

ROYAL ROADS UNIVERSITY
SERVICE PLAN REPORT 2005/06



Presented to the Ministry of Advanced Education

July 15th, 2006



**ROYAL ROADS
UNIVERSITY**

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July 14, 2006

Dr. Moura Quayle
Deputy Minister
Ministry of Advanced Education
PO Box 9884 Stn Prov Govt
Victoria BC V8W 9T5

Dear Dr. Quayle,

Please find enclosed a copy of the Royal Roads University report of its performance in 2005/06 against the targets set in its Service Plan for 2005-2008. This report has been prepared in accordance with the Ministry of Advanced Education guidelines. I am accountable for the context in which the report has being prepared as an assessment of our performance of the last fiscal year.

Sincerely,

Robert A. Skene, FCA
Chancellor and Acting President
Royal Roads University

Enclosure

1. Institutional Overview

Royal Roads University is an innovative, special purpose university founded in 1995 to serve the labour market needs of British Columbians and Canadians in a global economy. We do this by focusing exclusively on applied and professional programs that link the challenges of a changing world to today's careers and tomorrow's opportunities.

We offer innovative academic programs leading to certificates, diplomas, and degrees. Our focus is on providing learners with the best possible opportunities for professional advancement and personal transformation, as they contribute to society.

We currently serve nearly 3,000 students and have almost 8,000 graduates working in 48 countries around the world. **In Canada, 65% of those we serve are right here in British Columbia.** Who are they?

- They are bright, young college and university graduates who are keen on earning accelerated undergraduate completion degrees that allow them to enter the workplace faster.
- They are young adults returning to school, as they continue to work, who are determined to complete the undergraduate education they may have missed out on earlier.
- They are working professionals who may already be managers or team leaders in their field. They are pursuing graduate programs that will enable them to increase their contribution to or assume new leadership responsibilities in their organizations and communities.

In addition, we attract similar students from all 10 provinces across Canada. We also offer graduate degrees and residencies overseas so as to strengthen international linkages, help create global citizens, and develop new economic opportunities for B.C. Furthermore, in line with our mandate, we provide continuing education to residents of the Western Communities on Vancouver Island.

How We Provide Value

Royal Roads is a unique university and we are proud of our place within B.C.'s outstanding post-secondary education system. Through strong and positive relationships with colleges, university-colleges, and universities and through our special purpose mandate, we contribute value to the public education system and our students by:

- providing high quality education in a choice of delivery formats that respond to the needs of the workplace. In addition to our on-campus accelerated programs, our flexible learning model combines convenient online learning with short on-campus residencies enabling learners to keep working while learning.
- being the only public university in Canada that concentrates solely on applied and professional knowledge immediately relevant to the workplace. Few other universities have a faculty with the same mix of academic credentials and real-world experience that we do.
- focusing on applied research exclusively. Our research model is action oriented allowing both learners and faculty to address the complex decisions and issues they face in their own organizations, academic fields of study, and communities around the globe.

- facilitating a dynamic, outcomes-based learning experience. Our team approach to learning engages students and allows for the peer-to-peer inspiration and encouragement that motivates mutual success. It mirrors today's workplace where people in teams – often in distant locations and time zones – use technology to come together to solve problems and pursue new opportunities.

Royal Roads is a university designed for people who want to advance in the workplace.

- Consistent with the principles of lifelong learning, all RRU programs are based on the power of learning communities that make extensive use of cohort-based programs, mentoring, teamwork, small group and problem-based learning.
- RRU's delivery model benefits students, the government, industry, and the people of B.C. by producing more post-secondary graduates in less time, with less personal disruption, at a lower than average taxpayer cost, and at a very high level of quality.
- While focused on the needs of B.C. and Canadian learners, we also seek enrolments from international students. As knowledge-driven economies continue to expand and globalize, the workplace is increasingly complex. Engaging learners from different cultures is critical to fostering global citizenship. Additionally, RRU's international activities promote British Columbia-Pacific Rim economic development and support the province's Asia-Pacific Gateway Strategy.
- The university has experienced considerable growth in its first decade. Royal Roads is well regarded for the quality of its programs: their content, mode, and manner of delivery. Future growth will depend on our ability to continue to introduce new and relevant programs to the market. In addition to recently approved degrees in international hotel management, RRU is developing programs in the area of emergency and disaster management, community economic development, and health care leadership, and programs at the applied doctoral level which we will be pursuing at the appropriate time.
- In 2003 RRU began a major review and update of its internal systems and learning platform so we could better respond to the challenges of growth and a diversified portfolio of programs. The reorganization and updating is well advanced and on track. In addition, we have been undertaking external reviews of academic programs. This has led to some redirection and fine tuning to keep pace with the changing needs and expectations of our learners and the workplace.
- As a smaller institution, Royal Roads gains much from collaborating with others. Our reputation for relevance depends upon the contribution of our advisory boards and the willingness of other institutions and organizations to allow their staff to teach in our programs and supervise student research. We continue to seek collaboration within the B.C. and Canadian post-secondary system through transfer agreements, joint degrees, and laddering arrangements with complementary programs and institutions.
- In addition to our unique focus on applied and professional programs, RRU is the only university in Canada with a campus located on a national historic site (NHS). As such, the university is responsible for managing, maintaining, and educating the public about Hatley Park NHS, and safeguarding this national treasure. We believe we have developed an approach that will not only generate the revenue required to meet our legal obligation for stewardship, but will also strengthen and support the B.C. and Canadian tourism industry. This approach involves implementing the systems and processes required for environmentally-sensitive commercial tourism activities on the

campus. Furthermore, we are building synergies with the tourism sector that will allow us to educate tourism professionals in response to market needs¹. In the last year, our new certificate and degree programs in this area have led to the creation of the Faculty of Tourism and Hotel Management. Our goal is to complement the education programs that already exist in the market, not compete with other institutions.

- The university also continues to pursue a campus-wide improvement program that includes a new academic building (essential if growth is to be realized) and an Accommodation and Conference Centre that will meet the needs of our learners and visitors to Hatley Park, while providing a demonstration site for tourism-related programs.
- In the past year, Royal Roads has created a new Foundation Board of Directors which includes experienced philanthropists and business leaders from across the country. In addition to supporting greater access to post-secondary education for learners, the Foundation will continue to secure financial support for restoring and enhancing the campus's heritage assets on behalf of the people of Canada.

Royal Roads University is committed to providing high quality, cost-effective post-secondary education for career-focused learners. We believe we do so in a manner that is socially and environmentally responsible and globally in tune with the changing workplace and remain committed to continue in this way.

¹ It is estimated that 84,000 new tourism professionals will be required by 2010 to support the government's tourism goals.

2. Operational Context

Provincial and National Post Secondary Education Market

In common with Canada as a whole, British Columbia continues to experience substantial growth in employment. At the same time, demographics are resulting in a decreasing number of young people entering the labour market. A buoyant economy appears to be hiding from young people the hard fact that the probability of employment and earning power are directly linked to educational attainment. In summary, demand for post-secondary education both from those entering the labour market and those who are mid career has softened. Nonetheless, there is still a significant opportunity and sizeable demand for the kind of education – applied, professional knowledge and skills – that RRU offers.

As with other post-secondary institutions across Canada, RRU continues to face increased domestic competition:

- the university system in B.C. has been extended with the expansion of UBC in the Okanagan and the creation of Thompson Rivers University;
- a private university in Victoria has been established that is or will be offering some of our more in-demand programs (Bachelor of Commerce, MBA) in a similar format; and
- B.C. community colleges have been approved to provide first degrees.

Within this environment, Royal Roads has managed to maintain enrolment levels overall, although it had planned on significant growth. To attract new enrolments, we are solidifying our reputation for quality and we recognize the imperative of being viewed as an innovative university with much to offer both undergraduate and graduate students.

We remain confident that there will be a growing demand for the type of programs that we offer.

- An April 2006 Ipsos-Reid survey of the national working professional market demonstrated that despite a booming economy, which softens demand for a return to school with this audience, the attributes offered by RRU have increased significantly in value, as compared to the benchmark 2004 survey.

These attributes include:

- an ability to work and go to school at the same time
- admissions criteria that place equal emphasis on work experience and academic records, and
- learning with peers who are also working professionals.

Furthermore, among those familiar with RRU, scores had improved in awareness of RRU's reputation for overall quality, innovation, employer satisfaction, and specialization in education for working professionals².

- Relatively low participation rates in university education currently and in the past suggest a burgeoning future demand by those in the workforce, who find their lack of a university degree is hindering career progression. RRU's learning model, which allows students to continue to work, and the university's support and encouragement to adults that they can succeed at post-secondary education even if their earlier experiences were not positive, assists this need.

² Ipsos Reid Reputation Tracking Survey 2004-2006

- There will be new opportunities for those traditionally disadvantaged in the labour market, such as aboriginal people, those with disabilities, and immigrants. In fact, immigrants will continue to be the main source of population growth, representing as much as 15% of new entrants to the labour market annually³. Post-secondary education will increasingly be asked to do more to help individuals within these groups enhance their value in the labour market. RRU is keen to do so, and plans to launch new engagement opportunities with First Nations, cultural diversity workshops, and bridging programs to ensure academic success for international students.

Labour Market Trends that Will Impact on the Demand for Post-Secondary Education

1. Human Resources and Skills Canada (HRSC) foresees a gradual slowdown in labour force growth with the accompanying ageing of the workforce. This means the labour market challenge of the 1980s and early 1990s — creating enough jobs for Canadian workers — will be superseded by the challenge of finding enough workers for the specific jobs available, and sustaining a solid rate of growth in the economy. In the past, the economy benefited greatly from an expanding labour force and continuous increases in the employment rate. In the future, Canada's growth in gross domestic product (GDP) per capita will rely more and more on productivity growth, which depends on the workforce working smarter and a better educated workforce. **Response: RRU can help meet this need through its special purpose mandate and targeted focus on workplace requirements.**
2. The nature of jobs also continues to change, as the educational requirements increase. The mix of production has shifted toward more knowledge-based industries, while the mix of jobs within industries has also shifted toward more knowledge-based occupations. Looking ahead, HRSC estimates that about two-thirds of new jobs that will become available will require some form of post-secondary education or be in management occupations. **Response: RRU specializes in management education in a diversity of fields, underpinned by its exclusive focus on applied and professional programs.**
3. HRSC has observed that labour force quality is a key contributor to productivity. Higher levels of education and skills contribute to stronger growth both directly, in terms of worker productivity, and indirectly, by facilitating the adoption of new technologies and in helping workers adapt to changing labour market requirements. This suggests that future gains in workforce quality will increasingly depend on lifelong learning and re-skilling, and less on the educational attainment of labour market entrants. This is because the gap between the higher educational attainment of future labour market entrants and retiring workers is smaller than when the baby-boomers entered the labour force in the 1970s and 1980s. **Response: Through its blended model, RRU offers learning opportunities – both open enrolment and customized – that suit the personal circumstances of those already in the labour market.**
4. HRSC expects that the labour market will do well and unemployment rates will continue to drop, as the proportion reaching retirement age increases but overall population growth declines. Over the next 10 years, two out of three jobs will become vacant as a result of retirement. The loss of specific professional and craft skills in all walks of life is receiving increasing publicity, and governments are seeking to boost education in areas such as health care and the trades. The loss will be as great, if not greater, among those who have management and leadership responsibilities in all sectors. Our

³ HRSC Department Priorities and performance Measurement Framework: http://www.tbs-sct.gc.ca/est-pre/20052006/HRSDC-RHDCC/HRSDC-RHDCCr56_e.asp

economy will remain buoyant only if we have people with the skills to successfully fill the vacancies left by those who retire. **Response: These posts will require the management, leadership, and problem-solving skills that Royal Roads specializes in. Furthermore, they will require the kind of executive programs linked to succession planning that RRU is already delivering through such initiatives as the Leading the Way program for the B.C. Government.**

International Market

The global demand for international education continues to grow with China, India, South Korea, Taiwan, Malaysia, Hong Kong, Indonesia, Singapore, and Thailand providing the majority of learners seeking to enrol in universities in English-speaking nations. Asia is expected to overwhelmingly dominate international education by 2025, with demand increasing to 70% from 43% primarily based on the needs of China and India, and new markets emerging in Turkey, Morocco, and Iran.

However, in several of these countries, the demand for degrees underwritten by a western university, but delivered in the home country, is growing even more quickly. In many instances, degrees awarded by institutions in Canada, which is viewed as being relatively politically-neutral, are likely to be preferred to those awarded by universities in some other western nations.

In recognition of the importance of international education to the provincial economy, inter-cultural cooperation, and world peace efforts, the B.C. Government is well advanced in developing a broad-based international education strategy. A recent report prepared by the Ministry of Advanced Education identifies steps to further expand international education opportunities through the recruitment of international students, offshore delivery of programs, student and faculty exchanges, dual programs, and other partnerships.

During 2005-06 RRU has rationalised its operations in Asia to facilitate further growth, ensure quality, and create institutional partnerships that will contribute to our global focus and the government's strategic goals for international education. This has included appointing a full-time director of Asia operations, creating tighter legal and business relationships with affiliates who represent RRU in Asia, and initiating partnerships with leading Chinese universities, such as Shandong Normal University and Shandong Economic University. We have also increased recruitment of international students, who are currently in accredited private colleges in the lower mainland and wish to complete their undergraduate education at a Canadian university.

3. Performance Results

Where the Ministry of Advanced Education has set specific targets, these are quoted within the tables that follow. Where specific targets have not been identified, Royal Roads uses 2004/05 achievements as a baseline.

3.1 Capacity

3.1.1 Total learner spaces expressed as Full Time Equivalents (FTE)

Within the context of a softening demand among working professionals for post-secondary education, Royal Roads University has held its own, maintaining new enrolment in 2005/06 at 2004/05 levels. Even though Royal Roads has experienced a decline in the MBA market, where enrolment across the country has decreased by up to 20%, RRU maintained strong enrolment in other graduate program areas such as leadership and peace and conflict studies, and increasing enrolment in graduate program areas such as communication and environmental studies. The university also is experiencing increasing interest and enrolment in our undergraduate offerings, involving commerce, communication and environmental programs.

	MAVED Target 2005/06	RRU Performance 2005/06	RRU Targets for 2005/06
Undergraduate		629 FTE	594 FTE
Graduate		1,132 FTE	1,250 FTE
Executive		89 FTE	53 FTE
Total	1,890 FTE	1,850 FTE	1,897 FTE

When the university realized in 2004/05 that applications were falling short of targets, it reviewed and refined its marketing activities. These efforts began to yield a return midway through the last year (2005/06), with increasing levels of interest from potential applicants. Royal Roads University is currently experiencing an increasing number of applications into all our programs, including our MBA programs. The university has updated and more closely aligned current program offerings with labour market demands, is launching new programs, and proposing others in growth areas such as tourism, disaster and emergency management, and business informatics. The university is also building strong ties and alliances with the corporate market through relationships with our alumni. As a result, RRU has significantly positioned itself for future short, as well as, long-term growth.

3.1.2 Percentage Annual Activity between May and August

While the Ministry's target is to have 21% of all activity measured as [Equivalent Enrolments Taught (EET) or Full Time Equivalents (FTE)] occurring during the period May – August, RRU routinely exceeds this goal.

At Royal Roads, program start dates and teaching are spread evenly across the full calendar year. The absence of a limited academic year allows the university to offer programs and courses at a time that best suits the learner, all 12 months of the year, while minimizing university costs through full utilization of physical and human resources. Approximately one-third of our learning facilitation activities occur between May and August.

	MAVED Target 2005/06	RRU Performance 2005/06		RRU Target 2005/06	
Bachelor programs	FTEs for Summer	FTEs for year	FTEs for Summer	FTEs for year	FTEs for Summer
		629	189	689	207
	21%		30%		30%
Graduate programs	FTE for Summer	FTE for year	FTE for Summer	FTE for year	FTE for Summer
		1,221	366	1,208	362
	21%		30%		30%

3.2 Accessibility

3.2.1 Number and Percentage Aboriginal Learners

RRU recruits on a first-come, first-served basis subject to acceptability criteria.

MAVED target: Maintain or increase

RRU Baseline 2004/05	RRU Performance 2005/06	RRU Target 2005/06
28 / 1.5% ⁴	46 ⁵ / 2.5%	28 / 1.4%

⁴ Percentage of FTEs

⁵ Represents the number of learners who have self-declared as aboriginal during the financial year 2005-06. MAVED has indicated a figure of 17 but this represents the actual performance in 2004/05 academic year.

3.3 Efficiency

3.3.1 Number of degrees, diplomas, and certificates awarded

MAVED target: 599 (based on the academic year (September/August) 2005/06)

RRU has a relatively low level of drop-out and delayed graduation; this is related to the RRU learner profile as well as the cohort-based blended method of learning. The number of degrees and diplomas awarded is the actual figure for the year 2005/06. RRU has exceeded MAVED targets and measures its efficiency in the 2005/06 academic year (September/August) against performance in 2004/05.

	RRU Baseline 2004/05	RRU Performance 2005/06⁶	RRU Targets 2005/06
Undergraduate	202	219	264
Graduate	707	922	571
Executive	219	153	258
Total	1,128	1,294	1,093

3.3.2 Learner satisfaction with transfer

MAVED targets: Contribute to system wide target

RRU targets (Applicable only to bachelor programs)

RRU Baseline: Outcome of 2002 survey of year 2000 graduates	RRU Performance: outcomes of 2005 survey of year 2003 graduates	RRU Target 2005/06
90% satisfied	89.5% satisfied	Maintain level determined by 2002 survey of 2000 graduates

Our own evidence suggests we continue to maintain high levels of satisfaction with transfer arrangements. We currently have more than 100 transfer agreements – that assure applicants direct entry into the third year of a baccalaureate program – signed or under discussion with post-secondary institutions across Canada.

⁶ MAVED calculates performance on the basis of the average for the three preceding years. While this is satisfactory for institutions that have reasonably level enrolment, it does not give an accurate picture of an institution that is expanding, or has recently expanded rapidly -- such as RRU.

3.4 Quality

Undergraduate programs

Overall we continue to secure high levels of baccalaureate graduate satisfaction with the learning experience, the quality of instruction and with regard to the usefulness of the knowledge and skills acquired in performing their job. Nearly two-thirds of RRU respondents express themselves **very satisfied** with their program (compared to a system-wide level of 39%). The following table demonstrates that RRU's performance exceeded MAVED targets in all four categories:

	MAVED Target 2005//06	RRU Performance ⁷ 2005/06	RRU Target 2005/06
Learner satisfaction with learning	Maintain a high level of student assessment (benchmark = 90%)	100%	Maintain satisfaction levels at baseline: 2002 survey of 2000 graduates: 98.9% (+/-1.3%)
Learner Assessment of Quality of Instruction		98.2%	Maintain satisfaction levels at baseline: 2002 survey of 2000 graduates: 96.6% (+/-2.3%)
Learner Assessment of Usefulness of Knowledge and Skills in Performing Job		94.4%	Maintain satisfaction levels of 2002 survey of 2000 graduates: 95.1% (+/-3.0%)
Learner Outcomes: Unemployment Rate	Maintain unemployment rate for former learners below rate for persons with high school credentials only in the region. (In BC, in 2004, total unemployment rate 12.2%, amongst those holding High School Diploma or less)	2.7%	Maintain low level of unemployment (baseline for 2002 3.7%)

⁷ As indicated by 2005 BGS survey of 2003 baccalaureate graduates

Similarly, the next table indicates that overall, RRU exceeded MAVED targets for skills gained by baccalaureate graduates.

	MAVED Target 2005/06	RRU Performance⁸ 2005/06	RRU Target 2005/06
Skills gained	Maintain a high level of skill gain (benchmark 85%)	RRU Performance	Maintain satisfaction levels at baseline: 2002 survey of 2000 graduates
		As indicated by 2005 BGS survey of 2003 baccalaureate graduates	
Average		89.5%	91.8%
Written communication		88.0%	86.2% (+/- 4.4%)
Oral communication		91.9%	97.7% (+/- 1.9%)
Group collaboration		98.2%	97.7% (+/- 1.9%)
Critical analysis		94.6%	95.4% (+/- 2.7%)
Problem resolution		85.6%	85.1% (+/- 4.5%)
Reading and comprehension		85.4%	88.2% (+/- 4.2%)
Learn on your own		82.9%	92.0% (+/- 3.4%)

RRU recognizes the decline in ratings of the proportion of graduates who believe that their program did a good job of developing their skills to learn on their own.⁹ Additionally, we have noted the drop in our performance with regard to oral communication, as well as reading and comprehension skills. Our response has been swift: we are consistently monitoring and taking action to improve these areas. For example, the Bachelor of Commerce program has ramped up efforts that have been underway on developing communications since 2003. Actions include:

- Tightening communications standards and appointing a core faculty member with sole responsibility for this area
- Implementing communications exams
- Orienting associate faculty before each program quarter begins
- Moving to a full-day orientation this fall, including training on grading.
- Appointing a full-time team coach for the cohorts

Royal Roads has also completely re-vamped the Bachelor of Science communication course.

⁸ As indicated by 2005 BGS survey of 2003 baccalaureate graduates

⁹ From 92% of the baseline year 2000 cohort surveyed in 2002 to 82.9% of the 2003 cohort surveyed in 2005

We have also noted the slight decline in our baccalaureate graduate satisfaction across the board since our early years. Our investigation has shown that a number of factors have had an impact on our ratings:

- The number of learners and graduates have increased substantially
- The average age of our learners has steadily reduced
- In the early years there were few (if any) ESL learners
- We have made substantial changes to some of our courses, including the accounting and finance courses in the BCom
- After the first three years, baccalaureate learners were unable to live on campus due to lack of space
- The evening program came to an end in 2000, so learners had one less option for program delivery.

We are not complacent about these findings, and we continue to closely review, monitor and take action on learner and graduate satisfaction. We do, however, believe that our survey results are still impressive overall and demonstrate the benefits of a high level of student engagement in a small, focused university. .

Graduate programs

As of yet there is no system-wide survey of graduates from post-graduate programs. However, Royal Roads University regularly collects feedback from learners in all programs. We have also periodically surveyed our post-graduate graduates.

In January, 2003, RRU commissioned Venture Market Research Ltd to undertake a survey of all graduates from its postgraduate programs (from 1997 to 2002), 405 graduates responded from across all programs.

- 92% indicated their expectations were met
- 94.4% were satisfied with the range of courses offered as part of their programs (47.7% were very satisfied)
- 96% were satisfied with the quality of instructors (with 59% very satisfied)
- 95.5% said their program met most or all of their education needs (47% met or exceeded needs)
- 96% said they would recommend their program to others

In February, 2005, RRU commissioned a survey of alumni and current learners to gain information regarding fee sensitivity (again, with Venture Market Research Ltd.). While the survey had a specific thrust that was not directly related to quality, respondents continued to express high levels of satisfaction with the value they attributed to an RRU education and the impact on career progression, with instruction at RRU, and with the overall experience.

3.5 Research

3.5.1 Sponsored funding from all sources

MAVED target: Maintain or increase level of funding

Royal Roads undertakes highly focused applied and professional research. The 2005/06 funding target for research and related consulting funds from external sources was \$1.363 million. That target has been exceeded, with \$1.63 million secured from all sources as of March 31, 2006. Due to timing issues, only \$1.477 million was spent by year end, the balance to be spent in the next fiscal year.

Grants received in 2005/06 address a range of applied and professional research topics. For example:

- 26 grants to investigate various dimensions of non-timber forest products, such as economic value and compatible management, aboriginal tenures, critical factors for commercial success, and building the non-timber forest products sector
- 15 grants on environmental issues, such as maintaining ecosystem health and functioning, nuclear waste risk, biotechnology and sustainable development, and persistent organic pollutants
- Four grants on world conflict management, such as networking for peace in the Middle East, and resource-based conflicts in southeast Asia

	RRU Baseline: 2004/05	RRU Performance 2005/06	RRU Target 2005/06
Total spending on Research sponsored by external sources	\$902k	\$1,477k	\$1,363k

The sources of funds spent on research in 2005/06 were as follows:

Source	2005/06¹⁰ Nominal	2005/06 Actual
Federal funding	\$456k	\$690k
Provincial funding	\$58k	\$307k
Other	0	\$480k
Total	\$514k	\$1,477k

Research activity supported through external funding includes peer-reviewed grants from federal and provincial funding agencies, sponsored or contract research, and foundation funding.

¹⁰ Performance figures attributed to 2005/06 by MAVED, based on 2003/04 university performance as reported to CAUBO. These are significantly less than actual and target, because the university is undergoing major growth in its research activities.

4.5 Summary Financial Report

4.5.1 Performance to Plan

Despite the softening in the post-secondary education sector among the working professional audience, the university maintained enrolment and continued to strengthen its financial position posting a surplus of \$2.1 million as compared to a planned surplus of \$1.2 million.

Royal Roads University - Consolidated Financial Results			
	2004/05 Actual	2005/06 Actual	2005/06 Plan
	(\$'000)	(\$'000)	(\$'000)
Revenue			
Tuition Revenue	21,075	23,600	22,107
Other Revenue	6,269	7,003	7,106
	27,344	30,603	29,213
Provincial Grant	13,363	14,897	12,955
	40,707	45,500	42,168
Expenses	38,092	43,444	40,998
Net Results	2,615	2,056	1,170
Net Assets	17,327	19,383	18,500

Tuition revenue was \$23.6 million, an increase of \$2.5 million (11%) over the prior year. This was primarily as a result of change in mix of learners and the flow through effect of rate increases from current and prior years. Tuition fee increases for 2005/06 were held at 2%, in accordance with government guidelines. The provincial operating grant was \$1.9 million higher than plan largely reflecting funding for the government's public sector compensation plan that was successfully concluded by March 31, 2006.

Operating expenses were \$5.5 million higher than the prior year (14%). This is primarily due to the flow through impact of payments executed under the collective bargaining mandate as well as compensation increases (\$1.8 million), the hiring of faculty to implement new programs and improve program quality, as well as the expansion of services to learners.

By continuing to align operating costs with revenue growth, the university was able to achieve an operational surplus of \$2.1 million. This has allowed the university to continue its reinvestment strategy to upgrade its enterprise-wide technology environment including a new learning platform, enhanced communication and collaboration capabilities, and improved administrative systems.

Financial Health of Royal Roads University

In 2004/05, the Ministry of Advanced Education developed a tool to monitor the financial health of public post-secondary educational institutions on an ongoing basis. This tool is based on a study produced by KPMG for the US Department of Education, adapted to the attributes of the public post secondary system in British Columbia. It provides a summarized picture of key conditions affecting the financial health of an institution.

The tool includes three ratios plus a composite score. The three ratios are:

- Primary Reserve Ratio, which provides a measure of a post-secondary institution's liquidity and margin against adversity.
- Equity Ratio, which measures an institution's capital resources and ability to borrow; and
- Net Income Ratio, which measures an institution's ability to operate within its means.

The composite score is determined by converting each of the above ratios into a strength index and then taking the weighted average of the three. The composite score rating scale is as follows:

Composite Score Range	Rating
2.5 to 3.0	Excellent
1.5 to 2.4	Good
1.0 to 1.4	Fair
-1.0 to 0.9	Poor

The financial ratios and composite index for Royal Roads University for the last four years are shown in the following table:

Year	Primary Reserve Ratio	Equity Ratio	Net Income Ratio	Composite Score	Rating
2002/03	0.167	0.370	0.027	2.05	Good
2003/04	0.233	0.353	0.035	2.34	Good
2004/05	0.272	0.386	0.064	2.63	Excellent
2005/06	0.270	0.375	0.047	2.59	Excellent

Royal Roads University continues to focus on fiscal responsibility as a fundamental part of our accountability to the Government of British Columbia as a public university.