgraduate students	6 619	
Full-time students	n.a.	25 037
Part-time students	n.a.	9 345
International students	5 550	
Domestic students	24 575	
Staff		
Total staff	4 653	
Academic staff	2 163	
Non-academic staff	2 490	

Note For definitions see glossary. **n.a.** Not available.

Sources: DEST 2002f; The University of Melbourne, pers. comms., Melbourne, 26 August 2002 and 27 August 2002.

In 2001, the University operated several wholly-owned subsidiaries including Melbourne University Private Ltd (which merged with Melbourne Enterprises International in May 2001), and it is affiliated with the Melbourne Business School.

Revenue, expenses and cash flows

In 2001, revenue was almost A\$840 million (see table D7.2). Revenue from all levels of government was 42 per cent of total income. Operating grant funding from the Commonwealth Government represented 60 per cent of government revenue, with grants from the Australian Research Council contributing a further 7 per cent (A\$25 million). In 2000, the University ranked first among Australian universities in terms of expenditure on research and experimental development (DEST 2002h).

Almost 26 per cent of total revenue was sourced from students under the Higher Education Contribution Scheme (HECS) and through full-fee-paying domestic and international students. Full-fee-paying international students provided around 12 per cent of total revenue in 2001.

Revenue from investments represented around 7 per cent of total revenue in 2001. Other sources included A\$30 million from non-government grants and A\$8 million from accommodation charges.

In 2001, total expenses were over A\$763 million (see table D7.3). Staff costs (salaries plus associated costs) were around 55 per cent of total expenses. Other significant expenses included depreciation (7 per cent of total) and buildings and grounds expenses (around 4 per cent).

Table D7.2 Revenue — The University of Melbourne, 2001

Revenue^a	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total revenue	839 769	27 876
Government	356 632	11 838
Operating grant funding	214 096	
Other government revenue	142 536	
Student	238 872	7 929
Domestic students ^b	135 638	5 519 ^c
HECS	84 053	
Full-fee-paying domestic	27 864	
Other student fees	23 721	
International students ^d	103 234	18 601 ^e
Other revenue	244 265	8 108
Investment income	60 210	1 999
Gifts and donations	17 112	568
Other	166 943	5 542

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Higher Education Contribution Scheme (HECS) revenue (both student and Australian Government contributions) is included in student revenue. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from domestic students per full-time equivalent (FTE) domestic student. ^d Revenue from international students is fees from full-fee-paying international students. ^e Revenue from international students per FTE international student.

Sources: DEST 2002f; The University of Melbourne Annual Report 2001; The University of Melbourne, pers. comms., Melbourne, 26 August 2002 and 27 August 2002;.

An operating surplus of A\$76 million was reported in 2001, of which subsidiaries contributed around A\$8 million. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 9 per cent in 2001, compared to an average operating margin of 8 per cent over the past six years.

There were net inflows of cash in five of the past six years, including 2001. In real terms, the University's net cash position has increased by over A\$62 million since 1996.

Table D7.3 Expenses and cash flows — The University of Melbourne, 2001

Expenses by type	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	763 363	
Total staff costs	422 286	90 756
Academic staff costs	226 697	104 807 ^a
Non-academic staff costs	195 589	
Buildings and grounds expenses	32 160	
Depreciation expense	55 793	
Other expenses	253 124	
Borrowing expense	8	
Income tax expense	-87	
Other	253 203	
Cash flows		
Net total cash flows	57 688	
Net flows from operating activities	136 931	
Net flows from investing activities	-162 823	
Net flows from financing activities	83 580	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per FTE academic staff member.

Sources: DEST 2002f; The University of Melbourne Annual Report 2001; The University of Melbourne, pers. comms., Melbourne, 26 August 2002 and 27 August 2002;.

Assets and liabilities

In 2001, the University had almost A\$2.8 billion in assets (see table D7.4). Physical assets (property, plant and equipment) comprised around 70 per cent of total asset value.

Land and buildings are valued independently. Physical assets considered essential to the function of the University (core assets) are valued at depreciated replacement cost. Non-core assets are valued at market value less disposal cost.

The University has over 6100 hectares of land, most of which is used by the Institute of Land and Food Resources. Small to medium land assets are valued on the basis of market evidence, while large sites are valued on a fair value basis.

In 2001, the main liabilities were borrowings and provisions for employee entitlements. Employee entitlements comprised mainly of superannuation (A\$95 million), long service leave (A\$48 million) and recreation leave (A\$34 million).

Table D7.4 Assets and liabilities — The University of Melbourne, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	2 780 030	92 283
Cash and investments	626 906	
Property, plant and equipment	1 987 836	
Buildings	1 199 506	
Land	417 050	
Equipment	39 511	
Other PPE assets	331 769	
Intangibles	5 945	
Other assets	159 343	
Liabilities		
Total liabilities	429 560	14 259
Borrowings	143 763	
Provisions	187 503	
Accounts payable	45 114	
Other liabilities	53 180	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001.

Sources: DEST 2002f; The University of Melbourne Annual Report 2001; The University of Melbourne, pers. comms., Melbourne, 26 August 2002 and 27 August 2002.

Financial trends

Since 1996, total revenue has grown in real terms by around 24 per cent, compared to expenses which have increased by just over 20 per cent in the same period (see table D7.5). Subsidiaries have contributed around 10 per cent of total revenues and expenses since 1996.

Assets increased, in real terms, by almost A\$575 million (26 per cent) over the six years to 2001. Cash and investment assets grew by 30 per cent over this period, compared to property, plant and equipment, the value of which grew by just over 19 per cent. Liabilities grew significantly from A\$182 million in 1996 to almost A\$430 million in 2001 — an increase of around 136 per cent.

Table D7.5 Financial trends — The University of Melbourne, 1996 to 2001
2001 Australian dollars

	1996	1997	1998	1999	2000	2001
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenues						
Total	677 138	700 438	716 007	735 225	772 239	839 769
University only	605 620	640 890	655 343	659 990	751 462	742 240
Subsidiaries	71 518	59 548	60 663	75 235	20 778	97 529
Expenses						
Total	630 166	655 890	690 507	715 382	717 034	763 450
University only	564 928	599 182	635 300	644 694	650 032	647 213
Subsidiaries	65 239	56 708	55 208	70 688	67 002	116 237
Cash flows						
Net flows from operations	107 298	92 324	78 914	84 794	69 695	136 931
Net flows from Investing activities	-86 329	-87 491	-57 337	-192 260	-69 375	-162 823
Net flows from financing activities	-3 550	1 196	447	13 750	52 350	83 580
Payments for PPE	50 107	56 408	56 598	105 676	135 084	185 438
Assets						
Total assets	2 205 089	2 214 397	2 321 716	2 396 423	2 658 950	2 780 030
Current assets	264 011	286 232	300 448	226 142	244 209	311 824
PPE assets	1 674 797	1 657 452	1 632 201	1 643 260	1 889 028	1 987 836
Cash and investments	480 466	510 682	538 030	606 195	600 223	626 906
Liabilities						
Total liabilities	182 004	177 974	281 959	299 513	138 801	429 560
Current liabilities	138 216	128 384	139 605	143 885	138 801	147 220

Note For definitions see glossary.

Sources: ABS Cat. No. 5206.0, *National Income, Expenditure and Product, Australian National Accounts*, ABS, Canberra; University of Melbourne Annual Report (various editions).

D8 The University of New South Wales (Australia)

The New South Wales Institute of Technology, the predecessor of the University of New South Wales (Sydney, NSW) was established in 1949. The initial focus of the Institute was on teaching and research in science and technology.

The University of New South Wales was established in 1960 as a public institution that reports to the NSW State Parliament through the Minister for Education and Training. It operates under the *University of New South Wales Act 1989* (NSW), which outlines its functions and powers.

In 2001, for the third year in a row, the University was awarded the NSW State Premier's Education Exporter of the Year Award and the Australian Education Exporter of the Year Award.

The University is a member of *Universitas 21*, a global network of universities, which is aimed at expanding the international operations of its members.

University profile

The main campus is situated in the eastern Sydney suburb of Kensington, 7 km from the central business district and includes 85 buildings on 38 hectares of land. The University operates 74 research centres and eight residential colleges.

The Australian Defence Force Academy in Canberra (ADFA) and the College of Fine Arts in Paddington (Sydney) are the only other campuses operated by the University.

Although founded as a technology institute, there are now nine faculties of various disciplines offering courses at the diploma, bachelor and doctorate level. The largest faculty (by number of full-time equivalent (FTE) students) is Engineering, followed by Commerce and Economics, Arts and Social Science.

In 2001, there were over 27 000 FTE students studying at the University (see table D8.1). There were 3825 FTE staff — 46 per cent of whom were academics. In 2001, the student to teaching-staff ratio was 19.5 in FTE terms, up from 16.5 in 1997 (DEST 2002f).⁹

⁹ Includes teaching only staff and teaching and research staff (see DEST 2002f).

Table D8.1 Students and staff — The University of New South Wales, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	27 724	
Undergraduate students	20 880	
Postgraduate students	6 845	
Full-time students	n.a.	11 441
Part-time students	n.a.	18 143
International students	6 819	
Domestic students	20 905	
Staff		
Total staff	3 825	
Academic staff	1 772	
Non-academic staff	2 053	

Note For definitions see glossary. **n.a.** Not available.

Source: DEST 2002f.

The University has many subsidiaries, two of the largest are NewSouth Global and the Australian Graduate School of Management — an entity formed from the merging of the New South Wales and Sydney business schools. NewSouth Global provides non-degree education and education consulting services in Australia and overseas.

Revenue, expenses and cash flows

In 2001, the University received A\$847 million in revenue (see table D8.2). Revenue from all levels of government was around 46 per cent of total income. Revenue from Government was mainly comprised of operating grant funding (46 per cent), superannuation contribution (21 per cent), funds for operating ADFA (10 per cent), funds for research into health and health services (6 per cent) and Australian Research Council grants (6 per cent).

In 2000, the University ranked 30th among Australian universities in terms of expenditure on research and experimental development (DEST 2002h).

Other revenue comprised a range of activities including, non-government contract research (A\$29 million) and international aid project management (A\$16 million).

Table D8.2 Revenue — The University of New South Wales, 2001

Revenue^a	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total revenue	847 430	30 567
Government	392 614	14 162
Operating grant funding	181 223	
Other government revenue	211 391	
Student	252 927	9 123
Domestic students ^b	131 674	6 299 ^c
HECS	71 865	
Full-fee-paying domestic	39 676	
Other student fees	20 133	
International students ^d	121 253	17 782 ^e
Other revenue	201 889	7 282
Investment income	21 431	773
Gifts and donations	21 184	764
Other	159 274	5 745

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Higher Education Contribution Scheme (HECS) revenue (both student and Australian Government contributions) is included in student revenue. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from domestic students per full-time equivalent (FTE) domestic student. ^d Revenue from international students is revenue from full-fee-paying international students. ^e Revenue from international students per FTE international student.

Sources: DEST 2002f; The University of New South Wales Annual Report 2001.

Total expenses were over A\$802 million. Staff costs (salaries plus associated costs) were around 50 per cent of total expenses. Other significant expenses included depreciation (6 per cent of total).

In 2001, the University reported an operating surplus of A\$44 million, of which subsidiaries contributed A\$16 million. The operating margin (surplus expressed as a percentage of revenue) was 8 per cent in 2001, slightly above the average for the past six years.

Table D8.3 Expenses and cash flows — The University of New South Wales, 2001

Expenses by type	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	802 984	
Total staff costs	401 050	104 850
Academic staff costs	188 501	106 378 ^a
Non-academic staff costs	212 549	
Buildings and grounds expenses	18 065	
Depreciation expense	45 832	
Other expenses	338 037	
Borrowing expense	—	
Income tax expense	43	
Other	337 994	
Cash flows		
Net total cash flows	37 443	
Net flows from operating activities	77 836	
Net flows from investing activities	-40 393	
Net flows from financing activities	—	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per FTE academic staff member. — Nil.

Sources: DEST 2002f; The University of New South Wales Annual Report 2001.

Assets and liabilities

The University had around A\$1.6 billion worth of assets in 2001, most of which were property, plant and equipment (see table D8.4). Other assets included income from the Commonwealth Government's contribution to superannuation.

Buildings and infrastructure are valued at written-down replacement cost, land is valued at current market prices and art works are valued at retail replacement cost.

The University's main liability was provisions for staff superannuation.

Table D8.4 **Assets and liabilities — The University of New South Wales, 2001**

Assets	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total assets	1 619 858	58 428
Cash and investments	381 842	
Property, plant and equipment	921 078	
Buildings	681 516	
Land	132 090	
Equipment	77 101	
Other PPE assets	30 371	
Intangibles	3 172	
Other assets	313 766	
Liabilities		
Total liabilities	456 312	16 459
Borrowings	—	
Provisions	355 648	
Accounts payable	36 209	
Other liabilities	64 455	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. — Nil.

Sources: DEST 2002f; The University of New South Wales Annual Report 2001.

Financial trends

Since 1996, total revenue has grown in real terms by around 6 per cent, compared to expenses which have declined by 6 per cent in the same period (see table D8.5). Subsidiaries contributed around 8 per cent of total revenues and expenses since 1996.

The University reported net inflows of cash in 2001, which has been the case in three of the last six years. In real terms, the University's net cash position has increased by over A\$119 million since 1996.

The value of assets remained steady, in real terms, over the six years to 2001. Cash and investment assets grew by 5 per cent over this period, compared to property, plant and equipment which declined by around 8 per cent. Liabilities declined from A\$595 million in 1996 to just over A\$456 million in 2001 — a decrease of around 23 per cent.

Table D8.5 Financial trends — The University of New South Wales, 1996 to 2001

2001 Australian dollars

	1996	1997	1998	1999	2000	2001
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenues						
Total	643 487	643 447	676 189	636 546	677 333	874 430
University only	604 441	603 102	625 201	568 139	571 812	733 627
Subsidiaries	39 046	40 344	50 988	68 407	105 522	140 803
Expenses						
Total	599 389	598 857	643 644	625 558	609 782	802 984
University only	563 264	559 890	594 285	563 933	520 399	705 005
Subsidiaries	36 125	38 968	49 359	61 625	89 382	97 979
Cash flows						
Net flows from operations	97 535	101 565	82 305	60 299	91 688	77 836
Net flows from Investing activities	-128 522	-28 807	-95 665	-65 953	-28 546	-40 393
Net flows from financing activities	—	—	—	—	—	—
Payments for PPE	29 119	20 118	39 749	57 260	30 562	25 357
Assets						
Total assets	1 641 759	1 589 477	1 596 755	1 543 302	1 519 560	1 619 858
Current assets	136 833	230 644	159 880	162 270	259 981	305 187
PPE assets	851 718	838 074	863 032	917 812	937 104	921 078
Cash and investments	364 616	417 405	395 695	332 192	346 189	381 842
Liabilities						
Total liabilities	594 519	522 914	514 655	459 530	392 471	456 312
Current liabilities	132 493	145 840	148 131	135 057	172 924	174 332

Note For definitions see glossary. — Nil.

Sources: ABS Cat. No. 5206.0, *National Income, Expenditure and Product, Australian National Accounts*, ABS, Canberra; University of New South Wales Annual Report (various editions).

D9 University of Southern Queensland (Australia)

The University of Southern Queensland (Toowoomba, Queensland) achieved university status in 1992. The University is a public institution, operating under the *University of Southern Queensland Act 1998* (Qld).

The International Council for Open and Distance Learning, based in Oslo Norway, awarded its top two Prizes of Excellence for 1999 to the University. In 2000-01, it was named as joint winner of 'University of the Year' by the Australian Good Universities Guide.

University profile

The main campus is in Toowoomba in southern Queensland. The University also has a campus at Hervey Bay as well as a European study centre in Bretten, Germany.

Professional and vocational courses are offered in the faculties of Arts, Business, Education, Engineering and Surveying, and Science. The University offers qualifications from certificate and associate degrees to doctorates.

In 2001, there were over 10 500 full-time equivalent (FTE) students, making it the 24th-largest university in Australia (DEST 2002f). Of the students enrolled, just over 18 per cent were postgraduate students and around 21 per cent were international students. There were 1117 FTE staff (401 academic staff) (see table D9.1). The student to teaching-staff ratio has increased from 25.9 in 1997 to 28.3 in 2001.¹⁰

In 2001, the University operated several wholly-owned subsidiaries including USQ Ed Pty Ltd, E-HigherEd Pty Ltd and University of Southern Queensland (South Africa) Pty Ltd. The financial results of these entities were not considered because results for these entities were not disclosed. Subsidiary results are deemed by USQ to be insignificant to the University's results.

¹⁰ Includes teaching only and teaching and research staff (see DEST 2002f).

Table D9.1 Students and staff — University of Southern Queensland, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	10 581	
Undergraduate students	8 646	
Postgraduate students	1 935	
Full-time students	n.a.	7 806
Part-time students	n.a.	9 279
International students	2 234	
Domestic students	8 348	
Staff		
Total staff	1 117	
Academic staff	401	
Non-academic staff	716	

Note For definitions see glossary. **n.a.** Not available.

Source: DEST 2002f.

Revenue, expenses and cash flows

In 2001, revenue was over A\$123 million (see table D9.2). Revenue from all levels of government was around 41 per cent of total income. Commonwealth operating grant funding represented 90 per cent of government revenue, with grants from the Australian Research Council contributing 1 per cent (A\$429 000). In 2000, the University ranked 30th among Australian universities in terms of expenditure on research and experimental development (DEST 2002h).

Almost 40 per cent of total revenue was sourced from students under the Higher Education Contribution Scheme (HECS) and through full-fee-paying domestic and international students. Full-fee-paying international students accounted for 33 per cent of student revenue, compared to 8 per cent from the fees of full-fee-paying domestic students.

Revenue from other private sources, including donations, investments and research contracts, accounted for around 16 per cent of the University's revenue.

Table D9.2 Revenue — University of Southern Queensland, 2001

Revenue ^a	A\$'000	Per FTE student (A\$)
Total revenue	123 118	11 636
Government	50 558	4 778
Operating grant funding	45 143	
Other government revenue	5 415	
Student	51 842	4 900
Domestic students ^b	34 857	4 175 ^c
HECS	28 350	
Full-fee-paying domestic	3 634	
Other student fees	2 873	
International students ^d	16 985	7 603 ^e
Other revenue	20 718	1 958
Investment income	765	72
Gifts and donations	468	44
Other	19 485	1 842

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Higher Education Contribution Scheme (HECS) revenue (both student and Australian Government contributions) is included in student revenue. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from domestic students per full-time equivalent (FTE) domestic student. ^d Revenue from international students is revenue from full-fee-paying international students. ^e Revenue from international students per FTE international student.

Sources: DEST 2002f; University of Southern Queensland Annual Report 2001.

In 2001, total expenses were almost A\$123 million (see table D9.3). Staff costs (salaries plus associated costs) were around 57 per cent of total expenses.

The University reported net outflows of cash in 2001, as has been the case in each of the past six years. In real terms, the net cash position has decreased by over A\$28 million since 1997.

In 2001, the University reported a surplus of just over A\$300 000. This equates to an operating margin (surplus expressed as a percentage of revenue) of 0.2 per cent. This is slightly below the average operating margin for the past six years.

Table D9.3 Expenses and cash flows — University of Southern Queensland, 2001

Expenses by type	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	122 814	
Total staff costs	70 876	63 452
Academic staff costs	31 080	77 506 ^a
Non-academic staff costs	39 796	
Buildings and grounds expenses	2 280	
Depreciation expense	4 455	
Other expenses	45 203	
Borrowing expense	—	
Income tax expense	—	
Other	45 203	
Cash flows		
Net total cash flows	-4 400	
Net flows from operating activities	3 255	
Net flows from investing activities	-7 655	
Net flows from financing activities	—	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per FTE academic staff member. — Nil.

Sources: DEST 2002f; University of Southern Queensland Annual Report 2001.

Assets and liabilities

In 2001, the University had almost A\$170 million in assets. Physical assets (property, plant and equipment) comprised around 85 per cent of total asset value, with cash and investments accounting for 9 per cent. Land and buildings are valued independently. Physical assets considered essential to the functions of the University (core assets) are valued at depreciated replacement cost. Non-core assets are valued at market value less disposal cost.

The University's main liabilities in 2001 were provisions for employee entitlements and accounts payable. Employee entitlements mainly consisted of provisions for long service leave (about A\$10 million).

Table D9.4 **Assets and liabilities — University of Southern Queensland, 2001**

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	169 342	16 004
Cash and investments	15 350	
Property, plant and equipment	144 774	
Buildings	108 940	
Land	6 005	
Equipment	8 505	
Other PPE assets	21 324	
Intangibles	–	
Other assets	9 218	
Liabilities		
Total liabilities	19 515	1 844
Borrowings	–	
Provisions	11 556	
Accounts payable	7 297	
Other liabilities	662	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. – Nil.

Sources: DEST 2002f; University of Southern Queensland Annual Report 2001.

Financial trends

Since 1996, total revenue has grown in real terms by around 8 per cent, compared to expenses which have increased by 19 per cent in the same period (see table D9.5). Subsidiaries did not materially contribute to total revenues or expenses over the period.

Assets increased, in real terms, by around A\$11 million (7 per cent) over the six years to 2001. Property, plant and equipment increased by around 32 per cent, although cash and investment assets decreased by almost 70 per cent over this period. Liabilities increased from A\$18 million in 1996 to around A\$19.5 million in 2001 — an increase of around 8 per cent.

**Table D9.5 Financial trends — University of Southern Queensland,
1996 to 2001**

2001 Australian dollars

	1996	1997	1998	1999	2000	2001
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenues						
Total	109 778	112 506	113 067	105 839	106 681	118 399
University only	109 778	112 506	113 067	105 839	106 681	118 399
Subsidiaries	—	—	—	—	—	—
Expenses						
Total	99 608	104 918	109 777	107 767	107 631	118 095
University only	99 608	104 918	109 757	107 767	107 631	118 095
Subsidiaries	—	—	20	—	—	—
Cash flows						
Net flows from operations	15 235	4 954	10 897	2 122	-143	3 255
Net flows from Investing activities	-17 132	-13 835	-17 419	-2 382	-6 614	-7 655
Net flows from financing activities	—	—	—	—	—	—
Payments for PPE	17 853	14 764	18 446	3 740	7 430	8 309
Assets						
Total assets	158 069	155 110	167 498	166 933	161 917	169 342
Current assets	47 785	37 849	30 133	29 776	23 893	21 068
PPE assets	110 284	117 261	137 284	137 080	137 954	144 774
Cash and investments	42 002	32 334	25 459	24 524	16 745	11 850
Liabilities						
Total liabilities	18 073	14 553	17 899	17 700	15 689	19 515
Current liabilities	15 501	12 202	14 955	15 256	7 120	11 326

Note For definitions see glossary. — Nil.

Source: ABS Cat. No. 5206.0, *National Income, Expenditure and Product, Australian National Accounts*, ABS, Canberra; University of Southern Queensland Annual Report (various editions).

D10 University of Tasmania (Australia)

The University of Tasmania (Hobart, Tasmania) was founded in 1890 and is the fourth oldest in Australia. The University is a public institution, established by the *University of Tasmania Act 1992* (Tas), that reports to the Tasmanian State Parliament through the Minister for Education.

Significant changes in the University's recent history include an amalgamation with the Tasmanian State Institute of Technology in Launceston in 1991. The North-West Centre campus in Burnie was opened in 1995.

University profile

There are two main campuses in Hobart and Launceston, both of which are located near the central business districts. Around 60 per cent of students enrolled at the University attend the Hobart campus, while around 34 per cent of students attend the Launceston campus. The University also has a smaller learning centre campus in Burnie. Not all courses offered at the Burnie campus can be completed without some study at other campuses.

The University offers diploma, bachelor and doctorate courses in a variety of areas. In 2000, 2835 courses were completed in six faculties. The largest faculty (by number of full-time equivalent (FTE) students) was the Faculty of Arts, followed by Science and Engineering, Commerce and Economics, and the Faculty of Education.

In 2001, there were around 10 000 FTE students, making it the 25th-largest university in Australia (DEST 2002f). Of these students, 9 per cent were postgraduates and 9 per cent were international students. There were 1420 FTE staff (618 academic staff) (see table D10.1). In 2001, the student to teaching-staff ratio was 21.1 in FTE terms, up from 18.9 in 1997.¹¹

Unitas Consulting is a wholly-owned subsidiary of the University. Unitas Consulting markets the consulting services of university staff to industry, government and international funding bodies and manages the delivery of consultancy services, continuing education services and conferences.

¹¹ Includes teaching only and teaching and research staff (see DEST 2002f).

Table D10.1 Students and staff — University of Tasmania, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	10 166	
Undergraduate students	9 209	
Postgraduate students	958	
Full-time students	n.a.	9 334
Part-time students	n.a.	2 620
International students	939	
Domestic students	9 227	
Staff		
Total staff	1 420	
Academic staff	618	
Non-academic staff	802	

Note For definitions see glossary. **n.a.** Not available.

Source: DEST 2002f.

Revenue, expenses and cash flows

In 2001, revenue was A\$183 million (see table D10.2). Revenue from all levels of government was 60 per cent of total income. Operating grant funding from the Commonwealth Government represented 75 per cent of government revenue, with grants from the Australian Research Council contributing 6.4 per cent (A\$7 million). In 2000, the University was ranked 12th among Australian universities in terms of expenditure on research and experimental development (DEST 2002h).

Around 26 per cent of total revenue was sourced from students under the Higher Education Contribution Scheme (HECS) and through full-fee-paying domestic and international students. Full-fee-paying international students accounted for over a quarter of all student revenue, compared to around 3 per cent from full-fee-paying domestic students.

Revenue from other sources included A\$6 million from research contracts and consulting, and A\$3 million from accommodation charges. Revenue from investments represented less than 2 per cent of total revenue.

Table D10.2 Revenue — University of Tasmania, 2001

Revenue^a	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	182 945	17 996
Government	109 811	10 802
Operating grant funding	76 358	
Other government revenue	48 491	
Student	47 884	4 710
Domestic students ^b	36 222	3 926 ^c
HECS	34 933	
Full-fee-paying domestic	1 289	
Other student fees	–	
International students ^d	11 662	12 420 ^e
Other revenue	25 250	2 484
Investment income	2 640	260
Gifts and donations	445	44
Other	22 165	2 180

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Higher Education Contribution Scheme (HECS) revenue (both student and Australian Government contributions) is included in student revenue. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from domestic students per full-time equivalent (FTE) domestic student. ^d Revenue from international students is revenue from full-fee-paying international students. ^e Revenue from international students per FTE international student. – Nil.

Sources: DEST 2002f; University of Tasmania Annual Report 2001.

In 2001, total expenses were over A\$181 million (see table 10.3). Staff costs (salaries plus associated costs) were almost 60 per cent of total expenses. Other expenses included depreciation (9 per cent) and buildings and grounds expenses (4 per cent).

The University reported an operating surplus of A\$2 million in 2001, of which subsidiaries contributed around A\$7 million. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 1 per cent in 2001, compared to an average margin of 5 per cent over the past six years.

The University reported net outflows of cash in four of the past six years, including 2001. In real terms, the University's net cash position has decreased by just over A\$7 million since 1996.

Table D10.3 Expenses and cash flows — University of Tasmania, 2001

Expenses by type	<i>A\$'000</i>	<i>Per FTE staff member (A\$)</i>
Total expenses	181 104	
Total staff costs	106 746	75 173
Academic staff costs	55 247	89 396 ^a
Non-academic staff costs	51 499	
Buildings and grounds expenses	7 509	
Depreciation expense	16 703	
Other expenses	50 146	
Borrowing expense	–	
Income tax expense	–	
Other	50 146	
Cash flows		
Net total cash flows	-5 885	
Net flows from operating activities	22 432	
Net flows from investing activities	-28 317	
Net flows from financing activities	–	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per FTE academic staff member. – Nil.

Sources: DEST 2002f; University of Tasmania Annual Report 2001.

Assets and liabilities

In 2001, the University had around A\$363 million in assets (see table D10.4). Physical assets (property, plant and equipment) comprised around 70 per cent of asset value, with cash and investments accounting for a further 25 per cent.

Land and buildings are valued independently every 5 years at market or replacement cost. Plant, equipment and library collections are valued at cost. Valuations for art and cultural collections are based on current insurance valuation.

In 2001, the University's main liabilities were provisions for employee entitlements, which comprised mainly staff superannuation (A\$20 million), long service leave (A\$13 million) and recreation leave (A\$3 million).

Table D10.4 Assets and liabilities — University of Tasmania, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	362 749	35 683
Cash and investments	91 983	
Property, plant and equipment	255 313	
Buildings	173 561	
Land	6 195	
Equipment	16 196	
Other PPE assets	59 361	
Intangibles	—	
Other assets	15 453	
Liabilities		
Total liabilities	57 005	5 607
Borrowings	—	
Provisions	36 217	
Accounts payable	6 253	
Other liabilities	14 535	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. — Nil.

Sources: DEST 2002f; University of Tasmania Annual Report 2001.

Financial trends

Since 1996, total revenue has grown in real terms by around 3 per cent, compared to expenses which have increased by almost 10 per cent over the same period (see table D10.5). Subsidiaries have contributed around 8 per cent of total revenues and expenses since 1996.

The value of assets decreased, in real terms, by almost 17 per cent over the six years to 2001 — despite cash and investment assets increasing by almost 37 per cent over this period. The value of property, plant and equipment assets declined by around 30 per cent. The decline was largely attributable to a change in the accounting policy relating to the estimated useful life of buildings. Liabilities declined from A\$62 million in 1996 to just over A\$57 million in 2001 — a decrease of around 8 per cent.

Table D10.5 Financial trends — University of Tasmania, 1996 to 2001

2001 Australian dollars

	1996	1997	1998	1999	2000	2001
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenues						
Total	177 503	181 001	178 203	180 595	180 001	182 945
University only	175 689	178 927	175 939	178 158	177 249	179 752
Subsidiaries	1 814	2 074	2 264	2 438	2 752	3 193
Expenses						
Total	164 999	157 814	162 954	174 430	180 305	181 104
University only	163 248	155 643	160 849	172 557	178 435	184 594
Subsidiaries	1 750	2 171	2 104	1 872	1 870	-3 490
Cash flows						
Net flows from operations	22 239	31 017	22 524	16 724	14 602	22 432
Net flows from Investing activities	-4 116	-16 962	-49 256	-17 679	-20 322	-28 317
Net flows from financing activities	—	—	—	—	—	—
Payments for PPE	11 899	12 944	17 075	14 849	12 023	22 872
Assets						
Total assets	434 142	446 555	452 067	380 852	367 815	362 749
Current assets	44 899	56 326	52 465	55 002	65 898	89 804
PPE assets	362 760	356 203	357 737	275 300	260 794	255 313
Cash and investments	67 215	87 335	89 877	92 460	92 049	91 983
Liabilities						
Total liabilities	62 257	62 685	59 190	54 251	54 647	57 005
Current liabilities	33 980	34 793	32 135	30 714	32 338	36 115

Note For definitions see glossary. — Nil.

Sources: ABS Cat. No. 5206.0, *National Income, Expenditure and Product, Australian National Accounts*, ABS, Canberra; University of Tasmania Annual Report (various editions).

D11 University of Western Sydney (Australia)

The University of Western Sydney (Sydney, NSW) commenced operations as a public university in January 1989 under the *University of Western Sydney Act 1988* (NSW). The Act allowed for the creation of a federated university, based on two colleges of advanced education — Hawkesbury Agricultural College and the Nepean College of Advanced Education.

In November 1989, the Macarthur Institute of Higher Education joined the University. The academic administration of each college was integrated in January 2001, which transformed the federated university into a multi-campus university.

The University has a study exchange program with over 100 overseas institutions.

University profile

The University is made up of six campuses located in western Sydney — Bankstown, Blacktown, Campbelltown, Hawkesbury, Parramatta and Penrith. The Hawkesbury campus includes a 1300 hectare property in the Hawkesbury Valley. The Campbelltown campus is around 150 hectares in size and the Penrith campus is around 195 hectares.

The University offers non-award, diploma, bachelor, masters and doctorate courses in a range of disciplines, including Management and Commerce, Agriculture, Engineering, Health, Society and Culture, and Information Technology. In 2001, the highest number of enrolments were in Management and Commerce, almost twice as many as the second most popular discipline.

In 2001, there were over 25 000 full-time equivalent (FTE) students (see table D11.1), making it the seventh-largest university in Australia (DEST 2002f). Of these, 14 per cent were postgraduates and 17 per cent were international students. In 2001, the student to teaching-staff ratio was 29.2 in FTE terms — up from 24.3 in 1997.¹²

¹² Includes teaching only staff and teaching and research staff (see DEST 2002f).

Table D11.1 Students and staff — University of Western Sydney, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	25 400	
Undergraduate students	21 842	
Postgraduate students	3 559	
Full-time students	n.a.	20 745
Part-time students	n.a.	7 943
International students	4 194	
Domestic students	21 206	
Staff		
Total staff	1 988	
Academic staff	936	
Non-academic staff	1 052	

Note For definitions see glossary. **n.a.** Not available.

Source: DEST 2002f.

The University has a number of wholly-owned subsidiaries, including Linkwest, a management services company and the Sydney Graduate School of Management, which provides management, real estate and other professional courses for local and international students.

Revenue, expenses and cash flows

In 2001, revenue was almost A\$313 million (see table D11.2). Revenue from all levels of government was 47 per cent of total income. Government revenue was mainly comprised of the Commonwealth base operating grant (85 per cent) and deferred superannuation (10 per cent).

In 2000, the University ranked 33rd among Australian universities in terms of expenditure on research and experimental development (DEST 2002h).

Almost 42 per cent of total revenue was sourced from students under the Higher Education Contribution Scheme (HECS) and through full-fee-paying domestic and international students. Full-fee-paying international students provided around 30 per cent of student revenue in 2001.

Table D11.2 Revenue — University of Western Sydney, 2001

Revenue^a	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	312 517	12 304
Government	147 555	5 809
Operating grant funding	125 351	
Other government revenue	22 204	
Student	137 700	5 421
Domestic students ^b	96 989	4 574 ^c
HECS	83 360	
Full-fee-paying domestic	6 968	
Other student fees	6 661	
International students ^d	40 711	9 707 ^e
Other revenue	27 262	1 073
Investment income	3 438	135
Gifts and donations	912	36
Other	22 912	902

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Higher Education Contribution Scheme (HECS) revenue (both student and Australian Government contributions) is included in student revenue. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from domestic students per full-time equivalent (FTE) domestic student. ^d Revenue from international students is revenue from full-fee-paying international students. ^e Revenue from international students per FTE international student.

Sources: DEST 2002f; University of Western Sydney Annual Report 2001.

In 2001, total expenses were over A\$307 million (see table D11.3). Staff costs (salaries plus associated costs) were around 61 per cent of total expenses. Other significant expenses included depreciation (6 per cent) and buildings and grounds expenses (around 5 per cent).

In 2001, the University reported an operating surplus of A\$5 million, of which subsidiaries contributed A\$1.5 million. The operating margin (operating surplus as a percentage of revenue) was 2 per cent, one percentage point below the average over the last five years.

The University reported net cash outflows in 2001, which has been the case in three of the last five years. However, in total over the five years to 2001, the University's net cash position increased by A\$1.2 million in real terms.

Table D11.3 Expenses and cash flows — University of Western Sydney, 2001

Expenses by type	<i>A\$'000</i>	<i>Per FTE staff member (A\$)</i>
Total expenses	307 476	
Total staff costs	188 584	94 861
Academic staff costs	104 360	111 496 ^a
Non-academic staff costs	84 224	
Buildings and grounds expenses	13 437	
Depreciation expense	19 445	
Other expenses	86 010	
Borrowing expense	—	
Income tax expense	—	
Other	86 010	
Cash flows		
Net total cash flows	-363	
Net flows from operating activities	41 103	
Net flows from investing activities	-41 466	
Net flows from financing activities	—	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per FTE academic staff member. — Nil.

Sources: DEST 2002f; University of Western Sydney Annual Report 2001.

Assets and liabilities

The University has around A\$697 million of assets, 80 per cent of which was property, plant and equipment and 14 per cent was cash and investments (see table D11.4). Cash and investments were mainly current financial assets.

Land and buildings are valued independently at current market value for existing use every five years.

Provisions, mainly deferred superannuation and long service leave, was the University's largest liability.

Table D11.4 Assets and liabilities — University of Western Sydney, 2001

Assets	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total assets	696 565	27 424
Cash and investments	95 194	
Property, plant and equipment	554 829	
Buildings	344 855	
Land	172 311	
Equipment	26 466	
Other PPE assets	11 197	
Intangibles	—	
Other assets	46 542	
Liabilities		
Total liabilities	87 523	3 446
Borrowings	3 685	
Provisions	60 517	
Accounts payable	12 554	
Other liabilities	10 767	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 December 2001. — Nil.

Sources: DEST 2002f; University of Western Sydney Annual Report 2001;.

Financial trends

Since 1997, total revenue has grown in real terms by around 13 per cent, while expenses increased by 20 per cent over the same period (see table D11.5). The contribution of subsidiaries to total revenues and expenses has more than doubled since 1997.

The value of assets decreased, in real terms, by 2 per cent over the five years to 2001, despite the value of cash and investment assets increasing by over 33 per cent over this period. The value of property, plant and equipment fell by around 3 per cent. Liabilities decreased from almost A\$112 million in 1996 to under A\$88 million in 2001 — a decrease of around 21 per cent.

Table D11.5 Financial trends — University of Western Sydney, 1996 to 2001
2001 Australian dollars

	1996	1997	1998	1999	2000	2001
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenues						
Total	289 601	277 244	288 334	289 694	279 308	312 517
University only	281 368	270 119	281 093	280 690	268 929	294 077
Subsidiaries	8 233	7 125	7 240	9 004	10 378	18 440
Expenses						
Total	270 001	257 113	278 493	284 479	263 806	307 476
University only	261 170	250 060	271 575	275 783	253 334	290 608
Subsidiaries	8 830	7 052	6 918	8 696	10 472	16 868
Cash flows						
Net flows from operations	44 016	35 895	21 987	23 692	35 624	41 103
Net flows from Investing activities	-37 161	-34 256	-25 019	-23 921	-32 392	-41 466
Net flows from financing activities	—	—	—	—	—	—
Payments for PPE	40 141	53 773	53 971	26 534	23 047	19 992
Assets						
Total assets	709 162	709 523	706 199	715 109	691 958	696 565
Current assets	82 102	66 036	61 645	59 131	76 049	90 136
PPE assets	546 526	579 934	586 052	599 885	573 872	553 283
Cash and investments	86 065	71 490	56 171	57 482	76 087	95 194
Liabilities						
Total liabilities	111 910	111 211	110 835	84 663	70 947	87 523
Current liabilities	44 613	37 745	42 775	24 292	31 615	28 578

Note For definitions see glossary. — Nil.

Sources: ABS Cat. No. 5206.0, *National Income, Expenditure and Product, Australian National Accounts*, ABS, Canberra; University of Western Sydney Annual Report (various editions), University of Western Sydney, pers. comm., Sydney, 16 December 2002.

D12 Queen's University (Canada)

Queen's University was established by Royal Charter in 1841, making it the first degree granting institution in Canada. The University is a public institution and operates under the 1841 Charter and subsequent provincial and federal statutes.

The University is one of Canada's top research and professional universities. In 2002, it ranked second (and in 2001, third) among medical and doctoral universities in *Macleans's* annual survey of Canadian universities (Macleans 2002).

In 1993, the University opened an International Study Centre in East Essex, England.

University profile

The main campus, located at the north-eastern end of lake Ontario in the city of Kingston, occupies approximately 41 hectares. The smaller, west campus, is located on 25 hectares of land 2 km from the main campus.

In total, the University has seven faculties — including the School of Graduate Studies and Research and School of Business — offering courses of study from associate diploma to doctorate level.

In 2001, there were over 16 500 enrolments (see table D12.1), making the University the 18th-largest university in Canada and the seventh largest in Ontario, in terms of student enrolment (AUCC 2001). Around 15 per cent of students were postgraduate students and 16 per cent were part-time students (AUCC 2001).

The University controls a collection of consolidated entities engaged in the development and commercialisation of new technologies, fund raising and education activities.

Table D12.1 Students and staff — Queens University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	16 585	
Undergraduate students	14 282	
Postgraduate students	2 303	
Full-time students	n.a.	n.a.
Part-time students	n.a.	n.a.
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	n.a.	
Academic staff	n.a.	
Non-academic staff	n.a.	

Note For definitions see glossary. **n.a.** Not available.

Source: Queens University Annual Financial Report 2001.

Revenue, expenses and cash flows

In 2001, the University received A\$524 million in revenue (see table D12.2). Around A\$148 million in revenue (28 per cent) was sourced from students. Domestic undergraduate fees for 2002-03 ranged from around A\$4500 a year for Arts to over A\$14 600 for Medicine. Fees for undergraduate international students ranged from around A\$11 000 to almost A\$19 000.

In 2001, investment income and gifts and donations accounted for 6 per cent and 3 per cent of total revenue respectively.

In 2001, total expenses were almost A\$503 million. Staff costs (salaries plus associated costs) were around 57 per cent of total expenses. Depreciation accounted for a further 6 per cent.

The University reported an operating surplus of A\$21.2 million. In 2001, the operating margin (surplus expressed as a percentage of revenue) was 4 per cent. A net cash outflow of just over A\$22 million was reported.

Table D12.2 Revenue, expenses and cash flows — Queens University, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	524 181	31 605
Government ^a	10 802	651
Student	147 544	8 896
Other revenue ^a	365 835	22 058
Investment income	33 335	2 010
Gifts and donations	16 939	1 021
Other	315 561	19 026
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	502 952	
Total staff costs	287 048	n.a.
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	n.a.	
Depreciation expense	29 058	
Other expenses	186 845	
Borrowing expense	2 458	
Income tax expense	—	
Other	184 387	
Cash flows		
Net total cash flows	-22 082	
Net flows from operating activities	83 803	
Net flows from investing activities	-105 159	
Net flows from financing activities	-727	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 April 2001. ^a The University received A\$275.7 million in 'grants and contracts' revenue. Whilst some or all of this may be from government, the Commission has included this in 'other revenue', as the source of the revenue is not clear. **n.a.** Not available. — Nil.

Source: Queens University Annual Financial Report 2001.

Assets and liabilities

The University reported over A\$900 million in assets in 2001 (see table D12.3). Physical assets (property, plant and equipment) comprised around 34 per cent of asset value, with cash and investments accounting for over 60 per cent.

Physical assets are reported at historical cost, except donated assets, which are reported at fair market value at the date of acquisition.

In 2001, liabilities were around A\$454 million, of which borrowings accounted for 10 per cent.

Table D12.3 Assets and liabilities — Queens University, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	925 149	55 781
Cash and investments	570 533	
Property, plant and equipment	317 022	
Buildings	242 214	
Land	27 293	
Equipment	30 703	
Other PPE assets	16 812	
Intangibles	—	
Other assets	37 594	
Liabilities		
Total liabilities	454 083	27 378
Borrowings	44 445	
Provisions ^a	n.a.	
Accounts payable ^a	n.a.	
Other liabilities ^a	409 638	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 April 2001. ^a Accounts payable and accrued liabilities could not be separated and were counted as 'other liabilities'. **n.a.** Not available. — Nil.

Source: Queens University Annual Financial Report 2001.

D13 Simon Fraser University (Canada)

Simon Fraser University was opened in September 1965 in Vancouver, British Columbia. It is a public institution and operates under the University Act RSBC 1996.

In 2002, the University ranked third (and in 2001, second) among comprehensive universities in *Maclean's* annual ranking of Canadian universities (Macleans 2002). It has been rated by *Maclean's* as Canada's best comprehensive university five times since 1993.

University profile

The University has three campuses — the main Burnaby campus, the Harbour Centre and the Surrey Campus. In total, it occupies around 200 hectares of land. The buildings on three campuses contain over 25 hectares of useable floor space.

The University has five faculties offering undergraduate and postgraduate courses in Applied Science, Art, Business Administration, Education, and Science. It also operates more than 30 institutes and research centres.

In 2001, there were almost 17 000 full-time equivalent (FTE) students, making it the 16th-largest university in Canada (AUCC 2001). Of the students enrolled, 14 per cent were postgraduate students and 16 per cent were international students. There were 1701 FTE staff (717 academic staff) (see table D13.1).

Table D13.1 Students and staff — Simon Fraser University, 2001

Students	Full-time equivalent (FTE)	Headcount
Total students	16 998	
Undergraduate students	14 664	
Postgraduate students	2 334	
Full-time students	n.a.	11 660
Part-time students	n.a.	13 836
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	1 701	
Academic staff	717	
Non-academic staff	985	

Note For definitions see glossary. **n.a.** Not available.

Source: Simon Fraser University Annual Report 2001.

Revenue, expenses and cash flows

In 2001, the University received over A\$309 million in revenue. Around 61 per cent of total revenue came primarily from the provincial government. A further 20 per cent (A\$61 million) in revenue was sourced from students (see table D13.2).

Revenue from investments represented around 7 per cent of total revenue.

In 2001, total expenses were over A\$298 million. Staff costs (salaries plus associated costs) were around 53 per cent of total expenses. Depreciation accounted for 8 per cent of total expenses.

The University reported an operating surplus of over A\$11 million in 2001. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 4 per cent in 2001, compared to a margin of 9 per cent in 2000. A net cash inflow of A\$1.9 million was reported for 2001.

Table D13.2 Revenue, expenses and cash flows — Simon Fraser University, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	309 432	18 204
Government	189 639	11 157
Student	61 101	3 595
Other revenue	58 692	3 453
Investment income	12 107	712
Gifts and donations	—	—
Other	46 584	2 741
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	298 096	
Total staff costs	156 971	92 271
Academic staff costs	68 507	95 610 ^a
Non-academic staff costs	88 464	
Buildings and grounds expenses	—	
Depreciation expense	24 195	
Other expenses	116 930	
Borrowing expense	—	
Income tax expense	3 193	
Other	113 737	
Cash flows		
Net total cash flows	1 894	
Net flows from operating activities	47 096	
Net flows from investing activities	-43 018	
Net flows from financing activities	-2 185	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 March 2001. ^a Academic staff costs per full-time equivalent academic staff member. — Nil.

Source: Simon Fraser University Annual Report 2001.

Assets and liabilities

In 2001, the University had over A\$572 million in assets (see table D13.3). Physical assets (property, plant and equipment) comprised around 60 per cent of asset value, with cash and investments accounting for a further 36 per cent. Physical assets are reported at historical cost, except donated assets which are reported at fair market value at the date of acquisition.

The 174 hectares of land at the Burnaby campus is reported at its 1965 assessed value of A\$634 000. The remaining land is reported at its 1998 assessed value.

In 2001, liabilities were almost A\$313 million, of which borrowings accounted for 11 per cent. Most long-term debt is in the form of debentures issued to the Province of British Columbia and are secured by student residence buildings.

Table D13.3 Assets and liabilities — Simon Fraser University, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	572 113	33 658
Cash and investments	208 234	
Property, plant and equipment	341 848	
Buildings	239 475	
Land	1 906	
Equipment	39 162	
Other PPE assets	61 304	
Intangibles	—	
Other assets	22 031	
Liabilities		
Total liabilities	312 759	18 400
Borrowings	33 858	
Provisions ^a	14 384	
Accounts payable ^b	n.a.	
Other liabilities ^b	264 517	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 March 2001. ^a Includes only employee future benefits. Other provisions could not be separated from accounts payable and were included in 'other liabilities'. ^b Accounts payable and accrued liabilities could not be separated and were counted as 'other liabilities'. **n.a.** Not available. — Nil.

Source: Simon Fraser University Annual Report 2001.

D14 University of British Columbia (Canada)

The University of British Columbia was founded in 1908 by the Vancouver Provincial Government, although students were not admitted until 1915. It is the oldest university in Vancouver. The University is a public institution and operates under The University Act RSBC 1996.

The University is one of Canada's premier research institutions. In 2001, it ranked fifth in Research InfoSource's annual ranking of Canada's top fifty research universities (RIS 2002). In 2001, it was ranked fifth (and in 2001, second) among medical and doctoral universities in *Maclean's* annual survey of Canadian universities (Macleans 2002).

In 2001, the University's Business School became the first major Canadian business school to offer an MBA program in China.

University profile

The main campus at Point Grey Peninsula is 30 minutes south of the Vancouver central business district. The campus sits on 402 hectares of land, of which 107 hectares is maintained, and houses the majority of the 423 buildings owned by the University. In total, these buildings contain over 1 million m² in gross floor space.

The University offers diploma, bachelor and doctorate courses in a wide variety of areas. It has 12 faculties, and a number of schools and associated colleges.

In 2001, over 37 500 students were enrolled, making it the third-largest university in Canada (AUCC 2001). Of the students enrolled, 18 per cent were postgraduate students and around 30 per cent were international students. The University employed over 9000 staff, around 20 per cent of whom were academic staff (see table D14.1).

In 2001, the University operated several wholly-owned subsidiaries including UBC Properties Trust, BR Centre Ltd and UBC Research Enterprises Inc. It is also involved in two joint venture research operations — the Tri-Universities Meson Facility (sub-atomic physics research) and the Western Canadian Universities Marine Biological Society.

Table D14.1 Students and staff —University of British Columbia, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	n.a.	37 562
Undergraduate students	n.a.	30 854
Postgraduate students	n.a.	6 708
Full-time students		26 584
Part-time students		10 978
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	n.a.	9 079
Academic staff	n.a.	1 740
Non-academic staff	n.a.	7 339

Note For definitions see glossary. **n.a.** Not available.

Source: University of British Columbia Annual Report 2001.

Revenue, expenses and cash flows

In 2001, the University received almost A\$969 million in revenue. Around 50 per cent of total revenue came from government, primarily at a provincial level. A further 22 per cent (A\$121 million) in revenue was sourced from students (see table D14.2).

In 2001, total expenses were almost A\$921 million. Staff costs (salaries plus associated costs) were around 66 per cent of total expenses. Depreciation accounted for 7 per cent of total expenses.

The University reported an operating surplus of almost A\$48 million in 2001. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 5 per cent in 2001, compared with a margin of 0.2 per cent in 2000. A net inflow of cash was reported for 2001.

Table D14.2 **Revenue, expenses and cash flows — University of British Columbia, 2001**

Revenue	<i>A\$'000</i>	<i>per student (A\$)</i>
Total revenue	968 614	25 787
Government	474 330	12 628
Student	121 458	3 234
Other revenue	372 826	9 926
Investment income	65 813	1 752
Gifts and donations	—	—
Other	307 013	8 173
Expenses	<i>A\$'000</i>	<i>per staff member (A\$)</i>
Total expenses	920 739	
Total staff costs	603 675	66 491
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	n.a.	
Depreciation expense	66 839	
Other expenses	250 225	
Borrowing expense	6 673	
Income tax expense	—	
Other	243 552	
Cash flows		
Net total cash flows	31 410	
Net flows from operating activities	129 888	
Net flows from investing activities	-128 777	
Net flows from financing activities	30 300	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 March 2001. **n.a.** Not available. — Nil.

Source: University of British Columbia Annual Report 2001.

Assets and liabilities

In 2001, the University reported over A\$1.8 billion in assets (see table D14.3). Physical assets (property, plant and equipment) comprised around 50 per cent of total asset value, with cash and investments accounting for a further 46 per cent.

Physical assets are reported at historical cost, except donated assets which are reported at fair market value at the date of acquisition. Land granted to the University is recorded at nominal value.

The University has almost 16 000 hectares of land, the majority of which is used by three research facilities. The largest of these facilities is the UBC-Alex Fraser Research Farm at Williams Lake (over 9800 hectares), followed by the

UBC/Malcom Knapp Research Forest (5000 hectares) and the Oyster River Research Farm (608 hectares).

In 2001, liabilities were over A\$879 million, of which borrowings accounted for 7 per cent. The majority of liabilities were for deferred capital contributions. Provisions, accounting for 5 per cent of liabilities, were primarily comprised of employee future benefits.

Table D14.3 Assets and liabilities — University of British Columbia, 2001

Assets	<i>A\$'000</i>	<i>per student (A\$)</i>
Total assets	1 821 679	48 498
Cash and investments	831 430	
Property, plant and equipment	905 436	
Buildings	678 661	
Land	30 712	
Equipment	126 108	
Other PPE assets	69 955	
Intangibles	—	
Other assets	84 813	
Liabilities		
Total liabilities	879 187	23 406
Borrowings	64 201	
Provisions	47 178	
Accounts payable	—	
Other liabilities	767 807	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 March 2001. — Nil.

Source: University of British Columbia Annual Report 2001.

D15 University of Waterloo (Canada)

The primary forerunner institution to the University of Waterloo (Ontario, Canada) — St Jerome's College — was established in 1865. In 1960, a charter was granted to the University of Waterloo to which St Jeromes's became a federated college. It is a public institution operating under the University of Waterloo Act 1972.

In 2002, the University ranked second (and in 2001, first) among comprehensive universities in *Maclean's* annual ranking of Canadian universities (Macleans 2002). For the 11th year in a row, the University was considered to have the best overall reputation (from a cross-section of academics, business people and guidance counsellors) among 47 universities across Canada.

University profile

The University offers diploma, bachelor and doctorate courses in a wide variety of areas. It has six faculties — Applied Health Sciences, Arts, Engineering, Environmental Studies, Mathematics, and Science — and four federated university colleges, Renison, St Jeromes, St Paul's United and the Conrad Grebel University College. In 2001, the largest faculties (by number of undergraduates) were Arts, Mathematics and Engineering.

The University operates the largest cooperative education program in the world. More than 11 000 students and 2800 employers participate in the scheme where students alternate terms of school and work in appropriate fields of business, industry, government, social services, or the professions. Work terms are usually four months long, with cooperative degrees taking up to an additional two years to complete.

In 2001, the graduation rate for the University was almost 79 per cent (averaged across all faculties) compared to less than 74 per cent for all universities in Ontario.

In 2001, over 22 600 students were enrolled, making it the 14th-largest university in Canada, in terms of student enrolment (AUCC 2001). Of the students enrolled, 13 per cent were part-time students (see table D15.1).

Table D15.1 Students and staff — The University of Waterloo, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	n.a.	22 663
Undergraduate students	n.a.	
Postgraduate students	n.a.	
Full-time students	n.a.	19 734
Part-time students	n.a.	2 929
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	n.a.	
Academic staff	n.a.	
Non-academic staff	n.a.	

Note For definitions see glossary. **n.a.** Not available.

Source: University of Waterloo Financial Statements 2001.

Revenue, expenses and cash flows

In 2001, the University received over A\$416 million in revenue, an increase of 14 per cent from the previous year. Student revenue accounted for over 24 per cent of all revenue (see table D15.2).

Revenue from gifts and donations accounted for less than 3 per cent of the University's revenue. Revenue from investments represented less than 5 per cent of total revenue.

In 2001, total expenses were over A\$397 million. Staff costs (salaries plus associated costs) were around 60 per cent of total expenses. Other significant expenses included depreciation (5 per cent of total), scholarships and bursaries (5 per cent) and buildings and grounds expenses (3 per cent).

The University reported an operating surplus of almost A\$19 million. In 2001, the operating margin (surplus expressed as a percentage of revenue) was almost 5 per cent, compared to 3 per cent in 2000. A net cash inflow of just over A\$34 million was reported for 2001.

Table D15.2 Revenue, expenses and cash flows — University of Waterloo, 2001

Revenue	<i>A\$'000</i>	<i>per student (A\$)</i>
Total revenue	416 228	18 366
Government ^a	9 359	413
Student	101 733	4 489
Other revenue	305 136	13 464
Investment income	10 106	446
Gifts and donations	10 495	463
Other ^a	284 536	12 555
Expenses	<i>A\$'000</i>	<i>per staff member (A\$)</i>
Total expenses	397 236	
Total staff costs	239 186	n.a.
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	12 854	
Depreciation expense	20 191	
Other expenses	125 004	
Borrowing expense	—	
Income tax expense	—	
Other	125 004	
Cash flows		
Net total cash flows	34 099	
Net flows from operating activities	40 159	
Net flows from investing activities	-5 053	
Net flows from financing activities	-1 007	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 April 2001. ^a Waterloo received A\$206.5 million in 'grants and contracts' revenue. Whilst some or all of this may be from government, the Commission has included this in 'other revenue', as the source of the revenue was not clear. **n.a.** Not available. — Nil.

Source: University of Waterloo Financial Statements 2001.

Assets and liabilities

The University had almost A\$393 million in assets (see table D15.3). Physical assets (property, plant and equipment) comprised around 45 per cent of total asset value, with cash and investments accounting for a further 50 per cent.

Physical assets are reported at historical cost, except donated assets which are reported at fair market value at the date of acquisition.

In 2001, liabilities were over A\$321 million, of which provisions represented 23 per cent and borrowings 7 per cent. Provisions were primarily comprised of employee future benefits.

Table D15.3 Assets and liabilities — University of Waterloo, 2001

Assets	<i>A\$'000</i>	<i>per student (A\$)</i>
Total assets	392 888	17 336
Cash and investments	195 801	
Property, plant and equipment	174 957	
Buildings	105 302	
Land	5 719	
Equipment	42 223	
Other PPE assets	21 713	
Intangibles	—	
Other assets	22 129	
Liabilities		
Total liabilities	321 109	14 169
Borrowings	23 868	
Provisions	73 332	
Accounts payable	31 051	
Other liabilities	192 858	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 April 2001. — Nil.

Source: University of Waterloo Financial Statements 2001.

D16 The University of Hong Kong (Hong Kong)

The University of Hong Kong was established in 1910 and is the oldest university in Hong Kong. It is a public institution, operating under the University of Hong Kong (Amendment) Ordinance 1996.

The University is a member of *Universitas 21*, a global network of universities which is aimed at expanding the international operations of its members.

University profile

The main campus of the University, housing its 10 faculties, covers around 15 hectares of land on the west side of Hong Kong island. It also occupies a medical campus nearby. A related body — the Kadoorie Agricultural Research Centre — occupies around 11 hectares near Shek Kong, located in the New Territories. Together, these campuses have around 441 000 m² of useable floor space.

The University offers diploma, bachelor and doctorate courses in a wide variety of areas. In 2000, 5467 degrees were awarded. The largest faculty (by number of students) was the Faculty of Engineering, followed by the Faculties of Arts, Science, Social Science and of Medicine.

In 2001, there were over 12 000 full-time equivalent students (see table D.16.1), including around 3200 part-time students. The University employed a total of 3700 staff, including 1179 academic staff.

In 2001, the University operated several wholly-owned subsidiaries including HKU Consultants Ltd, HKU Facility Management Consultancy Ltd, Poon Kam Kai Institute of Management, HKU Enterprise Ltd and HKU Cybernet Ltd. The University's subsidiaries were involved in a range of activities including consultancy services, continuing education and investment management.

Table D16.1 Students and staff — The University of Hong Kong, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	12 163	
Undergraduate students	n.a.	
Postgraduate students	n.a.	
Full-time students	n.a.	n.a.
Part-time students	n.a.	n.a.
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	n.a.	3 721
Academic staff	n.a.	1 179
Non-academic staff	n.a.	2 542

Note For definitions see glossary. **n.a.** Not available.

Sources: University of Hong Kong Financial Report 2001; University of Hong Kong, pers. comm., Hong Kong, 4 September 2002.

Revenue, expenses and cash flows

In 2001, the University received A\$888 million in revenue (see table D16.2). Government revenue included an operating grant of around A\$373 million and earmarked grants of A\$74 million from the Hong Kong Government. Almost A\$92 million (10.4 per cent) in revenue was sourced from students.

Revenue from investments represented around 4 per cent of total revenue in 2001. Other sources included A\$84 million from the HKU School of Professional and Continuing Education and A\$6.2 million from rental accommodation.

The University reported an operating deficit of A\$11 million in 2001. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was -1.2 per cent in 2001, compared to an average margin of 8.4 per cent over the past three years.

Table D16.2 Revenue, expenses and cash flows — The University of Hong Kong, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	888 253	73 029
Government	471 627	38 776
Student	91 561	7 528
Domestic students	n.a.	n.a.
International students	n.a.	n.a.
Other revenue	325 065	26 726
Investment income	34 640	2 848
Gifts and donations	89 064	7 323
Other	201 360	16 555
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	899 311	
Total staff costs	n.a.	n.a.
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	n.a.	
Depreciation expense	n.a.	
Other expenses	n.a.	
Borrowing expense	n.a.	
Income tax expense	n.a.	
Other	n.a.	
Cash flows		
Net total cash flows	37 037	
Net flows from operating activities	32 893	
Net flows from investing activities	5 349	
Net flows from financing activities	-1 205	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. **n.a.** Not available.

Sources: University of Hong Kong Financial Report 2001; University of Hong Kong, pers. comm., Hong Kong, 4 September 2002.

The University reported net inflows of cash in 2001, which was the case in each of the previous three years. In real terms, the net cash position has increased by over A\$216 million since 1999.

Assets and liabilities

In 2001, the University had around A\$1.1 billion in assets, equating to over A\$90 000 per FTE student (see table D16.3). Physical assets (property, plant and equipment) comprised around 5 per cent of asset value. Cash and investments accounted for around 92 per cent of assets.

The University expenses all assets except those that are acquired through credit facilities and finance leases or for an activity with a clear objective of returning a profit. Consequently, it did not place significant value on many of its facilities. A valuation by the University in 2001 of its teaching, administration and accommodation buildings leased from the government amounted to around A\$2.4 billion.

In 2001, the main liabilities were amounts owed to suppliers. Provisions included amounts received in advance by the University for orders and to meet future budget commitments.

Table D16.3 Assets and liabilities — The University of Hong Kong, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	1 095 727	90 087
Cash and investments	1 010 488	
Property, plant and equipment	54 878	
Buildings	n.a.	
Land	n.a.	
Equipment	n.a.	
Other PPE assets	n.a.	
Intangibles	–	
Other assets	30 362	
Liabilities		
Total liabilities	124 387	10 227
Borrowings	10 412	
Provisions	42 823	
Accounts payable	71 151	
Other liabilities	–	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001.

Sources: The University of Hong Kong Financial Report 2001; The University of Hong Kong, pers. comm., 4 September 2002.

D17 The University of Dublin, Trinity College (Ireland)

Trinity, the oldest university in Ireland, came into existence by a royal charter from Queen Elizabeth I in 1592. In the second half of the 17th century, the college was caught in the turmoil of two civil wars and in 1689 was turned into a barracks for the soldiers of King James II.

The University received its first annual grant from the Irish State in 1947 and student numbers have increased ever since. The University has also experienced rapid change, fuelled to a large extent by the increase in academic appointments from overseas universities.

The University is involved in joint teaching arrangements with six other Irish institutions.

University profile

Trinity College, situated on 19 hectares in the heart of Dublin, is the only campus of the University of Dublin. It operates 20 research centres and the Innovation Centre, which provides facilities for companies to develop products and services from university research. Over 40 companies have been established by the centre since 1986.

Trinity is composed of six faculties — Arts (humanities), Arts (letters), Business, Economics and Social Studies, Engineering and Systems Science, Health Science and Science. In 2000, 4 467 degrees were completed.

In 2001, there were 14 849 students enrolled at Trinity (see table D17.1), and 665 academic staff were employed. For every academic employed, there were 22.3 students enrolled (in terms of the student headcount).

Table D17.1 Students and staff — The University of Dublin, Trinity College, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	n.a.	14 849
Undergraduate students	n.a.	11 260
Postgraduate students	n.a.	3 589
Full-time students	n.a.	11 941
Part-time students	n.a.	2 908
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	1 723	
Academic staff	665	
Non-academic staff	1 058	

Note For definitions see glossary. **n.a.** Not available.

Source: The University of Dublin, Trinity College Financial Statements 2001.

Revenue, expenses and cash flows

In 2001, Trinity received over A\$233 million in revenue (see table D17.2). The main sources of revenue were government (36 per cent), student fees (26 per cent) and research grants and projects (15 per cent). Revenue from research grants and projects increased by 25 per cent in 2001 compared with 2000. For the first time in 2001, over 50 per cent of funding from research grants and projects came from sources within Ireland.

The University reported an operating surplus of about A\$39 000 in 2001, which equates to an operating margin (surplus expressed as a percentage of revenue) of 0.02 per cent.

Trinity reported net cash inflows of A\$2.2 million and A\$1.5 million for 2001 and 2000 respectively.

Table D17.2 Revenue, expenses and cash flow — The University of Dublin, Trinity College, 2001

Revenue	<i>A\$'000</i>	<i>per student (A\$)</i>
Total revenue	233 432	15 720
Government ^a	83 680	5 635
Student	60 910	4 102
Other revenue	88 841	5 983
Investment income	4 933	332
Gifts and donations	1 162	78
Other ^a	82 747	5 573
Expenses	<i>A\$'000</i>	<i>Per FTE staff member (A\$)</i>
Total expenses	233 393	
Total staff costs	133 173	77 291
Academic staff costs	61 454	92 412 ^b
Non-academic staff costs	71 718	
Buildings and grounds expenses	5 982	
Depreciation expense	24 469	
Other expenses	69 769	
Borrowing expense	—	
Income tax expense	—	
Other	69 769	
Cash flows		
Net total cash flows	2 197	
Net flows from operating activities	-19 068	
Net flows from investing activities	-19 679	
Net flows from financing activities	40 943	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 September 2001. ^a Trinity College Dublin received A\$34.6 million in 'research grants and projects' revenue. Whilst some or all of this may be from government, the Commission has included this in 'other revenue', as the source of the revenue was not clear. ^b Academic staff costs per full-time equivalent academic staff member. — Nil.

Source: The University of Dublin, Trinity College Financial Statements 2001.

Assets and liabilities

In 2001, the University had about A\$800 million worth of assets, of which 84 per cent was property, plant and equipment.

From the financial statements, separate values of land and buildings could not be determined. Buildings built before October 1998 are valued at standard replacement cost and buildings established since this date are valued at historical cost. Building values are also net of depreciation and are assumed to have a useful life of 50 years. Equipment, fixtures and fittings are valued at cost less depreciation and land is valued on an existing use basis.

Table D17.3 Assets and liabilities — The University of Dublin, Trinity College, 2001

Assets	<i>A\$'000</i>	<i>Per student (A\$)</i>
Total assets	799 365	53 833
Cash and investments	70 675	
Property, plant and equipment	667 533	
Buildings	n.a.	
Land	n.a.	
Equipment	n.a.	
Other PPE assets	n.a.	
Intangibles	–	
Other assets	61 156	
Liabilities		
Total liabilities	102 620	6 911
Borrowings	n.a.	
Provisions	n.a.	
Accounts payable	n.a.	
Other liabilities	n.a.	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 September 2001. **n.a.** Not available. – Nil.

Source: The University of Dublin, Trinity College Financial Statements 2001.

D18 University of Limerick (Ireland)

The University of Limerick was established by the State in 1972 as The National Institute for Higher Education, Limerick. Through legislation enacted in 1989, it became the first university established since the foundation of the Irish State.

The University is a member of the Socrates Exchange Program, an international student exchange program involving over 160 European universities.

As part of all undergraduate courses at Limerick, students are required to spend between six and eight months in employment relevant to their degree.

Students of Liberal Arts undertake study at the nearby Mary Immaculate College of Education.

University profile

The University is located in the heart of the 240 hectare National Technological Park at Plassey, 5 km from the city of Limerick. Over 70 different organisations are located on the Park and interact in a variety of ways with the teaching, research and cultural activities of the University. Development of the University has been financed by both the World Bank and the European Investment Bank.

The University is composed of six constituent Colleges — the College of Business, the Faculty of Education, the College of Engineering, the College of Science, the College of Informatics and Electronics and the College of Humanities. Limerick has over 60 research centres with 182 laboratories and offers over 100 courses (undergraduate and postgraduate). The University operates residences for around 1500 students and staff, and owns a concert hall that seats over 1000 people.

In 2000, there were over 10 000 students enrolled and over 400 academic staff were employed (see table D18.1). This equates to 26 students enrolled per academic staff member (in terms of headcount). There were 3171 graduates in 2001, each college had between 500 and 600 graduates, except for Science and Engineering which had 215 and 366 respectively.

Table D18.1 Students and staff — University of Limerick, 2000

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	n.a.	10 819
Undergraduate students	n.a.	8 982
Postgraduate students	n.a.	1 837
Full-time students	n.a.	9 394
Part-time students	n.a.	1 425
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	n.a.	911
Academic staff	n.a.	413
Non-academic staff	n.a.	498

Note For definitions see glossary. **n.a.** Not available.

Source: University of Limerick Financial Statements 2000.

Revenue, expenses and cash flows

In 2000, the University received over A\$160 million in revenue (see table D18.2). The main sources of revenue were government (30 per cent), student fees (25 per cent) and an unrealised surplus on revaluation of land and buildings (22 per cent). In 2000, the title of the land occupied by the University was transferred to the University.

The University reported an operating surplus of A\$36 million in 2000, which equates to an operating margin (surplus expressed as a percentage of revenue) of 22 per cent.

Limerick reported net cash outflows of A\$2.9 million and A\$1.6 million for 1999 and 2000 respectively.

Table D18.2 **Revenue and expenses and cash flows — University of Limerick, 2000^a**

Revenue	<i>A\$'000</i>	<i>per student (A\$)</i>
Total revenue	160 820	14 865
Government	48 187	4 454
Student	41 114	3 800
Other revenue	71 519	6 611
Investment income	682	63
Gifts and donations	—	—
Other	70 838	6 548
Expenses	<i>A\$'000</i>	<i>Per staff member (A\$)</i>
Total expenses	124 846	
Total staff costs ^b	52 463	57 589
Academic staff costs	27 635	66 914 ^c
Non-academic staff costs	24 828	
Buildings and grounds expenses	4 599	
Depreciation expense	11 025	
Other expenses	56 759	
Borrowing expense	—	
Income tax expense	—	
Other	56 759	
Cash flows		
Net total cash flows	-2 922	
Net flows from operating activities	-1 746	
Net flows from investing activities	-17 915	
Net flows from financing activities	16 738	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (PPPs) (see appendix B). All financial information refers to the consolidated entity for the year ending 30 September 2000. ^a Financial information was reported by the University in 2000 Irish Pounds. This data was inflated to 2001 Irish prices and then converted to Euros for the purposes of PPP conversion. ^b Staff costs does not include the cost of staff in ancillary services. ^c Academic staff costs per full-time equivalent academic staff. — Nil.

Source: University of Limerick Financial Statements 2000.

Assets and liabilities

In 2000, the University had about A\$358 million worth of assets (see table D18.3), of which 93 per cent was property, plant and equipment.

From the financial statements, separate values of land and buildings could not be determined. Land — recorded in the balance sheet for the first time in 2000 — is valued according to existing use at about A\$74 000 per hectare. On this basis, the value of the University's land is about A\$111 million.

Buildings are valued on an existing use basis at a standard cost of A\$3 520 per square metre, less depreciation. Partially constructed buildings are valued at cost. Equipment, fixtures and fittings are reported at cost less depreciation.

Table D18.3 Assets and liabilities — University of Limerick, 2000^a

Assets	<i>A\$'000</i>	<i>Per student (A\$)</i>
Total assets	357 808	33 072
Cash and investments	18 619	
Property, plant and equipment	333 827	
Buildings	n.a.	
Land	n.a.	
Equipment	14 225	
Other PPE assets	115	
Intangibles	–	
Other assets	5 363	
Liabilities		
Total liabilities	23 879	2 207
Borrowings	n.a.	
Provisions	n.a.	
Accounts payable	n.a.	
Other liabilities	23 879	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (PPPs) (see appendix B). All financial information refers to the consolidated entity for the year ending 30 September 2000. ^aFinancial information was reported by the University in 2000 Irish Pounds. This data was inflated to 2001 Irish prices and then converted to Euros for the purposes of PPP conversion. **n.a.** Not available. – Nil.

Source: University of Limerick Financial Statements 2000.

D19 The University of Amsterdam (Netherlands)

The Athenaeum Illustre — the precursor to the University of Amsterdam — was founded in 1632, primarily to educate students in trade and philosophy. Until the late 19th century, the institution remained small, with no more than 250 students and eight teachers. In 1877, the Athenaeum was conferred university status and renamed the University of Amsterdam.

The University is a public institution. Members of the Board of Overseers are appointed by the Minister of Education, Culture and Science.

University profile

The University offers non-award, diploma, bachelor and doctorate courses in a range of disciplines.

There are seven faculties — Humanities, Law, Economics and Econometrics, Medicine, Dentistry, Science, and Social Behavioural Science. Notably, technology and engineering disciplines are not part of the University's teaching or research programs. The largest faculties, by student enrolment, are Social Behavioural Science, Humanities and Law.

In 2001, almost 22 000 students were enrolled at the University, making it one of the largest universities in the Netherlands. There were over 5000 staff, around 55 per cent of whom were academic staff (see table D19.1).

The University operates 17 wholly-owned subsidiaries and has five joint ventures with other parties.

Table D19.1 Students and staff — The University of Amsterdam, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	n.a.	21 927
Undergraduate students	n.a.	
Postgraduate students	n.a.	
Full-time students	n.a.	n.a.
Part-time students	n.a.	n.a.
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	5 074	
Academic staff	2 730	
Non-academic staff	2 344	

Note For definitions see glossary. **n.a.** Not available.

Sources: The University of Amsterdam Annual Report 2001; University of Amsterdam, pers. comm., Amsterdam, 26 August 2002.

Revenue, expenses and cash flows

In 2001, the University received over A\$720 million in revenue (see table D19.2). Around 74 per cent of total revenue came from government, primarily at a provincial level. A further 7 per cent (A\$53 million) was sourced from students.

Revenue from investments represented around 1.2 per cent of total revenue. Other revenue included A\$17 million from private research contracts and A\$4 million from rental of accommodation.

In 2001, total expenses were almost A\$740 million. Staff costs (salaries plus associated costs) were around 54 per cent of total expenses. Depreciation accounted for around 5 per cent of total expenses.

The University reported an operating deficit of over A\$19 million in 2001. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was -2.7 per cent in 2001, compared to a margin of 5.2 per cent in 2000. The University has reported net cash inflows in the past two years.

Table D19.2 **Revenue, expenses and cash flows — The University of Amsterdam, 2001**

Revenue	<i>A\$'000</i>	<i>per student (A\$)</i>
Total revenue	720 576	32 862
Government	533 808	24 345
Student	53 136	2 423
Other revenue	133 632	6 094
Investment income	8 784	401
Gifts and donations	—	n.a.
Other	124 848	5 694
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	739 728	
Total staff costs	402 624	79 350
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	9 360	
Depreciation expense	35 424	
Other expenses	292 320	
Borrowing expense	288	
Income tax expense	—	
Other	292 032	
Cash flows		
Net total cash flows	8 496	
Net flows from operating activities	41 040	
Net flows from investing activities	-37 440	
Net flows from financing activities	4 896	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. **n.a.** Not available. — Nil.

Sources: The University of Amsterdam Annual Report 2001; The University of Amsterdam, pers. comm., Amsterdam, 26 August 2002.

Assets and liabilities

In 2001, the University reported almost A\$723 million in assets (see table D19.3). Physical assets (property, plant and equipment) comprised around 46 per cent of total asset value, with cash and investments accounting for a further 27 per cent. Physical assets are reported at historical cost. Land granted to the University is recorded at nominal value.

In 2001, liabilities were around A\$402 million, of which borrowings accounted for 7 per cent. The majority of liabilities were for deferred capital contributions. Provisions, which accounted for 5 per cent, were primarily comprised of future employee benefits.

Table D19.3 Assets and liabilities — The University of Amsterdam, 2001

Assets	<i>A\$'000</i>	<i>per student (A\$)</i>
Total assets	722 736	32 961
Cash and investments	193 536	
Property, plant and equipment	334 224	
Buildings	266 544	
Land	13 968	
Equipment	53 712	
Other PPE assets	–	
Intangibles	–	
Other assets	194 976	
Liabilities		
Total liabilities	401 616	18 316
Borrowings	4 896	
Provisions	137 088	
Accounts payable	26 640	
Other liabilities	232 992	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. – Nil.

Sources: University of Amsterdam Annual Report 2001; University of Amsterdam, pers. comm., Amsterdam, 26 August 2002.

D20 Utrecht University (Netherlands)

Utrecht University was founded in 1636. It is located in the city of Utrecht in the heart of the Netherlands. It is a public institution. Its Supervisory Board is appointed by the Minister for Education, Culture and Science.

The University is involved with several other European universities in the management of the Dutch Institute in Madrid.

University profile

The main campus is located east of the Amsterdam city centre at the De Uithof campus. The University also has a smaller campus in the city centre housing two faculties, and a museum and cultural centre. A separate University College has accommodation facilities for up to 600 students.

The University offers diploma, bachelor and doctorate courses in a wide variety of disciplines. In 2001, 2915 degrees were awarded in 14 faculties across 70 courses. The largest faculties (by number of students) are Social Sciences, Arts, Science and Medicine.

The University has a strong research profile. In 2001, this profile was enhanced with the establishment of the Copernicus of Sustainable Development.

In 2001, there were over 22 400 students enrolled at the University, making it one of the largest universities in the Netherlands. There were 6242 staff, around 51 per cent of whom were academic staff (see table D20.1).

The University operates, through a holding company, several wholly-owned subsidiaries involved in asset and career management and contract research, including University U-CLU, Topselect, and U-Cytech.

Table D20.1 Students and staff — Utrecht University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	n.a.	22 422
Undergraduate students	n.a.	
Postgraduate students	n.a.	
Full-time students	n.a.	n.a.
Part-time students	n.a.	n.a.
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	6 242	
Academic staff	3 184	
Non-academic staff	3 058	

Note For definitions see glossary. **n.a.** Not available.

Sources: Utrecht University Annual Report 2001; Utrecht University, pers. comm., Utrecht, 22 August 2002.

Revenue, expenses and cash flows

In 2001, the University received over A\$848 million in revenue (see table D20.2). Around 74 per cent of total revenue primarily came from the provincial government. A further 6 per cent (A\$53 million) in revenue was sourced from students.

Revenue from investments represented around 1.4 per cent of total revenue. Other revenue included A\$20 million from private research contracts, A\$9 million from veterinary care and A\$3 million from rental of facilities.

In 2001, total expenses were over A\$838 million. Staff costs (salaries plus associated costs) were around 58 per cent of total expenses. Depreciation accounted for around 4 per cent of total expenses.

The University reported an operating surplus of around A\$10 million in 2001. The operating margin (surplus expressed as a percentage of revenue) was 1.2 per cent in 2001, compared with an average margin of 1.6 per cent over the previous three years. Net inflows of cash were reported in 2001.

Table D20.2 Revenue, expenses and cash flows — Utrecht University, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	848 231	37 830
Government	623 877	27 824
Student	53 060	2 366
Other revenue	171 295	7 640
Investment income	11 706	522
Gifts and donations	—	—
Other	159 589	7 117
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	838 018	
Total staff costs	486 386	77 921
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	26 069	
Depreciation expense	36 937	
Other expenses	288 627	
Borrowing expense	—	
Income tax expense	—	
Other	288 627	
Cash flows		
Net total cash flows	4 919	
Net flows from operating activities	84 674	
Net flows from investing activities	-79 296	
Net flows from financing activities	-459	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. – Nil.

Sources: Utrecht University Annual Report 2001; Utrecht University, pers. comm., Utrecht, 22 August 2002.

Assets and liabilities

The University had over A\$801 million in assets in 2001 (see table D20.3). Physical assets (property, plant and equipment) comprised around 65 per cent of asset value, with cash and investments accounting for a further 23 per cent.

In 2001, provisions accounted for around 57 per cent of the University's total liabilities. Provisions included around A\$25 million for accrued leave entitlements and A\$92 million for future costs for removing asbestos from buildings.

Table D20.3 Assets and liabilities — Utrecht University, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	801 197	35 733
Cash and investments	182 485	
Property, plant and equipment	519 456	
Buildings	471 865	
Land	24 919	
Equipment	22 672	
Other PPE assets	–	
Intangibles	5 491	
Other assets	93 764	
Liabilities		
Total liabilities	273 130	12 181
Borrowings	1 566	
Provisions	155 627	
Accounts payable	32 448	
Other liabilities	83 489	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. **n.a.** Not available. – Nil.

Sources: Utrecht University Annual Report 2001; Utrecht University, pers. comm., Utrecht, 22 August 2002.

D21 Massey University (New Zealand)

Massey University was established in 1927 and was granted university status in 1963. The University is a public institution, operating under the Massey University Act 1963 (NZ), and reports to the New Zealand Parliament through the Minister for Education.

Significant changes in the University's recent history include an amalgamation with Wellington Polytechnic in 1999 and the Palmerston North College of Education in 1997.

University profile

The University operates campuses in Palmerston North, Wellington and Auckland (Albany). It offers diploma, bachelor and doctorate courses in a wide variety of disciplines. In 2001, 5393 degrees were completed across five colleges, the largest of which (by number of full-time equivalent (FTE) academic staff) is the College of Sciences, followed by Business, Humanities and Social Sciences, and the College of Education.

In 2001, over 20 000 FTE students were enrolled, making Massey the second largest university in New Zealand (in terms of FTE students) (ME 2002). Of the students enrolled, 19 per cent were postgraduate students and 7 per cent were international students. The University employed 2586 FTE staff (1138 academic staff) (see table D21.1). In 2001, the student to academic-staff ratio was 17.4, down from 17.8 in 1997.¹³

In 2001, the University had a wholly-owned subsidiary, Wellington Polytechnic Enterprises Ltd, that managed student accommodation.

¹³ Includes all academic staff. This ratio may not be directly comparable to the student to teaching-staff ratio reported for the Australian universities.

Table D21.1 Students and staff — Massey University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	20 203	
Undergraduate students	16 437	
Postgraduate students	3 766	
Full-time students	14 101	n.a.
Part-time students	6 102	n.a.
International students	1 367	
Domestic students	18 835	
Staff		
Total staff	2 586	
Academic staff	1 138	
Non-academic staff	1 448	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001.

Sources: Massey University Annual Report 2001; Massey University, pers. comm., Palmerston North, 29 August 2002.

Revenue, expenses and cash flows

In 2001, the University received around A\$245 million in revenue. Revenue from government was 47 per cent (A\$116 million) of total revenue, including grants for operating purposes and research.

Around 29 per cent (A\$70 million) of total revenue was sourced from students. Revenue from investments represented less than 1 per cent of total revenue in 2001. Other sources included A\$54 million from charges for services and A\$2 million from external capital contributions.

In 2001, total expenses were just over A\$231 million (see table D21.2). Staff costs (salaries plus associated costs) were around 53 per cent of total expenses. Depreciation on physical assets was 8 per cent of total expenses.

The University reported an operating surplus of A\$13.7 million in 2001, which was increased by around A\$0.9 million due to surpluses reported by subsidiaries. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 5.6 per cent in 2001, compared to an average operating margin of 1 per cent over the past two years.

The University reported net inflows of cash in 2001 — the first time a net cash inflow was reported in the past three years. In real terms, the University's net cash position has decreased by more than A\$16 million since 1999.

Table D21.2 Revenue, expenses and cash flows — Massey University, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	244 924	12 123
Government	116 422	5 763
Student	70 145	3 472
Domestic	n.a.	n.a.
International	n.a.	n.a.
Other revenue	58 357	2 889
Investment income	1 513	75
Gifts and donations	1 976	98
Other	54 868	2 716
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	231 213	
Total staff costs	122 435	42 547
Academic staff costs	88 484	69 873 ^a
Non-academic staff costs	33 951	
Buildings and grounds expenses	n.a.	
Depreciation expense	19 387	
Other expenses	89 391	
Borrowing expense	734	
Income tax expense	–	
Other	88 657	
Cash flows		
Net total cash flows	1 558	
Net flows from operating activities	38 397	
Net flows from investing activities	-24 530	
Net flows from financing activities	-12 309	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per full-time equivalent academic staff member. **n.a.** Not available. – Nil.

Sources: Massey University Annual Report 2001; Massey University, pers. comm., Palmerston North, 29 August 2002.

Assets and liabilities

In 2001, the University had over A\$527 million in assets (see table D21.3).

Physical assets (property, plant and equipment) comprised around 93 per cent of asset value, with cash and investments accounting for 3 per cent. Furniture is valued at depreciated replacement cost. Art collections are valued on the basis of their estimated market value as a permanently retained collection and library collections are valued at historical cost.

Land and buildings are independently valued every three years. Land is valued on the basis of existing use and buildings are valued at depreciated replacement cost on an existing use basis. Additions are recorded at historical cost.

In 2001, the University's main liabilities were provisions for employee entitlements and short-term payables. Employee entitlements included retirement gratuities (A\$15.7 million), annual leave (A\$6.9 million) and long service leave (A\$0.6 million).

Table D21.3 Assets and liabilities — Massey University, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	527 017	26 087
Cash and investments	16 002	
Property, plant and equipment	487 814	
Buildings	330 325	
Land	85 515	
Equipment	19 034	
Other PPE assets	52 940	
Intangibles	—	
Other assets	23 200	
Liabilities		
Total liabilities	68 191	3 375
Borrowings	7 882	
Provisions	23 248	
Accounts payable	17 605	
Other liabilities	19 456	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. – Nil.

Sources: Massey University Annual Report 2001; Massey University, pers. comm., Palmerston North, 29 August 2002.

D22 University of Otago (New Zealand)

The University of Otago was established in 1869 as part of the University of New Zealand.

It is a public institution, operating under the University of Otago Amendment Act 1961 (NZ), and reports to the New Zealand Parliament through the Minister for Education.

University profile

The main campus in Dunedin offers courses in four divisions. The University also has campuses in Christchurch and Wellington, both of which offer courses in the division of Health Sciences. A campus in Auckland offers a limited selection of courses including an MBA and dietetics. Together, these campuses have around 175 000 m² floor space.

The University offers diploma, bachelor and doctorate courses in a wide variety of disciplines. In 2001, 3268 degrees were completed in four divisions, the largest of which (by number of full-time equivalent students (FTE)) was Humanities, followed by Sciences, Health Sciences and Commerce.

In 2001, over 15 000 FTE students were enrolled, making it the third-largest university in New Zealand, in terms of student enrolment (ME 2002). Of the students enrolled, 15 per cent were postgraduate students and 6 per cent were international students (see table D22.1). There were 2924 staff (1503 academic staff). In 2001, the student to academic-staff ratio was 15.4, down from 16.2 in 1997.¹⁴

University of Otago Holdings Ltd is a wholly-owned subsidiary of the University. It has investments in several subsidiaries undertaking activities including pre-tertiary training programs and research commercialisation. The University also owns 50 per cent of the NZ Centre for Reproductive Medicine Ltd.

¹⁴ Includes all teaching and research academic staff. Staff engaged in research only are excluded. This ratio may not be directly comparable to the student-teaching staff ratio reported for the Australian universities.

Table D22.1 Students and staff — University of Otago, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	15 343	
Undergraduate students	13 082	
Postgraduate students	2 261	
Full-time students	n.a.	12 121
Part-time students	n.a.	5 477
International students	862	
Domestic students	14 481	
Staff		
Total staff	2 924	
Academic staff	1 503	
Non-academic staff	1 421	

Note For definitions see glossary. **n.a.** Not available.

Source: University of Otago Annual Report 2001.

Revenue, expenses and cash flows

In 2001, the University received A\$273 million in revenue. Revenue from government was 41 per cent of total revenue and included grants for operating purposes and research. A further 24 per cent (A\$65 million) in revenue was sourced from students, including A\$13 million from international students (see table D22.2).

Revenue from other sources included external funding of A\$43 million for research activities and A\$29 million from consulting and commercial activities. Revenue from investments represented less than 1 per cent of total revenue.

In 2001, total expenses were over A\$255 million (see table D22.2). Staff costs (salaries plus associated costs) were around 59 per cent of total expenses, while depreciation accounted for 9 per cent of the total.

The University reported an operating surplus of A\$18 million in 2001, of which subsidiaries contributed around A\$1.5 million. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 6.6 per cent in 2001, compared to an average operating margin of 4.5 per cent over the previous two years.

The University reported net outflows of cash in 2001, as has been the case in each of the past two years. In real terms, the University's net cash position has decreased by over A\$14 million since 1997.

Table D22.2 Revenue, expenses and cash flows — University of Otago, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	273 342	17 815
Government ^a	110 507	7 202
Student ^b	64 850	4 227
Domestic students	51 674	3 575
International students	12 939	15 010
Other revenue	97 985	6 386
Investment income	2 328	152
Gifts and donations	—	—
Other ^a	95 657	6 235
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	255 431	
Total staff costs	150 657	51 524
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	n.a.	
Depreciation expense	22 495	
Other expenses	82 279	
Borrowing expense	23	
Income tax expense	—	
Other	82 256	
Cash flows		
Net total cash flows	-4 048	
Net flows from operating activities	41 691	
Net flows from investing activities	-45 523	
Net flows from financing activities	-216	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Otago received A\$42.5 million in 'grants and contracts' revenue. Whilst some or all of this may be from government, the Commission has included this in 'other revenue', as the source of the revenue was not clear. ^b Includes administration fees. **n.a.** Not available. — Nil.

Source: University of Otago Annual Report 2001.

Assets and liabilities

In 2001, the University had around A\$504 million in assets (see table D22.3). Physical assets (property, plant and equipment) comprised around 92 per cent of asset value, with cash and investments accounting for 4 per cent.

Land and buildings were last revalued in 1999. Any additions are valued at historical cost. Plant, motor vehicles, equipment and furniture are recorded at their historical cost.

The library collection, with the exception of rare books and special collections, is valued on the basis of historical cost. Rare books and special library collections were valued as at 31 December 1994 by library staff, based on the net current value of items.

The University has over 25 000 hectares of land. Almost all of this land is endowment land that is on long-term pastoral lease.

In 2001, the University's main liabilities were employee entitlements and research funding received in advance. Employee entitlements included retirement benefits (A\$14 million), long service leave (A\$11 million) and annual leave (A\$9 million).

Table D22.3 Assets and liabilities — University of Otago, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	503 806	32 836
Cash and investments	22 156	
Property, plant and equipment	464 263	
Buildings	331 004	
Land	46 754	
Equipment	49 547	
Other PPE assets	36 959	
Intangibles	—	
Other assets	17 386	
Liabilities		
Total liabilities	66 174	4 313
Borrowings	758	
Provisions	27 891	
Accounts payable	19 183	
Other liabilities	18 341	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. — Nil.

Source: University of Otago Annual Report 2001.

D23 The University of Auckland (New Zealand)

The University of Auckland was established in 1883 as part of the University of New Zealand. It is a public institution, operating under the University of Auckland Act 1961 (NZ), and reports to the New Zealand Parliament through the Minister for Education.

In 2001, the University established the North Shore campus at Takapuna.

The University is a member of *Universitas 21*, a global network of universities aimed at expanding the international operations of its members. It is also a member of the Association of Pacific Rim Universities which aims to foster cooperation in teaching and research between the 35 member universities.

University profile

The main campus is located close to the central business district of Auckland. The University also occupies two other campuses in Auckland at Takapuna (the North Shore Campus) and Glenn Innes (the Tamaki Campus).

The University offers diploma, bachelor and doctorate courses in a wide variety of areas. In 2000, 6685 courses were completed in seven faculties. The largest faculty (by number of students enrolled) was the Faculty of Arts, followed by Business and Economics, and the Faculty of Science.

In 2001, there were around 24 000 full-time equivalent (FTE) students enrolled, making it the largest university in New Zealand, in terms of FTE students (ME 2002). Of these, 17 per cent were postgraduate students and 8 per cent were international students. The University employed 3293 FTE staff (1563 academic staff) (see table D23.1). In 2001, the student to academic-staff ratio was 15.4, up from 13.9 in 1997.¹⁵

¹⁵ Includes all academic staff, including those engaged in research only. As a result, this ratio is not directly comparable to the student to teaching-staff ratio reported for the Australian universities.

Table D23.1 Students and staff — The University of Auckland, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	24 077	
Undergraduate students	19 995	
Postgraduate students	4 082	
Full-time students	n.a.	19 305
Part-time students	n.a.	10 160
International students	2 009	
Domestic students	22 068	
Staff		
Total staff	3 293	
Academic staff	1 561	
Non-academic staff	1 732	

Note For definitions see glossary. **n.a.** Not available.

Sources: University of Auckland Annual Report 2001; University of Auckland, pers. comm., Auckland, 26 August 2002.

The University has two wholly-owned subsidiaries. Auckland UniServices Ltd provides consultancy services and commercialises intellectual property. Uni-Accommodation Ltd arranges the leasing of student accommodation and rents rooms to students.

Revenue, expenses and cash flows

In 2001, the University received A\$376 million in revenue (see table D23.2). Government revenue was 52 per cent of total revenue and included A\$165 million in operating grant funding and A\$44 million in research grants provided by the New Zealand Government.

Around 23 per cent (A\$86 million) of total revenue was sourced from students. Revenue from investments represented around 2 per cent of total revenue in 2001. Other sources included A\$38 million from non-government research grants.

In 2001, total expenses were almost A\$365 million. Staff costs (salaries plus associated costs) were around 55 per cent of total expenses. Other significant expenses included depreciation (9 per cent of total) and buildings and grounds expenses (around 3 per cent).

The University reported an operating surplus of A\$11 million in 2001, which was reduced by around A\$0.5 million due to losses reported by subsidiaries. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 3 per cent in 2001, compared to an average operating margin of 2.6 per cent over the past three years.

Net outflows of cash were reported in 2001, which was the case in only one of the previous three years. In real terms, the University's net cash position has increased by over A\$19 million since 1999.

Table D23.2 Revenue, expenses and cash flows — The University of Auckland, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	376 066	15 619
Government	196 206	8 149
Student	86 323	3 585
Domestic students	n.a.	
International students	n.a.	
Other revenue	93 538	3 885
Investment income	6 784	282
Gifts and donations	5 377	223
Other	81 377	3 380
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	364 879	
Total staff costs	201 118	61 074
Academic staff costs	122 032	78 176 ^a
Non-academic staff costs	79 086	
Buildings and grounds expenses	10 818	
Depreciation expense	33 020	
Other expenses	119 924	
Borrowing expense	–	
Income tax expense	–	
Other	119 924	
Cash flows		
Net total cash flows	-12 283	
Net flows from operating activities	51 963	
Net flows from investing activities	-64 246	
Net flows from financing activities	–	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. ^a Academic staff costs per full-time equivalent academic staff member. **n.a.** Not available. – Nil.

Sources: University of Auckland Annual Report 2001; University of Auckland, pers. comm., Auckland, 26 August 2002.

Assets and liabilities

In 2001, the University had over A\$680 million in assets (see table D22.3). Physical assets (property, plant and equipment) comprised around 86 per cent of asset value, with cash and investments accounting for a further 11 per cent.

Land and buildings are revalued every three years. Land is valued based on optimised replacement cost and buildings are valued at optimised depreciated replacement cost based on existing use. The library collection is valued at cost, with the exception of those held prior to 31 December 1991, which are valued at the weighted average cost of the collection at that date.

The University has over 176 hectares of land, including 107 hectares of Crown land. The campuses at Auckland and Tanaki comprise 23 hectares and 32 hectares respectively.

In 2001, the University's main liabilities were short-term payables and research contract obligations. Provisions included employee entitlements for annual leave (A\$5.7 million), long service leave (A\$0.9 million) and retirement allowances (A\$14 million).

Table D23.3 Assets and liabilities — The University of Auckland, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	680 479	28 263
Cash and investments	73 174	
Property, plant and equipment	584 282	
Buildings	339 373	
Land	73 535	
Equipment	46 518	
Other PPE assets	124 857	
Intangibles	–	
Other assets	23 022	
Liabilities		
Total liabilities	102 103	4 241
Borrowings	–	
Provisions	25 332	
Accounts payable	38 545	
Other liabilities	38 226	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. – Nil

Sources: The University of Auckland Annual Report 2001; The University of Auckland, pers. comms., Auckland, 26 August 2002, 27 August 2002.

D24 National University of Singapore (Singapore)

The National University of Singapore had its roots in Singapore's first centre of higher education — The Straits Settlements and Federated Malay States Government Medical School, which was founded in 1905. It was given its present name in 1980 through a merger between the University of Singapore and Nanyang University.

The University is a member of the Association of Pacific Rim Universities, a consortium of 35 universities joined to foster cooperation in research and education in the Pacific Rim. It is also a member of *Universitas 21*, and together with the Massachusetts Institute of Technology and Nanyang Technological University, forms the Singapore-MIT Alliance. The role of the Singapore-MIT Alliance is to promote global engineering education and research. It currently offers graduate distance learning via the Internet and via lecture halls that synchronously transmit classes to MIT and Singapore students.

The University was voted one of the top 10 universities in the Asia Pacific region in 1997 by Asia Week, a regional news magazine.

University profile

The University's campus, Kent Ridge, is on 150 hectares about 12 km from the centre of Singapore. The University operates over 60 faculty-based research centres and 12 university-wide research institutes and is affiliated with a further 12 national research centres. It operates several centres (Industry and Technology Relations Office, Incubation Centres and the Centre for Entrepreneurship) to help facilitate cooperation between researchers and industry and to help improve the entrepreneurship of the University's research community.

The University has 10 faculties — Medicine, Arts and Social Science, Engineering, Science, Computing, Design and Environment, Business, Law, Dentistry and the Conservatory of Music. The largest faculties (in terms of student enrolments) are Engineering, Arts and Social Science and Science. Also, the University offers joint programs with international tertiary institutions such as MIT, Harvard, Stanford and Johns Hopkins.

In 2001, there were about 30 000 full-time equivalent (FTE) students enrolled and over 6 000 staff employed (see table D24.1).

The University has two subsidiaries — Singapore University Press and NUS Technology Holdings. NUS Technology Holdings manages the University's equity holdings in more than 20 spin-off companies involved in science and technology.

Table D24.1 Students and staff — National University of Singapore, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	29 761	
Undergraduate students	22 124	
Postgraduate students	7 637	
Full-time students	n.a.	n.a.
Part-time students	n.a.	n.a.
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	n.a.	6 206
Academic staff	n.a.	
Non-academic staff	n.a.	

Note For definitions see glossary. **n.a.** Not available.

Source: National University of Singapore Annual Report 2001.

Revenue, expenses and cash flows

In 2001, the University received about A\$830 million in revenue (see table D24.2). The main sources of revenue were government (71 per cent), student fees (13 per cent) and investments (6 per cent).

The University reported an operating surplus of A\$65.6 million in 2001, which equates to an operating margin (surplus expressed as a percentage of revenue) of 7.9 per cent. In 2001, the University's subsidiaries reported losses of A\$22 000 in total.

The University reported a net cash inflow of A\$18 million in 2001, in contrast to a net outflow of A\$31.6 million in 2000.

Table D24.2 Revenue, expenses and cash flows — National University of Singapore, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	829 792	27 882
Government	587 678	19 747
Student	108 746	3 654
Other revenue	133 369	4 481
Investment income	49 638	1 668
Gifts and donations	6 152	207
Other	77 579	2 607
Expenses	<i>A\$'000</i>	<i>Per FTE staff member (A\$)</i>
Total expenses	764 192	
Total staff costs	392 395	63 228
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	n.a.	
Depreciation expense	73 859	
Other expenses	297 938	
Borrowing expense	1 121	
Income tax expense	—	
Other	296 817	
Cash flows		
Net total cash flows	18 004	
Net flows from operating activities	-369 242	
Net flows from investing activities	-175 146	
Net flows from financing activities	562 393	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 March 2001. **n.a.** Not available. — Nil.

Source: National University of Singapore Annual Report 2001.

Assets and liabilities

In 2001, the University had about A\$2.3 billion worth of assets, of which 58 per cent was cash and investments and 40 per cent was property, plant and equipment. It held over A\$408 million worth of investments and about A\$640 million worth of fixed cash deposits. Most of the value of investments was quoted securities.

Buildings and equipment are valued at cost less depreciation.

Table D24.3 Assets and liabilities — National University of Singapore, 2001

Assets	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total assets	2 252 474	75 685
Cash and investments	1 298 598	
Property, plant and equipment	906 430	
Buildings	703 901	
Land	43 139	
Equipment	159 391	
Other PPE assets	—	
Intangibles	—	
Other assets	47 446	
Liabilities		
Total liabilities	261 936	8 801
Borrowings	4 845	
Provisions	50 267	
Accounts payable	82 174	
Other liabilities	124 650	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 March 2001. – Nil.

Source: National University of Singapore Annual Report 2001.

D25 Nanyang Technological University (Singapore)

Nanyang Technological University was established as the Nanyang Technological Institute in 1981 to provide facilities for research and tertiary education in engineering and technology. Ten years later, Nanyang Technological Institute was merged with the National Institute of Education, the only teacher training institute in Singapore, and became the Nanyang Technological University by an Act of Parliament.

The University has links to over 20 universities, including agreements for exchange programs and is involved in over 40 research partnerships with industry and academia.

University profile

The main campus is situated on 200 hectares in Jurong, 25 km from the city centre. Included on campus is the National Institute of Education and 15 halls of residence that accommodate 8700 students. In 2000, the University opened its first city campus to cater for the growing demand for continuing education of professionals.

The University has maintained a strong focus on technology and engineering since its inception. There are five engineering schools — Civil and Environmental, Computing, Electrical and Electronic, Materials, and Mechanical and Production — that have a strong research focus (over 30 engineering related research centres). The University's other schools are Communication and Information, Biological Science and Business. The National Institute of Education includes the schools of Education, Arts, Science and Physical Education.

To promote the commercialisation of its research, the University established the Innovation and Technology Transfer Office in 2000. The office provides tenancy to research and development companies that are able to access the University's intellectual and physical resources. In addition, the office provides entrepreneurial skills training for academic staff.

In 2000, there were over 20 000 enrolments and over 1600 academic staff, which equates to 12.2 students per academic staff member(see table D25.1).

The University operates one subsidiary, NTU Ventures Private Ltd, which is wholly-owned by the University. The financial statements of this entity are not consolidated into the University's results because they have no material significance.

Table D25.1 Students and staff — Nanyang Technological University, 2000

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	n.a.	20 222
Undergraduate students	n.a.	14 485
Postgraduate students	n.a.	5 737
Full-time students	n.a.	
Part-time students	n.a.	
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	n.a.	3 126
Academic staff	n.a.	1 652
Non-academic staff	n.a.	1 474

Note For definitions see glossary. **n.a.** Not available.

Source: Nanyang Technological University Annual Report 2000.

Revenue, expenses and cash flows

In 2000, the University received over A\$407 million in revenue (see table D25.2). The main sources of revenue were government (69 per cent), student fees (17 per cent) and investments (10 per cent).

The University reported an operating surplus of A\$56.6 million in 2000, which equates to an operating margin (surplus expressed as a percentage of revenue) of 13.9 per cent.

A net cash inflow of A\$8.8 million was reported in 2000, in contrast to a net outflow of A\$31.6 million in 1999.

Table D25.2 Revenue, expenses and cash flows — Nanyang Technological University, 2000^a

Revenue	<i>A\$'000</i>	<i>per student (A\$)</i>
Total revenue	407 276	20 140
Government	282 741	13 982
Student	68 569	3 391
Other revenue	55 966	2 768
Investment income	39 034	1 930
Gifts and donations	661	33
Other	16 270	805
Expenses	<i>A\$'000</i>	<i>per staff member (A\$)</i>
Total expenses	350 637	
Total staff costs	198 620	63 538
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	23 848	
Depreciation expense	55 471	
Other expenses	72 699	
Borrowing expense	–	
Income tax expense	–	
Other	72 699	
Cash flows		
Net total cash flows	8 858	
Net flows from operating activities	-175 455	
Net flows from investing activities	-205 896	
Net flows from financing activities	390 209	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 March 2000. ^a Foreign currencies were inflated to 2001 prices and converted to Australian dollars using Purchasing Power Parities (see appendix B). **n.a.** Not available. – Nil.

Sources: Nanyang Technological University Annual Report 2000; Nanyang Technological University, pers. comm., Singapore, 30 August 2002.

Assets and liabilities

In 2001, the University had about A\$1.5 billion worth of assets, of which 55 per cent was property, plant and equipment and 43 per cent was cash and investments (see table D25.3). The University held over A\$306 million worth of investments and about A\$242 million worth of fixed cash deposits. Investments were quoted bonds and equities.

Buildings and equipment are valued at cost less depreciation. The Government provides values for land.

Table D25.3 Assets and liabilities — Nanyang Technological University, 2000^a

Assets	<i>A\$'000</i>	<i>Per student (A\$)</i>
Total assets	1 489 231	73 644
Cash and investments	640 945	
Property, plant and equipment	825 376	
Buildings	554 630	
Land	152 606	
Equipment	116 898	
Other PPE assets	1 242	
Intangibles	–	
Other assets	22 910	
Liabilities		
Total liabilities	82 963	4 103
Borrowings	–	
Provisions	10 952	
Accounts payable	28 781	
Other liabilities	43 230	

Note For definitions see glossary. All financial information refers to the consolidated entity for the year ending 31 March 2000. ^a Foreign currencies were inflated to 2001 prices and converted to Australian dollars using Purchasing Power Parities (see appendix B). – Nil.

Sources: Nanyang Technological University Annual Report 2000; Nanyang Technological University, pers. comm., Singapore, 30 August 2002.

D26 Stockholm University (Sweden)

Stockholm University was founded in 1878 as Stockholm College. In 1904, the College became an official degree granting institution. In 1960, Stockholm College became a state university and, four years later, the Faculty of Social Sciences was added. It is a public institution.

University profile

The main campus is located close to Stockholm's city centre. Several departments are at other sites around the city. It offers more than 900 courses across four faculties — Natural Sciences, Humanities, Social Sciences and Law.

The University is one of the largest in Sweden, with around 34 000 students and over 3550 staff. It does not own or manage any accommodation facilities for students.

The University operates several wholly-owned subsidiaries through a holding company, including CECID and Success.

Table D26.1 Students and staff — Stockholm University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	n.a.	n.a.
Undergraduate students	n.a.	n.a.
Postgraduate students	n.a.	n.a.
Full-time students	n.a.	n.a.
Part-time students	n.a.	n.a.
International students	n.a.	n.a.
Domestic students	n.a.	n.a.
Staff		
Total staff	n.a.	n.a.
Academic staff	n.a.	n.a.
Non-academic staff	n.a.	n.a.

Note For definitions see glossary. **n.a.** Not available.

Revenue, expenses and cash flows

In 2001, the University received almost A\$336 million in revenue (see table D26.2).

Expenses were around A\$336 million in 2001. Staff costs (salaries plus associated costs) were around 62 per cent of total expenses. Depreciation accounted for around 5 per cent of total expenses.

The University reported an operating deficit of around A\$307 000 in 2001. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 0.1 per cent in 2001, compared to 0.4 per cent in 2000. There were net inflows of cash in 2001.

Table D26.2 Revenue, expenses and cash flows — Stockholm University, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	335 795	n.a.
Government	n.a.	n.a.
Student	n.a.	n.a.
Domestic students	n.a.	n.a.
International students	n.a.	n.a.
Other revenue	n.a.	n.a.
Investment income	n.a.	n.a.
Gifts and donations	n.a.	n.a.
Other	n.a.	n.a.
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	336 102	
Total staff costs	207 329	n.a.
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	n.a.	
Depreciation expense	16 462	
Other expenses	112 311	
Borrowing expense	n.a.	
Income tax expense	–	
Other	112 311	
Cash flows		
Net total cash flows	2 433	
Net flows from operating activities	18 640	
Net flows from investing activities	-16 207	
Net flows from financing activities	–	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. **n.a.** Not available. – Nil.

Sources: Stockholm University Annual Financial Report 2001; Stockholm University, pers. comm., Stockholm, 9 August 2002.

Assets and liabilities

The University had over A\$155 million in assets in 2001 (see table D26.3). Physical assets (property, plant and equipment) comprised around 26 per cent of asset value, with cash and investments accounting for over 52 per cent.

In 2001, liabilities were around A\$129 million, of which borrowings accounted for 40 per cent.

Table D26.3 **Assets and liabilities — Stockholm University, 2001**

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	155 475	n.a.
Cash and investments	81 112	
Property, plant and equipment	41 290	
Buildings	n.a.	
Land	n.a.	
Equipment	n.a.	
Other PPE assets	n.a.	
Intangibles	–	
Other assets	33 073	
Liabilities		
Total liabilities	128 733	n.a.
Borrowings	51 954	
Provisions	76 778	
Accounts payable	–	
Other liabilities	–	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 December 2001. **n.a.** Not available. – Nil.

Sources: Stockholm University Annual Financial Report 2001; Stockholm University, pers. comm., Stockholm, 9 August 2002.

D27 University of Bath (United Kingdom)

The University of Bath was established by Royal Charter in 1966 from the Bristol College of Science and Technology. It is a public institution and traces its origins to the Bristol Trade School, established in 1856.

In 2001, the University ranked seventh in the *Financial Times* annual ranking of the top 100 universities in the United Kingdom according to university performance (FT 2001).

University profile

The main campus houses three faculties, a School of Management and a Division of Access and Continuing Studies. The main campus covers around 80 hectares of land close to the city centre. There is also a campus at Swindon.

The University offers diploma, bachelor and doctorate courses in a wide variety of disciplines. In 2000, 5622 degrees were awarded in three faculties. In 2001, the largest faculty (by number of students) was the Faculty of Science, followed by Humanities and Social Sciences, the Faculty of Engineering and Design, and the School of Management.

In 2001, there were over 7800 full-time equivalent (FTE) students. The University is the 71st-largest in England, in terms of total student enrolment (HESA 2002b). Postgraduates comprised 23 per cent of the student population, while 33 per cent of students studied part-time. There were 2166 staff (1079 academic staff) (see table D27.1).

In 2001, the University operated several wholly-owned subsidiaries including University of Bath One Ltd, University of Bath Two Ltd, Claverton Down Property Developments Ltd and Claverton Down Construction Ltd. These subsidiaries carried out a range of activities including equipment leasing, management of sporting facilities, real estate development and construction.

Table D27.1 Students and staff — The University of Bath, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	7 855	
Undergraduate students	6 031	
Postgraduate students	1 824	
Full-time students	n.a.	7 265
Part-time students	n.a.	3 530
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	n.a.	2 166
Academic staff	n.a.	1 079
Non-academic staff	n.a.	1 087

Note For definitions see glossary. **n.a.** Not available.

Sources: HESA 2002b; University of Bath Annual Report 2002.

Revenue, expenses and cash flows

In 2001, the University received around A\$182 million in revenue (see table D27.2). Revenue from all levels of government accounted for 48 per cent of total revenue. Government revenue included a core grant of A\$62 million from the Higher Education Funding Council for England and A\$15 million from Research Council grants.

Almost 22 per cent (A\$40 million) in revenue was sourced from students. Full-time international students contributed A\$14 million, compared to A\$15 million in fees from full-time domestic students.

Revenue from investments represented around 3 per cent of total revenue in 2001. Other sources included A\$15 million from residences, catering and conferences, and A\$21 million from non-government research grants and contracts.

In 2001, total expenses were almost A\$186 million (see table D27.2). Staff costs (salaries plus associated costs) were around 58 per cent of total expenses. Other significant expenses included depreciation (5 per cent of total), buildings and grounds expenses (around 3 per cent) and borrowing expenses (4 per cent).

The University reported an operating deficit of A\$3.4 million in 2001. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was -1.9 per cent in 2001, compared to an average operating margin of 0.4 per cent over the previous three years.

The University reported net outflows of cash in 2001, as has been the case in two of the past three years. In real terms, the net cash position has increased by over A\$500 000 since 1997.

Table D27.2 Revenue, expenses and cash flows — University of Bath, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	182 348	23 214
Government	87 062	11 083
Student ^a	39 553	5 035
Domestic students ^{ab}	25 258	n.a.
International students ^{ac}	14 295	n.a.
Other revenue	55 733	7 095
Investment income	5 146	655
Gifts and donations	1 279	163
Other	101 204	12 884
Expenses	<i>A\$'000</i>	<i>per staff member (A\$)</i>
Total expenses	185 738	
Total staff costs	108 518	50 101
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	5 689	
Depreciation expense	9 558	
Other expenses	67 662	
Borrowing expense	6 798	
Income tax expense	—	
Other	60 864	
Cash flows		
Net total cash flows	-651	
Net flows from operating activities	5 878	
Net flows from investing activities	-6 217	
Net flows from financing activities	-312	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 July 2001. ^a Includes other student revenue including short course fees and fees from part-time students. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from international students is revenue from full-fee-paying international students. **n.a.** Not available. — Nil.

Sources: HESA 2002a and 2002b; University of Bath Annual Report 2001.

Assets and liabilities

In 2001, the University had over A\$235 million in assets (see table D27.3). Physical assets (property, plant and equipment) comprised around 74 per cent of asset value, with cash and investments accounting for a further 15 per cent.

Land and buildings are valued at cost. Donated equipment and equipment costing more than A\$20 500 is capitalised and depreciated over a term of between three and five years.

In 2001, the University's main liabilities were borrowings and amounts owed to suppliers. Most of the University's debt is repayable on interest-only terms over 25 years, at which time the principal is repayable in full. The loans are secured against the University's investments.

Table D27.3 Assets and liabilities — University of Bath, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	235 714	30 008
Cash and investments	36 181	
Property, plant and equipment	173 520	
Buildings	n.a.	
Land	n.a.	
Equipment	n.a.	
Other PPE assets	n.a.	
Intangibles	—	
Other assets	26 013	
Liabilities		
Total liabilities	135 837	17 293
Borrowings	99 083	
Provisions	2 063	
Accounts payable	19 154	
Other liabilities	15 537	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 July 2001. **n.a.** Not available. — Nil.

Sources: HESA 2002a and 2002b; University of Bath Annual Report 2001.

D28 The University of Manchester (United Kingdom)

The University of Manchester is a public institution and had its origins in Owens College, which was established in 1851. The College was granted a Royal Charter in April 1880 as the Victoria University. In 1903, separate colleges of Victoria University were granted their independence, thereby creating the University of Manchester.

In 2001, the University ranked 14th in the *Financial Times* an annual ranking of the top 100 universities in the United Kingdom based on university performance across 16 categories (FT 2001).

University profile

The main campus houses seven faculties and covers around 40 hectares close to the city centre.

The University offers diploma, bachelor and doctorate courses in a wide variety of disciplines. In 2000, 5622 degrees were awarded in seven faculties. The largest faculty (by number of enrolled students) was the Faculty of Arts, followed by Medicine, Dentistry, Nursing and Pharmacy, Science and Engineering, and the Faculty of Social Sciences and Law.

In 2001, there were over 21 500 full-time equivalent (FTE) students. The University is the eighth-largest university in England, in terms of total student enrolment (HESA 2002b). Postgraduates comprised 23 per cent of the student population, while 15 per cent were international students. There were 4906 FTE staff (1118 academic staff) (see table D28.1).

Manchester Innovation Holdings Ltd is a wholly-owned subsidiary of the University and acts as a holding company for several subsidiaries including Manchester Technology Developments Ltd and Manchester Biotech Ltd. Other subsidiaries of the University include Manchester Technology Fund Ltd and The University of Manchester Foundation Ltd.

Table D28.1 Students and staff — The University of Manchester, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	21 582	
Undergraduate students	16 683	
Postgraduate students	4 899	
Full-time students	20 145	n.a.
Part-time students	1 437	n.a.
International students	3 293	
Domestic students	18 289	
Staff		
Total staff	4 906	
Academic staff	1 118	
Non-academic staff	3 788	

Note For definitions see glossary. **n.a.** Not available.

Sources: HESA 2002b; The University of Manchester Annual Report 2001; The University of Manchester pers. comm., Manchester, 30 August 2002.

Revenue, expenses and cash flows

In 2001, the University received around A\$648 million in revenue (see table D28.2). Revenue from all levels of government was 43 per cent of total revenue. Government revenue included A\$50 million from Research Council grants and core grants from the Higher Education Funding Council for England for teaching (A\$113 million) and research (A\$65 million).

Almost 22 per cent of total revenue was sourced from students. Full-time international students contributed 26 per cent (A\$37 million) of student revenue, compared with around 29 per cent (A\$42 million) from full-time domestic student fees.

Revenue from investments represented around 4 per cent of total revenue in 2001. Other sources included A\$51 million from residences, catering and conferences, and A\$62 million from non-government research grants and contracts.

In 2001, total expenses were over A\$629 million (see table D28.2). Staff costs (salaries plus associated costs) were around 22 per cent of total expenses. Other significant expenses included depreciation (3 per cent of total) and buildings and grounds expenses (around 4 per cent).

The University reported an operating surplus of A\$8 million in 2001. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 2.3 per cent in 2001, compared with an average operating margin of 2.5 per cent over the previous two years.

The University reported net inflows of cash in 2001, as has been the case in each of the previous two years. In real terms, the net cash position has increased by more than A\$8 million since 2000.

Table D28.2 Revenue, expenses and cash flows — The University of Manchester, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	647 777	30 015
Government	277 984	12 880
Student ^a	142 630	6 609
Domestic students ^{ab}	105 454	4 886
International students ^{ac}	37 176	3 536
Other revenue	227 162	10 526
Investment income	22 485	1 042
Gifts and donations	—	—
Other	420 100	19 465
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	629 514	
Total staff costs	356 792	72 726
Academic staff costs	214 659	192 002
Non-academic staff costs	142 134	
Buildings and grounds expenses	23 782	
Depreciation expense	20 734	
Other expenses	251 987	
Borrowing expense	6 246	
Income tax expense	—	
Other	245 742	
Cash flows		
Net total cash flows	3 196	
Net flows from operating activities	15 022	
Net flows from investing activities	-11 213	
Net flows from financing activities	-614	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 July 2001. ^a Includes other student revenue including short course fees and fees from part-time students. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from international students is revenue from full-fee-paying international students. — Nil.

Sources: HESA 2002a and 2002b; The University of Manchester Annual Report 2001; The University of Manchester pers. comm., Manchester, 30 August 2002.

Assets and liabilities

In 2001, the University had over A\$755 million in assets (see table D28.3). Cash and investments comprised around 54 per cent of asset value, with physical assets (property, plant and equipment) accounting for a further 30 per cent.

Most land and buildings are valued at historical cost. Equipment is treated as an expense on acquisition except for individual items or a group of items costing more than A\$51 300, which are treated as assets and valued at historical cost.

In 2001, the University's main liabilities were deferred income and borrowings. Most of the debt is secured against the properties and related land that it was used to develop.

Table D28.3 Assets and liabilities — The University of Manchester, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	756 369	35 046
Cash and investments	411 356	
Property, plant and equipment	228 273	
Buildings	n.a.	
Land	n.a.	
Equipment	n.a.	
Other PPE assets	n.a.	
Intangibles	—	
Other assets	116 740	
Liabilities		
Total liabilities	209 256	9 696
Borrowings	58 316	
Provisions	36 272	
Accounts payable	31 128	
Other liabilities	83 541	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 July 2001. **n.a.** Not available. — Nil.

Sources: HESA 2002a and 2002B; The University of Manchester Annual Report 2001; The University of Manchester pers. comm., Manchester, 30 August 2002.

D29 University of Nottingham (United Kingdom)

The University of Nottingham developed from University College Nottingham whose Charter of Incorporation was granted in 1903. The University itself was established by Royal Charter in 1948 and is a public institution.

Significant changes in the University's recent history include a merger with the Mid-Trent College of Nursing and Midwifery in 1995, the establishment of an additional campus in Nottingham in 1999 and a Malaysian campus in 2000.

The University is a member of *Universitas 21*, a global network of universities, which is aimed at expanding the international operations of its members.

In 2001, the University ranked 11th in the *Financial Times* annual ranking of the top 100 universities in the United Kingdom based on university performance across 16 categories (FT 2001).

University profile

University Park, the main campus, covers 133 hectares of land close to the centre of the city of Nottingham. The University also occupies three other campuses around Nottingham and has a campus in Kuala Lumpur, Malaysia.

The University offers diploma, bachelor and doctorate courses in a wide variety of disciplines. In 2000, 3057 degrees were awarded in six faculties. The largest faculty (by number of students) was the Faculty of Education, followed by Science, Law and Social Sciences, and the Faculty of Arts.

In 2001, there were over 26 500 full-time equivalent (FTE) students. The University is the seventh-largest university in England, in terms of total student enrolment (HESA 2002b). Postgraduates comprised 28 per cent of the student population, while 16 per cent were international students. There were 4869 FTE staff (see table D29.1).

Table D29.1 Students and staff —University of Nottingham, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	26 585	
Undergraduate students	19 195	
Postgraduate students	7 390	
Full-time students	17 770	n.a.
Part-time students	8 815	n.a.
International students	4 165	
Domestic students	22 420	
Staff		
Total staff	4 869	
Academic staff	n.a.	
Non-academic staff	n.a.	

Note For definitions see glossary. **n.a.** Not available.

Sources: HESA 2002b; University of Nottingham Annual Report 2001.

In 2001, the University operated several wholly-owned subsidiaries including the Nottingham University Industrial and Commercial Enterprise Ltd, UN Property Services Ltd, UN Contracting Services Ltd and UN Teaching Services Ltd.

Revenue, expenses and cash flows

In 2001, the University received around A\$496 million in revenue (see table D29.2). Revenue from all levels of government represented 37 per cent of total revenue. Government revenue included a core grant of A\$131 million from the Higher Education Funding Council for England and A\$38 million from Research Council grants.

Almost 25 per cent of total revenue was sourced from students. Full-time international students contributed 36 per cent of student revenue (A\$45 million), compared with A\$33 million from full-time domestic students.

Revenue from investments represented less than 1 per cent of total revenue in 2001. Other sources included A\$54 million from residences, catering and conferences, and A\$55 million from non-government research grants and contracts.

In 2001, total expenses were A\$492 million (see table D29.2). Staff costs (salaries plus associated costs) were around 56 per cent of total expenses. Other expenses included depreciation (2 per cent) and buildings and grounds expenses (around 5 per cent).

Table D29.2 **Revenue, expenses and cash flows —University of Nottingham, 2001**

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	495 671	18 645
Government	181 438	6 825
Student ^a	121 917	4 586
Domestic students ^{ab}	77 378	2 911
International students ^{ac}	44 539	3 439
Other revenue	192316	7 234
Investment income	3079	116
Gifts and donations	—	—
Other	388 404	14 610
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	492 593	
Total staff costs	277 494	56 992
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	23 603	
Depreciation expense	11 699	
Other expenses	203 400	
Borrowing expense	5 131	
Income tax expense	—	
Other	198 269	
Cash flows		
Net total cash flows	-16 009	
Net flows from operating activities	5 336	
Net flows from investing activities	-33 045	
Net flows from financing activities	11 699	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 July 2001. ^a Includes other student revenue including short course fees and fees from part-time students. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from international students is revenue from full-fee-paying international students. **n.a.** Not available. — Nil.

Sources: HESA 2002a and 2002b; University of Nottingham Annual Report 2001.

The University of Nottingham reported an operating surplus of A\$3.9 million in 2001. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 0.8 per cent in 2001, compared to an average margin of 0.4 per cent over the previous five years.

The University reported net outflows of cash in 2001, as has been the case in four of the past five years. In real terms, the University's net cash position decreased by around A\$26 million since 1997.

Assets and liabilities

In 2001, the University had A\$548 million in assets (see table D29.3). Physical assets (property, plant and equipment) comprised around 68 per cent of asset value, with cash and investments accounting for a further 16 per cent.

Land and buildings are valued at historical cost, except those that are held as investments. Equipment is treated as an expense on acquisition except for individual items or a group of items costing more than A\$51 300, which are treated as assets and valued at historical cost.

In 2001, the University's main liabilities were deferred income and borrowings. Most of the University's debt is repayable on a straight-line basis over 25 years, when the principal is repayable in full. The loan is secured against the University's Jubilee campus.

Table D29.3 **Assets and liabilities — University of Nottingham, 2001**

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	548 009	20 613
Cash and investments	84 767	
Property, plant and equipment	372 523	
Buildings	n.a.	
Land	n.a.	
Equipment	n.a.	
Other PPE assets	n.a.	
Intangibles	—	
Other assets	90 719	
Liabilities		
Total liabilities	212 636	7 998
Borrowings	87 435	
Provisions	102 829	
Accounts payable	10 673	
Other liabilities	11 699	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 July 2001. **n.a.** Not available. — Nil.

Sources: HESA 2002a and 2002b; University of Nottingham Annual Report 2001.

D30 The University of Warwick (United Kingdom)

The University of Warwick is a public institution and was established by Royal Charter in 1965. The University merged with the Coventry College of Education in 1979.

Significant changes in the University's recent history include the establishment of a medical school in 2000 in cooperation with the University of Leicester.

In 2001, the University was ranked 10th in the *Financial Times* annual ranking of the top 100 universities in the United Kingdom (FT 2001).

University profile

The main campus, housing its four faculties, covers around 290 hectares of land on three adjacent sites close to the city of Coventry.

The University offers diploma, bachelor and doctorate courses in a wide variety of disciplines. In 2001, the largest faculty (by number of students) was the Faculty of Social Sciences, followed by Science, Humanities and the Faculty of Medicine.

In 2001, there were over 13 600 full-time equivalent (FTE) students. The University is the 13th-largest university in England, in terms of total student enrolment (HESA 2002b). Postgraduates comprised 29 per cent of the student population. There were 3328 FTE staff (1268 academic staff) (see table D30.1).

In 2001, the University operated several wholly-owned subsidiaries including Warwick University Training Ltd, Warwick University Services Ltd and Warwick University Retail Services Ltd.

Table D30.1 Students and staff — The University of Warwick, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	13 606	
Undergraduate students	9 611	
Postgraduate students	3 996	
Full-time students	n.a.	11 155
Part-time students	n.a.	12 870
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	3 328	
Academic staff	1 268	
Non-academic staff	2 060	

Note For definitions see glossary. **n.a.** Not available.

Sources: HESA 2002b; The University of Warwick Annual Report 2001.

Revenue, expenses and cash flows

In 2001, the University received around A\$358 million in revenue (see table D30.2). Revenue from all levels of government represented 36 per cent of total revenue. Government revenue included A\$21 million from Research Council grants and core grants from the Higher Education Funding Council for England for teaching (A\$48 million) and research (A\$36 million).

Almost A\$87 million (24 per cent) in revenue was sourced from students. Full-time international students contributed A\$24 million, a similar amount to the contribution of fees from full-time domestic students.

Revenue from investments represented less than 1 per cent of total revenue in 2001. Other sources included A\$39 million from residences, catering and conferences, A\$27 million from retail operations, and A\$21 million from non-government research grants and contracts.

In 2001, total expenses were almost A\$350 million (see table D30.2). Staff costs (salaries plus associated costs) were around 54 per cent of total expenses. Other significant expenses included depreciation (4 per cent) and buildings and grounds expenses (around 4 per cent).

The University reported an operating surplus of A\$8 million in 2001. The operating margin for the University as a whole (surplus expressed as a percentage of revenue) was 2.3 per cent in 2001, compared to an average margin of 2.5 per cent over the previous two years.

The University reported net inflows of cash in 2001, as was the case in each of the previous two years. In real terms, the University's net cash position has increased by almost A\$4 million since 2000.

Table D30.2 Revenue, expenses and cash flows — The University of Warwick, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	358 055	26 315
Government	128 164	9 419
Student ^a	86 741	6 375
Domestic students ^{ab}	62 473	n.a.
International students ^{ac}	24 268	n.a.
Other revenue	143 149	10 521
Investment income	2 525	186
Gifts and donations	—	—
Other	140 624	21 213
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	349 964	
Total staff costs	190 635	57 282
Academic staff costs	102 116	80 534 ^d
Non-academic staff costs	88 519	
Buildings and grounds expenses	12 317	
Depreciation expense	13 850	
Other expenses	145 479	
Borrowing expense	4 946	
Income tax expense	—	
Other	140 533	
Cash flows		
Net total cash flows	472	
Net flows from operating activities	28 486	
Net flows from investing activities	-24 732	
Net flows from financing activities	-3 282	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 July 2001. ^a Includes other student revenue including short course fees and fees from part-time students. ^b Revenue from domestic students is total revenue from students less international student revenue. ^c Revenue from international students is revenue from full-fee-paying international students. ^d Academic staff costs per full-time equivalent academic staff member. **n.a.** Not available. — Nil.

Sources: HESA 2002a and 2002b; The University of Warwick Annual Report 2001.

Assets and liabilities

In 2001, the University had around A\$368 million in assets (see table D30.3). Physical assets (property, plant and equipment) comprised around 70 per cent of asset value, with cash and investments accounting for a further 12 per cent.

Most land and buildings are valued at historical cost. Equipment is treated as an expense on acquisition except for individual items or a group of items costing more than A\$30 800, which are treated as assets and valued at historical cost. Vehicles costing less than A\$10 300 are treated as an expense on acquisition.

In 2001, the University's main liabilities were borrowings and deferred income. Most debt is secured against its properties.

Table D30.3 Assets and liabilities — The University of Warwick, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	368 147	35 046
Cash and investments	45 799	
Property, plant and equipment	263 270	
Buildings	248 107	
Land	1 201	
Equipment	13 963	
Other PPE assets	—	
Intangibles	—	
Other assets	59 078	
Liabilities		
Total liabilities	130 465	9 696
Borrowings	60 499	
Provisions	7 617	
Accounts payable	18 214	
Other liabilities	44 136	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 July 2001. – Nil.

Sources: HESA 2002a and 2002b; The University of Warwick Annual Report 2001.

D31 De Montfort University (United Kingdom)

The forerunner to De Montfort University, Leicester Polytechnic, was established in 1969. The polytechnic was established as a corporation in 1989 and became De Montfort University in 1992. In 2001, the University operated in three main centres, Leicester, Bradford and Milton Keynes.¹⁶ The University is a public institution.

Since its formation as a university, it has merged with several institutions. In 1994, it merged with the Bedford College of Higher Education, the Lincolnshire College of Art and Design and the Lincolnshire College of Agriculture and Horticulture. In 1995, it merged with the Charles Frears College of Nursing and Midwifery. The University has also established business schools in India and South Africa.

In 2001, the University ranked 70th in the *Financial Times* annual ranking of the top 100 universities in the United Kingdom (FT 2001).

University profile

De Montfort University offers diploma, bachelor and doctorate courses in a wide variety of areas. Courses are offered in seven faculties including Applied Sciences, Art and Design, Business and Law, Computing Sciences and Engineering, and Health and Community Studies.

In 2001, there were 30 485 full-time equivalent (FTE) students. Of these, 15 per cent were postgraduate students and 40 per cent of students studied part-time. The University is the third-largest university in England, in terms of total student enrolment (HESA 2002b). The University employed 4006 FTE staff (1959 academic staff) (see table D31.1).

The University operates several subsidiaries including, De Montfort University Lincolnshire Farms Ltd, De Montfort Expertise Ltd, De Montfort University Trust and De Montfort University South Africa. These entities undertake a range of activities including the marketing and commercialisation of University research and expertise, fund raising to support the University and the provision of postgraduate programs in South Africa.

¹⁶ At the time of publication, the University was in the process of withdrawing from its Milton Keynes campus.

Table D31.1 Students and staff — De Montfort University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	30 485	
Undergraduate students	26 065	
Postgraduate students	4 420	
Full-time students	18 185	n.a.
Part-time students	12 305	n.a.
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	n.a.	4 006
Academic staff	n.a.	1 959
Non-academic staff	n.a.	2 047

Note For definitions see glossary. **n.a.** Not available.

Sources: De Montfort University Annual Report 2001; HESA 2002b.

Revenue, expenses and cash flows

In 2001, the University received around A\$243 million in revenue. Around 57 per cent of total revenue came from government. Government revenue included A\$131 million in Funding Council Grants and A\$3.5 million in Research Council grants (HESA 2002a). A further 27 per cent (A\$64.6 million) in revenue was sourced from students (see table D31.2).

In 2001, total expenses were over A\$256 million. Staff costs (salaries plus associated costs) were around 59 per cent of total expenses. Depreciation accounted for 3 per cent of total expenses.

The University reported an operating deficit of around A\$12.8 million in 2001. An exceptional expense of A\$9.9 million — relating to the restructure of one of the University's subsidiary operations — contributed to the operating loss. The University reported net inflows of cash in 2001.

Table D31.2 Revenue, expenses and cash flows — De Montfort University, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	243 376	11 005
Government	137 723	6 228
Student	64 640	2 923
Other revenue	41 012	1 855
Investment income	1 102	50
Gifts and donations	—	—
Other	39 910	1 805
Expenses	<i>A\$'000</i>	<i>per staff member (A\$)</i>
Total expenses	256 179	
Total staff costs	151 811	37 896
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	1 946	
Depreciation expense	8 918	
Other expenses	93 504	
Borrowing expense	2 297	
Income tax expense	—	
Other	91 208	
Cash flows		
Net total cash flows	5 962	
Net flows from operating activities	7 518	
Net flows from investing activities	-16 518	
Net flows from financing activities	14 963	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 July 2001. n.a. Not available. — Nil.

Sources: De Montfort University Annual Report 2001; HESA 2002a and 2002b.

Assets and liabilities

In 2001, the University reported over A\$756 million in assets (see table D31.3). Physical assets (property, plant and equipment) comprised around 30 per cent of total asset value, with cash and investments accounting for a further 54 per cent.

Physical assets are reported at historical cost, except donated assets which are reported at fair market value at the date of acquisition. Land granted to the University is recorded at nominal value.

In 2001, liabilities were over A\$209 million. Borrowings accounted for 28 per cent and provisions 17 per cent of total liabilities.

Table D31.3 Assets and liabilities — De Montfort University, 2001

Assets	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total assets	756 369	71 932
Cash and investments	411 356	
Property, plant and equipment	228 273	
Buildings	n.a.	
Land	n.a.	
Equipment	n.a.	
Other PPE assets	n.a.	
Intangibles	–	
Other assets	116 740	
Liabilities		
Total liabilities	209 256	19 901
Borrowings	58 316	
Provisions	36 272	
Accounts payable	31 128	
Other liabilities	83 541	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 July 2001. n.a. Not available. – Nil.

Sources: De Montfort University Annual Report 2001; HESA 2002.

D32 Georgetown University (United States)

Georgetown University was the first Catholic university established in the United States. Archbishop John Carroll established the University in 1789 for students of all religions and from all classes of society. For the first 40 years, most academics at Georgetown were Jesuit priests who set the foundations for scientific exploration at the University, especially in astronomy. Today, its Catholic foundations still influence the University's mission, academic program and activities.

In 2001, the University was ranked in the top 50 US research universities by TheCenter at Florida University (Lombardi et al. 2001). The ranking is based on nine different measurements, including total research, endowment assets, annual donations and doctorates awarded.

Each year, more than 55 per cent of the undergraduate students at the University receive some form of financial assistance. In 2001, this assistance comprised of A\$71 million in grants, scholarships, employment, and loans.

University profile

The University has three campuses — the main campus, the Medical Centre and Law Centre in Washington DC. The main campus is on 42 hectares of land and includes 53 buildings. The Medical Centre includes the School of Medicine, the School of Nursing and Health Studies and a biomedical research enterprise and operates in the Georgetown University Hospital. In 2000, the Georgetown University Hospital and the operation of its clinical services were transferred to MedStar Health Inc. The University also operates student residences for 78 per cent of the full-time undergraduate students.

The University offers more than 90 undergraduate, graduate and professional courses across eight schools. There were 3843 degrees awarded in 2001. The School of Foreign Service, designed to prepare undergraduate and postgraduate students for a career in international affairs, is the oldest and largest school of its kind in the United States. Annual undergraduate tuition fees for 2001 were A\$33 452.

In 2001, over 12 000 students were enrolled and 1400 academics were employed (see table D32.1). About 30 per cent of academic staff were employed in the Medical Centre.

Table D32.1 Students and staff — Georgetown University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	n.a.	12 427
Undergraduate students	n.a.	6 418
Postgraduate students	n.a.	6 009
Full-time students	n.a.	n.a.
Part-time students	n.a.	n.a.
International students	n.a.	n.a.
Domestic students	n.a.	n.a.
Staff		
Total staff	n.a.	n.a.
Academic staff	n.a.	1 412 ^a
Non-academic staff	n.a.	n.a.

Note For definitions see glossary. ^a Data is for 2001-02. **n.a.** Not available.

Source: Georgetown University Financial Statements 2001.

Revenue, expenses and cash flows

In 2001, the University earned almost A\$779 million (table D32.2). The main sources of revenue were student fees (40 per cent) and grants and contracts (24 per cent), gifts and donations (14 per cent) and investment income (6 per cent).

The University has reported losses of A\$126 million and A\$61 million for 2000 and 2001 respectively. In 2000, the University reported a loss of A\$245 million from the transfer of the hospital to MedStar Health Inc.

A net cash outflow of A\$123 million was reported for 2001, in contrast to the inflow of A\$89 million in 2000.

Table D32.2 Revenue, expenses and cash flows — Georgetown University, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	778 738	62 665
Government ^a	n.a.	n.a.
Student ^b	326 089	26 240
Other revenue	452 648	36 425
Investment income	47 752	3 843
Gifts and donations	107 036	8 613
Other ^a	297 860	23 969
Expenses	<i>A\$'000</i>	<i>Per FTE staff member (A\$)</i>
Total expenses	839 565	
Total staff costs	433 717	n.a.
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	7 855	
Depreciation expense	40 637	
Other expenses	357 356	
Borrowing expense	29 757	
Income tax expense	—	
Other	327 599	
Cash flows		
Net total cash flows	-123 045	
Net flows from operating activities	-59 436	
Net flows from investing activities	-391 251	
Net flows from financing activities	327 643	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. ^a Georgetown received A\$187 million in 'grants and contracts' revenue. Whilst some or all of this may be from government, the Commission has included this in 'other revenue', as the source of the revenue is not clear. ^b Revenue from students is net of scholarships and financial aid. **n.a.** Not available. — Nil.

Source: Georgetown University Financial Statements 2001.

Assets and liabilities

The University has over A\$2.4 billion worth of assets, about half is cash and investments (see table D32.3). In 2001, the value of endowment investments was A\$1.2 billion, an increase of around A\$130 million on the previous year.

Plant and equipment are valued at cost at the time of acquisition less depreciation and land is valued at market value at the time of bequest. Investments are recorded at fair value — quoted market prices when available, or estimates of fair value.

Table D32.3 Assets and liabilities — Georgetown University, 2001

Assets	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total assets	2 443 370	196 618
Cash and investments	1 269 395	
Property, plant and equipment	789 862	
Buildings	n.a.	
Land	n.a.	
Equipment	n.a.	
Other PPE assets	n.a.	
Intangibles	–	
Other assets	384 113	
Liabilities		
Total liabilities	1 228 278	98 839
Borrowings	929 643	
Provisions ^a	n.a.	
Accounts payable ^a	n.a.	
Other liabilities ^a	298 634	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. ^a Accounts payable and accrued liabilities could not be separated and were counted as 'other liabilities'. **n.a.** Not available. – Nil.

Source: Georgetown University Financial Statements 2001.

D33 Oklahoma State University (United States)

Oklahoma State University commenced in 1891 as the Oklahoma Agricultural and Mechanical College. When students first assembled for classes, there were no buildings, books or curriculum. Until 1894, lectures were held in local churches. The University was renamed Oklahoma State University in 1957.

The University offers off-campus education. It has 26 video locations and 66 extension offices around the State.

University profile

The University has five campuses — Stillwater, Oklahoma City, Okmulgee, Tulsa and the Centre for Health Science. The main campus, Stillwater, is situated on over 340 hectares and has approximately 200 buildings. Near Stillwater, Lake Carl Blackwell is an 8000 hectare recreation reserve that was bequeathed to the University in 1954. It generates revenue from access fees and the sale of water from the lake. Visitors to the reserve can camp, hunt and fish. The University also owns about 2000 hectares that includes a farm for teaching veterinary science students and conducting research.

The University offers doctorate degrees in 46 areas, masters degrees in 65, and bachelors degrees in 85 major fields. The Centre for Health Science provides teaching facilities for students studying Osteopathic Medicine, Biomedical Science and Forensic Science. Staff at the Centre also undertake health related research.

There were over 18 000 full-time equivalent students enrolled in 2001 (see table D33.1). Of these, 84 per cent were from the State of Oklahoma and 80 per cent study on the main campus.

Table D33.1 Students and staff — Oklahoma State University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	18 286	n.a.
Undergraduate students	15 580	n.a.
Postgraduate students	2 706	n.a.
Full-time students	n.a.	n.a.
Part-time students	n.a.	n.a.
International students	n.a.	n.a.
Domestic students	n.a.	n.a.
Staff		
Total staff	n.a.	n.a.
Academic staff	n.a.	n.a.
Non-academic staff	n.a.	n.a.

Note For definitions see glossary. **n.a.** Not available.

Source: Oklahoma State University Financial Statements 2001.

Revenue, expenses and cash flows

In 2001, the University generated about A\$700 million in revenue (see table D33.2). The two main sources of revenue were government (59 per cent) and student fees (19 per cent).

The University reported surpluses of A\$32 million and A\$14 million for the periods 2000 and 2001 respectively. Operating margins (surplus expressed as a percentage of total revenue) for 2000 and 2001 were 2.1 per cent and 4.5 per cent respectively.

Net cash outflows of A\$2.9 million and A\$38 million were reported in 2001 and 2000.

Table D33.2 Revenue, expenses and cash flows — Oklahoma State University, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	700 538	38 310
Government	415 565	22 726
Student ^a	77 320	4 228
Other revenue	207 653	11 356
Investment income	7 923	433
Gifts and donations	37 018	2 024
Other	162 712	8 898
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	668 715	
Total staff costs	399 136	n.a.
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	n.a.	
Depreciation expense	47 243	
Other expenses	222 336	
Borrowing expense	5 936	
Income tax expense	—	
Other	216 400	
Cash flows		
Net total cash flows	-2 929	
Net flows from operating activities	-254 739	
Net flows from investing activities	10 785	
Net flows from financing activities	241 025	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. ^a Revenue from students is net of scholarship allowances of A\$30.1 million. **n.a.** Not available. — Nil.

Source: Oklahoma State University Financial Statements 2001.

Assets and liabilities

In 2001, the University reported A\$817 million worth of assets (see table D33.3). The most valuable assets — property plant and equipment, and cash and investments — are worth about 70 per cent and 19 per cent of total asset value respectively. The value of investments in government securities for this period was A\$75 million.

Land, plant and equipment are valued at cost at the time of acquisition or at fair value at the time of bequest, less depreciation. Investments are recorded at fair value — quoted market prices when available, or estimates of fair value.

Table D33.3 Assets and liabilities — Oklahoma State University, 2001

Assets	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total assets	816 921	44 675
Cash and investments	152 856	
Property, plant and equipment	574 205	
Buildings	380 982	
Land	20 844	
Equipment	118 379	
Other PPE assets	53 999	
Intangibles	—	
Other assets	89 860	
Liabilities		
Total liabilities	224 657	12 286
Borrowings	152 342	
Provisions	27 712	
Accounts payable	14 469	
Other liabilities	30 134	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. – Nil.

Source: Oklahoma State University Financial Statements 2001.

D34 Stanford University (United States)

Leland Stanford, a former Governor of California, founded Stanford University in 1891 in honour of his son. The foundation grant pledged by Leland Stanford was US\$5 million. At the time of foundation, the University was unconventional — co-educational, non-denominational and emphasised the production of useful as well as cultured graduates.

In 2001, the University was ranked equal top US research university by TheCenter at Florida University (Lombardi et al. 2001). The ranking is based on nine different measurements, including total research, endowment assets, annual donations and doctorates awarded.

University profile

The campus is the former farm of Leland Stanford and is over 3000 hectares, most of which is open space. Sporting facilities include several stadiums.

The University also operates an art centre (with 27 indoor galleries that house the largest collection of Rodin sculptures outside of Paris), two hospitals, about 100 research centres and an athletics department. Also, Stanford operates the Linear Accelerator Centre — a national laboratory used by 3000 visiting scientists that probes the structure of matter — under contract from the US Department of Energy.

The University offers bachelor through to doctorate courses in a range of areas. Three of the seven schools (faculties) offer postgraduate and undergraduate courses, the rest offer only undergraduate. In 2001, annual student fees for a first-time, full-time undergraduate student were A\$34 470.

In 2001, there were over 13 000 full-time equivalent (FTE) students enrolled (see table D34.1). Around 40 per cent of FTE staff were employed by the School of Medicine. In 2001, there were 8.3 students enrolled per academic staff (in terms of headcount).

Table D34.1 Students and staff — Stanford University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	13 183	
Undergraduate students	6 637	
Postgraduate students	6 546	
Full-time students	n.a.	n.a.
Part-time students	n.a.	n.a.
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	n.a.	n.a.
Academic staff	n.a.	1 701
Non-academic staff	n.a.	n.a.

Note For definitions see glossary. **n.a.** Not available.

Sources: Stanford University 2001 Annual Report; Yale University 2002.

Revenue, expenses and cash flows

In 2001, the University received A\$3.9 billion in revenue (see table D34.2). Some of the main revenue sources were income from health care services (34 per cent), government, including funding for operating the Linear Accelerator Centre (24 per cent), investment income (15 per cent) and student income (8 per cent).

About 80 per cent of investment income was returns from invested endowments. Endowment funds are mainly invested in corporate stocks, mutual funds and limited partnerships. In 2001, endowment investments produced a negative return of 7.3 per cent, due mainly to a downturn in the stock market and losses on private equity. Over the past decade, endowment investments produced an average annual return of 15.3 per cent.

In 2001, the operating surplus was A\$61.2 million and the operating margin (surplus expressed as a percentage of total revenue) was 2 per cent — 6 percentage points less than the previous financial year.

Table D34.2 Revenue, expenses and cash flows — Stanford University, 2001

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	3 910 059	296 599
Government ^a	967 552	73 394
Student ^b	301 556	22 875
Other revenue	2 640 950	200 330
Investment income	591 656	44 880
Gifts and donations	166 628	12 640
Other	1 882 667	142 810
Expenses	<i>A\$'000</i>	<i>Per FTE staff member (A\$)</i>
Total expenses	3 848 888	
Total staff costs	1 953 271	n.a.
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	n.a.	
Depreciation expense	256 017	
Other expenses	1 639 600	
Borrowing expense	—	
Income tax expense	—	
Other	1 639 600	
Cash flows		
Net total cash flows	377 290	
Net flows from operating activities	180 001	
Net flows from investing activities	-300 439	
Net flows from financing activities	497 729	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 31 August 2001. ^a This is the amount of 'total sponsored research support' which would include some private sector funding. However, Stanford note that this was primarily federal. ^b Income from students is reported net of financial aid of A\$122 million.

Source: Stanford University 2001 Annual Report.

Assets and liabilities

In 2001, the University had over A\$19.3 billion worth of assets, most of which were cash and investments (see table D34.3). The value of endowments was A\$11 billion, down from A\$11.8 billion at the end of 2000. The decline in value was due mainly to a devaluation of the asset as a result of negative investment returns recorded for 2001.

Fixed assets are valued at cost less depreciation and land is valued at market value at the time of bequest. Investments are recorded at fair value — quoted market prices, when available, or estimates of fair value.

Table D34.3 Assets and liabilities — Stanford University, 2001

Assets	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total assets	19 344 833	1 467 407
Cash and investments	14 581 585	
Property, plant and equipment	3 130 462	
Buildings ^a	2 002 920	
Land	197 348	
Equipment ^a	930 194	
Other PPE assets	–	
Intangibles	–	
Other assets	1 632 785	
Liabilities		
Total liabilities	4 004 814	303 786
Borrowings	2 669 648	
Provisions ^b	n.a.	
Accounts payable ^b	n.a.	
Other liabilities ^b	1 335 166	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. ^a Stanford does not report these figures net of depreciation. The Commission has estimated net values by deducting a weighted percentage of total depreciation from the gross values of buildings assets and equipment assets. ^b Accounts payable and accrued expenses could not be separated and are included in 'other liabilities'. **n.a.** Not available. – Nil.

Source: Stanford University 2001 Annual Report.

D35 The University of Oklahoma, Norman Campus (United States)

The University of Oklahoma (Norman campus) is part of the state wide Oklahoma university system, which also has major campuses at Oklahoma City and Tulsa. The Norman campus (hereafter referred to as the University) is the largest centre, having almost 55 per cent of the full-time faculty.

The University was founded in 1890 by the Oklahoma Territorial Legislature and is a public institution.

In 2001, the University was ranked in the top 50 public research universities by TheCenter at Florida University (Lombardi et al. 2001). It also ranks in the top five in the United States among all comprehensive public universities in National Merit Scholars enrolled per capita and in the graduation of Rhodes Scholars.

University profile

The University offers diploma, bachelor and doctorate courses in a wide variety of areas. It has 19 colleges including, Geosciences, Architecture, Arts and Sciences, Business, Education, Engineering and Law.

In 2001, almost 23 000 students were enrolled (see table D35.1). Of the students enrolled, 13 per cent were part-time students. The University employed over 3800 full-time equivalent (FTE) staff (985 FTE academic staff).

Table D35.1 Students and staff — The University of Oklahoma (Norman Campus), 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	20 637	
Undergraduate students	16 751	
Postgraduate students	3 886	
Full-time students	n.a.	
Part-time students	n.a.	
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	3 856	
Academic staff	985	
Non-academic staff	2 871	

Note For definitions see glossary. **n.a.** Not available.

Source: The University of Oklahoma (Norman Campus) Financial Statements 2001.

Revenue, expenses and cash flows

In 2001, the University received over A\$601 million in revenue (see table D35.2). Government revenue contributed 52 per cent of total revenue, which included almost A\$174 million in state appropriations. Student revenue contributed a further 15 per cent of total revenue.

Revenue from gifts and donations accounted for 7 per cent of the University's revenue. Other significant sources of revenue were accommodation and housing services (over A\$35 million) and athletic revenues (net of scholarship allowances) of A\$32.4 million.

In 2001, total expenses were almost A\$574 million. Staff costs (salaries plus associated costs) were around 58 per cent of total expenses. Depreciation accounted for 4 per cent of total expenses.

The University reported an operating surplus of almost A\$27 million. In 2001, the operating margin (surplus expressed as a percentage of revenue) was almost 5 per cent. A net cash outflow of just over A\$3.6 million was reported in 2001.

Table D35.2 Revenue, expenses and cash flows — The University of Oklahoma (Norman Campus), 2001

Revenue	<i>A\$'000</i>	<i>per student (A\$)</i>
Total revenue	601 449	29 144
Government	315 411	15 284
Student	91 360	4 427
Other revenue	194 677	9 433
Investment income	6 055	293
Gifts and donations	41 621	2 017
Other	147 001	7 123
Expenses	<i>A\$'000</i>	<i>per FTE staff member (A\$)</i>
Total expenses	573 713	
Total staff costs	335 987	87 136
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	
Buildings and grounds expenses	n.a.	
Depreciation expense	23 145	
Other expenses	161 339	
Borrowing expense	5 486	
Income tax expense	—	
Other	155 853	
Cash flows		
Net total cash flows	-3 612	
Net flows from operating activities	-233 106	
Net flows from investing activities	-22 196	
Net flows from financing activities	251 691	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. **n.a.** Not available. — Nil.

Source: University of Oklahoma (Norman Campus) Financial Statements 2001.

Assets and liabilities

The University had almost A\$761 million in assets (see table D35.3). Physical assets (property, plant and equipment) comprised around 59 per cent of asset value, with cash and investments accounting for a further 30 per cent.

Physical assets are reported at historical cost, except donated assets, which are reported at fair market value at the date of acquisition. All equipment with a unit cost of A\$665 or more and an estimated useful life of greater than one year is capitalised.

In 2001, liabilities were reported at over A\$294 million, of which borrowings contributed over 55 per cent.

Table D35.3 Assets and liabilities — The University of Oklahoma (Norman Campus), 2001

Assets	<i>A\$'000</i>	<i>per student (A\$)</i>
Total assets	760 666	36 859
Cash and investments	229 726	
Property, plant and equipment	447 456	
Buildings	306 597	
Land	17 084	
Equipment	55 099	
Other PPE assets	68 676	
Intangibles	—	
Other assets	83 484	
Liabilities		
Total liabilities	294 384	14 265
Borrowings	164 001	
Provisions	19 703	
Accounts payable	—	
Other liabilities	—	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. **n.a.** Not available. — Nil.

Source: University of Oklahoma (Norman Campus) Financial Statements 2001.

D36 University of Pennsylvania (United States)

The University of Pennsylvania was established under the name of the Academy of Philadelphia by Benjamin Franklin in January 1751. It was the first higher education institute in the United States that offered both a classic education of the arts and more practical sciences. The academy was seized by the state government in 1779, amidst the turmoil of the civil war and was re-opened as a state university under the name of the University of Pennsylvania. After the war, it was returned to private hands.

Towards the end of the 19th century, the University, influenced by the German model of higher education, transformed itself from a teaching college to a research institution.

In 2001, the University was ranked equal top US research university by TheCenter at Florida University (Lombardi et al. 2001).

The University is a member of the Ivy League and offers intercollegiate competition for men in 20 sports and women in 14 sports.

In 2001, the University granted A\$136 million to students, which provided support to 68 per cent of undergraduate students.

University profile

All of the schools are located within 151 buildings on a 100 hectare campus in West Philadelphia. Pennsylvania has four undergraduate schools, and 12 graduate and professional schools. Of the graduate and professional schools, Arts and Sciences is the largest (in terms of student numbers). The annual undergraduate tuition fee is A\$37 224.

The University also has a 240 hectare agricultural property, 50 km from the main campus. On the property are 77 buildings that are used for providing veterinary services, veterinary research and for teaching veterinary students. Pennsylvania also operates a hospital and 37 hectare arboretum with 30 buildings.

In 2001, the University enrolled over 19 600 full-time equivalent (FTE) students and employed over 12 200 staff, including 4319 academic staff (table D36.1). It employed over 12 000 staff in its hospital. The number of students enrolled per academic staff employed was 5.6 (in terms of headcount).

Table D36.1 Students and staff — University of Pennsylvania, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	19 658	
Undergraduate students	10 502	
Postgraduate students	9 156	
Full-time students	n.a.	n.a.
Part-time students	n.a.	n.a.
International students	n.a.	
Domestic students	n.a.	
Staff		
Total staff	n.a.	12 290 ^a
Academic staff	n.a.	4 319 ^b
Non-academic staff	n.a.	7 971

Note For definitions see glossary. ^a Excludes employees of the Hospital of the University of Pennsylvania. ^b Includes standing and associated faculty. **n.a.** Not available.

Source: University of Pennsylvania 2001 Financial Report.

Revenue, expenses and cash flows

In 2001, the University earned A\$4.5 billion (table D36.2). The main revenue sources were hospital and physician practises (49 per cent), government (13 per cent), student fees (13 per cent), gifts and donations (7 per cent) and investments (7 per cent). Government revenue is mainly sponsorship from the National Institute of Health for programs related to research and training.

The University reported surpluses of A\$12.6 million and A\$357 million for the periods 2000 and 2001 respectively. In 2000-01, the University's hospital returned an operating surplus for the first time in four years. The operating margins (surplus expressed as a percentage of total revenue) for 2000 and 2001 were 0.3 per cent and 7.9 per cent respectively.

A net cash inflow of A\$230 million was reported in 2001, in contrast to the outflow of \$144 million in 2000.

Table D36.2 **Revenue, expenses and cash flows — University of Pennsylvania, 2001**

Revenue	<i>A\$'000</i>	<i>per FTE student (A\$)</i>
Total revenue	4 514 112	229 632
Government	608 782	30 969
Student ^a	572 279	29 112
Other revenue	3 333 050	169 552
Investment income	308 954	15 716
Gifts and donations	334 821	17 032
Other	2 689 276	136 803
Expenses	<i>A\$'000</i>	<i>Per FTE staff member (A\$)</i>
Total expenses	4 156 989	
Total staff costs	n.a.	
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	n.a.
Buildings and grounds expenses	n.a.	
Depreciation expense	n.a.	
Other expenses	n.a.	
Borrowing expense	n.a.	
Income tax expense	n.a.	
Other	n.a.	
Cash flows		
Net total cash flows	230 033	
Net flows from operating activities	323 472	
Net flows from investing activities	-229 702	
Net flows from financing activities	136 262	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. ^a Income from students is net of scholarships and discounts of A\$135 million. **n.a.** Not available.

Source: University of Pennsylvania 2001 Financial Report.

Assets and liabilities

In 2001, the University had over A\$9.8 billion worth of assets, about half was cash and investments (see table D36.3). The value of endowment invested was A\$4.4 billion and has increased at an annual average rate of 5.9 per cent over the last five years.

Land, plant and equipment are valued at cost at the time of acquisition or at fair value at the time of bequest. Depreciation is calculated on the total value of plant and equipment and depreciation on individual items is not calculated. Investments are recorded at fair value — quoted market prices, when available, or estimates of fair value.

Table D36.3 Assets and liabilities — University of Pennsylvania, 2001

Assets	<i>A\$'000</i>	<i>Per FTE student (A\$)</i>
Total assets	9 832 451	500 176
Cash and investments	5 242 155	
Property, plant and equipment	3 332 842	
Buildings ^a	2 273 847	
Land	105 200	
Equipment ^a	935 015	
Other PPE assets	18 780	
Intangibles	—	
Other assets	1 257 454	
Liabilities		
Total liabilities	3 141 620	159 814
Borrowings	1 848 478	
Provisions	882 330	
Accounts payable	140 215	
Other liabilities	270 596	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. ^a Pennsylvania does not report these figures net of depreciation. The Commission has estimated net values by deducting a weighted percentage of total depreciation from the gross values of buildings assets and equipment assets. — Nil.

Source: University of Pennsylvania 2001 Financial Report.

D37 Yale University

Yale University was founded in 1701 as the Collegiate School in the home of Abraham Pierson, its first rector. In 1716, the school moved to New Haven and in 1718 was renamed Yale College after Elihu Yale, a generous benefactor of the College. In 1887, Yale College became Yale University. The University is a private, independent institution.

The economy of New Haven is heavily dependent on Yale and research activities associated with Yale. In 2001, A\$1.5 billion was privately invested into ten New Haven biotechnology companies — spun off from Yale research.

In 2001, the University was ranked equal 6th top US research university by TheCenter at Florida University (Lombardi et al. 2001).

About 20 per cent of students compete in 35 different intercollegiate sports. The University is a member of the National Collegiate Athletic Association, the Eastern College Athletic Conference, and the Ivy League.

University profile

The campus is 364 hectares in size. It comprises 206 hectares of golf course and nature preserve, 40 hectares of athletic fields and 118 hectares of campus. The campus includes residential colleges that house 86 per cent of students.

The University offers bachelor through to doctorate courses in a range of disciplines. In 2001, 3934 courses were completed across Yale College, the Graduate School of Arts and Science and ten professional schools.

In 2001, there were 11 126 enrolments (see table D37.1) — 5253 from Yale College, 2334 from the Graduate School of Arts and Science and 3506 from professional schools. The largest professional school, in terms of enrolment, was Law. In 2001, there were 3.8 students enrolled per academic staff member. Annual student fees for first-time, full-time, undergraduate students were A\$34 713 in 2001.

The University operates a medical centre that delivers medical services to the local community, provides a teaching facility for medical students and performs biotechnology research. About half of the staff were employed in the School of Medicine.

Table D37.1 Students and staff — Yale University, 2001

Students	<i>Full-time equivalent (FTE)</i>	<i>Headcount</i>
Total students	n.a.	11 126
Undergraduate students	n.a.	5 286
Postgraduate students	n.a.	5 840
Full-time students	n.a.	10 903
Part-time students	n.a.	223 ^a
International students	n.a.	779
Domestic students	n.a.	10 347
Staff		
Total staff	n.a.	7 577
Academic staff	n.a.	2 952
Non-academic staff	n.a.	4 625

Note For definitions see glossary. ^a Calculated as 2 per cent of total student headcount. **n.a.** Not available.

Source: Yale University Annual Report 2001.

Revenue, expenses and cash flows

In 2001, the University earned A\$3.5 billion in revenue (table D37.2). Some of the main sources were income from investments (49 per cent), gifts and donations (12 per cent), government (12 per cent), student fees (8 per cent) and medical services (8 per cent).

About 70 per cent of investments were returns from endowments. About 85 per cent of endowment funds are invested in some sort of equity — domestic and international securities, fixed income, absolute return real assets and private equity. In 2001, the endowment investments returned 9.2 per cent. Over the past decade, endowment investments produced an average annual return of 18.3 per cent. Of these investments, private equity has produced the highest return at about 35 per cent per annum.

In 2001, the operating surplus was A\$1.2 billion and the operating margin (surplus expressed as a percentage of total revenue) was 35 per cent — 10 percentage points below the average over the last five years.

A net cash surplus was reported in 2001, which has been the case in two of the previous five years. Since 1997, the University's net cash position has increased by over A\$130 million in real terms.

Table D37.2 Revenue, expenses and cash flows — Yale University, 2001

Revenue	<i>A\$'000</i>	<i>per student (A\$)</i>
Total revenue	3 458 326	310 833
Government	398 202	35 790
Student ^a	265 984	23 907
Other revenue	2 794 140	251 136
Investment income	1 701 528	152 933
Gifts and donations	421 067	37 845
Other	671 545	60 358
Expenses	<i>A\$'000</i>	<i>Per staff member (A\$)</i>
Total expenses	2 233 057	
Total staff costs	1 032 909	136 322
Academic staff costs	n.a.	n.a.
Non-academic staff costs	n.a.	n.a.
Buildings and grounds expenses	n.a.	
Depreciation expense	132 336	
Other expenses	1 067 812	
Borrowing expense	60 490	
Income tax expense	—	
Other	1 007 322	
Cash flows		
Net total cash flows	178 197	
Net flows from operating activities	290 629	
Net flows from investing activities	-277 994	
Net flows from financing activities	165 562	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. ^a Income from students is net of scholarships and fellowships of A\$116.5 million. **n.a.** Not available. — Nil.

Source: Yale University Annual Report 2001.

Assets and liabilities

In 2001, the University had over A\$17.6 billion worth of assets, most of which were cash and investments (see table D37.3). The market value of endowments was A\$14.6 billion. To maintain the real value of endowments over time, only 5 per cent of returns from endowments are spent for general budgetary use. Of the endowment funds, about 22 per cent was unrestricted.

Fixed assets are valued at cost less depreciation and land is valued at market value at the time of bequest. Investments are recorded at fair value — quoted market prices, when available, or estimates of fair value.

Table D37.3 Assets and liabilities — Yale University, 2001

Assets	<i>A\$'000</i>	<i>Per student (A\$)</i>
Total assets	17 647 340	1 586 135
Cash and investments	14 949 507	
Property, plant and equipment ^a	1 582 517	
Buildings ^a	1 675 149	
Land ^a	95 428	
Equipment ^a	251 256	
Other PPE assets	–	
Intangibles	–	
Other assets	593 086	
Liabilities		
Total liabilities	1 853 491	166 591
Borrowings	1 361 588	
Provisions ^b	52 825	
Accounts payable ^c	n.a.	
Other liabilities	439 078	

Note For definitions see glossary. Foreign currencies were converted to 2001 Australian dollars using Purchasing Power Parities (see appendix B). All financial information refers to the consolidated entity for the year ending 30 June 2001. ^aYale does not report these figures net of depreciation. The Commission estimated net values by deducting a weighted percentage of total depreciation from the gross values of buildings assets and equipment assets. ^b Includes only accrued employee benefit liabilities. Other provisions could not be separated from accounts payable and were included in 'other liabilities'. ^c Accounts payable could not be separated from accrued liabilities and were counted as 'other liabilities'. **n.a.** Not available. – Nil.

Source: Yale University Annual Report 2001.

Glossary

Academic staff	University employees principally engaged in teaching, research or both, or staff to whom such persons are responsible in relation to their teaching and research.
Academic staff costs	All salaries and related costs for academic staff. Staff-related costs include superannuation contributions, personal leave and holiday pay.
Accounts payable	Open accounts and note obligations for the operations of the economic entity.
Block grants	Grants provided by government which can be disbursed by universities at their own discretion within broad guidelines.
Borrowings	Repayable borrowings (both interest bearing and non-interest bearing), interest bearing non-repayable borrowings, and finance leases.
Borrowing expense	The amount recorded in the statement of financial performance (profit and loss account) for interest expenses. Interest expenses include finance charges on finance leases and all debt-related financial expenses.
Buildings and grounds expenses	Expenses related to the planning, design, repair and maintenance of the plant, equipment and buildings of the institution and the maintenance of its grounds. They include minor capital works but exclude major capital projects and the salaries and related costs of staff performing these functions.
Cash and investments	All holdings of cash and other financial assets. These may include non-current investment assets (such as, bonds and shares) as well as current investments and cash.
Current assets	Cash and other assets that would, in the ordinary course of operations, be available for conversion into cash within 12 months of the end of the reporting period.

Current cost	Asset valuation method based on either the current market buying price of a similar asset, where a similar asset can be purchased, or the cost of replacing the existing asset's service potential with a different asset with a similar service potential.
Current value	Asset valuation method based on either the net market value of the asset or its net present value. Market value is the amount which the university would expect to receive if the asset were sold at the reporting date, less any costs incurred in obtaining the proceeds of the sale.
Depreciation expense	Expenses associated with the depreciation of fixed assets.
Domestic students	Students who are either citizens or permanent residents of the university's home country (the country where the main campus is located). In Australia, New Zealand students studying in Australia are counted as domestic.
Enrolment rate	Defined by the OECD as the proportion of the population at a particular age enrolled in tertiary education. The enrolment rate for a particular age is used to measure the participation rate of students at that age.
Entry rate	The entry rate of a specific age, as defined by the OECD, is the proportion of first-time entrants at that particular age to the total population of that age. The overall entry rate for the whole population is calculated by adding the entry rates for each single year of age between 17 and 64.
Full-fee-paying domestic student revenue	Revenue received by Australian universities from full-fee-paying non-overseas undergraduate and postgraduate students. This does not include revenue received for continuing education and non-award courses.
Full-fee-paying international student revenue	Revenue received by Australian universities from full-fee-paying overseas undergraduate and postgraduate students. This does not include revenue received for continuing education and non-award courses.

Government revenue	<p>Revenue received by the economic entity from any level of government (national, state/provincial, local/gubernatorial). Government revenue comprises funding for both operating and research purposes, and includes general and specific purpose grants (such as infrastructure grants). It also includes any other funding readily identifiable as coming from government or a government agency.</p> <p>Government contributions from student loans schemes that are paid to the university on behalf of the student are excluded. These revenues are regarded as revenues from students. In the case of Australian universities, revenue received under the Higher Education Contribution Scheme (HECS) is excluded from government revenue.</p>
Graduation rates	Defined by the OECD as the proportion of the whole population in the typical graduation age group (17 to 29 years old) who graduate from bachelor and higher degree programs.
Higher education	Higher education includes on-campus and distance bachelor and higher degree courses and research activities at universities and other higher education institutions.
Higher Education Contribution Scheme (HECS)	The Higher Education Contribution Scheme is a mechanism for collecting contributions from higher education students towards the cost of their tuition. Charges under the scheme can be paid upfront or deferred and repaid via the tax system on an income-contingent basis.
Historical cost	Asset valuation method based on the cost to the university of the acquisition of an asset at the time the transaction took place.
Income tax expense	The amount of tax incurred on operating profit before tax, calculated using tax-effect accounting.
Intangibles	Assets that do not usually have a physical existence. The value of these assets is derived from the rights that possession confers on their owners. For example, goodwill and intellectual property are intangible assets.

<i>Inter vivos</i> gifts	Gifts that are transferred during the lifetime of a person.
International students	Students who are not citizens or permanent residents of the university's home country. For example, any student studying at an Australian university (based either in Australia, or at an off-shore campus) who is not an Australian citizen or a permanent resident of Australia, is considered to be an international student.
Investment income	Revenue received and receivable from financial assets. This includes interest on deposits and bonds, dividends on shares and other returns from financial assets.
Net flows from finance activities	Incoming cash, less outgoing cash from the size and/or composition of the financial structure of the entity, including equity and borrowings. In Australia, this definition is the same as that in AAS 28.
Net flows from investing activities	The amount of incoming cash less outgoing cash, from the acquisition and disposal of non-current assets, including property, plant and equipment and other productive assets and investments. In Australia, this definition is the same as that in AAS 28.
Net flows from operations	The amount of incoming cash, less outgoing cash from the provision of goods and services and other activities other than investing or financing activities. In Australia, this definition is the same as that in AAS 28.
Non-academic staff	All staff who are not academic staff.
Non-academic staff costs	All salaries and related costs for non-academic staff. Staff-related costs include superannuation contributions, personal leave and holiday pay.
Non-current assets	Assets that are not considered current assets.
Operating grant	The base operating grant paid to Australian universities under the <i>Higher Education Funding Act 1998</i> (Cwlth).
Other assets	Assets that are not cash and investments, property, plant and equipment or intangibles. Typically, these are receivables, prepayments and inventories.

Other liabilities	Liabilities that are not borrowings, accounts payable or provisions.
Other revenue	Revenue that is not revenue from government or students. This includes investment income, donations, private sector research grants and contracts, and revenue from the sale of goods and services.
Other revenue from government	Revenue from government less operating grant.
Other student fee revenue	Revenue from students received by Australian universities which is not revenue from HECS, full-fee-paying domestic students or full-fee-paying international students.
Postgraduate students	Students undertaking doctorates (either by research or coursework), masters programs or postgraduate diplomas.
Private research (revenue)	Revenue from the private sector (including individual donors, businesses, private organisations and charitable trusts) that is restricted to research purposes (including funding for the construction of research facilities and the purchase of research equipment) or for the training of postgraduate research students. Sources include specific research grants, general research funding, research contracts awarded by the private sector, postgraduate scholarships and income received through consultancy work for the private sector.
Private sector gifts (revenue)	Revenue from donations, bequests, legacies and similar gifts received by the economic entity from the private sector.
Property, plant and equipment (PPE)	All non-current tangible assets of the economic entity, including any land, buildings, infrastructure (such as roads, paths and pipelines), equipment (including motor vehicles, computers and furniture), library collections and artworks. All PPE assets that are not buildings (or buildings under construction), land or equipment fall into the 'other' category, such as collections, infrastructures and artworks.

Provisions	Liabilities for which the amount or timing of the future sacrifice of economic benefits that will be made is uncertain. In Australia, this definition accords with AASB 1041.
Student revenue	Revenue received from students for tuition and administration purposes. Where applicable, this includes any revenue received under student loan schemes. In the case of Australian universities, all Higher Education Contribution Scheme (HECS) revenue (both student and Commonwealth government contributions) is included. Other revenue received from auxiliary services such as student accommodation, food sales and other student services, is not included. Revenue received from fines imposed on students (such as library dues and parking fines) are also excluded.
Technical and Further Education (TAFE)	The public system of technical and further education within Australia, mainly offering certificates in various grades and other awards below the level of degree.
Tertiary Education	Tertiary education is defined to include higher education as well as occupational-specific programs, such as those provided in Australia by Technical and Further Education (TAFE) Institutes.
Testamentary gifts	Gifts that are bequeathed in a person's will.
Total expenditure on tertiary institutions	Defined by the OECD to include expenditure by governments, students and other private sector entities which is provided directly to tertiary institutions. Includes expenditure on both instructional and ancillary services provided by institutions and spending attributable to research and development performed at institutions.
Total public (government) expenditure on tertiary education	Defined by the OECD to include direct public payments to educational institutions and public payments to students. The latter includes scholarships, loans and grants to students for tuition fees and student living costs. Includes the full volume of student loans and excludes loan repayments.
Total staff costs	The sum of academic staff costs and non-academic staff costs.

Undergraduate students	Students enrolled at a university who are not postgraduate students. This includes students enrolled in preparatory and non-award courses.
Universities	Institutions of higher education that provide a comprehensive range of courses in a number of different disciplines, and undertake research in these disciplines.

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