

Appendix B: Sector context

The sector at a glance

Public universities in Victoria

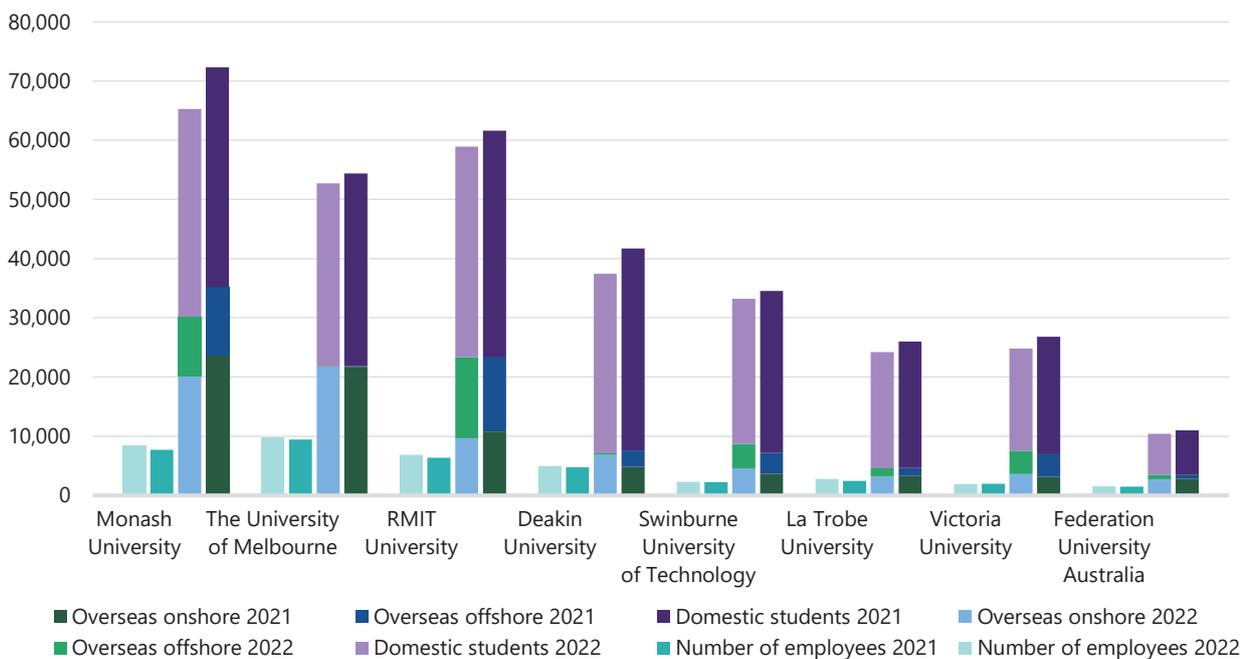
Victoria's public university sector is made up of 8 universities and the 44 entities they control. They deliver higher education and do research at a range of campuses across the state.

Victoria's 2 largest universities – Monash University and The University of Melbourne – are members of the Go8.

This report excludes private universities (such as the Australian Catholic University, the University of Divinity, the Australian National University and Torrens University), and other universities that the Australian Government or other states control.

Figure B1 shows Victorian public universities by student and staff numbers.

Figure B1: Universities' student and staff numbers by FTE and EFTSL for 2021 and 2022

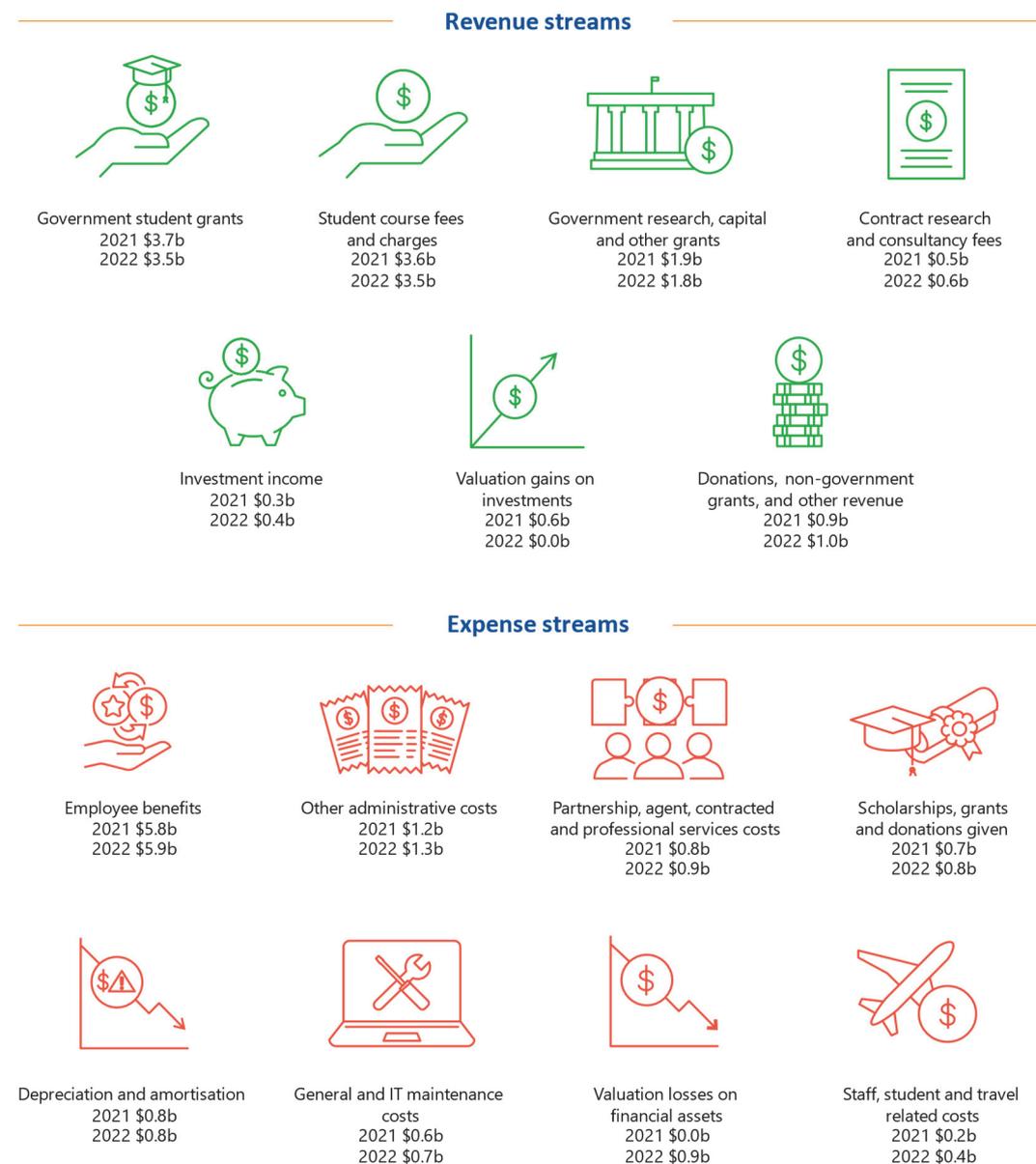


Note: Number of employees includes full-time, part-time and casual academic and non-academic staff.
Source: VAGO.

The university sector's financial model

Revenue and expense streams

Figure B2: Universities' key revenue and expense streams for 2021 and 2022



Source: VAGO.

Universities' revenue sources and assets

The university sector's revenue comes from:

- Australian Government student funding (based on student numbers)
- student fees and charges
- other grants, including government research and capital grants
- fees for contract research and consultancy
- investment income from its cash and investments
- other revenue, such as donations, bequests and non-government grants.

Most of the sector's assets are the property, plant and equipment it needs to deliver its services, followed by its cash and investments.

Universities' spending and liabilities

The sector spends most of its money on:

- employee salaries, wages and other benefits
- contracted and professional services, agent costs and partnership costs
- scholarships, grants, prizes and donations
- depreciation and amortisation
- IT, communication, non-capitalised equipment and maintenance costs
- other administrative expenses, including staff, students and travel expenses
- fair value losses of investments (for 2022).

Borrowings and lease liabilities are the sector's largest liabilities. Income and revenue in advance, employee benefits provisions, and accounts payable equally make up the rest.

Legislative and financial reporting framework

Applicable Victorian Acts

In Victoria, public universities are established by their own legislation. The *Financial Management Act 1994* defines them as public bodies, and they must follow its requirements for preparing financial reports. This includes the requirement to give us their draft financial reports within 8 weeks after the end of the year.

However, since the State of Victoria does not control universities, the state's annual financial report does not include their financial results.

Australian Government Acts

Universities are registered with the Tertiary Education Quality and Standards Agency. This means the *Tertiary Education Quality and Standards Agency Act 2011* regulates them.

Universities get most of their grant funding from the Australian Government. This means that any Acts associated with this funding apply to them, including the *Higher Education Support Act 2003*.

Universities must follow the financial reporting requirements that underpin these Acts and the financial reporting requirements of their funding agreements for research and other purposes, together with their Victorian requirements.

The *Financial Statement Guidelines for Australian Higher Education Providers*, which all universities follow, outlines the requirements that these 2 Acts prescribe.

The Australian Government instructs universities to include some of these reporting requirements in their financial reports. This means universities' financial reports contain disclosures that are not usually found in general-purpose financial reports.

Universities with charity status

Many universities and their controlled entities are registered charities with the Australian Charities and Not-for-profits Commission. This means they have further financial reporting obligations under the *Australian Charities and Not-for-profits Commission Act 2012*.

Controlled entities

University-controlled entities do not automatically fall within the scope of the *Financial Management Act 1994*. But their parent entity's legislation may require them to prepare financial reports in a manner and form approved by the Assistant Treasurer.

The parent entity's legislation typically requires their controlled entities to submit to us their draft financial reports within 3 months of the end of the year.
