

NATIONAL EXPERT ASSESSMENT PANEL REPORT QUEENSLAND UNIVERSITY OF TECHNOLOGY

Introduction:

The Expert Assessment Panel (EAP) has been established as part of the National Jobs Protection Framework (JPF) negotiated between the Australian Higher Education Industrial Association and the National Tertiary Education Union. The role of the EAP is to assess whether a University meets the criteria for Category A or Category B as described in the JPF. The University is required to present financial and enrolment data, information as to other sources of funds used, the proportionality of the measures proposed and an estimate of the number of jobs saved.

The Panel has received an application from the Queensland University of Technology (QUT), which has indicated that it wishes to use some of the cost saving measures within the JPF in order to minimise job losses.

Accountant's Report:

Consistent with the JPF, the EAP appointed PwC as the Independent Accountant to verify the projected financial and enrolment figures and the methodology used to produce them. The Accountant has reviewed the QUT submission dated 10 July 2020 and supplementary information provided thereafter.

Based on this information, the Accountant also undertook the following:

- Inquired with and held discussions with the CFO to understand assumptions, explanations for selected financial information provided and cost savings measures implemented/planned for implementation by QUT
- In particular, checked the 2019 Actual results back to the University's audited financial statements and made enquiries to understand the nature of any material movements in the 2020 and 2021 forecasts from those actual results
- Re-performed selected calculations captured within the QUT submission spreadsheet dated 10 July 2020, specifically the Total Revenue Reduction and Core Operating Cash Flow Margin Metrics to check their accuracy
- Recalculated the QUT Category determination based on the information provided by the university to check its accuracy
- Assessed whether the methodology and underpinning assumptions applied by QUT appeared reasonable and in line with the intent of the EAP
- Applied sensitivity scenarios to assess if such analysis would impact the Category determination for QUT
- Considered risks related to accounting treatment which could impact on the determination of revenue and cash flow determination as provided by QUT
- Considered other macroeconomic risks that should be considered in assessing the assumptions
- Considered the level of cost savings proposed by QUT

Category:

After analysing all available information, including the report from the Independent Accountant, the EAP has concluded that QUT would fit within Category A by virtue of a reduction in revenue of 12.37% and a core operating cash flow margin of 5.96%.

The Panel notes that QUT has used a mid-case scenario for their modelling, and while the core operating cash flow margin is close to the Category A limit, the sensitivity analysis currently indicates that QUT is unlikely to move from Category A for the duration of the variation.

Alternative sources of funds:

The Panel is satisfied that the University has considered and where appropriate sought to use other available sources of funds including:

- \$33.2 million in savings from reductions in travel, accommodation, entertainment, catering and consultancy
- 150 of the senior staff will move to a 9-day fortnight and there will be no bonuses paid (usually 8-12%) and no pay increase in 2021. Overall, over a 12-month period, this involves a reduction in remuneration in percentage terms ranging from 12 to 20% per individual and savings to operating costs of \$6m and a reduction in leave balances of \$3.6m.
- \$64 million in savings from a reduction in capital spending in 2020 and \$229m over 5 years, removing the need for \$141m in external borrowings.
- Examined asset divestment opportunities which, while they remain a part of an overall suite of options, are not feasible at this time.
- QUT has reduced its liquidity benchmark from \$180m to \$130m
- QUT is seeking to extend its line of credit by \$40m

Proposed cost saving measures:

QUT has proposed the following staff-related cost-saving measures:

- Deferral of a wage increase
- Forgoing leave loading for 18 months
- Extended Christmas close-down
- Directions to take annual and/or long service leave

The Panel is satisfied that these cost savings measures are proportionate to the magnitude of the financial challenge that the University faces.

Estimate of Jobs Saved:

QUT has indicated that implementation of the cost saving measures within the JPF as proposed will save about 130 FTE jobs.

Consideration of recently announced changes to funding for Universities:

The EAP considered the changes to University funding announced recently by Minister Tehan. It is not yet clear what the final form of the changes will be nor what the exact effect will be on individual universities. The EAP however, in consultation with the Independent Accountant, has determined that the changes would be unlikely to make any improvement to the financial situation of universities in the period under consideration.

Review:

This assessment may be repeated in six months at the initiative of NTEU or QUT or at any other time if there is an extraordinary change to the financial situation. An updated report will be issued with each review.

Signed:

A handwritten signature in black ink, appearing to read 'Don Russell', written in a cursive style.

Dr. Don Russell
Independent Chair, Expert Assessment Panel

Date: 23.7.20