

LA TROBE UNIVERSITY

ACADEMIC BOARD

Report of the Vice-Chancellor

1. People

- a) On behalf of the University community I would like to welcome Professor Belinda Probert, Deputy Vice-Chancellor (Academic) and Professor Tim Brown, Deputy Vice-Chancellor (Research), both of whom have now taken up their positions at La Trobe.
- b) Congratulations to Mike Torney on being awarded the Order of Australia Medal.
- c) Congratulations to Mrs Sylvia Walton on her re-election as Chancellor of the University for the period February 2008 to February 2011.

2. External Issues

- a) State Government Issues
On 5 February, Premier Brumby announced that the State Government would conduct a review of all legislation relating to universities in 2008. This will provide us with an opportunity further to consolidate and streamline our Statutes and Regulations to promote the better governance and internal working of the university. Most of the legislation relates to higher level governance issues, eg. the size and structure of council, the relationship between the university and associated entities - but there may be other issues relating to the relationship between Academic board and Council and the associated sub-committees to which we will need to give attention. The University has to submit its initial views on the consultation process before the end of April.
- b) Federal Government Policy
At a meeting last week of the IRUA, Ministers Gillard and Carr gave some initial indication of how Government policy towards the higher education sector may evolve. Universities will be relieved of specific industrial relations requirements that had previously been embodied in the HEWRRs. In addition, Minister Gillard indicated that the Government was likely to introduce a new funding structure for universities that would be based around distinctive mission statements for each university. It is clear that the Labour Government wishes to promote diversity and excellence within the sector and I believe that this will provide an opportunity for any university that has a clear sense of its areas of strength to benefit in future bargaining with the Government.

Minister Carr indicated that the Government is likely in the long run to increase funding for science and research though short run budgetary constraints means that there is unlikely to be any significant additional financial support for universities over the next twelve to eighteen months. He hinted that as part of the Government's desire to ensure that public support for science and research produced worthwhile benefits, there would need to be much better data produced by the university sector on the real cost of research activity. I think it is likely that all universities will be required to undertake a form of activity-based costing to meet these Government requirements.

La Trobe University currently does not have a good understanding of the cost of different activities but part of the reason for moving to a new budget model is to ensure that we generate just this sort of information.

3. Internal Issues

a) Enrolment Update

I have attached a briefing note outlining the current situation with enrolments.

b) Budget

The process of establishing a budget for 2008 has been long, tedious and generally disheartening. In 2006 the University reported an operating deficit of \$7m; for 2007 the early indication from the draft annual accounts is that the University operations produced a surplus of a little over \$100,000. At the commencement of detailed budget discussions last September for the 2008 financial year the expenditure claims submitted by operating units to sustain existing activities exceeded the projected revenue by \$27m. In addition, expressions of interest for additional activities represented a further \$50m and expressions of interest for capital development represented a further \$90m. It is clear that

i) the University is currently running operations that cost more than the University's revenue;

ii) there is ambition in the University to do many new things but almost no willingness to forgo current activities;

iii) there is a large pent up demand for capital investment.

Much of the budget discussion that has taken place between September and now has focussed on finding ways of reducing the projected expenditure by \$27m in order to produce a balanced budget.

I have not been prepared to take to Council a deficit budget where that deficit is wholly accounted for by an excess of expenditure over revenue on the University's ongoing operations. The budget I took to Council on 4 February was a balanced budget and included a necessary further reduction in expenditure across the University of around \$3.5m over the course of 2008. To achieve even this financial position it has been necessary to restrict the capacity of all units in the University, academic and non-academic, to spend carry-forward balances in 2008. Depending how the revenue projections emerge over the next two weeks, as we learn more about the position of enrolments, it may be necessary to formally request all budget holders to make an efficiency saving of around 1.5% across the 2008 financial year to cover the existing \$3.5m funding gap.

The deficit position that the University currently finds itself in is largely a consequence of changes in the external environment which have not been matched by compensatory changes in University activity. Over the last seven years the University's research output and teaching output has been more or less constant, whilst the research achievements and fee income of competitors in the sector have grown substantially.

The average research income per member of academic staff at La Trobe is currently just over \$30,000 per annum. The average for IRUA universities is \$55,000 per annum. The proportion of international students at La Trobe is about 14% of all students; the sector average is around 23%. La Trobe's performance was close to the average in the sector on both these indicators in the late 1990s, but whilst others have moved forward we have kept going with business as usual. Hence our revenue has fallen behind that of many of our competitors. If we were to be meeting the research

income and international fee income averages we would see an additional \$50m plus of revenue coming into the University every year.

At the same time as our research and international fee revenue has been stagnating, the real value of our Commonwealth income has been declining because of the lack of indexation of the Commonwealth grant. Thus while many other universities have undertaken additional activities that have more than compensated for the decline in the real value of Commonwealth revenue, we have not, hence we have moved over a number of years from a healthy to an unhealthy financial position. There have been a number of attempts within the University to address these financial issues; some of them, particularly in the area of international student recruitment, are now bearing fruit, but others are not. A decision was taken three years ago to create a research investment fund within the University to improve our research performance. In 2007 over \$5m was allocated to this internal fund, but as the University's expenditure on research investment has increased, we have seen a decline in the number of successful research grant applications. This is one example and not the only example, of a University policy failing to produce the anticipated results. In this particular case Professor Tim Brown is undertaking a review of the research investment fund in order to ensure that future expenditure is appropriately targeted.

The budgetary position of the University will continue to be difficult until we can achieve better management of our expenditure and until we can increase our income streams. The University is currently engaged in several significant discussions with external parties over prospects for the major enhancement of our international student recruitment and I hope to be able to bring details of these negotiations to Academic Board in due course.

I am also committed to introducing some wide-ranging structural reforms both to our budgetary process, which I believe to be fundamentally flawed, and to administrative organisation within the University, which I believe will benefit from a careful analysis of what is done, where it is done and for whom it is done.

The University is currently considering the capabilities of a number of external companies who may be able to help us

- a) rapidly reform our budget processes;
- b) introduce a coherent forward planning structure within the University; and
- c) improve service delivery within the University.

Professor Paul Johnson
Vice-Chancellor

Commonwealth Supported Place Enrolment Update as at 11 February 2008

This summary reports on the enrolment position after round 2 enrolments (ending 8 February). Round 3 offers occur on Thursday 14 February.

The University increased its load by 687 EFTSL (or 4.5% of target) post round 2 enrolments to reach 100.5% of target. Most Faculties are tracking consistently with earlier reports, noting STE are performing a little better than expected whilst Humanities may struggle to achieve target.

Education (Target 1478 EFTSL)

- Currently 99.7% of target compared to 100.5% this time last year
(Note target increased by 98 EFTSL to 1478 in 2008)
- Commencing load increased by 81 (or 5.4%) to 777 EFTSL post round 2 offers
- Continuing load is virtually unchanged from last week (696 EFTSL compared to the enrolment model projection of 698 EFTSL)
- Expect another 40-50 postgraduate enrolments (or 3% of target) to achieve a p/g target of 101-102% (around 30 EFTSL to be converted from fee paying to CSP for the Grad Tech Ed)
- Opportunity for mid year intake if required
- Round 3 may generate a further 25 offers, possibly yielding 15 EFTSL

Anticipate around 104% at March census and 102% at year end

Health Sciences (Target 4382 EFTSL)

- Currently 104.2% of target compared to 108.5% this time last year.
(Note target increased by 205 EFTSL to 4382 in 2008)
- Commencing load increased 112 (or 2.6% of target) to 1568 EFTSL post round 2 enrolments
- **A further 1% is expected to derive from p/g load (around 45 EFTSL)**
- Invalid EFTSL is currently 82. Assuming 50% convert to enrolment, a further 41 EFTSL or around 1% of target will be achieved
- Continuing load is 2996 EFTSL (around 136 short of enrolment model expectations) however may improve, particularly as invalids are converted to enrolments
- No opportunity for mid year enrolments
- Round 3 may generate an additional 15 offers primarily in Dentistry and OT. This may lead to an additional 8 EFTSL
- Around 20 EFTSL will be converted from fee paying to CSP (Bouverie St)

Anticipate around 107% at March census and 102-103% at year end

Humanities and Social Sciences (Target 3517 EFTSL)

- Currently 95.1% of target compared (the same as this time last year)
(Note target remains the same as in 2007 at 3517 EFTSL)
- Commencing load increased by 108 to 1193 EFTSL since last week (224 offers made at round 2)
- Invalid EFTSL is 75. Assuming a 50% conversion, load will increase by 37 or around 1%
- Continuing load is 2153 EFTSL (55 EFTSL short of the enrolment model projection)
- Opportunities exist to make mid year enrolments

Anticipate achieving target at March census and at year end

Law and Management (Target 2707 EFTSL)

- Currently 107.0% of target compared to 103.4% this time last year (Note target has reduced by 251 EFTSL to 2707 in 2008)
- Invalid EFTSL is 85. Expect most of these to convert to enrolments (around 3%)
- Continuing load is 2048 EFTSL (around 280 EFTSL short of the enrolment model projection). Anticipate some improvement
- Commencing load increased by 74 (or 2.7% of target) to 848 EFTSL since last week, consistent with round 2 offer expectations
- Anticipate around 20 EFTSL from direct offers
- There is scope to offer mid year enrolments

Anticipate achieving around 110% of target at March census and at year end

Science, Technology and Engineering (Target 2720 EFTSL)

- Currently 102.1% of target compared to 96.3% this time last year (Note target has reduced by 136 EFTSL to 2720 in 2008)
- Continuing load is 1673 EFTSL (109 EFTSL short of the enrolment model projection), however some improvement is anticipated
- Invalids represent 199 EFTSL. If 50% convert to enrolment, the load will increase by 3.7%
- Commencing load increased by 94 (or 3.5% of target) to 1105 EFTSL (a better than expected result post round 2 offers)
- Have exhausted the VTAC pool of applicants
- Few direct offers to be made
- Limited opportunity for mid semester intake

Anticipate achieving around 104% of target by March and 101-102% by year end if the continuing load projection is met

University Position

Assuming these projections are met (ie. Ed 103%, HS 102%, HUSS 100%, L&M 110% and STE 100%), the University can expect to be around 101.5% of target at year end.