

# 2012 Budget Highlights

## Overview of the Government's Budget

The focus of the Government's budget continues to be one of fiscal restraint and reallocation of existing funding rather than provision of new funding. For the tertiary sector, savings from reductions in student support are to be reallocated to increasing the tuition subsidies for science and selected engineering courses. Funding is to be removed from Adult Community Education and be reallocated to ACE in communities; and funding for up to 900 EFTs above the 2011 funding levels is being provided from reduced demand in industry training.

Significant funding is being provided to set up an Advanced Technology Institute but universities are not expected to substantially benefit. Funding is also being allocated for National Science Challenges, but ancillary benefits, if any, for universities are not clear.

## Pre-Budget Announcements

The Minister announced that Universities' government funding<sup>1</sup> had increased 13.5%<sup>2</sup> (from \$1,229.0m to \$1,394.3m) from 2008 to 2011. However Massey University's increase over this time was \$5.9m, an increase of only 3.3%. This is significantly less than the next lowest funded university, Victoria University of Wellington, which received a 9.1% lift in revenue. The table below shows the increases in Government funding across the university sector:

University	2008 Audited (\$m)	2009 Audited (\$m)	2010 Audited (\$m)	2011 Audited (\$m)	2008 - 2011 (\$m)	2008 - 2011 % Incr
Auckland University of Technology	116.9	131.9	138.7	141.6	24.7	21.1%
Lincoln University	26.2	31.4	32.5	41.1	14.9	56.9%
<b>Massey University</b>	<b>176.2</b>	<b>176.2</b>	<b>180.8</b>	<b>182.1</b>	<b>5.9</b>	<b>3.3%</b>
University of Auckland	319.5	337	351.1	369.5	50	15.6%
University of Canterbury	133.4	140.3	142.7	148	14.6	10.9%
University of Otago	233.8	247.5	259.5	265.2	31.4	13.4%
University of Waikato	86.6	90.9	93.6	98	11.4	13.2%
Victoria University of Wellington	136.4	142.1	145.9	148.8	12.4	9.1%
<b>Total University Sector</b>	<b>1,229.00</b>	<b>1,297.30</b>	<b>1,344.80</b>	<b>1,394.30</b>	<b>165.30</b>	<b>13.4%</b>

The continuation of low levels of year on year funding to Massey will continue to provide significant challenges in the 2013 year.

Despite the past increases, with the exception of Lincoln and Auckland, every university's financial performance (operating surplus) declined from 2010 to 2011 including Canterbury University's when \$21.5m of gains from insurance are removed from their surplus.

Similarly, the sector surplus reduces from \$128.6m in 2010 to \$108m in 2011 when insurance gains are removed. This equates to a return for the sector of 3.36% of total revenue. The TEC rates all Universities as "at risk" if they fall below 3% return of revenue, hence there is little resilience across the sector to absorb cost increases without commensurate increases in revenue.

<sup>1</sup> Notes: Total Government income includes all tuition; teaching income and research funding, from Vote Tertiary Education. It also includes tuition and teaching related income from other government sources such as the Ministry of Social Development and Ministry of Health. It excludes research funding from agencies other than the Tertiary Education Commission, such as the Ministry of Science and Innovation (previously MoRST).

<sup>2</sup> The announcement rounded the funding incorrectly up to 13.5% whereas the figure should have been rounded down to 13.4%.

The operating surplus for each university over the period from 2008 to 2011 is shown below:

University	2008	2009	2010	2011		2011	\$ M
	Audited (\$m)	Audited (\$m)	Audited (\$m)	Audited (\$m)		Audited (\$m) excl Rev from Insurance	Change in Surplus (excl Insurance Rev) from 2010
Auckland University of Technology	5.1	8.1	20.8	10.1		10.1	-10.7
Lincoln University	-1.3	-2.7	-3.9	0.5		-1	2.9
Massey University	5.3	2.3	10.2	7.6		7.6	-2.6
University of Auckland	24.9	28.5	27.3	32.3		32.3	5
University of Canterbury	15	9.1	12.4	31		9.5	-2.9
University of Otago	18.5	31.1	34.5	27.4		27.4	-7.1
University of Waikato	-1.7	10.7	8.9	8.8		8.8	-0.1
Victoria University of Wellington	9.9	12.8	18.5	14.5		14.5	-4
Unidentified change in TEC data						-1.2	-1.2
<b>Total University Sector</b>	<b>75.7</b>	<b>99.9</b>	<b>128.6</b>	<b>132.2</b>		<b>108.0</b>	<b>-20.7</b>

## Snapshot of Announcements Having Significant Effect on Massey's Revenues

### Revenue Changes

**Key Announcement: Primary change is 2% increase in funding for science courses and 8.8% increase in selected engineering courses.**

- **Effect on Massey Budget**

It is important to note that there are no across the board increases for the Student Achievement Component. The Government is targeting available funding into science and engineering. We expect that "selected" engineering courses will include the courses offered at Massey University, but this is subject to confirmation.

Massey is estimated to receive an additional \$0.6m in 2013 for Science, and \$0.49m for Engineering/Technology (subject to the proviso above).

If all changes noted above apply to Massey University then Massey could expect to receive circa \$1.09m.

**Key Announcement: The PBRF will be boosted by an additional \$100m over four years to bring the fund to \$300m per annum in 2016. The yearly increases which are related to the Government's financial year (1 July to 30 June) are:**

To 30 June 2013	\$6.25m
2013/14	\$18.75m
2014/15	\$31.25m
2015/16	\$43.75m

- **Effect on Massey Budget**

It is difficult at this stage to estimate to what extent Massey University will benefit from this increase in the funding pool.

**Key Announcement: Universities will receive an increase of approximately \$8.9m for 2013 to meet forecast demand of up to 900 effective full time equivalents (EFTS) above the Budget 2011 funded baseline.**

- **Effect on Massey Budget**

It is difficult to estimate to what extent Massey University will benefit from this increase in funding. Massey is presently not significantly above its EFTS funding cap and hence benefits presently are limited unless domestic student numbers increase.

**Key Announcement: Significant changes are being made to student access to student support. The changes are as follows:**

- **The student loan repayment rate for all New Zealand-based borrowers over the repayment threshold has been increased from 10 cents to 12 cents in the dollar.**
- **The voluntary repayment bonus for student loans has been removed.**
- **The number of courses students can borrow for in one year is limited to two effective full time equivalents (EFTS).**
- **The parental income threshold is to be kept at current rates until 31 March 2016.**

**Eligibility has been removed for student allowances for post graduate study (except bachelors degrees with honours), and enforcing the 200 week limit, from 2013.**

- **Effect on Massey Budget**

These changes are likely to impact on some students' ability to study at postgraduate level. Consequently these changes are likely to impact on numbers of postgraduate students, which in turn could affect relative PBRF performance.

**Key Announcement: \$90m in operating funding has been allocated for an Advanced Technology Institute, and \$60m over four years has been allocated for the implementation of the National Science Challenges.**

- **Effect on Massey Budget**

Little information on either initiative is available. It is not expected that Massey University will gain revenue opportunities from either, however Centres of Research Excellence may benefit from the National Science Challenges.

## **Other Changes**

The total funding cap for veterinary science EFTS enrolments is to be replaced with a cap on first year BVSc places. In addition, Massey is awaiting formal notification that an additional 20 veterinary science EFTS are to be funded.

## **Residual Changes from 2011 Budget**

The 2011 Budget places additional costs on Massey University as a result of employer contribution changes relating to KiwiSaver, which come into force on 1 April 2013. The rate of minimum employer contributions and member contributions increase from 2 to 3% from that date.

## **Concluding Comment**

The 2013 year is likely to be the most challenging yet for the University with the 2012 budget providing little additional revenue for the tertiary sector.

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