USP
THE UNIVERSITY OF THE SOUTH PACIFIC

Shaping Pacific Futures

Annual Plan

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1. Vice-Chancellor and President's Foreword

The USP Annual Plan 2023 (AP2023) outlines the University's priorities for 2023 based on the new Strategic Plan 2022-2024 (new SP). The AP2023 also encompasses USP's strategies for continuously improving our core business of student education, student experience, research and innovation, and a more substantial commitment to our Regional Campuses as we embrace change to make USP sustainable, stronger, and fit for purpose for at least the next decade. The new SP retains and refreshes the same Priority Areas of the previous Strategic Plan 2019-2021.

The University was ranked highly in the Times Higher Education (THE) Impact Rankings once again, demonstrating our commitment to achieving the global sustainable development goals. USP was also ranked in the World University Real Impact Rankings (WURI) 2022 for the second time in a row and, most recently, the Shanghai Rankings. These rankings validate the efforts of our staff, students, alumni, and other key stakeholders. Our rankings strengthen USP's international presence and demonstrates a solid commitment to improving our position in 2023 and beyond.

Recognising the challenges posed by lower income in our region due to the effects of the Pandemic, USP has continued to re-imagine how it operates while ensuring that our students remain at the centre of all our efforts. Our responsibility is to continue fostering an excellent workplace culture, and this Plan recognises that our employees are central to our operations.

The USP will keep working with other CROP agencies and important stakeholders to play a significant part in the region's socioeconomic development by enhancing the area's human resource capacity. An important focus will continue to be on enabling Information and Communication Technologies (ICT) services and conducting research and innovation that informs policy-level discussions and decisions at the national, regional, and international levels.

To boost enrollments in 2023, USP will implement a stronger marketing strategy across all campuses. It will seek new sources of income, more partners for development projects, and funding for research while also stepping up its commercial endeavours. Additionally, the University will keep reallocating resources to support its primary operations. The AP2023's main components include diversification, rationalisation, and consolidation of operations and services.

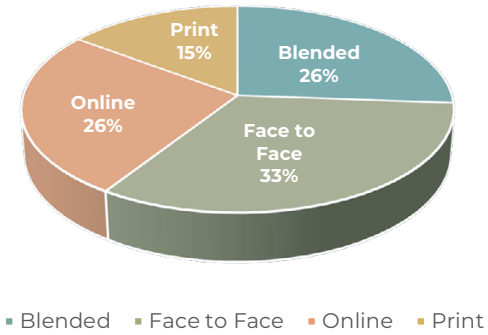
The University's Regional Campuses will require a unified effort to maintain the delivery of decentralised high-quality services on both the academic and administrative fronts. Due to increased student numbers, some campuses urgently need upgrades and additional learning and teaching spaces. As a result, we will need to focus on our estate to address deferred and essential maintenance issues.

In large part, COVID-19 has put our capacity for resiliency to the test as a higher education organisation and forced us to think "outside the box." In these uncertain times, the University remains vibrant and forward-thinking. The University continues to be aspirational, strong and committed to achieving excellence. The AP2023 aims to deliver quality education, research, and innovation commensurate with being the premier regional University for our Pacific Island countries.

Professor Pal Ahluwalia
Vice-Chancellor and President
The University of the South Pacific

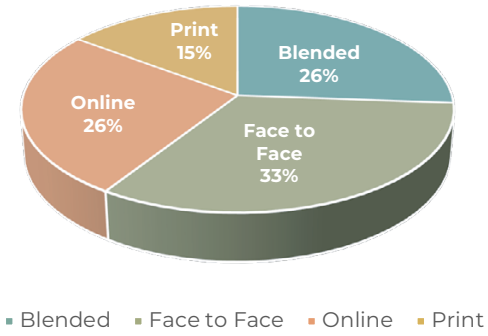
2. 2023 at a Glance

2023 Forecast EFTS by mode



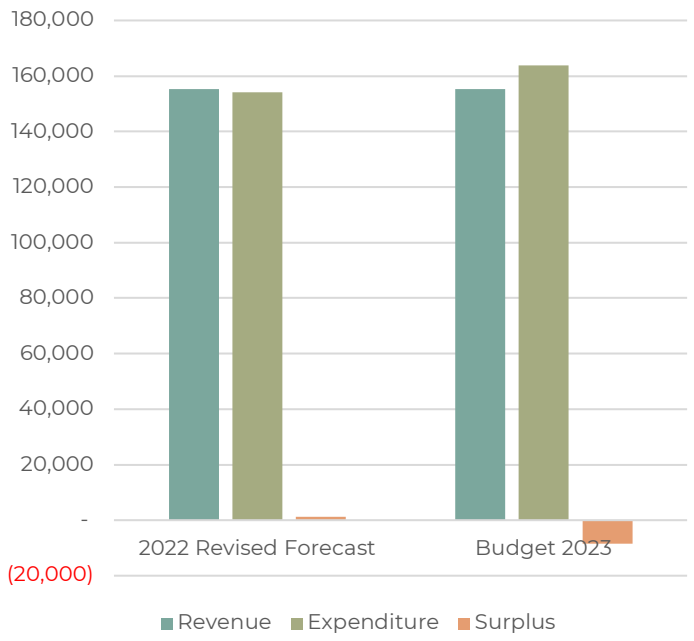
Category	2019	2020	2021	Forecast 2022	2023
Blended	5,180	4,813	4,381	4,156	4,239
Face to Face	6,082	6,676	6,472	5,244	5,349
Online	3,032	3,461	3,908	4,127	4,210
Print	2,905	2,897	3,047	2,357	2,404
Total	17,198	17,846	17,807	15,884	16,202

Research Publications



Publications	2018	2019	2020	2021
Books	3	0	1	4
Book Chapters	18	34	88	56
Conference Proceedings	53	23	23	15
Journal articles	134	165	203	178
Others	29	21	20	23
Total	237	243	335	276

Finance

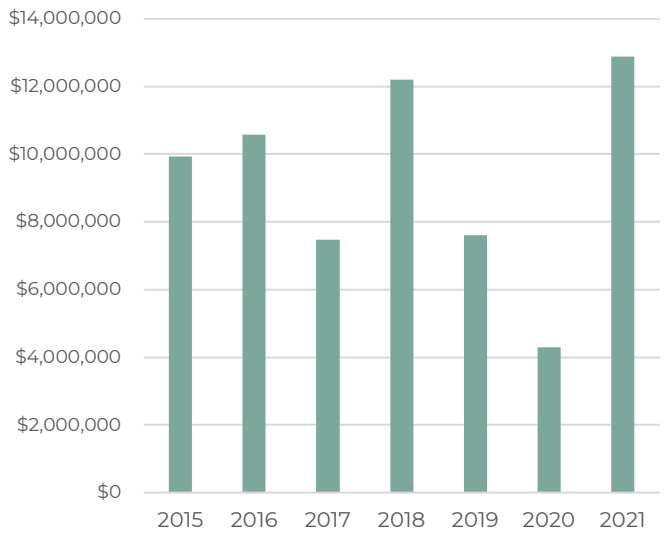


	2021	2022 Forecast	Budget 2023
Revenue	165.4	158.7	159.9
Expenditure	154.3	154.5	167.8
Surplus	11.1	4.2	(7.9)
Surplus %	6.7%	2.7%	-4.9%

The figures above are in $m.

Research Income

Year	Total Research Income
2015	$9,928,820
2016	$10,576,323
2017	$7,478,636
2018	$12,194,443
2019	$7,606,523
2020	$4,297,650
2021	$12,885,178



3. Executive Summary

The USP Annual Plan 2023 (AP2023) outlines the University's targets and plans for 2023 based on the framework of the new Strategic Plan 2022 - 2024 (new SP). It also captures USP's strategies in continually improving our core business of student education, student experience, research and innovation, and a greater commitment to our Regional Campuses as we embrace change to make USP sustainable, stronger, and fit for purpose for at least the next decade.

The AP2023 is based on the Revised Financial Plan 2022 to 2024, which has been revised in 2022 to reflect the current economic circumstances driven by the impacts of COVID-19 and reduced grant. The negative economic impact of the pandemic is expected to be pro-longed and the matters surrounding the release of Fiji's grant remains unresolved. This means that the University revenue is much lower than when the budget was approved by the University Grants Committee (UGC) in 2021.

The University was able to adjust to the changing circumstances and implemented various strategies to protect its financial position over the last two years. It prioritised the delivery of learning and teaching across all campuses, including additional support for students at regional campuses who were required to study from home. At the same time, the University has achieved significant milestones in achieving Times Higher Education (THE), WURI and Shanghai Rankings. Management was also able to work with staff unions and representatives to ensure we protect everyone's jobs and did not implement any employee reduction strategy when many other organisations and Universities had done so, in exchange of foregoing salary adjustments and other staff benefits. As a result, the University has achieved operating surpluses and increased its cash reserves significantly over the period.

It was able to achieve these by re-prioritising its expenditures, deferring major capital projects and introduced tougher financial controls. Major savings were also made due to some activities that could not be held due to COVID-19 restrictions. These savings will not be realized partly in 2022 and more in 2023 as restrictions are uplifted and will place more pressure on the University's resources. In addition, the University will need to review its salary levels in view of its ability to recruit and retain talent, hire more professors and academic staff, enhance student support and pastoral care, continue to address the deferred maintenance of its physical assets, address the connectivity issues at the campuses, and also invest in virtual infrastructures to enhance both the student and staff experience.

The Annual Plan and Budget for 2023 is therefore constructed to continue to allow the University to adjust to these changes, especially to respond to the financial shortfalls in grants and reduced fee revenue as well as the ongoing and future impacts of COVID-19.

The table below provides a summary of financial performance and projections for 2023.

Table 1: Financial Performance 2019 – AP2023

Particulars	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Budget 2023
	$m	$m	$m	$m	$m
Revenue	177.3	182.5	165.4	158.7	159.9
Expenses	174.9	153.2	154.3	154.5	167.8
Operating Surplus	2.4	29.3	11.1	4.2	(7.9)
Operating Surplus %	1.3%	16.1%	6.7%	2.7%	-4.9%

Note: The above figures are in $ millions

** Operating surplus for 2019 was low by $18 million due to the drop in grant from Fiji and deferral of assistance from Australia. Without these, there would have been an operating surplus of $20.4 million or 10%.*

Figure 1: Funding Sources AP2023 vs Forecast 2022

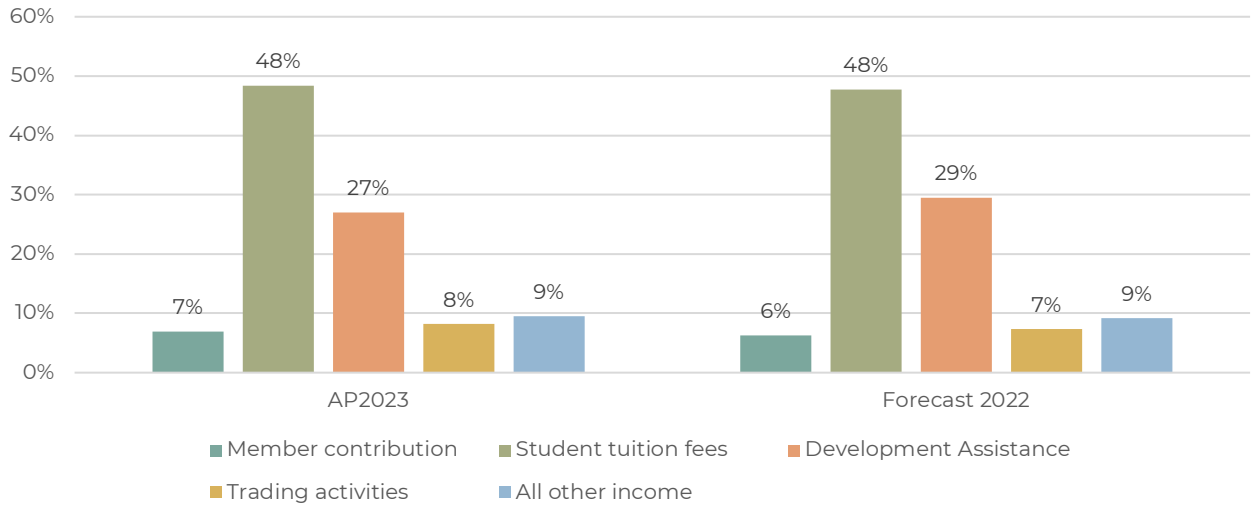
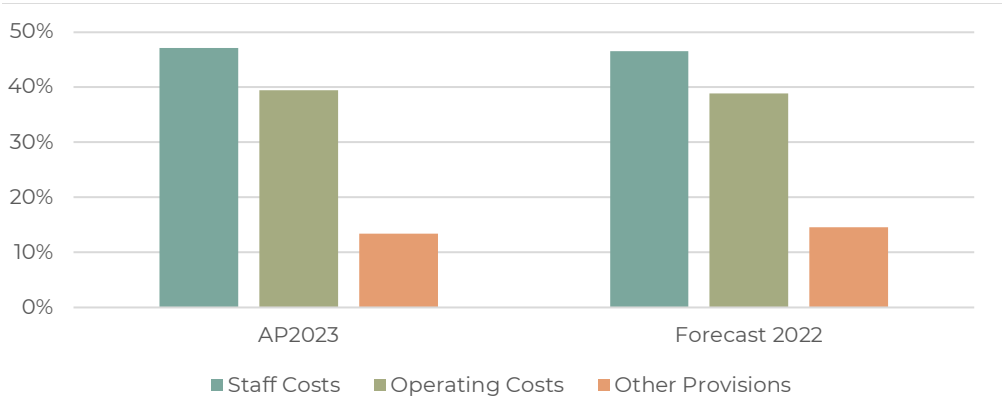


Figure 2: Spending Plan AP2023 vs Forecast 2022 (%)



The financial plan projects an operating budget deficit of $7.9m or 4.9% driven by drop in grant but maintaining its priority to continue to deliver quality learning and teaching to all students.

The proposed financial plan projects to generate a net cash flow from operating activities of $11.4 million. The plan proposes a capital investment of $15 million and with a loan repayments of $0.6m the cash and cash equivalents is projected to decrease by $4.2m million.

Management has put in place measures and strategies to strengthen its accountability processes and closely monitor the progress of the Plan during the year. It has learnt to do these over the last two years and will continue to be stringent in the new year. Specifically, there will be close monitoring of emergent risks due to the uncertainty in receipt of funds from its major revenue sources.

Strategies, Outcomes and Targets for AP2023

The University's priorities and activities in 2023 will be driven by the Strategic Plan 2022 to 2024 and attempts to respond to the changing needs of students and member countries caused by COVID-19. It will continue to prioritise the education of students, providing excellent student support and reprioritize resources so USP can continue to invest in people and infrastructure to meet its strategic objectives.

Priority Area 1 – Education

This is USP's core business aimed at providing the best possible support for each student to succeed. The key deliverables and outcomes to achieve this priority area are focused on improving the following areas:

- ✓ Providing a high-quality teaching and learning experience
- ✓ Attainment of graduates' attributes and learning outcomes
- ✓ Ensuring student success, enhancing the student experience and engagement, better graduate employment and employability rates, and the portability of qualifications.

It is envisaged that in early 2023 we will complete the review of our portfolio of offerings to ensure that our programmes are innovative and relevant to our Pacific context whilst recognising that these must be balanced by global perspectives and regional priorities. In particular, we will embark on developing new programmes in the broad area of Health.

Table 2: KPIs and Targets for Priority Area 1

KPI #	KPI	Plan Baseline	2020 Actual	2021 Actual	Forecast 2022	Target 2023
1	Overall Pass Rates (%) Excluding PTAFE	79%	81%	77%	79%	79%
2	Number of Bachelor Withdrawals/ Deregistration	3,136	3,200	2,200	2,500	2,500
3	Overall Student Satisfaction with the Quality of Educational Experience (%)	80%	83%	72%	73%	73%
4	Overall Student Satisfaction with Student Support Services (%)	91%	91%	89%	89%	89%
5	Student Enrolment (EFTS) Growth	6%	3%	-1%	0%	0%
6	Overall Bachelor Graduate Employment Rate (%)	65%	65%	55%	55%	55%

Priority Area 2 – Research and Innovation

USP undertakes research and innovation to address the needs of its member countries and contribute to knowledge production and knowledge transfer. It will continue to invest in research to maintain and improve its Research Rankings. This will include recruiting new professors in the new year.

We will continue to focus our research and innovation activities around four major areas of transdisciplinary activity and one cross-cutting theme. These thematic areas will enable our researchers to work across traditional disciplines and across the boundaries between basic and applied research to explore the intractable challenges facing the Pacific region aligned to the United Nation's Sustainable Development Goals (SDGs) (2015-2030) and the SAMOA Pathway (2014).

Research Focus Area #1: Innovation

The translation of research into outcomes that support the development of the Pacific region has tremendous value not only in supporting and facilitating economic and social development and well-being but also through close engagement with government, non-government and the local business sectors, creating opportunities for greater empowerment of member countries.

Research Focus Area #2: Research Students

Postgraduate education will be of major importance to the University's programme offerings in the future as regional governments and employers place greater emphasis on high-level, research-informed leadership skills. In particular, our postgraduate student recruitment must become more targeted in relation to our strengths and country needs and dramatic improvements must be achieved in completion rates led by continuing improvements in the quality of supervision at this level. A systematic and institution-wide approach is required to embed the highest quality candidature management, accountability systems and supervisor and student training.

Research Focus Area #3: International Students

- Achieving an increase in the number of international students recruited to the University will contribute to enhancing the brand of the University in the international arena. In addition, the diversity of the student body will enhance the quality of the learning of all students through the experience of multiculturalism and the sharing of cross-cultural experiences.

- USP is already an international university with a student body that is recruited from its 12 member countries.

- The International Office has an important part to play in student induction and in providing high quality student support in areas such as finding suitable accommodation, providing visa advice and support and ensuring that an outstanding classroom experience is delivered. It is the quality of teaching and learning and the quality of learning resources and support that will drive the quality brand of the University in the international student market. Greater emphasis will be placed on attracting international students to other member countries.

- The International Office has now established the International Student Advisory Committee (ISAC) which oversees the marketing plan of the International Office and all ongoing institutional initiatives and partnerships exploring future potential engagements with USP to avoid any repetition of work.

- An increased number of international students was anticipated, given that a new and reduced fee structure was adopted, however, the travel restrictions as a result of COVID-19 made international recruitment virtually non-existent.

Table 3: KPIs and Targets for Priority Area 2						
KPI #	KPI	Plan Baseline	2020 Actual	2021 Actual	Forecast 2022	Target 2023
7	Number of EFTS Master's by Research/ PhD Students	280	285	243	245	245
8	Number of Master's by Research/PhD Completions	76	80	53	40	40
9	Research Income ($)	$10.1m	$5m	$12.9m	$12m	$12m
10	Number of Research Outputs	274	280	278	280	280

Priority Area 3 – Regional Campuses and Global Engagement

This PA reflects the importance of our regional campuses and centers to the overall success of USP's vision and mission recognizing the individual member country's education and research needs. The priorities in 2023 for Regional Campuses will be:

- Supporting more course offerings and full programmes at the Campuses;
- Investing in facilities to support the campus needs;
- Reaching out to Alumni and friends of USP; and
- Supporting USP's Internationalization Strategy and Student exchange programme

The COVID-19 pandemic not only delayed the implementation of the right sizing of campuses but also emphasized the priority to support "study at home" due to travel challenges and to better support regional country COVID Safe policies. The provision of the right administrative resources are critical to meeting all student needs equally as well as to better support the placement of academic staff at the regional Campuses. These investments in our people will help deliver more in-country programmes and further improve student retention through direct in-country academic support. The campuses will encourage a greater interface between campus offerings and TVET programs to better meet the region's changing skills needs. We will focus on improving the delivery as well as the range of course offerings to improve the mobility of programmes and students across the region. All these will combine to make more economical choices for our students, their communities, and sponsors for study at USP.

Alongside the focus on staffing, we will continue to invest in the campuses facilities addressing the more than decade old deferred maintenance as well as expanding and establishing the University at new locations to forge ahead the role our campuses continue to play in education and development in the region.

To better prepare our students to engage globally and further enrich the diversity and value of the student experience, we will prioritize international student recruitment and encourage more inter-campus student placements. Self-sustaining initiatives like short courses and study tours will be fur-

ther expanded in the new year. Our valued international and regional student exchange initiatives will further promote the diverse cultural exchanges in our communities and help to enhance our regional identity and recognition as a globally ranked institution.

The campuses will also strengthen links and networks to the local communities, industries and the society at large to make them better respond to the Pacific's needs. The USP Alumni Network (USPAN) and Alumni Relationship Management System (ARMS) will further strengthen our engagement with our extensive and valued alumni network across the globe. With our partners' support, we will solidify the pathways for our Alumni and friends of USP to be a part of USP's journey, improve the quality of the student experience, and achieve our aspirations of shaping Pacific futures.

Table 4: KPIs and Targets for Priority Area 3

KPI #	KPI	Plan Baseline	2020 Actual	2021 Actual	Forecast 2022	Target 2023
11	EFTS of International Students	219	250	228	250	250
12	Percentage Recurrent Spend on Regional Campuses (%)	10%	9%	10%	10%	11%

Priority Area 4 – International and Regional Cooperation

- This PA is aimed at strengthening the University's role as a regions' higher education, research and regional integration institution, specifically its capacity within the Council of Regional Organisations of the Pacific (CROP) mechanism. The University as a regional organisation is a highly respected member of CROP and will continue to lead working groups in Information Communication Technologies (ICT) and Human Resource Development (HRD) as well as in research and innovation in climate change, management of marine resources and Pacific cultures and heritage. The University also supports the implementation of the Pacific Regional Education Framework (PacREF) initiatives especially with respect to research in areas already identified. USP hosts the PacREF Facilitating Unit.

- The key deliverables and outcomes for this priority area are:
  - ✓ Improved direct and indirect economic and social benefits to member countries,
  - ✓ Enhanced satisfaction and engagement with donors,
  - ✓ Building capacity and responsiveness to meet member country needs.

- This PA supports the University's commitment towards effectively coordinating regional efforts in the spirit of the 2050 Strategy for the Blue Pacific, SAMOA Pathway, Sustainable Development Goals (SDGs), Framework for Resilient Development in the Pacific, Regional Small Island States Strategy and other regional and international agenda.

- This PA will focus on areas that USP has the capacity and capability to address and to collaborate with other regional and international organisations that can provide additional expertise and capacity. In essence, this approach allows for greater collaboration across regional organisations and enhances USP's abilities to address issues in a more coherent and cost-effective manner. This approach further eliminates competition and duplication of resources among CROP agencies.

- It also complements the University's efforts on the development cooperation front, mainly in terms of fostering partnerships and engagement with its international and regional development partners. This has proven essential as an enabler towards better implementation of the University's initiatives in addressing regional priorities and development needs.

- There is a greater need for the University to attract more development partners and donors as core funders of the SP, a role generously played by Australia and New Zealand. There are discourses being held with other relevant development partners like the United States. Over the next triennium, greater efforts will be invested in research and development project initiatives that are deeply rooted within Pacific communities for further sustained project financial resources to meet USP and Pacific Island Countries (PICs) needs. The diversification of donors and increased donor funds to the University will be further explored. Engagement with philanthropic organisations in higher education as well as in the key areas of challenge facing the region, will be new areas of focus.

- It is imperative to work together with CROP agencies, countries and other regional and international agencies collaboratively to assist PICs to respond to the complexity of what the region is facing. The Regional and International Engagement Unit will work on ensuring that there is increased coordination and collaboration among CROP in support of the regional initiatives identified by the Forum Leaders. This will maximise the impact of the region's scarce technical, financial and human resources, and more effectively focus on delivering results to PICs.

- USP's contributions towards the implementation of Forum Leaders' priorities and policy as well as technical advice will be maximised through its comparative capacity in teaching, research, innovation and engagement through greater levels of collaboration with other CROP agencies to make the best use of the shared resources applied to Pacific Islands' priorities and deliver agreed outcomes.

- The University has been effectively engaging with Australia and New Zealand to sustain their support towards the core budget and also for specific capacity enhancement and research initiatives. The USP-Australia Partnership Agreement is scheduled for a Mid-Term Review and these are being planned in consultation with DFAT for early 2023. As for the New Zealand partnership, the Interim Partnership Arrangement with New Zealand will be expiring on 31 December 2022. MFAT NZ and USP are working closely on the pre-requisites for the development of the longer-term partnership arrangement to support our strategic objectives with a 10-year partnership framework and grant arrangement of 5 years.

Table 5: KPIs and Targets for Priority Area 4

KPI #	KPI	Plan Baseline	2020 Actual	2021 Actual	Forecast 2022	Target 2023
13	Development Partnership Funding	$48.7m	$40m	$43m	$45m	$45m

Priority Area 5: Governance and Intelligent Use of Resources

- This Priority Area covers the enabling strategies that will support and facilitate an outstanding learning and teaching experience and fostering a deep culture of research and innovation within the University. It covers strategies to improve quality of our physical and virtual infrastructure to provide students with the best possible education and student experience; our workforce strategies that will foster a culture of excellence in the workplace and increase productivity; our financial strategies to drive efficiency appropriate allocation of resources; our marketing strategies to drive revenue; and our governance and risk mitigation strategies.

- The goal in 2023 will be to continue to deploy ICT resources intelligently for the benefit of students and staff. The financial resources, including critical investments in facilities and ICT infrastructure, will be used in a highly sustainable manner. We will ensure that the highest level of good governance and ethics are paramount to all operations. The administrative functions will necessarily be efficient and support the academic endeavours. The University will work hard to become a beacon of how an organisation can reduce its environmental impact.

- The University is aware of the changing landscape of the higher education sector and recognises the need to review its operations to become sustainable over the long term. It is understood that the traditional University model of teaching and research with large support sections, needs to be reshaped to maximise the efficiency and effectiveness gains made possible in the new digital age. In 2023, the University will continue to review and benchmark all its support and administrative functions and has set a 5 per cent efficiency target for all these areas.

- There are plans to advance the commercial opportunities on Laucala Campus through the rezoning of commercial land at prime locations and the commercial developments earmarked in these locations. The University will pursue these through various funding options, including borrowing and Private Public Partnerships (PPP), each subject to business case and due diligence.

- KPI 16 is very important to the University as Professors provide academic leadership to the University, primarily through demonstrating and fostering excellence in research, teaching, professional activities, and policy development at a variety of levels – within the academic discipline, within the academic unit, within the institution and within the wider community. Professorial leadership is also linked to a record of scholarly and professional achievement in the relevant discipline.

- Conducting another survey will also be useful to gain feedback on pre and post COVID-19 impacts on staff on issues relating to work practices, psychological, physical, motivational, and personal levels. Results of this survey will assist in putting in place workforce strategies to improve productivity and retain staff.

Table 6: KPIs and Targets for Priority Area 5

KPI #	KPI	Plan Baseline	2020 Actual	2021 Actual	Forecast 2022	Target 2023
14	Operating Surplus as Proportion of Total Income (%)	5%	4%	6.6%	6.6%	-5.0%
15	Commercial and Other Income	$26.6m	$19.5m	$11.6m	$12m	$12m
16	Senior Academic Staff as a Proportion of Total Academic Staff (%)	10%	11%	9%	10%	10%
17	Staff Satisfaction	48%	53%	-*	47%	47%

*This KPI was not conducted in 2021.

Funding the Priorities and Activities

Resourcing the Plan

The Plan is projecting income of $159.9 million to fund a planned expenditure of $167.8 million, generating an operating deficit of $7.9 million. After adding back non-cash items and cash flow requirements, the Plan will generate $11.4 million cash from operating activities. And after accounting for planned capital expenditures ($15 million) and loan repayments ($0.6m), the University is projecting a net decrease in cash and cash equivalent of $4.2 million.

The Plan includes a comprehensive financial control plan to mitigate the withholding of grant from Fiji if that continues for another year. The University has increased its cash reserve by $42m between 2019 to 2021 and wishes to invest some of these funds to invest in key areas in the new year. While some of the financial restrictions will continue from this year, these will continue to expose the University to other operational and financial risks. The University hopes that there will be resolution to the Fiji grant while it is also seeking new funding opportunities from other potential development partners.

Funding the Priority Areas

The financial plan for 2023 was based around the funding sources proposed in the Revised Financial Plan 2022 to 2024 which has been adjusted to reflect the impacts of COVID-19, the slow economic conditions and uncertainty in grant. Table 7 below shows the breakdown of funding areas and capex allocation.

Table 7: Total Budget ($'000)

Descriptions	Pay	Non-Pay	Capex	Total
Recurrent & Non-Recurrent Funding	78,856	66,169	15,000	160,025
Provisions & Accruals	250	22,545		22,795
Total	**79,106**	**88,714**	**15,000**	**182,820**

Note: The above figures are in $'000s.

Schools Funding Plan:

USP's Faculties were reorganised into Schools from the 2021 academic year. There is a slight increase in budget for schools to account for additional teaching at the Campuses offset by efficiency targets for all sections that flows out of the cost control initiatives. Total allocation for Schools is $46.3 million, the budget shall be sufficient to recruit more academic staff especially professorial positions to enhance academic leadership and research.

The Schools will continue strengthening their efforts in 2023 to improve quality of teaching and learning systems and enhance student success. They will continue to rationalise programmes and courses to ensure efficiency in delivery, review curriculums to ensure relevance and continue to assess delivery systems for continuous improvements. The University will further review the workload model for academic staff.

Table 8: **Schools Funding Plan AP2022-AP2023**

School	AP2022	AP2023
School of Accounting, Finance and Economics (SAFE)	4,736,969	5,027,713
School of Business and Management (SBM)	4,026,156	4,299,943
School of Information Technology, Engineering, Mathematics and Physics (STEMP)	9,708,863	9,859,516
School of Agriculture, Geography, Environment, Ocean and Natural Sciences (SAGEONS)	10,638,974	10,868,338
School of Law and Social Science (SOLASS)	6,194,168	6,651,938
School of Pacific Arts, Communication and Education (SPACE)	6,600,651	6,962,545
PACE SD	1,265,131	1,265,131
Strategic Support	1,399,157	1,399,157
COVID-19 related teaching*	3,000,000	
Total	**$47,570,068**	**$46,334,280**

**Budget allocated for additional teaching costs at campuses due to study from home. These have been allocated directly now to schools in 2023.*

Support Sections Funding Plans

The total funding for Support Sections is $79.9 million in AP2023, a decrease of $3 million when compared to AP2022. This is mainly in response to the drop in income level and impacts of the current financial restrictions with most of the decrease driven by vacant positions that will be not be recruited but will be reviewed during the year. The University has learned from the last two years to operate with stringent measures and has reduced costs significantly for certain areas without affecting the quality of learning and teaching and support services.

Table 9: **Recurrent Funding- Support Units**

Description	AP2022	AP2023
Research Support	4,704,242	3,479,645
Regional Campus Support	17,361,915	18,479,928
Estates & Infrastructure & Security	7,901,193	7,793,102
ITS Support	8,948,070	8,940,672
Student Support	4,282,466	3,849,605
Academic Support	8,383,531	9,212,720
Admin Support	8,455,958	9,168,283
Financial Support	2,476,294	2,439,652
HR	5,415,518	5,415,518
Others*	14,946,372	11,114,508
Sub Total: Non-Academic & Admin Support	**82,875,560**	**79,893,633**

** Others Include: depreciation, provision for leave entitlements, provision for doubtful debts, contingency, provision for Exchange loss/Gain, net off any salary savings.*

Non-recurrent Funds

All other funds have been allocated (both income and expenditure) in keeping with their contribution and minimum surplus targets. These operations are expected to run as self-funding or break-even operations. Commercial will contribute 20 per cent to the recurrent fund as an overhead charge while self-funding programmes like the Master of Business Administration (MBA) and Pacific Technical and Further Education (Pac TAFE) will contribute 25 per cent. In addition to overhead recovery, a 10 per cent of revenue will be charged as royalty fee to trading and self-funding units, except for academic self-funding units. Institutes are excluded from the royalty fee. The total surplus contribution for 2023 is projected at $9.7 million. Appendices C, D and E show the 2023 budgets for these operations. The summary is presented in Table 10.

Table 10: **Other Funds - Income and Expenditure**

Fund	AP 2023			AP 2022		
	Net Income*	Expenditure*	Surplus	Net Income*	Expenditure*	Surplus
Commercial	12,175	10,644	1,532	12,584	10,614	1,970
Department	25,123	19,904	5,219	22,728	17,742	4,985
Institute	4,689	4,268	421	4,148	3,646	503
Project **	12,300	12,300	0	15,450	15,450	0
Total	**54,288**	**47,116**	**7,171**	**54,910**	**47,452**	**7,458**

Note: The figures above are in $'000s.

**Expenditure includes pay, non-pay, and contributions to the recurrent fund. All self-funding and commercial activities are subject to 10% royalty fee to recurrent fund.*

*** Project incomes are realised when the expenditures related to those project activities are incurred. Unspent project funds are not recorded as surplus but as deferred revenue liability and recorded in the Statement of Financial Position.*

Operating Budgets and Financial Commentaries

The University is budgeting a projected income of $159.9 million and expenditure of $167.8 million, generating a deficit of $7.9 million. This is based on the assumption that Fiji's grant will be on hold for another year. Table 11 presents the proposed income and expenditure for AP2023. The detailed summaries of income and expenditure forecasts are presented in Appendices A to F at the end of this report.

Table 11: Income and Expenditure 2019 - AP2023 ($'000)

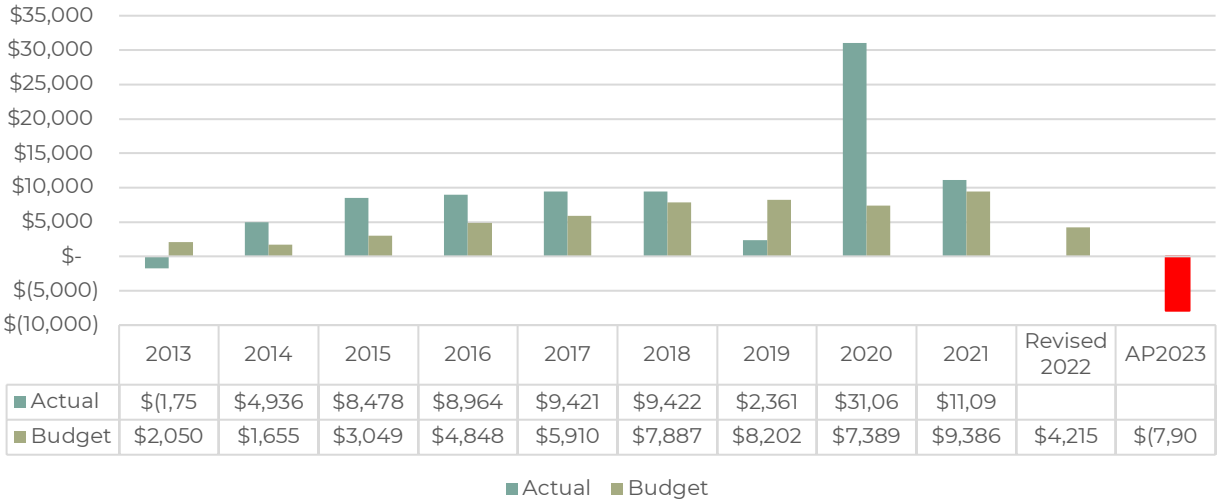
Description	2019	Actual 2020	Actual 2021	Forecast 2022	Budget 2023
Government Assistance - Grants	37,562	25,148	10,914	10,025	11,139
Tuition Fees	79,642	80,085	85,180	75,810	77,326
Development Assistance-Recurrent	17,438	38,278	32,571	29,697	29,697
Development Assistance-Project	12,687	15,881	10,478	17,000	13,500
Commercial Income	13,662	12,875	11,588	11,588	13,124
Consultancy Income	1,660	1,685	1,494	1,294	1,494
Other Income	10,125	7,735	8,732	8,732	9,107
Release of Deferred Revenue	3,598	3,807	3,749	3,867	3,867
Interest Income	787	1,082	685	660	660
Realised Exchange Gain	133	1,782	0	0	0
Total Income	**177,294**	**188,358**	**165,391**	**158,673**	**159,914**
Staff Costs	-85,840	-75,283	-72,805	-71,990	-79,106
Operating Costs	-73,825	-61,327	-54,377	-60,021	-66,148
Depreciation	-12,341	-14,769	-13,795	-13,795	-14,062
Provisions & Accruals	-2,104	-4,652	-11,656	-8,081	-7,733
Write-down in value of inventories	24	-47	-298	0	0
Unrealised exchange loss/ provision	-323	-330	-1,370	0	-500
Interest expense	-524	-881	0	-571	-271
Total Expenditure	**-174,933**	**-157,289**	**-154,300**	**-154,458**	**-167,820**
Operating Surplus	2,361	31,068	11,090	4,215	-7,905
Operating Surplus Margin	1.3%	16.5%	6.7%	2.7%	-4.9%

Note: The figures above are in $'000s.

i. Operating Surplus

The proposed operating deficit is $7.9 million. Figure 4 shows the operating surplus trend for the University from 2013 to AP2023. The deficit is driven by the reduced grant from Fiji and the need to continue to recruit the right level of staff (which had been saved over the last two years) and also to pay for a small salary adjustments as part of our staff retention strategy.

Figure 3: **Operating Surplus/Deficit from 2013 to AP2023 ($'000)**



	2013	2014	2015	2016	2017	2018	2019	2020	2021	Revised 2022	AP2023
Actual	$(1,75	$4,936	$8,478	$8,964	$9,421	$9,422	$2,361	$31,06	$11,09		
Budget	$2,050	$1,655	$3,049	$4,848	$5,910	$7,887	$8,202	$7,389	$9,386	$4,215	$(7,90

Note: The 2019 operating surplus is low due to revenue of $10m deferred and recognised in 2020

Even with a deficit budget of $7.9m, the University will generate $11.4m net cash from operating activities. The capital investment is set at $15 million and loan repayments of $0.6m. The University plans to end the year with a net decrease in cash of $4.2 million.

After accounting for uncollected incomes and unpaid bills, the University projects an unencumbered cash balance of $68.9 million at the end of 2023. After adding $5 million of the available overdraft facility, the available cash at the end of 2023 is forecast to be $73.9 million. That is above the cash reserve benchmark of $20.3 million (or 2 months) for 2023 and represents 7 months of operating cash requirements for the year.

ii. Funding Entity Budgets:

The overall budget is comprised of five funding operations: recurrent, departmental, trading, institutes and projects. The first two deal with activities associated with the University's core activities of teaching and learning. Trading activities are commercial in nature but support the core activities of the University. Institutes are research and community support arms of the University. Project funds are for specific purposes, controlled and received in the form of grants and donations and must be spent within the terms and conditions or wishes of the donors. Appendix A illustrates the overall contribution of these activities for AP2023.

Income:

The Annual Plan 2023 is projecting an income of $159.9 million. The major components of incomes are as follows:

Member Contributions

The following table provides the grant level as per formula. For AP2023, we have assumed that total grant received will be $11.1m.

Table 12: Member Country Contributions in 2023($'000)

Member Country	As per funding formula	AP2022/ AP2023	AP2021
Cook Islands	138	128	156
Fiji	33,530	0	27,619
Kiribati	1,629	1,370	979
Marshall Islands	310	272	288
Nauru	156	116	127
Niue	59	65	54
Samoa	1,171	1,344	1,430
Solomon Islands	2,824	2,849	3,261
Tokelau	21	35	48
Tonga	1,580	1,412	1,364
Tuvalu	422	397	449
Vanuatu	3,578	3,151	2,654
Total	**$45,420**	**$11,139**	**$38,430**

Note: The figures above are in $'000s

Tuition Fees

Tuition Fee Income is assumed to have a net increase by 2%. Regional Campus fees are projected to grow between 2% to 5% as restrictions are uplifted in all countries offset by a possible drop of 2% for both Pacific TAFE and in Fiji due to change in scholarship conditions in Fiji.

The increase is from a lower base forecast in 2022, which is projected to drop by 11% in 2022 compared to 2021. The drop in 2022 is being driven by a 9% reduction in Fiji due to lesser students accessing scholarships and loan funding (with qualifying marks for Year 13 Exams increased from 200 to 250), 8% drop in other Campuses driven by COVID-19 restrictions, and a 23% drop in EFTS for Pacific TAFE. The drop in Pacific TAFE is also driven by removal of Fiji scholarships for CVET and Foundation programmes and COVID-19 restrictions at the other Campuses.

Discount on fees is also proposed to continue in 2023 for early payments of fees. A 10% discount for full payment on Week 2 and 5% applies for full payment on Week 4 of the Semester. The discounts only apply for under graduate courses. Total discount is estimated to be around $1.5m.

Table 13: EFTS 2019-AP2023

	2019	2020	2021	2022	2023
University - Excluding P -TAFE	11,908	12,727	13,243	12,374	12,621
Pacific TAFE	5,290	5,119	4,563	3,511	3,581
Overall	17,198	17,846	17,806	15,884	16,202

*EFTS is based on the new calculation formula implemented in 2021

Development Assistance

Development Assistance agreements have been signed with Australia up to March 2025 and New Zealand up to 31st December 2022, with an option to renew for a further five (5) years. Development partners are a valuable revenue support source and in view of the situation with Fiji, this is an option that is being actively explored to support USP through this period.

Development assistance has been projected at $43.2 million for 2023. The drop compared to AP2022 is largely due to reduced project funding. For recurrent funding, the Australian Government has confirmed assistance of AUD$14 million and New Zealand Government is around the current budget of NZD$6.5 million.

Table 14: Development Assistance AP2023

	Local Currency	FJD
Australia	AUD 14,000	20,673,361
New Zealand	NZD 6,500	9,024,121
Projects		13,500,000
Total		**$43,197,482**

Commercial and Other Income

Consultancy income is projected to remain at the same level as in the 2022. The University is enforcing a new policy on outside work for staff.

Commercial activities are projected to generate a total income of $13.1 million in 2023 (compared to $13.6 million in AP20220) and earn a surplus of $1.5 million after contributing 20 per cent of total expenditure and 10 per cent royalty fee to the University recurrent fund. Table 15 shows the proposed income from commercial activities in 2023.

Commercial Operations for USP can be leveraged to create investment opportunities, undertake joint ventures and create new business opportunities in order to increase profit and reduce costs. These will be subject to appropriate levels of due diligence and funding.

Table 15: Total Income from Commercial Activities 2019 to AP2023

	2019 Actuals	2020 Actuals	2021 Actuals	AP2022	AP2023
Laucala					
Residential Hall	3,613	4,795	3,127	3,717	3,263
Book Centre & Computer Shop	6,101	6,317	5,030	6,187	6,187
Housing Rental	2,443	282	1,090	1,564	1,564
Others	405	601	529	970	970
	12,562	11,994	9,774	12,438	11,984
Alafua	320	317	525	485	485
Emalus	775	533	537	655	655
Others	5	30	52	-	0
Total	**13,662**	**12,875**	**10,889**	**13,578**	**13,124**

Note: The figures above are in $'000s.

- Other income has been budgeted at $9.1 million for 2023. Other income covers a variety of sources, including miscellaneous student fees such as health service fees, library fines, administration cost recovery from projects, course material and textbook sales, faculty and support unit income, ITS domain name registration, laboratory income, publication sales, insurance proceeds, and departmental trading income as well as space charges from trading, departments and institutes.

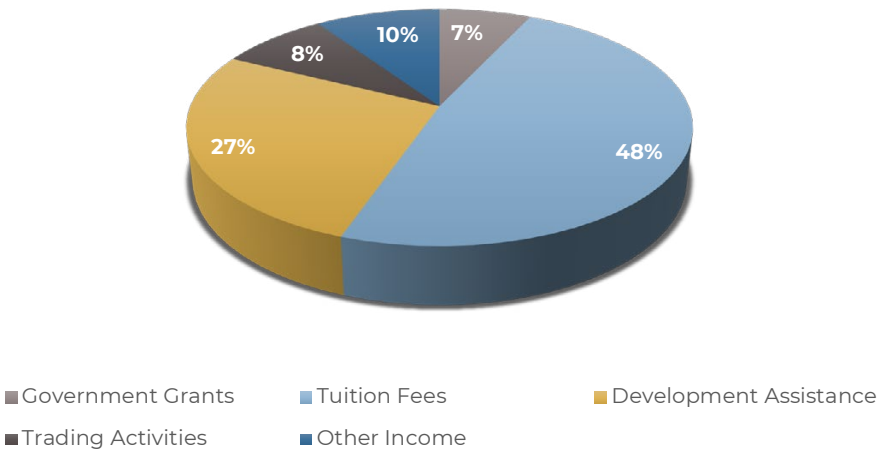
- Investment income consists of interest received on bank deposits. The forecast has been based on the 2022 level as market interest rates have generally remained low.

Table 16: **Total Income 2019 to AP2023**

Description	Actual 2019	Actual 2020	Actual 2021	AP2022	AP2023
Government Grants	37,562	25,086	10,914	11,139	11,139
Tuition Fees	79,642	79,878	85,180	79,487	77,326
Development Assistance - Recurrent	17,438	32,905	32,571	30,322	29,697
Development Assistance - Projects	12,687	15,938	10,478	17,000	13,500
Trading Activities	13,662	12,875	11,588	13,578	13,124
Consultancy Income	1,660	1,685	1,494	2,783	1,494
Other Income	10,258	9,362	8,732	8,566	9,107
Release of Deferred Revenue	3,598	3,671	3,749	3,867	3,867
Interest Income	787	1,082	685	660	660
Total Income	**177,294**	**182,481**	**165,391**	**167,401**	**159,914**

Note: The figures above are in $'000s.

Figure 4: **Income Summary - AP2023**



iii. Expenditure

The total expenditure budgeted for 2023 is $167.8 million, compared to $172.9 million in AP2022- a decrease of $5.1 million. The reduced expenditure reflects the drop in revenue and efficiency targets for all sections as part of our cost controls and financial strategies. It includes vacant non-academic positions that will not be recruited and will be reviewed during the new year.

Staff costs include a vacancy savings of 10%. Recruitment continues to be a challenge and savings from vacancies have always provided the University extra cash to make capital investments. So the budget assumes that 90 per cent of these positions will be filled.

Financial controls will also roll into 2023. This is in recognition of the restrictions that are still in place due to COVID-19 and that many activities like travel, research work, etc will still be limited. The University will need to work within its means and must be able to generate internal savings and shift resources from low priority to strategic priority areas. It will also use its learning from the current period to reprioritise activities under the new normal. It could also mean reconsideration of provision of certain services to ensure the financial targets are achieved.

Table 17: **Expenditure Summary by % - AP2023**

	AP2023	%
Staff Costs	79,106	47%
Operating Costs	66,148	39%
Provisions & Accruals	22,566	13%
Total	**167,820**	**100%**

Note: The figures above are in $'000s

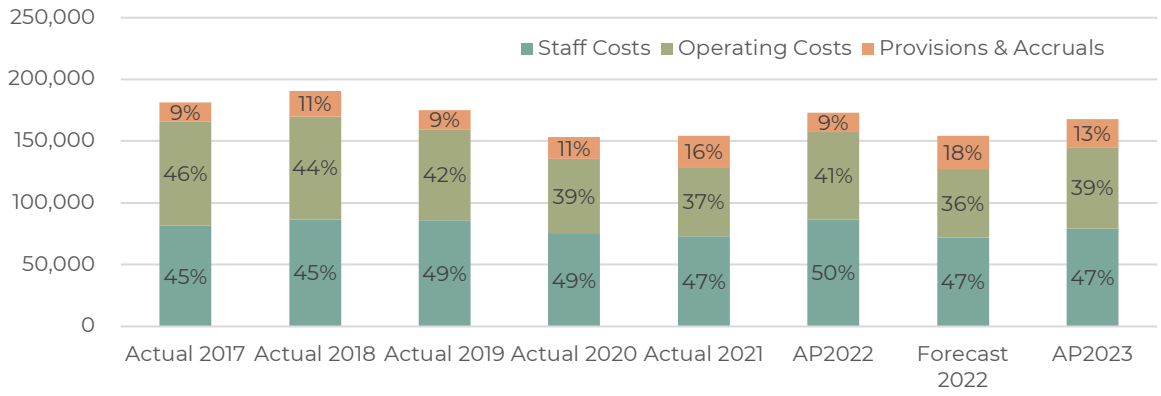
Table 18: **Expenditure 2019- AP2023**

	Actual 2019	Actual 2020	Actual 2021	AP2022	Forecast 2022	AP2023
Staff Costs	85,840	75,374	72,805	86,605	71,990	79,106
Operating Costs	73,800	60,200	56,381	70,931	55,224	66,148
Provisions & Accruals	15,293	17,588	25,115	15,333	27,244	22,566
Total expenditure	**174,932**	**153,162**	**154,300**	**172,869**	**154,458**	**167,820**

Note: The figures above are in $'000s.

2023 assumes a normal academic year without restrictions. This means the University will not be able to save from utilities, graduation, travel and other associated costs. It includes recruitment of vacant positions. This explains the increase in expense budget by $13.3m compared to the forecast in 2022. In 2021, there were tight controls put in place due to uncertainty from major funding sources. Figure 6 shows total USP expenditure and its components from the 2017 to AP2023 period.

Figure 5: Total Expenditure 2017 to AP2023 ($'000)



- Non-academic sections will be benchmarked in order to determine the right level of staff for support sections, taking into account the unique nature of USP as an institution operating in 12 countries.

- Operating costs are projected to be $66 million against the AP2022 figure of $71 million – a decrease of $5 million. The decrease is largely to keep in line with the decrease in revenue and efficiency targets.

iv. Savings Plan 2023

The savings plan includes a combination of vacancy savings, efficiency targets across all sections, restriction on travel, and continued stringent measures on all types of expenditures.

v. Depreciation and Amortisation

Depreciation forecasts have been prepared on the basis of existing charges plus calculation of charges on forecast asset additions. The change in depreciation amount is due to adaptation of IFRS 16 for Leases.

vi. Other Key Provisions

- VCP's Strategic and Initiatives fund is budgeted at $250,000.
- Contingency fund is $500,000.

Statement of Financial Position

This statement shows the value of the University at any given point in time. Table 19 shows the projected financial position of the University at 31st December 2023.

Table 19: Statement of Financial Position

Description	2019	2020	Actual 2021	Forecast 2022	AP2023
CURRENT ASSETS					
Inventories	3,615	2,460	2,662	2,584	2,584
Accounts Receivable	11,387	10,798	20,533	21,000	21,000
Accounts Receivable - Projects	4,013	3,617	4,568	4,000	3,000
Prepayments	2,363	2,300	2,230	2,300	2,300
Cash and Cash Equivalents	58,855	81,604	93,063	99,991	95,810
Investment Financial Assets	22,575	20,962	22,501	23,626	23,626
Total Current Assets	**102,808**	**121,741**	**145,558**	**153,501**	**148,320**
NON-CURRENT ASSETS					
Property, plant and equipment	241,060	244,122	233,928	240,910	248,587
Total Non- Current Assets	**241,553**	**244,122**	**234,460**	**240,910**	**248,587**
TOTAL ASSETS	**344,361**	**365,864**	**380,018**	**394,411**	**396,907**
CURRENT LIABILITIES					
Creditors, Accruals & Provisions	23,441	14,202	15,939	23,099	21,099
Deferred Income	3,598	3,703	3,749	3,478	3,478
Lease Liability	928	1,372	1,073	1,500	1,500
Project Funds Unexpended	41,598	35,047	41,908	42,746	42,180
Borrowings + Provision		4,338	4,448		
Total Current Liabilities	**69,565**	**58,663**	**67,117**	**70,823**	**68,823**
NON-CURRENT LIABILITIES					
Creditors and Accruals	829	864	1,236	1,208	1,500
Deferred Income	93,595	91,556	89,009	86,842	98,951
Lease Liability	2,887	2,074	1,685	2,499	2,499
Borrowings	13,612	16,350	15,912	17,095	17,095
Total non-current liabilities	**110,923**	**110,844**	**107,843**	**107,644**	**120,046**
TOTAL LIABILITIES	**180,488**	**169,507**	**174,960**	**178,467**	**188,868**
Net Assets	**163,873**	**196,357**	**205,058**	**215,945**	**208,039**
Represented by:					
FUNDS AND RESERVES					
Statement of Income & Expenditure	131,187	163,630	172,343	183,275	175,369
Endowment Capital	5,741	5,783	5,771	5,725	5,725
Other Contributed Equity	26,945	26,945	26,945	26,945	26,945
Total Funds and Reserves	**163,873**	**196,357**	**205,058**	**215,945**	**208,039**

Note: The figures above are in $'000s.

Financial Position Commentaries:

Net assets are projected to be $208 million by end of 2023. The Plan projects the following movements in the financial position of the University:

Cash Flow Projections

The Plan projects a $119.4 million in Cash and Cash Equivalents & Held to Maturity Financial Assets balance as at 31 December 2023.

Cash Flow Commentaries:

- Cash Balance: The Plan projects a cash balance of $119.4 million by the end of 2023.
- Net Cash Flow: The projected net cash flows generated from normal operating activities is $11.4 million and after deducting projected capital expenditure and loan repayments, a net decrease in cash and cash equivalents of $4.2 million is projected.

Unencumbered cash: After accounting for uncollected incomes and unpaid bills, the University projects a cash balance of $119.4 million at the end of 2023, with $68.9 million in unencumbered cash. After adding $5 million of available overdraft facility, the available cash at the end of 2023 is forecast to be $73.9 million, which is above the cash reserve benchmark of $20.3 million for 2023. This represents 7 months of operating cash requirements for the year. In the event the fee revenue drops by 5%, the University will draw down a further $5m of its cash reserves.

Figure 6: Cash Reserves

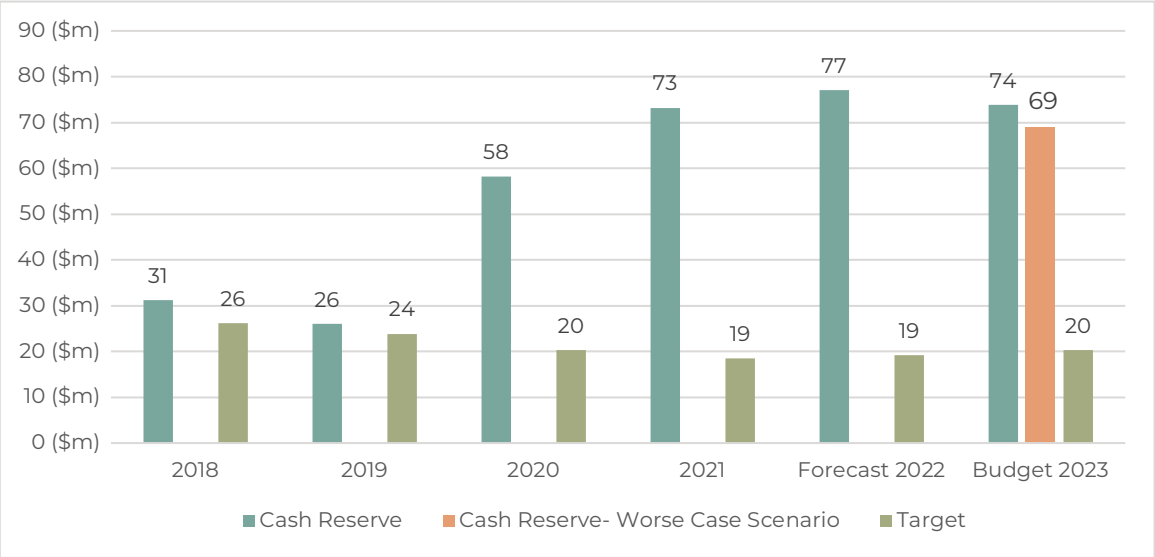


Table 20: Statement of Cash Flow

Operating Activities	2019	2020	2021	Revised 2022	Budget 2023
Recurrent Activities					
Development Assistance - Recurrent	17,438	32,905	27,424	29,697	29,697
Government Contributions	26,549	32,915	4,078	9,023	11,139
Interest Received	787	1,082	685	660	660
Student Tuition Fees	79,328	79,003	72,921	68,229	69,594
Trading Activities	12,371	13,039	10,628	11,588	13,124
Other Receipts	11,017	8,461	12,868	10,026	10,070
	147,490	**167,405**	**128,603**	**129,223**	**134,285**
Staff Costs	-83,379	-70,359	-67,871	-65,450	-69,061
Other Operating Costs	-61,764	-47,642	-43,660	-45,120	-53,806
	-145,143	**-118,001**	**-111,532**	**-110,570**	**-122,867**
Net Cash Flows from Recurrent Activities	**2,346**	**49,404**	**17,071**	**18,653**	**11,418**
Project Activities					
Development Assistance - Projects	16,535	9,438	15,942	17,000	12,300
Staff Costs - Projects	-3,569	-4,852	-4,037	-5100	-4,040
Other Operating Costs - Projects	-10,382	-12,505	-7,801	-11900	-8,260
Net Cash Flows Provided By/(Used In) Project Activities	**2,584**	**-7,918**	**4,104**	**0**	**0**
Total Net Cash Flows Provided By Normal Operating Activities	**4,930**	**41,485**	**21,175**	**18,653**	**11,418**
Investing Activities					
Payment For Property Plant and Equipment	-13,727	-13,864	-7,195	-10,000	-15,000
Payment For Property Plant and Equipment - (Loan)			-1,520		
Payment For Property Plant and Equipment - Project Activities	-3,052	-1,923	-1,539		
Net Receipt From/(Investment In) Financial Assets	3,265	1,613			
Net Cash Flows from Investing Activities	**-13,515**	**-14,174**	**-10,254**	**-10,000**	**-15,000**
Financing Activities					
Proceeds/(Repayment) Of Term Loan, Net	-338	-385	-561	-600	-600
Loan Re-Payment	-1,948	0	-1,473		
Interest Expense		-1,604			
Net Cash Flow from Financing Activities	**-2,286**	**-1,989**	**-2,035**	**-600**	**-600**
Net (Decrease)/Increase In Cash And Cash Equivalents	**-10,871**	**25,322**	**8,887**	**8,053**	**-4,182**
Cash And Cash Equivalents & Held To Maturity Financial Assets At 1 January	92,227	81,356	106,678	115,565	123,618
Cash And Cash Equivalents & Held To Maturity Financial Assets At 31 December	**81,356**	**106,678**	**115,565**	**123,618**	**119,436**

Note: The figures above are in $'000s.

Financial Targets and Ratios

The financial performance of the University is benchmarked against certain ratios set by the Finance and Resources Committee (FRC), with the goal of ensuring the long-term financial sustainability of the University.

Table 21 shows the table of financial ratios from 2018 to AP2023 against the benchmarks.

Table 21: Financial Ratios 2019 – AP2023

External - Strategic Financial Ratios							
	Financial Ratio	**B/mark**	**Actual 2019**	**Actual 2020**	**Actual 2021**	**AP2022**	**AP2023**
FINANCIAL VIABILITY	Operating Surplus	5%	1.3%	17.2%	6.7%	-3.3%	-4.9%
	Core Earnings	11.0%	8.3%	24.7%	15.0%	5.3%	4.0%
	Net Cash from Operations	115.0%	100.0%	128.7%	117.2%	113.8%	109.3%
	Liquidity Ratio	16%	22%	50%	67%	53%	65.6%
	Quick Ratio	1.5x	0.5	1.2	1.2	1.1	1.2
FINANCIAL SUSTAINABILITY	Debt-to-Equity (Gearing) Ratio	20.0%	8.2%	8.6%	8.0%	11.6%	5.3%
	Interest Coverage	3x	6	60	14	21	28
	Return on Long Term Assets	6%	6.3%	19.2%	10.5%	5.5%	5.5%
	Debt Repayment	3x	1.5	0.3	1.1	(4.4)	23
INTERNAL RATIO	Cash Margin	110%	566%	455%	1098%	710%	76.1%
	Cash Availability	16%	42%	71%	100%	63%	53.6%

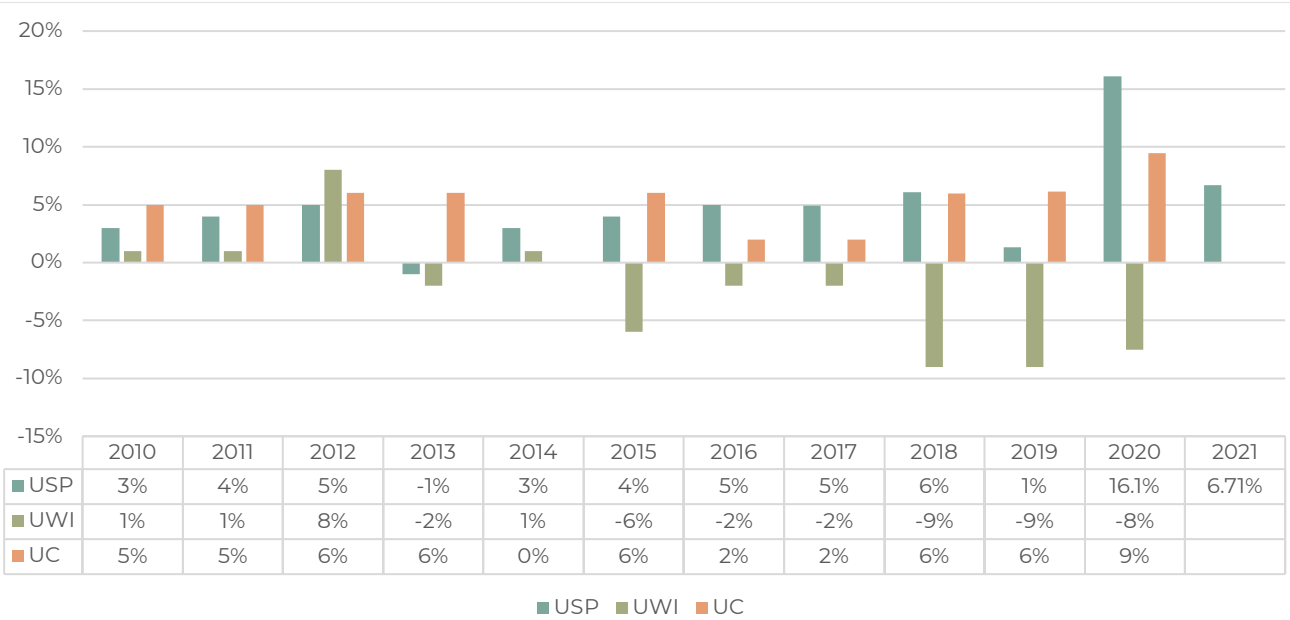
i. Operating Surplus

This ratio indicates the level of retained earnings the University can generate to meet its investment needs. The current benchmark is 5 per cent. This Plan projects a deficit of 4.9 per cent in AP2023 due to the uncertainty in revenue.

The University is limited in its ability to grow its income substantially and needs to adjust its cost structure to respond to change more quickly. The lower operating margin is largely due to the drop in income level.

Figure 7 below shows USP's surplus margins against the University of West Indies (UWI) and Canberra University (CU).

Figure 7: **Operating Surplus Margin against other Universities**



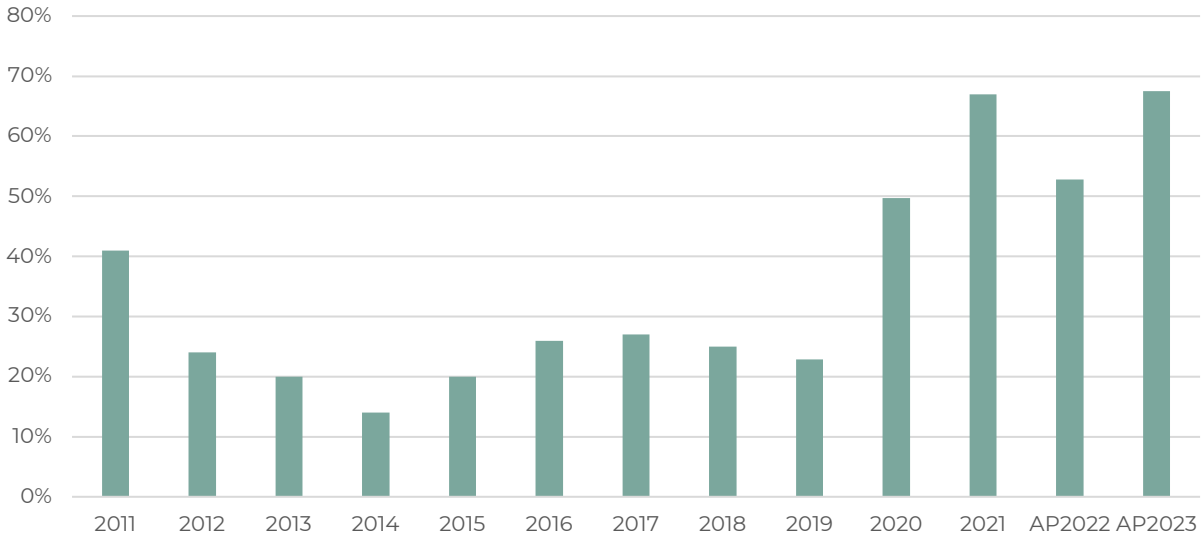
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
USP	3%	4%	5%	-1%	3%	4%	5%	5%	6%	1%	16.1%	6.71%
UWI	1%	1%	8%	-2%	1%	-6%	-2%	-2%	-9%	-9%	-8%	
UC	5%	5%	6%	6%	0%	6%	2%	2%	6%	6%	9%	

ii. Liquidity Ratio

The liquidity ratio reflects the ability of the University to pay its short-term liabilities using liquid assets easily convertible to cash. The benchmark is 16 per cent while this Plan is projecting it to be 65.6 per cent.

Figure 8 shows that the liquidity position (cash and available borrowings over operating cash outflow) has generally improved over the years.

Figure 8: Liquidity Ratio 2011 – AP2023



iii. Financial Stability

This measures the ability of USP to sustain continuing robust and viable financial performance in the long term. Two important ratios are:

- **Debt-to-Equity (Gearing) ratio** – measures the proportion of total debt over total equity. The plan for end of 2023 is 7.3 per cent, which is below the maximum acceptable limit of 20 per cent.

- **Interest coverage ratio** – measures the ability of the University to generate enough net revenues to meet the interest payments. The plan for end of 2023 is 28 and is above the benchmark requirement of 3x.

Capital Plan and Infrastructure Developments

The University has developed a three-year capital development plan, with an indicative ten-year plan as part of the Laucala Campus Master Plan. As part of its Strategic Plan 2022-2024, the University needs to make various investments throughout the region to enable equity and enhance the effective delivery of learning, teaching, research and administrative support on each Campus. The capital plan for 2023 will be funded through various sources as follows:

A total of $15 million is planned to be funded from the University's surplus, contributing $11 million for the capex replacement programme and $4 million for deferred maintenance and strategic investments.

Table 22: Capital Expenditure Plan AP2023 – 2025 ($m)

Capital Projects	AP2023	Projected Expenditures	
	University Funded $m	**2024 Forecast $m**	**2025 Forecast $m**
1. Known Building Projects:			
Solomon Islands Campus			
Student hostels *			
Re-Engineering Building		1	1
Teaching/Learning Spaces/Campus Upgrades	2.5	2.5	5
2. ICT Infrastructure and Developments			
Computers	3	3	3
ICT Development	3	3	3
3. Vehicles and Tractor	0.5	0.5	0.5
4. Seed funding – commercial development			
5. Furniture, Equipment and Renovations	2	2	3
6. Deferred Maintenance	2	2	5
7. Strategic Investments	2	1	1
Totals	**15**	**15**	**20**

Building Projects in 2023

The major capital projects for 2023 is the completion of the new Solomon Islands Campus funded through ADB loan. There are also planned developments for the Tonga and Tuvalu Campuses; these will be subject to donor funding.

Information Technology

The New Strategic Plan has placed emphasis on leveraging ICT to deliver outcomes that enhance student experience, teaching and research outcomes in line with the strategic objectives of the University. The University has planned $3 million to continue implementation of the new computer strategy, establishing the right number and mix of student lab requirements, putting in more wireless provisions to facilitate the use of more laptops for students, and moving all staff to laptops to support a more open office concept. It is expected that these investments will shift the University's e-platform to a more digital environment.

Vehicles, Furniture and Equipment:

The University has set aside $2.5 million to continue with Regional Campus development plans. The balance will be for equipment replacements, minor renovations and deferred maintenance.

Infrastructure Plan:

The University will assess space requirements during the year and develop a capital and funding programme to respond to its current and future growth in line with the Campus master plan.

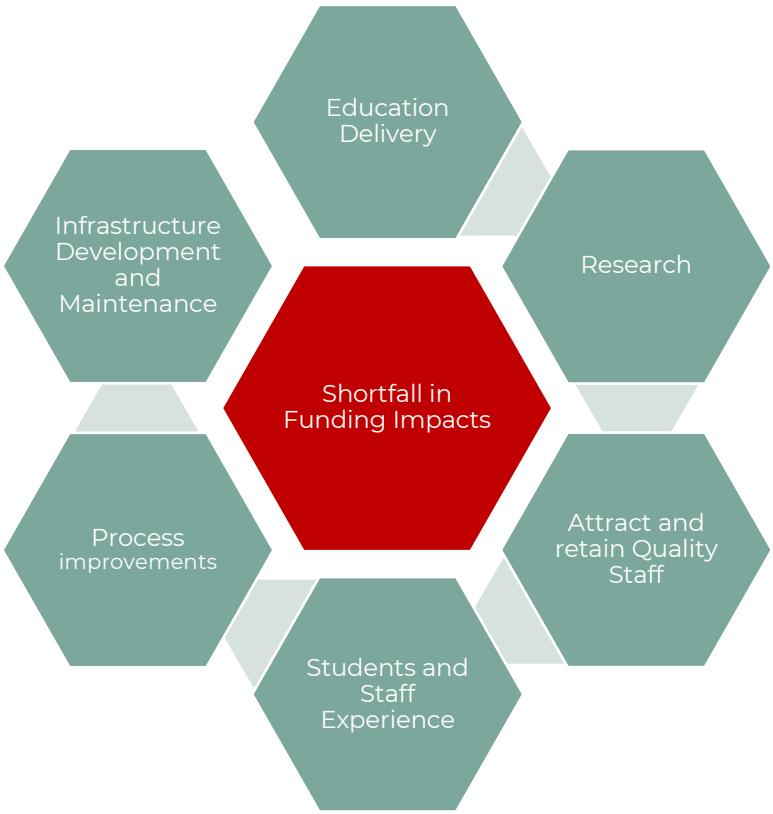
The University has approved its Asset Management Framework to govern the utilisation of facilities and spaces. The University is also implementing a Space Management Policy with an accompanying Facilities Management Manual to set standards and benchmarks for space allocation, space use, and design and layout.

Financial Risks and Mitigation Strategies

Given the tough economic circumstances, the University is aware of the risks involved if the finances are not secured in full to fund its strategies and operational plans and deliver excellent learning and teaching. The University is regularly reviewing the emergent risks and putting in place mitigation strategies and financial controls to protect the financial position within the short to medium term.

The areas impacted by the shortfall in funding that is currently driving the University's Financial Sustainability risk is summarised in the chart below.

Figure 4: Financial Sustainability Risk Impacts



The University prioritises its core deliverables in education and research and will explore ways and means to increase its ability to invest in people and infrastructure (both physical and virtual) to enhance the student and stakeholder experiences.

The USP is committed to an effective and efficient risk management framework that will ensure it achieves its strategic and operational objectives. The table below provides a snapshot of the risk assessment for Financial Sustainability caused by the shortfall in the University budget and mitigation strategies designed to eliminate or reduce the impacts of this risk.

Table 12: **Snapshot of the Financial Sustainability Risk Assessment**

Risk Statement	Level of Inherent Risk	Level of Residual Risk	Risk movement since last review
Financial Sustainability: USP's failure to sustain itself and/or attract and retain external funding can impair its ability to achieve its strategic, tactical or operational objectives or impact the quality and timeliness of its key deliverables.	Extreme	Extreme	→

Controls:

- Three-year funding agreements with member countries and invoiced upfront every year. This is monitored through follow ups with each ministry, quarterly reporting to FRC and six monthly to Council.
- Budget Review & Monitoring
- Strategic Partnership Engagement
- Tight control and monitoring of expenditure

Treatment:

- Approach new development partners to cover shortfall in budget
- Improve Management of stakeholder relations
- Set up a committee to look into self-funding initiatives and explore other commercial revenue generating opportunities/ventures

Changes to Key Risk Description or Control Environment

Fiji Government removed the grant to USP from its annual budget since 1st August 2020 to date. Enrolment to date is lower than 2021 by 11% due to change in scholarship conditions in Fiji (its biggest market) and impacts of lockdowns in several member countries due to COVID 19. The reduction in revenue is being offset by planned reductions in operating and capital expenditures, with financial restrictions implemented last year to continue this year. Majority of these however will have an impact on the quality of learning and teaching and student experience and affect the right level of investment especially in physical and virtual infrastructures we need to make for the future. The University is projecting to end the year with a small operating surplus compared to a deficit budget of $5.5m approved by Council last year. This positive performance is being driven by better expenditure management and savings strategies put in place. This also means that the University will not need to draw down its cash reserves yet this year even though the Council approved draw down of up to $10m.

This Annual Plan is projecting a drop in its cash balance and a draw down of cash reserves in 2023 largely driven by reduced grant from Fiji. This shortfall has and will continue to affect investment in key projects and in staff, process improvements, , delivering quality education, research and development activities to the regional campuses and our main campuses.

The effective management of this risk enables USP to maximise opportunities, minimise uncertainties and increase organisational resilience. The University considers the management of its key risks as pivotal to achieving its strategic objectives. There are other financial risks and these are being reviewed and monitored individually through a Finance Risk Register. These risks including supply chain and price escalation risks due to COVID 19, regulatory and compliance risks in 12 countries, fraud, contract management, investments and liquidity risks and business interruptions.

Monitoring and Evaluation Mechanisms

The Senior Management Team (SMT) shall be responsible for the full implementation, monitoring and evaluation of AP2023. The following reporting and monitoring structure will be in place:

The Finance Section will prepare and distribute Monthly Management Accounts to the SMT, Heads of Schools and other Heads of Departments.

- The Finance Section will prepare and submit Financial Reports to FRC at each of its meetings.
- The Finance Section, through the FRC, will prepare and submit externally audited 6-monthly financial reports to the Council.
- Progress will be reported to the FRC and Council continuously throughout 2023.
- There will be regular meetings of the Budget Efficiency Working Group to evaluate budget availability and identify savings and efficiency mechanisms. The Committee will monitor budget variances and propose options to ensure sections stay and manage within allocated budgets.
- Enforcement of the Budget Policy & Procedures is essential.

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Appendices

Appendix A - Statement of Comprehensive Income (by Fund) - AP2023 ($'000)

Description	Recurrent Fund	Department Funds	Commercial Fund	Institute Funds	Project Funds	Total AP2023	AP2022	Forecast 2022	Actual 2021
Income									
Government Grants	11,139	-	-	-	-	11,139	11,139	10,025	10,914
Tuition Fees	52,052	25,275	-	-	-	77,326	79,487	75,810	85,180
Development Assistance – Recurrent	29,697	-	-	-	-	29,697	30,322	29,697	32,571
Development Assistance – Projects	-	-	-	-	13,500	13,500	17,000	17,000	10,478
Trading Activities	-	-	13,124			13,124	13,578	11,588	11,588
Overhead to Recurrent Fund	6,875	(3,654)	(1,165)	(705)	(1,350)	-	-	-	-
Contribution to Recurrent-Royalty Fee	2,661	(1,712)	(949)	-	-	--	-	-	-
Consultancy Income	-	711	-	633	150	1,494	2,783	1,294	1,494
Other Income	4,200	850	-	4,057	-	9,107	8,566	8,732	8,732
Release of Deferred Revenue	3,867	-	-	-	-	3,867	3,867	3,867	3,749
Interest Income	660	-	-	-	-	660	660	660	685
Total – Income	**111,151**	**21,469**	**11,010**	**3,984**	**12,300**	**159,914**	**167,401**	**158,673**	**165,391**
Staff Costs	61,847	8,609	2,293	2,317	4,040	79,106	86,605	71,990	72,805
Operating Costs	41,815	7,641	7,185	1,246	8,260	66,148	70,931	60,021	54,377
Depreciation	14,062	-	-	-	-	14,062	14,062	13,795	13,795
Interest Expense	271	-	-	-	-	271	271	571	
Provisions & Accruals	7,733	-	-	-	-	7,733	500	8,081	11,953
Provision for Exchange Gains/Loss	500	-	-	-	-	500	500		1,370
Total – Expenditure	**126,228**	**16,250**	**9,479**	**3,563**	**12,300**	**167,820**	**172,869**	**154,458**	**154,300**
Operating Surplus/ (Deficit)	**(15,077)**	**5,219**	**1,532**	**421**	**0**	**(7,905)**	**(5,467)**	**4,215**	**11,090**
OP Margin	**-13.56%**	**24.31%**	**13.91%**	**10.56%**	**0.00%**	**-4.94%**	**-3.27%**	**2.66%**	**6.71%**

Appendix B - Recurrent Budgets AP2023

Description	AP2022	AP2023
Schools		
SAFE	4,736,969	5,027,713
SBM	4,026,156	4,299,943
STEMP	9,708,863	9,859,516
SAGEONS	10,638,974	10,868,338
SOLASS	6,194,168	6,651,938
SPACE	6,600,651	6,962,545
PACE – SD	1,265,131	1,265,131
COVID-19 additional support *	3,000,000	
Strategic Support	1,399,157	1,399,157
Sub Total: Schools & Strategic Support	**47,570,068**	**46,334,280**
DVC (Research & International)	4,704,242	3,479,645
EDF	2,476,294	2,439,652
EDF -University Costs	363,000	363,000
DVC (Education)	1,196,331	1,134,064
Vice-Chancellor & President	847,124	1,243,960
DHR	5,415,518	5,415,518
VP (RC & PF)'s Office-General	505,098	564,253
Regional Campuses	16,856,817	17,915,675
Security	992,326	996,101
Estates & Infrastructure	6,908,867	6,797,001
VP (Admin) Office	369,799	438,739
Planning Office	632,940	627,234
ICT Centre	481,982	496,643
ITS Office	8,466,088	8,444,029
Library	4,952,690	4,934,311
Director (Assurance & Compliance)	3,907,650	3,996,031
SPAC	1,450,043	1,567,253
Cntrl Record & Archives Unit (CRAU)	953,691	969,942
Council & Senate Secretariat	294,711	325,124
Campus Life	1,529,536	1,485,881
Student Academic Services	2,752,930	2,363,724
CFL	2,234,510	3,144,345
Depreciation and Others	14,583,372	11,114,508
Sub Total: Non-Academic & Admin Support	**82,875,560**	**79,893,633**
Total Recurrent Funding	**130,445,628**	**126,227,912**

*Additional teaching support for campuses due to students studying from home, these have been added to the schools' budget in 2023.

Appendix C - Departmental Budget AP2023

Faculty	SAFE	SBM	STEMP	SAGEONS	SOLASS	SPACE	Regional Campuses	Library	Pacific TAFE	GSB	Others	AP 2023	AP 2022
Income	610,000	460,000	243,920	1,493,673	1,352,000	990,000	4,224,141	17,000	12,078,386	4,271,700	784,784	26,835,604	24,305,323
Less: Royalty	61,000	46,000	24,392	149,367	135,200	99,000	290,204	1,700	603,919	213,585	56,878	1,712,246	1,577,480
Net Revenue	549,000	414,000	219,528	1,344,306	1,216,800	891,000	3,933,937	15,300	11,474,467	4,058,115	727,905	25,123,358	22,727,844
Pay Expenditure	35,000	42,000	5,103	51,206	542,621	156,411	263,308	0	6,460,530	914,900	138,008	8,609,086	8,451,078
Non-Pay Expenditure	160,000	143,500	150,134	174,347	77,100	146,540	2,011,160	12,000	2,888,360	1,392,381	411,459	7,640,983	6,041,973
Contribution to overheads	48,750	46,375	38,809	56,388	154,930	75,738	568,617	3,000	1,963,267	576,820	102,865	3,654,060	3,249,307
Total Expenses	243,750	231,875	194,047	281,941	774,651	378,689	2,843,085	15,000	11,312,157	2,884,101	652,332	19,904,129	17,742,358
Surplus/ Deficit	305,250	182,125	25,481	1,062,364	442,149	512,311	1,090,852	300	162,310	1,174,014	75,573	5,219,229	4,985,486

Appendix D - Commercial Budget AP2023

Description	BOOK CENTRE			Residential			Housing Laucala	Gym Laucala	Print Shop	AP 2023	AP 2022
	Laucala	Emalus	Alafua	Laucala	Emalus	Alafua					
Revenue	5,372,108	135,000	83,000	3,263,040	432,000	240,000	1,564,431	929,500	815,000	13,124,480	13,578,480
Less : Royalty	318,021	13,500	8,300	326,304	43,200	24,000	112,682	75,950	0	948,997	994,397
Net Revenue	5,054,087	121,500	74,700	2,936,736	388,800	216,000	1,451,749	853,550	815,000	12,175,483	12,584,083
Pay Expenditure	573,720	45,504	24,664	756,827	34,861	27,192	316,265	378,111	83,279	2,293,142	2,256,381
Non-Pay Expendi-ture	2,873,539	51,898	31,670	2,008,446	280,109	108,659	862,034	309,478	476,600	7,185,457	7,185,457
Contribution to Overheads	161,592	19,480	11,273	481,826	62,994	27,318	232,537	106,106	25,576	1,165,238	1,172,348
Total Expenditure	3,608,851	116,882	67,607	3,247,099	377,963	163,169	1,410,836	793,695	585,454	10,643,837	10,614,186
Surplus/(Deficit)	1,445,237	4,618	7,093	-310,363	10,837	52,831	40,913	59,855	229,546	1,531,646	1,969,897

Appendix E - Institute Budget AP2023

	IAS	IOE	IMR	PacLII	AP 2023	AP 2022
Revenue	**1,870,125**	**2,259,638**	**100,000**	**459,272**	**4,689,035**	**4,148,337**
Pay	914,650	1,052,487	52,703	260,000	2,316,983	2,287,985
Non-Pay Expenditure	545,300	645,983	30,000	24,950	1,246,233	750,150
Contribution to over-heads	291,990	339,694	16,541	56,990	705,215	607,627
Total Expenditure	1,751,940	2,038,164	99,244	341,940	4,268,430	3,645,762
Surplus/(deficit)	118,185	221,474	756	117,332	420,605	502,574

i. Planning Framework:

This Annual Plan was developed through the integration of the planning and budgeting process and included:

- preparing School and Section plans in line with the Strategic Plan;
- clearly defining measureable targets for each priority area;
- defining clear outputs and projects for each Faculty and Section;
- allocation of funds to faculties through the Internal Funding Model;
- allocation of financial and human resources to Strategic Plan priorities;
- Supporting clear management accountability and measurement of performance on a regular basis.

ii. Principles and Guidelines:

During the planning process, further steps were taken to identify and create key principles which align the University's financial plan directly with the strategic objectives. The table below lists the budget principles which underpin the financial plan for 2023 and beyond.

Table 24: Financial Principles for 2023

Financial Principles	Established in Prior Years	New
Support the University's Strategic Plan	✓	
Improved School Internal Funding Model	✓	✓
Resource Allocation Methodology	✓	
Meet financial benchmarks and targets	✓	
Cash reserves	✓	
Performance funding	✓	
Investment in scholarships	✓	
Administration effectiveness and efficiency	✓	✓
Prudence and Compliance	✓	
User Pay	✓	
Value for money	✓	
Contingency and risk pools	✓	
Departmental carry forward of retained earnings	✓	
Reinvest in infrastructure	✓	
Commercial and investment strategy to maximise returns	✓	✓
Enhance Risk Management and Strengthen First Line of Defence	✓	✓
Outsourcing to achieve efficiency	✓	✓
Resource Mobilisation Plan	✓	✓
Decentralised model with accountability to fund controllers	✓	✓
Measure and increase productivity of staff	✓	✓
Full charging of direct and indirect costs for self-funding units	✓	✓
Service Level Agreements for sections	✓	✓
10% Royalty fee on revenue from all self-funding units except institutes	✓	
Restructure and re-organisation	✓	✓

iii. Drivers:

The 2023 Annual Plan aims to continue the progress of the Strategic Plan 2022-2024. The 2022 Plan has been constructed to push through some high-level priorities and moonshots to meet the aspirations of the Strategic Plan. This plan is also driven by the need to support growth and invest in infrastructure to support teaching, research and community support.

iv. Levers:

The following key levers the University needs to invest in are identified in this plan in order to achieve the plan within available resources.

v. Revenue Growth:

There will be vigorous efforts to increase the enrolment of international students and postgraduate students (high level streams) and to seek increase in funding from development partners. There will be considerable efforts to move forward on the planned Commercial developments on Laucala Campus that will generate commercial revenues in future years, subject to due diligence and external funding.

vi. Improved Productivity:

Staff profiling and knowledge of workload is important to identify areas of performance improvements and maximisation of current staff resources. The USP is rationalizing its programmes and courses to ensure sustainability of its core business. There will also be additional investments in technology to automate manual processes to drive efficiency and effectiveness in the delivery of teaching, research and regional support services. The use of Open Educational Resources (OERs) and e-Learning will continue in 2023.

vii. Investment in Strategic Plan initiatives

The plan must generate sufficient cash to invest in Strategic Plan initiatives, capital works, infrastructure, and, adding to the cash reserves for future investments and growth.

viii. Assumptions:

The assumptions have been revised to take into account the current economic conditions.

ix. Financial Targets:

AP2023 has maintained the following financial targets:

X. Table 25: Targets for AP2023

Institutional Targets	Sectional Targets
▪ Increase the operating surplus percentage towards the benchmark of 5%. ▪ Exceed cash margin of 16%. ▪ Generate enough cash from operating activities to pay for capex of $15 million. ▪ Add to unencumbered (cash reserve) balance and achieve the UGC approved level of two months of operating expenditures.	▪ Spend within approved budget. ▪ All Commercial and Institutes to contribute 20% of their total expenditure to the University's Recurrent Fund. ▪ All self-funding programmes like MBA, Pacific TAFE to contribute 25% of their total expenditure to the Recurrent Fund. ▪ All self-funding units (except Institutes) to pay 10% of revenue as "royalty" to USP recurrent fund. (5% for academic self-funding Units) ▪ All non-recurrent USP activities, other than project funds, will each generate a 3% surplus (surplus over total income) after the required overhead recovery and royalty payments to the recurrent fund.

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Abbreviations and Acronyms

(Includes abbreviations and acronyms used in the electronic collection of Faculty and Section 2021 Annual Plan)

ADB	Asian Development Bank
AP2020	Annual Plan 2020
AP2021	Annual Plan 2021
AP2022	Annual Plan 2022
AP2023	Annual Plan 2023
ARC	Audit & Risk Committee
CAPEX	Capital Expenditure
CFL	Centre for Flexible Learning
CFS	College of Foundation Studies
DVC E	Deputy Vice-Chancellor Education
DVC (R&I)	Deputy Vice Chancellor (Research & International)
DVC (RC & E&I)	Deputy Vice-Chancellor - Regional Campuses and Estates & Infrastructure
EDF	Executive Director Finance
EDPWS	Executive Director People & Workforce Strategy
EFTS	Equivalent Full-Time Student
FALE	Faculty of Arts, Law and Education
FBE	Faculty of Business and Economics
FIC	Finance and Investment Committee
FSTE	Faculty of Science, Technology and Environment
ICT	Information and Communication Technologies
I&J	Intermediate and Junior (Staff)
ITS	Information Technology Services
KPI	Key Performance Indicator
MOU	Memorandum of Understanding
OHS	Occupational Health and Safety
P&Q	Planning and Quality
QoR	Quality of Research
QoT	Quality of Teaching
SAS	Student Academic Services
SMT	Senior Management Team
SP	Strategic Plan
PTAFE	Pacific Technical and Further Education
UGC	University Grants Committee
USP	University of the South Pacific
VCP	Vice Chancellor and President
WSCU	WASC Senior College and University Commission

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