

NATIONAL EXPERT ASSESSMENT PANEL REPORT MONASH UNIVERSITY

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 Monash University, 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 Monash's submission dated 16 June 2020 and supplementary information as follows:

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

- Inquired with and held discussions with CFO to understand assumptions, explanations for selected financial information provided and cost savings measures implemented/planned for implementation by Monash
- 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 Monash submission spreadsheet dated 16 June 2020, specifically the Total Revenue Reduction and Core Operating Cash Flow Margin Metrics to check their accuracy
- Recalculated Monash Category determination based on the information provided by Monash to check its accuracy
- Assessed whether the methodology and underpinning assumptions applied by Monash 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 Monash
- Considered risks related to accounting treatment which could impact on the determination of revenue and cash flow determination as provided by Monash
- Considered other macroeconomic risks that should be considered in assessing the assumptions

- Considered the level of cost savings proposed by Monash

Category:

After analysing all available information, including the report from the Independent Accountant, the EAP has concluded that Monash University fits within Category A by virtue of a decline in operating revenue in 2020 of 10.93%.

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:

- \$122.2 million in savings from reductions in travel, accommodation, entertainment, catering and consultancy
- Implemented 20% salary reductions for the senior executive team and introduced a 5% salary reduction and no bonus scheme for all employees with a salary of over \$250,000
- \$123 million in savings from reduced capital program spending
- Examined asset divestment opportunities
- Drawing on unrestricted cash reserves and investments to cover any cash flow shortfalls
- Increased its debt cap and executed new debt facilities

Proposed cost saving measures:

Monash has proposed to use the following cost saving measures as defined within the JPF:

- Deferral of pay rises, increments, and promotion and reclassification pay increases
- Direction to take annual 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:

The University has indicated that implementation of the cost saving measures within the JPF as proposed will save 190 FTE jobs.

Consideration of recently announced changes to funding for Universities:

The EAP considered the changes to University funding announced last week 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, 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 the University or at any other time if there is an extraordinary change to the University's financial situation. An updated report will be issued with each review.

Signed:

A handwritten signature in black ink, appearing to read "Don Russell". The signature is written in a cursive style with a large initial "D".

Dr. Don Russell
Independent Chair, Expert Assessment Panel

Date: 2 . 7 . 20