

NATIONAL EXPERT ASSESSMENT PANEL REPORT THE UNIVERSITY OF ADELAIDE

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 University of Adelaide (UoA), 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 UoA submission dated 18 June 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 UoA
- 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 UoA submission spreadsheet dated 18 June 2020, specifically the Total Revenue Reduction and Core Operating Cash Flow Margin Metrics to check their accuracy
- Recalculated UoA Category determination based on the information provided by UoA to check its accuracy
- Assessed whether the methodology and underpinning assumptions applied by UoA 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 UoA
- Considered risks related to accounting treatment which could impact on the determination of revenue and cash flow determination as provided by UoA
- Considered other macroeconomic risks that should be considered in assessing the assumptions
- Considered the level of cost savings proposed by UoA

Category:

After analysing all available information, including the report from the Independent Accountant, the EAP has concluded that UoA would fit within Category A for the year 2020 taken as a whole (by virtue of a reduction in revenue of 11.36% and a core operating cash flow margin of 4.66%), and in Category B for 2021 (revenue reduction 11.78% and core operating cash flow margin -1.63%).

The Panel notes that there is a substantial difference between the first and second halves of 2020 and that by the time that the proposed salary reductions are to be applied, the University is projected to be in Category B.

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 million in savings from reductions in travel, accommodation, entertainment, catering and consultancy
- The Senior Executive team is donating 20% of their salary to a student support fund, there will be no salary increases in 2020 for senior executives and performance payments will not be made.
- \$39.1 million in savings from deferred capital program spending
- Examined asset divestment opportunities, and advised that all current material assets are core operational assets.
- UoA has limited unrestricted cash reserves of \$10-\$15m which could be utilised
- UoA will be drawing down its debt capacity to assist in managing the revenue shortfall

Proposed cost saving measures:

UoA has not yet concluded negotiations but anticipates the following measures being applied:

- Deferral of pay rises
- Direction to take leave
- Removal of 2020 leave loading
- A generalised purchased leave scheme
- Salary reductions of either 5% and 12 days purchased leave, or 3.5% and 15 days purchased leave, with the salary reduction component to take effect from the pay period commencing on 26 September 2020. The salary reductions will not apply to the first \$30,000 of each staff member's salary.

The impact on salary for each staff member will be within the 15% cap applicable to Category B.

The Panel is satisfied that these cost savings measures are proportionate to the magnitude of the financial challenge that the University faces and, given that the salary reductions do not take place until 26 September 2020, they are consistent with and proportionate to the University's Category determination.

Estimate of Jobs Saved:

The University has indicated that implementation of the cost saving measures within the JPF as proposed will save between 202 and 209 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 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:



Dr. Don Russell
Independent Chair, Expert Assessment Panel

Date: 17.7.20