

**Policy Title: Accumulated Operating Surpluses**

**Policy Owner: Chief Financial Officer**

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**1. INTENT**

To provide the principles for managing and reporting accumulated operating surpluses.

**2. ORGANISATIONAL SCOPE**

All Edith Cowan University staff.

**3. DEFINITIONS**

TERM	DEFINITION
Tied Funds	Funds which have specific deliverables otherwise they may be returned, usually relating to an external funding body and generally require an acquittal. These funds are usually fully committed for their specific purpose and any surpluses generated from these funds are not available for discretionary purposes, without the approval of the funder. Approved Tied Funds are determined by the Chief Financial Officer and may vary from time to time. The approved funds are detailed in Schedule A.
Operating Surplus / Deficit	In general terms an operating surplus (or deficit) is the difference between reported income less expenditure for a given period of time.
Schools	For the purpose of this document, the term Schools includes Kurongkurl Katitjin
Strategic Funds	The ECU strategic funds include the following funding pools: <ul style="list-style-type: none"> <li>- Strategic Initiatives Fund (SIF)</li> <li>- Asset Management Plan (AMP)</li> <li>- Professorial Fellowships Fund</li> <li>- Contingency Fund</li> </ul>

#### 4. POLICY CONTENT

- 4.1 The University Council sets an annual Operating Surplus target as part of the key performance measures of the University that demonstrates to stakeholders that the University has good financial governance and is in a sound financial position.
- 4.2 Operating Surpluses/Deficits for approved Tied Funds shall be identified for review and be approved by the Chief Financial Officer for carry forward into the next year as part of the School and Service Centre end of year and budget processes. Approved sources of Tied Funds are listed in Schedule A.
- 4.3 All remaining accumulated Operating Surpluses at the end of the year will be accumulated and reported at the total University level. These funds typically support the University's Asset Management Plan and will be applied to areas of strategic importance to support the growth of the University.
- 4.4 Schools may receive a discretionary allocation based on the School's prior year operating result up to a maximum of \$250,000 after taking into consideration research and other Tied Funds. These funds shall be made available for use at the discretion of the Executive Dean. The remaining prior year School Operating Surplus shall be accumulated to support the University Asset Management Plan.
- 4.5 School discretionary allocations shall typically be made in the second quarter of the year once final year balances are determined and be treated as normal School operating income and as such any surplus at the end of the year will subject to the University's Accumulated Funds Policy.
- 4.6 The Asset Management Plan shall include specific funding allocations for School capital initiatives that will support new courses and other strategic project initiatives. These projects shall be approved as part of the budgeting process and will be treated as Tied Funds.
- 4.7 Schools and Service Centres shall prepare a business case to the Chief Financial Officer for consideration to carry forward Operating Surpluses for capital purchases or for limited new strategic projects that fall outside of Schedule A.
- 4.8 Schools and Service Centres shall have access to strategic funding pools including the Strategic Initiatives Fund and the Contingency Fund through a business case addressing the University's priorities consistent with ECU's prevailing strategic priorities. This business case requires Vice Chancellor approval through the Chief Financial Officer.
- 4.9 A School or Service Centre shall seek approval from the Vice-Chancellor through the Chief Financial Officer for any operating deficit that is reported. Deficits will be made good from operating surpluses in subsequent years or may be partly offset against accumulated capital reserves. This offset requires prior approval by the Chief Financial Officer.
- 4.10 Approved accumulated Operating Surpluses for carry forward project funding is not automatic and will be reviewed annually as part of the budget process. The Chief Financial Officer shall assess the impact on the University's operating result, cashflow and liquidity requirements. The timing of these approved carried forward projects may need to be adjusted to ensure the University achieves its Operating

Surplus target. Achieving the University Operating Surplus target demonstrates that the University's has good financial governance which provides security for students and staff and improves the University's financial capacity to borrow at favourable rates and also attracts industry organisations to partner with the University on joint ventures.

- 4.11 Schools and Service Centres shall operate within their annual funding allocations and not rely on prior year accumulated Operating Surpluses for recurrent activities or costs.
- 4.12 Schools and Service Centres shall manage their activities efficiently and deliver value for money outcomes within their approved budgets.
- 4.13 Approved carry forward funding shall be reported in the project centre that incurs the costs.

## **5. ACCOUNTABILITIES AND RESPONSIBILITIES**

In relation to this policy, the following positions are responsible for the following

### *Policy Owner*

The Policy Owner Chief Financial Officer has overall responsibility for the content of this policy and its operation in ECU.

Staff are required to comply with the content of this policy and to seek guidance in the event of uncertainty as to its application.

## **6. RELATED DOCUMENTS:**

6.1 Other documents which are relevant to the operation of this policy are as follows:

- Schedule A – Accumulated Operating Surplus

## 7. CONTACT INFORMATION

For queries relating to this document please contact:

Policy Owner	Chief Financial Officer
All Enquiries Contact:	Manager Resource Planning
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## 8. APPROVAL HISTORY

Policy Approved by:	Vice Chancellor
Date Policy First Approved:	18 October 2007 (Vice-President Corporate Services) 17 September 2008 (Vice-Chancellor)
Date last modified:	September 2019
Revision History:	17 September 2008 09 December 2011 26 March 2015 – Reviewed & approved by Policy Owner November 2015 - Reviewed and amended to reflect new academic organisation structure. January 2018 September 2019
Next Revision Due:	September 2022
TRIM File Reference	SUB/3054

## SCHEDULE A

### Policy Title: **Accumulated Operating Surpluses**

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Tied Funds will include the following types of funds and will be reviewed from time to time.

- External funds required to acquit an obligation to a third party e.g. research grants, (if no end date is specified in documentation it is assumed the funds will be spent in the current year)
- ECU committed research funds (only Graduate Research School Scholarships, Office of Research Early Career Research Grants)
- Australian Government Department of Education and Training (AGDET) teaching and learning grants (if no end date is specified in documentation it is assumed the funds will be spent in the current year)
- AGDET scholarships and awards (if no end date is specified in documentation it is assumed the funds will be spent in the current year)
- AGDET Indigenous Student Success Program Funds
- Acknowledging Successful Performance in Research Excellence (ASPIRE) (tied into 2020 only, no carry forward at the end of 2020)
- ECU Centre for Learning & Teaching Awards, including Vice Chancellor Staff Awards (amounts up to \$5k will be assumed to have a term up to 2 years and amounts over \$5k up to 3 years)
- ECU Foundation Funds
- Revenue earned by Research Institutes
- Approved and committed capital expenditure included within the Asset Management Plan.