Australian National University

RESPONSE TO THE OPEN LETTER

The University remains committed to an ongoing consultative process, and we would like to take this opportunity to specifically address many of the issues raised in the Open Letter, particularly regarding the University's finances. With this response we clarify what are considered to be misunderstandings and address statements that are factually incorrect. We also provide further clarifying financial information below and links to existing documents available to the ANU community.

Members of the Senior Leadership Group are willing to meet with staff who are signatories on the letter to further discuss these matters. We will work with the College Deans to confirm convenient times to discuss at a local level.

Background

ANU is a Commonwealth entity. Our clear regulatory framework includes responsibility for managing public funds and annual financial reporting to government. Our finances are audited annually by the Australian National Audit Office, and we table our Annual Report in federal parliament every year (copies of the ANU Annual Report from 1999 to 2023 are available online). It is expected that the 2024 Annual Report will be tabled in Parliament mid-2025. Once tabled, it will be published to the ANU website and an announcement included in OnCampus.

Here at the ANU, we have a shared commitment to achieve financial sustainability and we have a lot of work to do to achieve this. We define financial sustainability later in this response with our first key goal to ensure our expenses equal our revenue. We also have a shared commitment to deliver on our national responsibilities to manage public funds wisely and create and transmit knowledge and provide education for our nation and region. As we work to return the University to a strong operational and financial footing in support of that mission, we value the input of all our staff as we consider what changes are necessary, and we thank our staff for their questions about ANU and their ongoing feedback and engagement.

The Renew ANU 2025 Change Principles: Consultation Paper (CP) was released on 6 March 2025. The Consultation period ran from 6 to 21 March 2025. The Implementation Plan will be released to the community in April. Staff will have further opportunities to provide feedback including consultation on any change proposals.

The University is consulting in line with the ANU Enterprise Agreement. All staff have had the opportunity to provide feedback through various channels, including through participating in townhall discussions, review of the documentation and email feedback.

Financial challenges faced by the University – Addressing financial matters raised in the Open Letter

The University has outlined its financial position and remediation steps as part of the Consultation Paper (Appendix A) and remains committed to working with its community to achieve financial sustainability. The University has an obligation, and a need to be in a much stronger financial position and the current financial position, as reported, is accurate.

While several initiatives implemented by the University have had a positive effect (explained in further detail below), we remain financially unsustainable and continue to face significant financial challenges in the absence of immediate attention and long-term, sustainable solutions.

We remain committed to sharing information and updates regarding our finances and the impact of the interventions and controls in a timely manner to our community. As in prior years, we have sought permission from the Government to share our 2024 financial results ahead of the tabling of the 2024 Annual Report. We plan to update the community regarding our 2024 results in mid-April, as well as providing updates on our Quarter 1 results.

We acknowledge that understanding any Australian university's financial position is complex, and ours is clearly no exception. The information below addresses some of the issues raised in the Open Letter.

ANU continues to face significant financial challenges, with expenses increasing faster than revenue. Between 2021 to 2024, expenses grew by 7.1% each year, while revenue has grown only by 3.7% per year over the same period. As a result, the University has transitioned from being financially sustainable producing an operating surplus in 2019 enabling reinvestment in ANU teaching and research priorities, to running a persistent operating deficit, with over $520 million in accumulated operating deficits between 2020 and 2024 (see Table 2).

Table 1. 2020–2024 Operating net surplus / (deficit) and cumulative position

	2020 Actuals $m	2021 Actuals $m	2022 Actuals $m	2023 Actuals $m	2024 Actuals $m
Operating Net Surplus/(Deficit)	(162)	30	(117)	(132)	(140)
2020-2024 Cumulative Surplus / (Deficit)	(162)	(132)	(249)	(381)	(521)

The University's financial position is provided to the Government in the Annual Report. The last four Annual Reports are linked below, and the Annual Reports from 1999-2023 can also be accessed on the ANU website

- Annual report – 2020
- Annual report – 2021
- Annual report – 2022
- Annual report - 2023

To achieve financial sustainability, the University needs to move from a deficit to a surplus, meaning that income must exceed expenses. The goal is to first achieve a break even position, where our expense equal our revenue in 2026, and then build to a small surplus of about 5% of operating revenue. This is important because it funds the structured capital expenditure program we need (buildings maintenance, research facilities and technology upgrades are examples of this expenditure).

Based on projections for 2025 and 2026, the University needed a $250 million reduction to its cost base to reach this financial stability. In 2024, we implemented a series of measures to control spending and commence structural changes as needed.

The 2025 budget and 2026 forward estimate is guided by the following guardrails:

- Return to a breakeven operating result in 2026, with a long-term target of an operating surplus margin of 5%;
- Manage liquidity and cash reserves by ensuring a minimum of $200 million is held at all times (referred to as a 'cash floor'); and
- Cap the amount of external debt at $500 million and no additional debt to cover operational expenses.

The University projects that revenue will grow at just over 3% per year to $1.429 billion by 2026. The previous 2024-2028 budget projection was based on an assumed revenue growth of 5.7% per year. This assumption has been revised due to international student revenue being $130 million lower than projected.

In 2024, the University had lower-than-anticipated tuition fees (about $54 million less), partially offset by higher research revenue and donations and bequests and higher than budgeted operational costs (around $80 million more). As a result, the operating deficit for 2024 is $140 million, 2.3 times the originally budgeted $60 million, and a higher deficit than the 2023 operating deficit of $132 million and 2022 operating deficit of $117 million.

Through careful intervention, the University has been successful in reducing the $200 million projected operating deficit for 2024 to an actual deficit of $140 million. While a desirable and relatively improved deficit outcome, the structural financial challenge faced by the University remains.

Explanation of the University's cash flow position

Contrary to what is stated in the Open Letter, the University has **not** been in a "cash surplus" for several years, nor is the University currently generating surplus cash.

The Open Letter does not define what is meant by the term *cash flow surplus*. If the intent was to reference the University's *Income Statement* as reported in the Annual Report, the University reported a *Net result after income tax from continuing operations* of $146.595 million in 2023 and a loss of $139.565m in 2022 (see page 123 of *Annual Report 2023).*

While the reported financial statements reflect a true and fair view in accordance with applicable accounting standards, the operating result adjusts the University's net result for items that are one-off or non-operating in nature and cannot be used for operational expenses (for example hail remediation insurance proceeds). It also considers the restricted nature of the University's investment funds and the corresponding investment income, which are not available to fund day-to-day operations. This measure is commonly used by Australian universities to assess a university's ability to operate sustainably.

Table 2. 2022 & 2023 – Reconciliation of Net results after income tax to Operating result

Reported Operating result	**2023**	**2022**
	$ 000's	**$ 000's**
University - Net Results after income tax	**146,595**	**(139,565)**
Adjusted for:		
1. Restricted income (not available for operating costs)		
- Investment gains & revenue	(175,000)	43,900
- Hail insurance proceeds	(112,800)	(37,300)
2. Non-operational expenses		
- Deferred superannuation expense	20,800	12,000
3. Adjustment for revenue received in advance	(11,600)	3,500
Operating result (surplus / (deficit))	**(132,005)**	**(117,465)**

As outlined in the Consultation Paper Appendix A, ANU has accessed $411 million in reserves, as held in the Long Term Investment Pool (LTIP) to ensure the cash floor was not breached. Selling these assets helped us maintain a cash balance to ensure we could pay our bills. However, these assets have been accumulated over the history of the University, take time to build, and cannot be rebuilt quickly or replaced. This is clearly not a sustainable financial approach for the University.

The 2024 financial reports were considered by Council on 28 March 2025 and will be transmitted to the Federal Government along with our Annual Report in April 2025. As stated above, we will seek permission to share the financial statement with our community ahead of the whole report being tabled in Parliament later in the year.

Why do we rely on operational deficit to capture the University's financial situation?

Operational deficits are commonly used across the sector to make sense of University finances. It has also been common practice at the ANU. In 2022, the following update on our results was provided to the Community [2022 results presentation], where the then Vice Chancellor updated the Community that the University was *spending $2.25 million more per week than we are earning.*

We focus on the operating result (currently a deficit) to assess the University's financial situation as it gives a clearer picture of our ability to manage day-to-day operations. The overall financial results include one-off items or restricted funds that cannot be used for regular expenses. For example, the University has investments for specific purposes, like pensions, endowments, and self-insurance obligations, which cannot be used for operational costs.

The University's true financial health is shown by its operating result, which removes these one-off and restricted items to better reflect its ability to cover regular expenses. This helps avoid confusion caused by items that can't actually be used to fund normal activities.

Depreciation

The Open Letter refers to 'depreciation' and 'capital spending'.

The use of depreciation in financial statements is required under the Australian Accounting Standards. Depreciation is a way to spread the cost of an asset (like buildings, equipment, and technology) over the period in which value will be used (useful life). For example, a $56,000 motor vehicle with an assumed useful life of 8 years would result in $7,000 of depreciation expense incurred each year for those 8 years.

While depreciation is a non-cash expense, the University does spend a significant amount on new buildings, equipment, and technology — around $100 million each year to enable our staff and students to continue important research and teaching activities. These are necessary costs to maintain and replace our assets.

Depreciation does not affect cash flow directly, however, when we plan for our cash flow, we need to account for future capital spending (see Table 3). In the short term, we have reduced capital and maintenance expenditure. Updates on the Non-Salary Expenditure Taskforce are available online, with updates also provided via OnCampus.

Table 3: 2022–2024 Capital expenditure & depreciation

Capital Expenditure & Depreciation	2022 Actuals ($m)	2023 Actuals ($m)	2024 Actuals ($m)
Total Capital Expenditure	118	115	79
Depreciation and amortisation	113	135	137

In 2024, capital spending was reduced (from a budget of $140M to $79M) to help manage cash flow while we work towards a more sustainable financial position, but this is not a sustainable long-term solution.

S&P rating

There appears to be some confusion around S&P's credit rating of the University and our need to reduce expenses.

When we met with S&P as part of their review of our rating in 2024, we outlined the variance in our 2024 budget, primarily driven by lower-than-expected tuition fee revenue and higher expenses. We communicated to S&P that we had revised the 2024 budget to mitigate the shortfall and would continue these adjustments and controls into 2025 and beyond to reduce our operating deficit in the short term. S&P acknowledged these actions and our commitment to cost reductions, together with our strong institutional reputation, were viewed as positive factors.

S&P also emphasised that, from a credit assessment perspective, the University's use of investment assets to support cash flow — by liquidating them — was a short-term strategy with a finite timeline.

The measures we are taking to address our budget deficits are key factors maintaining our credit rating.

Ongoing communication about finances

We understand the importance of ongoing communication around our financial challenges and are committed to continuing to ensure that financial information is released to our community.

In addition to the information we have shared above, and the information we regularly update on the RENEW ANU microsite FAQs, the Chief Financial Officer will provide a quarterly update on the University finances, along with ongoing updates provided via OnCampus.

2. Restructuring Process and impacts on staff

The Open Letter appears to have misunderstood the purpose of the *Renew ANU 2025 Change Principles: Consultation Paper*. The Consultation Paper provides the opportunity for feedback on an overall approach to a new operating model for the University. It is not a proposal for specific staffing changes.

It is important to clarify that the Consultation Paper proposes the overarching principles to inform future organisational design. Those principles and approach and staff feedback would inform the development of specific proposals for change.

The change referenced in the Consultation Paper is not detailed change to organisational units, individual roles or staff positions. This Consultation Paper reflects a commitment to early engagement and providing our community with an opportunity to provide feedback on the proposed overall approach and principles to inform development of an improved operating model. Any specific changes would then be the subject of formal change proposals and consultation with impacted staff.

Renew ANU 2025 Change Principles: Consultation Paper

The principles set out in the Consultation Paper are informed by our financial position, previous feedback, benchmarking data on service delivery and an in-depth review of our operating model. A detailed summary of those matters is set out in Appendix A to the Consultation Paper.

The decision to propose principles for a new operating model was driven by more than the need for financial sustainability. Our goal is to reposition the University for both financial sustainability and operational excellence, to ensure the continued achievement of our mission and overall long-term sustainability of the University. This is important for the University as a whole and for our staff and students.

The Consultation Paper set out a proposed overall approach to University-wide improvement. It proposes the University focus on refining its structure and organisation by:

- adopting a general approach to re-organisation and change, namely:
    - identifying and eliminating duplication in service delivery;
    - continuing to identify non-salary cost savings;

    - developing specific proposals for change at a local level and in consultation with relevant stakeholders in a phased approach; and
- proposing key principles to guide the University's organisational units and functions and inform the development of any proposals for change that underpin an improved operating model and support long term financial sustainability.

We understand that some staff are seeking more information on the application of these principles and how they will inform proposed workforce changes. We intend to provide this clarity through the consultation process. We plan to release the feedback and implementation plan for further consultation in April – details will be available on our website.

Change as a last resort

The Open Letter references clause 69 of the Enterprise Agreement as requiring change to be adopted as a last resort. Respectfully, this is incorrect. The Agreement provides for change and clause 69 requires involuntary redundancies to be used as a last resort.

Consistent with that commitment, the University has adopted a Voluntary Separations Scheme and has sought to focus on measures to minimise the need for any involuntary separations, including focussing on achieving non-salary costs savings and salary savings that do not involve redundancies (e.g. leave management). We anticipate providing further information (including the status of the VSS scheme and other cost-saving initiatives) this coming week.

The University has not initiated this process lightly, nor is it exaggerating the challenges we face. We appreciate the impact that change can have on our community, and have approached this process with careful consideration and a deep sense of responsibility.

To support our community throughout this period, the University is continuing to provide support services. This includes ANU Counselling services and increased Employee Assistance Program capacity.

3. The sequencing of consultations and possible change plans

As we have laid out in Section 2, the Consultation Paper is about the principles and approach we might adopt for a new operating model. We confirm there are no local change plans currently in consultation at the University.

In terms of the specific requests for information on staff reductions, casual employment, and the timeline for changes, the Consultation Paper is not a proposal for a specific or proposed staffing reduction. Where changes are developed in portfolios or areas that are likely to have significant impacts upon staff and provided for consultation, that will include identifying and providing the necessary information to ensure that staff are fully informed and able to participate meaningfully in the further consultation processes.

Work being undertaken at a local level

We note your concern that the development of local change proposals are preceding the current consultative process. To clarify, we do not have a predetermined view on staffing levels, changes in individual organisational units, or how any savings may be realised in each faculty or portfolio.

Annual budgets are provided to Deans and portfolio heads as part of the standard budgeting process and reflect that there is an overall reduction in the 2025 budget for the University and reflect 2025 budgeted revenue.

In relation to any changes to staffing or organisational structures, whilst some preliminary discussion and work is occurring in organisational units, it will be informed by this consultative process and lead to development of any specific proposals for change. This is also consistent with the Enterprise Agreement that encourages preliminary consideration of workplace change issues that may lead to the development of specific change proposals.

Any budget reductions may need to be achieved through salary and non-salary reductions and will vary from area to area. For salary reductions, this may include not filling vacant roles and managing leave balances, job sharing and voluntary reductions in fraction. Non-salary costs may include reductions to travel, office expenses, events and subscriptions. Every dollar we save will contribute to meeting our University budget.

As part of achieving needed financial sustainability, the University Leadership Group will continue to work with local area staff. Portfolio leads, Deans and Directors – who hold delegations, workforce planning information and responsibility for delivering core activities within budget – will lead next steps with their local areas. This will include ways to optimise, pause or cease activities. These conversations will be undertaken by local area leaders with their teams.

In respect of the request for extension of time for feedback, the University provided the consultation period in line with the ANU Enterprise Agreement, and all staff have been afforded the opportunity to provide feedback. We will therefore not be extending the formal consultation period but welcome all staff input and continued feedback. As emphasised above, there will be ongoing provision of information to staff and staff input will be sought in respect of proposals for change.

Other matters and next steps

The University remains committed to consultation and open dialogue with our community. All staff and students are encouraged to actively participate in open and respectful conversations, review information and seek clarification. The University Leadership Group will continue to provide regular updates to local areas, including through meetings, townhalls, the Renew ANU website and via OnCampus.

The University is also actively engaged with the NTEU and has maintained open lines of communication through regular meetings, providing the NTEU with updates and copies of the consultation plans. Feedback from the NTEU including on previous change plans in 2024, such as the Academic Realignment and other changes, has been taken into account.

Yours sincerely

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