



## MASSEY UNIVERSITY

### **2012 Budget announcement**

Audience: Staff

Presenter: Rose Anne MacLeod

Link to video to be included in People at Massey story (on Staffroom).

### **Script Text**

I'm pleased I have the opportunity to talk to you about the budget, as we head into 2012.

You may remember five months ago I appended some information on the Vice-Chancellor's e-log on the imperative for the University to be fiscally sustainable. To be fiscally sustainable we need to achieve a 3% surplus on revenue target. This is the Tertiary Education commission's target for universities. It is also our own.

The 3% is important to us to have the funds available to reinvest in the University's infrastructure and research and teaching platforms.

There are two key financial platforms for the University to achieve this – raise revenue and reduce costs.

It's not going to be easy for us as the challenges in the current environment are almost unprecedented. The financial distress suffered by world economies may well worsen before it improves. In addition, stress on the New Zealand economy and on the universities as a result of the Christchurch earthquake is placing significant pressure on us.

We work in a highly regulated industry with significant competition for Government funding for research, and domestic student numbers capped.

For Massey, Government funding has increased for us in 2012 by only \$1.8 million, but our salaries and staff related costs alone are forecast to rise over \$5.5 million. Insurance is over \$1 million more and other costs are rising substantially.

We all see these financial pressures in our day to day living.

We must not, however, lose sight of Massey's vision as the engine of the new New Zealand helping to shape New Zealand and taking the best to the rest of the world.

We need to continue to reinvest and as part of the Road to 2020 resources are being provided in this budget for a number of key strategic initiatives. This resourcing is:

- \$500,000 additional funding for internally funded research supporting the Massey University Research Strategy.
- \$770,000 over three years to support the development of the Internationalisation Strategy and student recruitment.
- \$1.5 million support for the College of Business academic reform, with particular emphasis on enrolment growth at Albany.
- \$1.2 million to support the Stream digital learning environment.
- \$1 million extra funding to support brand development, recruitment and stakeholder connections.
- \$1 million for the Strategic Innovations Fund that backs initiatives that enable Massey expertise to address issues of national significance.
- \$500,000 to provide seed capital for commercial initiatives.
- \$125,000 to implement human resource strategies that develop our people.
- \$7.2 million in capital spending for IT computers, software, networking and telecommunications. The funding of this initiative is significant and the reason for that is it is seen as the area with greatest potential to enable excellence and is in many ways critical for the success of the other initiatives outlined.
- A significant building programme including completion of the College of Creative Arts building on the Wellington campus, the Student Amenities Centre at Albany, and the Riddet complex upgrade (engineering and technology) on the Manawatu campus. A range of other major projects will also be advanced, including relocation of the School of Public Health to the main campus in Wellington, the College of Education to Turitea campus in Manawatu, seismic strengthening projects at Wellington and Manawatu, upgrade of the veterinary complex, and new Science laboratories at Albany.

To provide this level of investment and bridge the widening funding gap, we need to control our costs.

The areas we aim to achieve significant savings are in better managing our expenditure, particularly on procurement. The target set of \$9 million of savings is challenging. Success will depend heavily on staff understanding and supporting policies that enable us to obtain price discounts through volume aggregation and do business with suppliers that provide the best value and through channels that lower transaction costs.

We also need to do things differently. This is your part, and we will need your help on this; the choices that you make will drive our costs. We need you to carefully manage your budgets, and be conservative with your spending. Please think about how we can do things differently to be more efficient and effective.

We also need to grow our revenue, and as you will be aware, generating income is one of Massey's six big goals, and we need to position ourselves to capitalise on opportunities to grow in ways that reduce dependence on Government and increase partnerships with the commercial sector and other branches of the education and research sectors, nationally and internationally.

As I mentioned earlier, one of our strategies aims to do this by providing seed capital for commercial initiatives. Focus has to be on growing contract and trading revenue, as in 2012 we expect to lose a significant teacher training contract with the Ministry of Education as a result of public sector funding cuts.

We also aim to diversify our revenue sources and grow our income by increasing international student numbers by 300 EFTS – a target set by the Internationalisation Strategy. This would increase revenue by \$5.5 million. We think we are set on a path that will achieve this and I know you all contribute hugely to the positive experience international students have when they study with Massey.

If we can achieve this then in 2012 we will be on track to achieve a budgeted surplus of \$9 million, which is projected to represent 2.1 per cent surplus of revenue. This will move us closer to the objective of achieving a 3 per cent surplus on revenue target.

Finally I would like to thank all staff for the contributions they are making to developing and implementing our financial strategies. This has involved a lot of hard work, some sacrifice and a willingness to change and do things differently when necessary.

Most importantly it involves a large measure of creative and innovative thinking. Its something I know Massey has a lot of, so I am looking forward to us all making a positive step forward to meet our Road to 2020 goals.

If you would like to speak with me about ideas you have that can help us towards these goals, or if you have any questions about the budget strategy then please don't hesitate to phone or email me at any time. I look forward to hearing from

you. On that note, I wish you a very Merry Christmas and a safe and relaxing holiday.