



University
of Otago
ŌTĀKOU WHAKAIHU WAKA

Budget Summary



2025

EXECUTIVE SUMMARY



2025 domestic and international EFTS

19,078 EFTS



Budgeted revenue increased 5.8% to

\$906 million



Budgeted group deficit of

\$2.4 million



Debt burden 0.3% of expenses on debt of

\$270 million



Capital assets after \$172 million in additions

\$3.1 billion

A TOUGH ECONOMIC ENVIRONMENT AND CONTINUED FOCUS ON SAVINGS AND FISCAL RESPONSIBILITY

The University Council approved a Group budget deficit of \$2.4 million for 2025. This is an improvement of \$12.3 million on the 2024 budget deficit of \$14.7 million. The progress has been made in the Parent which has a 2025 budget deficit \$15.5 million, an improvement of \$13.4 million on its 2024 budget deficit.

Budget 2025 was prepared during a period of continued international and national disruption and uncertainty that had its origins in the COVID-19 pandemic but is now overlaid by global geopolitical and climate instability, prevailing demographic, economic and labour market conditions, and – within Aotearoa New Zealand – reform of both the higher education and research funding sectors.

Budget 2025 acknowledges this challenging environment and includes ongoing savings requirements across the University.

Total revenue is budgeted to increase by 5.8% in the 2025 year. This comes from a 4-6% increase in tuition fee rates, a predicted increase of 6.8% in research income, and higher investment returns from the University's Foundation Trust. However, the tertiary funding increase of 2.5% continues to lag behind inflationary pressures.

Domestic student numbers are predicted to increase by 0.8% on the 2024 forecast as competition continues to be intense. International students are budgeted to increase by 16.8% as additional 2025 budget funding is applied to markets where New Zealand universities are an attractive option for international students. The University has budgeted 19,078 Equivalent Full Time Students (EFTS) in 2025.

The 2025 budget reflects the growing cost of occupying space and maintaining ageing facilities across multiple locations, with occupancy costs growing 8.3% and financing costs increasing by \$0.3 million on the 2024 budget. Staffing costs are budgeted to increase 2.55% after growth factors and savings are accounted for.

FUNDING TO MEET PAE TATA STRATEGY TO 2030

Pae Tata is the University's plan out to 2030 and the first stage of delivering on its Vision 2040 Strategic Plan.

As noted in Pae Tata: "Successful universities are financially disciplined, managing costs and growing alternative forms of revenue. This provides the flexibility to respond to challenging circumstances, pursue strategic priorities, and deliver on their core mission of research, teaching and service."

A key aspect of Budget 2025 are the priority initiatives across the University to meet its Pae Tata priorities, namely:

- Increased student numbers
- Streamlining papers and programmes to market needs
- Better utilisation of space

Examples of initiatives include the External Engagement Division putting extra resources into marketing to potential students in target international markets and improving the online experience for students across their journey from initial contact to enrolment and beyond.

The Academic Division is reviewing its papers and programmes to ensure best fit with market demands and future workforce needs. Led by the Academic Division, the University continues to improve success for all learners while funding initiatives to improve success for Pacific, Māori, and students with disabilities.

The University continues to win highly contested funding and carry out world-class research on behalf of major funds in Aotearoa and explore new opportunities for large international funds focused on solving global issues. While there are nationwide reviews being undertaken in this sector, the Research and Enterprise Division is working to combine and streamline its research office functions, making greater use of technology to free up resources to support researchers to gain funding in new and existing areas.

Within the Property and Capital Development programme, the Strategic Space Programme Manager role has been established to drive the University's ongoing efforts in space optimisation and initiatives, such as space occupation sensors.

Funding has been allocated to the IT area to enable the University to be responsive to the recruitment, teaching and learning needs of current and potential students, both domestic and international. The University's first Chief Digital Officer will lead these efforts.

Both property and IT initiatives face financial risks from a tight labour market and ongoing growth in costs for materials.

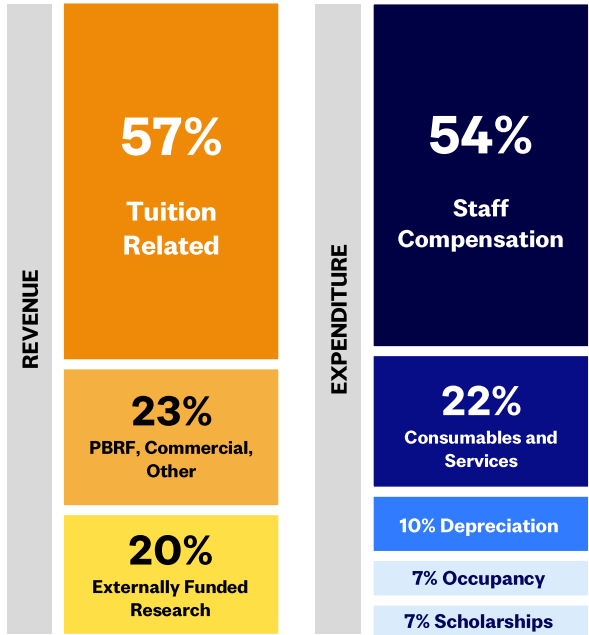
In 2024 the University appointed its first DVC Māori who in the next year will focus on commencing 11 significant workstreams that are aligned to the priorities in Pae Tata and the goals in the newly launched Māori Strategic Framework extending to 2030.

2025 PARENT BUDGET

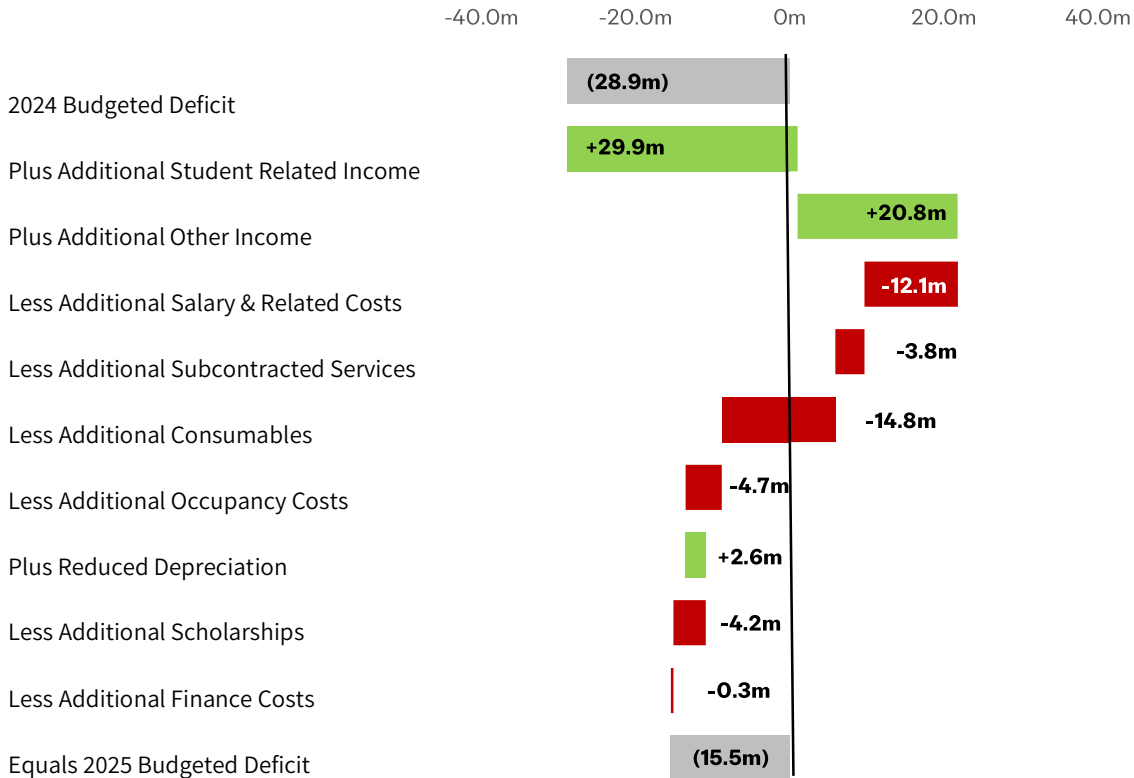
The University Parent deficit of \$15.5 million is \$13.4 million more favourable than the 2024 budgeted deficit of \$28.9 million, and also more favourable by \$2.0 million when compared to the 2024 forecast deficit of \$17.5 million (as at September 2024).

Revenue is budgeted to increase by \$50.7 million to \$892.1 million. Tuition related income is expected to grow by \$29.9 million due to increases in DQ funding rates and tuition fees. Budget EFTS for 2025 are up 165 on the 2024 budget.

Total spending is budgeted to increase by \$37.3 million. This increase includes additional targeted savings of \$11.5 million on top of the 2023 and 2024 savings of \$40.0 million. The largest budgeted increases in expenditure are consumables (\$14.8 million), salary and related cost (\$12.1 million), occupancy (\$4.7 million) and scholarships (\$4.1 million), offset by a decrease in depreciation (\$2.6 million). These and other movements are highlighted in the following graph.



RECONCILIATION OF 2024 BUDGET DEFICIT TO 2025 BUDGET DEFICIT



PARENT FINANCIAL PERFORMANCE

	Actual 2023 \$'000	Forecast 2024 \$'000	Budget 2024 \$'000	Budget 2025 \$'000	Budget Movement \$'000
REVENUE					
Tuition Related Income	446,715	476,782	477,831	507,761	29,930
PBRF	63,683	61,341	62,816		
Trust Distributions	11,051	12,138	12,074		
Externally Funded Research	168,302	177,481	163,443		
Commercial Income	88,519	92,496	95,084	384,301 ¹	20,774 ¹
Investment Income	5,343	864	1,125		
Sundry Income	28,272	29,430	28,985		
Total Revenue	811,885	850,533	841,357	892,062	50,705
EXPENDITURE					
Salary and Related Costs	467,585	475,427	475,328	487,424	12,096
Subcontracted Services	45,048	47,960	44,760	48,547	3,787
Consumables	121,766	128,409	133,622	148,413	14,791
Occupancy	52,370	57,928	57,449	62,182	4,733
Depreciation	87,786	96,425	98,069	95,480	(2,589)
Scholarships	55,646	57,086	57,620	61,785	4,166
Finance Costs	3,286	4,828	3,429	3,706	277
Total Expenditure	833,487	868,063	870,278	907,539	37,261
Surplus / (Deficit)	(21,602)	(17,531)	(28,921)	(15,477)	13,444

¹ Figures combined for commercial confidentiality

APPENDICES

STATEMENT OF FINANCIAL POSITION (PARENT)

	2024	2024	2025	Change
	Forecast	Budget	Budget	
	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS				
Cash and cash equivalents	2,334	6,512	2,334	(4,178)
Receivables & prepayments	74,307	74,481	77,171	2,690
Other financial assets	443	-	443	443
Inventories	1,404	1,634	1,436	(198)
Other current assets	-	-	-	-
Total Current Assets	78,488	82,628	81,384	(1,243)
INVESTMENTS				
Investments in subsidiaries	7,786	7,786	7,786	-
Other financial assets	30,933	32,538	30,589	(1,949)
Property, plant and equipment	2,621,877	2,587,517	2,912,507	324,989
Intangible assets	22,045	25,735	23,100	(2,635)
Total Investments	2,682,642	2,653,576	2,973,982	320,406
Total Assets	2,761,130	2,736,204	3,055,366	319,162
CURRENT LIABILITIES				
Payables & accruals	47,085	44,744	46,060	1,317
Employee entitlements	76,045	82,407	78,062	(4,344)
Deferred revenue	123,456	123,735	125,913	2,178
Finance leases	1,112	1,113	1,112	(1)
Loans	-	80,000	-	(80,000)
Total Current Liabilities	247,698	331,998	251,148	(80,850)
TERM LIABILITIES				
Employee entitlements	42,041	41,940	43,939	1,998
Finance leases	26,698	26,697	26,698	1
Loans	172,881	123,380	268,605	145,224
Total Term Liabilities	241,621	192,018	339,241	147,223
Net Assets	2,271,811	2,212,188	2,464,977	252,789
CAPITAL				
Accumulated funds	729,103	713,953	713,626	(327)
Other reserves	1,542,709	1,498,234	1,751,351	253,116
Total Capital	2,271,811	2,212,188	2,464,977	252,789
Total Equity	2,271,811	2,212,188	2,464,977	252,789

CASH FLOW STATEMENT (PARENT)

	2024 Forecast \$'000	2024 Budget \$'000	2025 Budget \$'000	Change \$'000
OPERATING ACTIVITIES				
Cash was provided from:				
Income from Government Grant	356,608	359,290	367,339	8,049
Income from Student Fees	196,749	199,837	224,655	24,818
Income from Services	290,623	281,703	301,439	19,736
Interest & Dividends Received	1,107	1,125	90	(1,035)
Cash was applied to:				
Paid to Employees	450,050	441,235	454,889	13,654
Paid to Suppliers	318,694	320,901	350,919	30,019
Finance Costs	6,131	7,559	10,947	3,388
Net Operating Cash Flows	70,211	72,261	76,768	4,507
INVESTING ACTIVITIES				
Cash was provided from:				
Investments	560	464	444	(20)
Sale of Fixed Assets	1,558	17,471	656	(16,815)
Cash was applied to:				
Investments	-	-	-	-
Acquire Fixed Assets	152,776	176,078	173,582	(2,496)
Net Investing Cash Flows	(150,659)	(158,144)	(172,482)	(14,339)
FINANCING ACTIVITIES				
Cash was provided from:				
Bank Loans	67,890	85,883	95,715	9,831
Net Financing Cash Flows	67,890	85,883	95,715	9,831
Total Cash Flows	(12,559)	-	-	-
Opening Balance	14,893	6,512	2,334	(4,178)
Closing Balance	2,334	6,512	2,334	(4,178)
Represented by:				
Cash and Bank	2,334	6,512	2,334	(4,178)