

# UNIVERSITY FINANCES – UPDATE

August 2024

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Their intent is only to support discussion



Australian  
National  
University

# Since we last met, we have some more data and still some unknowns

Our data says we haven't meaningfully bent the curves and our projected deficit is now ~\$202M

- July Results show Expenses reflecting Forecast (\$90m full year variance). Recurring FTE decreased 30 in July to 3,052, down 148 since 1 Jan 2024
- Missed Semester 2 student loads added \$10M more to our deficit
- New forecasts for all areas – projected \$46m reduction on current forecast position
- Continue to focus on revenue \$ -- teaching, research, contracting, etc.

We have been expecting international and domestic student caps this month

- Current advice says international numbers for 2025 will be baselined lower than 2024 and set for 2 year time frame
- Domestic UG numbers are likely to be capped to our current Minimum Basic Grant Amount. This could mean an 8% in the University's undergraduate domestic EFTSL.



# TODAY'S AGENDA

Current financial snapshot & controls

Update on management actions from June Council

Resetting our Cost Base: 2024-2025 approach

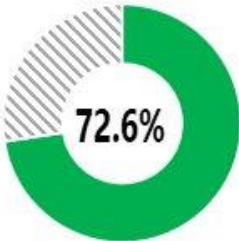
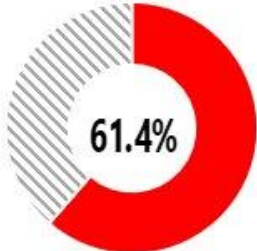
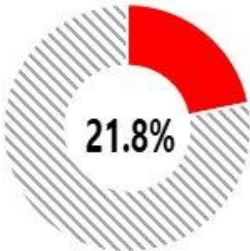
Next Steps & Asks



# FINANCES AND CONTROLS for BAU



# July results shows we remain in a dire financial position

ANU Management Reporting Summary				Jul-2024		
Key Financial Indicators - Results before Extraordinary Items and Investment Income						
YTD Revenue (\$'m)	YTD Expenses (\$'m)	Net Surplus Before Extraordinary Items (\$'m)	YTD CAPEX (\$'m)	% of FY Revenue Budget Achieved	% of OPEX Budget Consumed	% of CAPEX Budget Consumed
985	870	115	39			
-36	-65	-100	55			
(+/-) Variance to Budget to date	(+/-) Variance to Budget to date	(+/-) Variance to Budget to date	(+/-) Variance to Budget to date			
Cash End of Month (\$'m)	-53	-89	44	FY Budget ('\$m) 1357	FY Budget ('\$m) 1417	FY Budget ('\$m) 180
454	Variance adjusted for Capex to Opex shift	Variance adjusted for Capex to Opex shift	Variance adjusted for Capex to Opex shift			
(+/-) Variance to EOM Cash Budget	*Projected Days Salary as Cash	*Quick Ratio	*Operating Reserve Ratio			
144	113	1.2	1.1			
Unrestricted Balance	53	0.4	0.7			
420	(+/-) Above Threshold 60 Days	(+/-) Above Threshold 0.75	(+/-) Above Threshold 0.35			
LTIP Discretionary Fund (\$'m)		*Closing Cash/Current Liabilities	*Cash Beginning of Mth/3 Mth Fwd Cash Outflow			
298						



# We have been aggressively maturing our controls

Risk	Action/Control	Status	owner
Immature Finance Culture	Strategic Leadership Group (SLG) finance focus to create shared financial literacy and accountabilities	Finance focused meeting – ~23 hours across 11 meetings Stream 2 Tiger Team - ~15 hours across 12 meetings Stream 3 Teams – fortnightly meetings between GM's	VC
	Budget accountability	R fund overspend will impact following year budget allocation. (March 2024) End R Ledger Carry Forwards . (March 2024) Transferring across ledgers controlled (May 2024)	CFO
	Abolish Vice Chancellor Strategic Fund	Review of 2023 activities completed. Review of 2024 commitments ongoing. successful claw back of ~\$4.5m	VC
2024 Deficit	Reforecast for 2H 2024	Issued revised full year forecasts for all areas, reducing recurring (R) and Q spend (\$46m benefit). At risk: multiple areas tracking above R-Ledger allocation	CFO
	Manage F&S spend	Reduced 2024 Capital. Exited Sydney lease; Exploring exiting CBR office leases. Exploring mothballing under-occupied buildings. F&S to take "control" of all building	COO
	Recruitment Approval Committee	Commenced May 2nd for all hiring. 69% decrease in job ads from May '23 vs May '24	CPO
Lack of Ledger control and maturity	New Ledger Controls & Rules	Q account controls introduced: zero balance accounts closed; inactive accounts frozen (Q2 2024). Q account creation and spend will require approval by the College Dean. (July 2024) Migration of Q Ledger to W Ledger where there is a clear external source of funding. (Q2 2024)	CFO
Excess Leave Liabilities	Revert Leave Liability to functions.	Annual Leave Liability reverted to functions: ongoing campaign and rostered leave Decision to revert liability for Long Service Leave to individual org units (Jan 1 2026)	CPO



# ACTION ITEMS FROM JUNE COUNCIL



# Updates on the 4 areas of action items from June Council

Updated risk appetite: paper tabled in Finance committee (July), and Council (August)

Engaged with government.

Ongoing testing, engagement and scrutiny of our evolving finance controls and settings, including creation of Extraordinary Business Sub-committee which meets fortnightly

**Plan to tackle underlying cost-basis challenges via salary and non-salary costs**

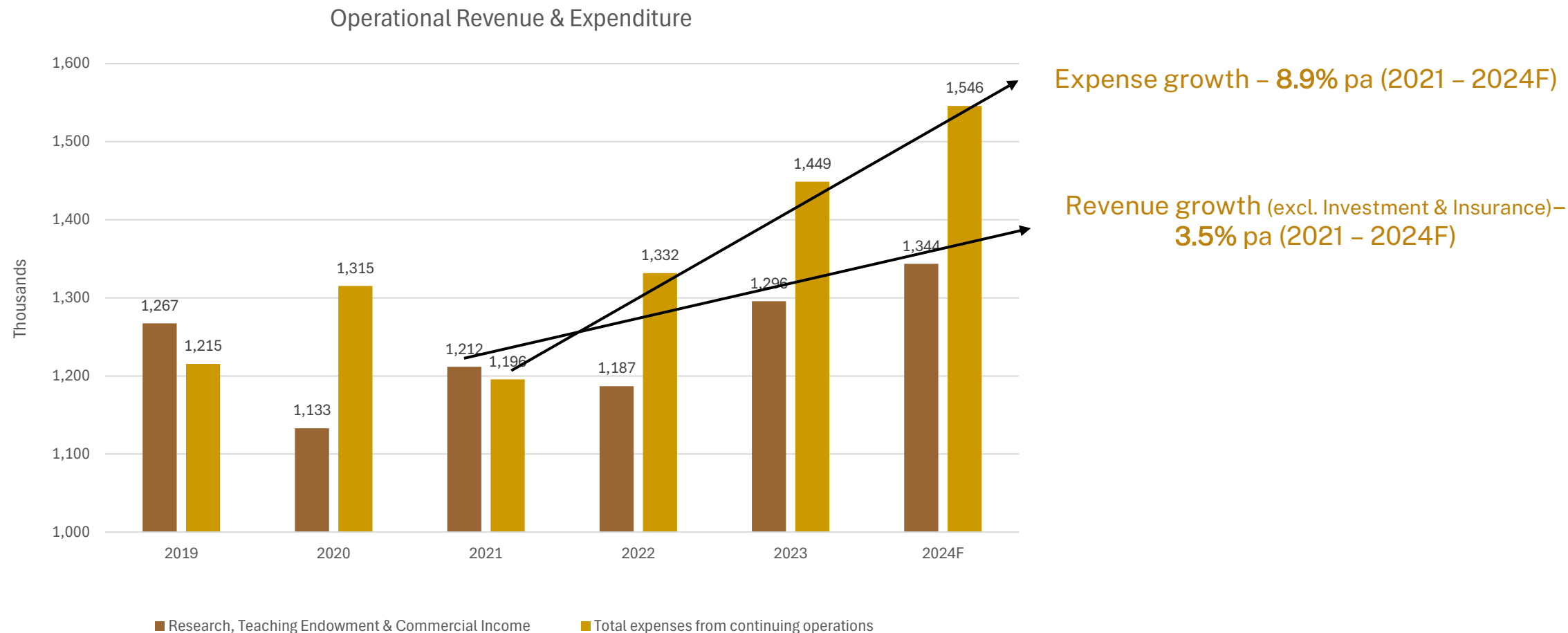




# RESETTING OUR COST BASE: A multi-year approach



# We have gone from surplus to persistent operating deficits ...\$400M cumulative operating deficit since 2021



# We need to permanently reset our cost base, as there are few meaningful opportunities for revenue growth.

Our cost base shows significant increases – 8.9% overall

- Continuing expenses up 4.9% since 2019
- Our staffing costs up 5.8% since 2019
- Our Revenue growth has been 3.5%

We need to address our underlying deficit to build more sustainable financial footing

We need to identify meaningful operational and structural levers to reset our costs:

- Drive reductions in our non-staffing expenses
- Realign, restructure and reassess our staffing levels
- Drive a better shared understanding of the economics of our core business

**We need to permanently reduce our cost base by ~\$200M by EOY 2025**



# TACKLING NON-STAFFING COSTS



# We have seen significant increase in a range of non-salary expense categories since 2019.

Some categories are relatively fixed, or the growth is explicable:

- Energy and power
- Insurance
- Lab and research supplies.

Some categories have seen high % change from 2019 to 2023

- Temporary employment: \$29M in 2023, up from \$6.8M in 2019
- IT + SW licenses etc: 3x since 2019, \$30M in 2023
- Repairs, maintenance and depreciation: \$215M in 2023
- Consultancies: \$55M in 2023
- Scholarships & grants: \$80M in 2023



# We need to reduce our non-salary spend. This is not a one-time reduction, but a permanent reset

We have kicked off work on the non-salary spend.

Our approach includes:

- Establishing a tiger team/Task force, sponsored by the COO
- Identify what is going on in each expense category
- Determine initial targets for 2025
- Make strategic trade-offs not identical targets
- Assign permanent owners for each category who will work to establish clear rules and also longer-term target states.

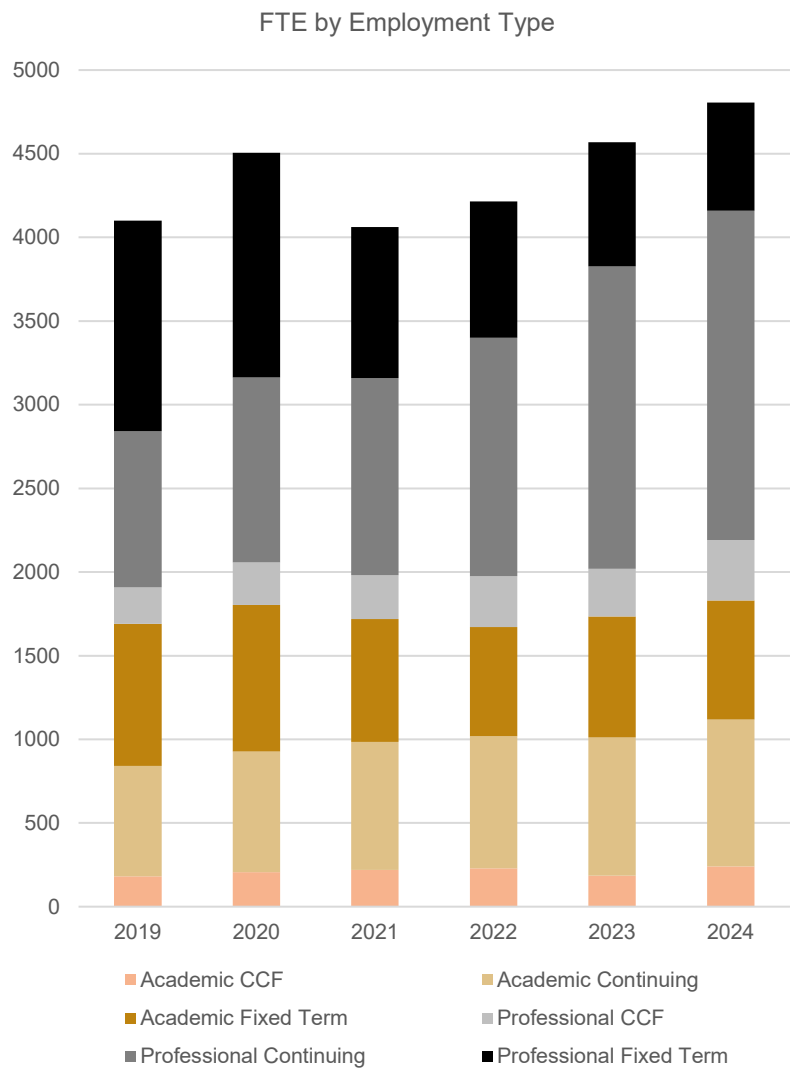
**We need to permanently reduce non-salary spend by \$100M or ~15% by EOY 2025**



# ADDRESSING STAFFING COSTS



# Our staffing levels have grown, the mix has changed and our costs have gone up by 5.8%



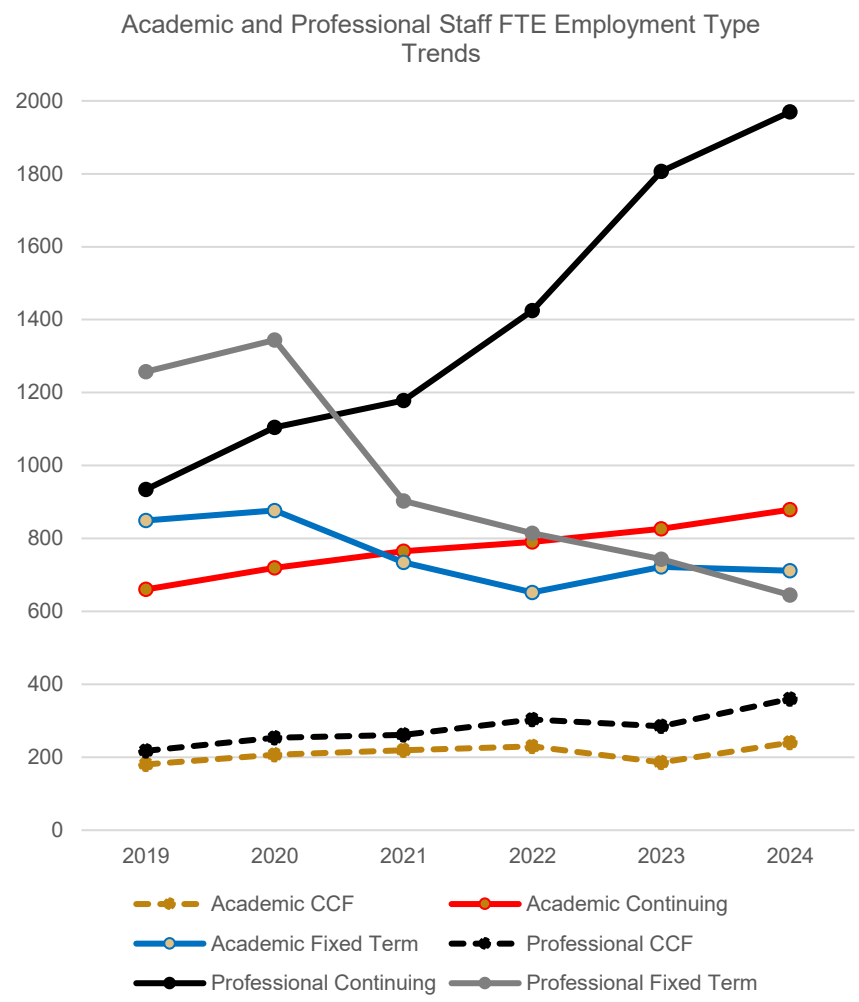
Staff increase from 31 March 2019 to 1 July 2024 by  
**↑ 16.1%**  
Increase by 661.5 FTE

Academic/Professional Staff Ratio  
**1 : 1.6**  
Academic Professional

**Continuing** Employment Term FTE increased from 31<sup>st</sup> March 2019 to 1<sup>st</sup> July 2024 by  
**↑ 78.7%**  
Increase by 1254.9 FTE

**Fixed Term** Employment Term FTE decreased from 31<sup>st</sup> March 2019 to 1<sup>st</sup> July 2024 by  
**↓ 38.7%**  
Decrease by 814.7 FTE

**CCF** Employment Term FTE increased from 31<sup>st</sup> March 2019 to 1<sup>st</sup> July 2024 by  
**↑ 55.6%**  
Increase by 221.2 FTE





# We need to reduce our salary costs. This is not a one-time reduction, but a permanent reset

Taking a phased approach to best understand our workforce:

- Realign resources to functional owners
- Restructure resources to achieve greater clarity of responsibility, accountability and assurance; as well as better equity and efficiencies
- Reassess the level of service and support for equity and sustainability

Need to make strategic trade-offs, reductions and stop doing some things.

**We need to reduce staffing costs by at least ~\$100M or 12% reduction by EOY 2025**



# Resolving legacy structures is almost completed

Refocused operating model accountabilities

Disentangled COO + International student/strategy

Functional Area	From	To	Status	Efficiencies
Libraries and Archives	COO	DVC-RI	Completed – Reporting lines changes 22 April – L&A now reporting to DVCRI.	YES
Drill Hall Gallery	COO	L&A	Completed – Reporting lines changes 22 April – DHG now reporting to the University Librarian.	YES
CISO	COO	CIO	Completed – Reporting lines changed 20 May – ISO function now reporting to the CIO, reducing duplication in processes.	YES
Sustainability	COO	F&S	Reporting lines changed 17 June 2024. Systems to be updated noting disestablishment of Division by end of August.	YES
College HR, IT, Finance Teams	Colleges	COO	Completed – Reporting lines changed 1 July.	YES
Sir Roland Wilson + CAAL + GIWL	VC	Provost	Completed – July 2024. Working to ensure that academic functions report to Provost. Will likely be further impacted by review of DVC R&I Centers and Institutes	YES
ACE, OCGR	VC	COO	Completed – July 2024 – finalising reporting line transitions that commenced when COS moved to interim COO.	YES
Division of Shared Services	COO	Disestablished	Reporting lines due to change 12 August. Systems to be updated noting disestablishment of Division by end of August.	YES
University house	DVC-A	COO	To be completed August 2024.	YES
International Strategy & Future Students	COO	Student elements to DVC-A	To be completed August 2024.	YES



# The realignment of functional services has completed

Transferred ~127 people to central functional centers

Working to restructure and reassess staffing levels

Working to ensure service levels are equitable and sustainable

FUNCTION	Current State	Next Steps	efficiencies	Owner
Human Resources	Realignment completed July 1; 57 number of FTE transferred	Defining the service catalogue, redesign of structure and identification of efficiency.	YES	CPO
Finance	Realignment completed July 1; 58 FTE transferred	Define, standardize and reduce total finance staff	YES	CFO
ITS	Realignment completed July 1; 12 FTE transferred	Rationalisation of College IT infrastructure and support	YES	COO
Shared Services	Notification of re/alignment (August 2nd)	Realignment will be completed 12 August. Sub-functions to align into functional areas above.	YES	COO



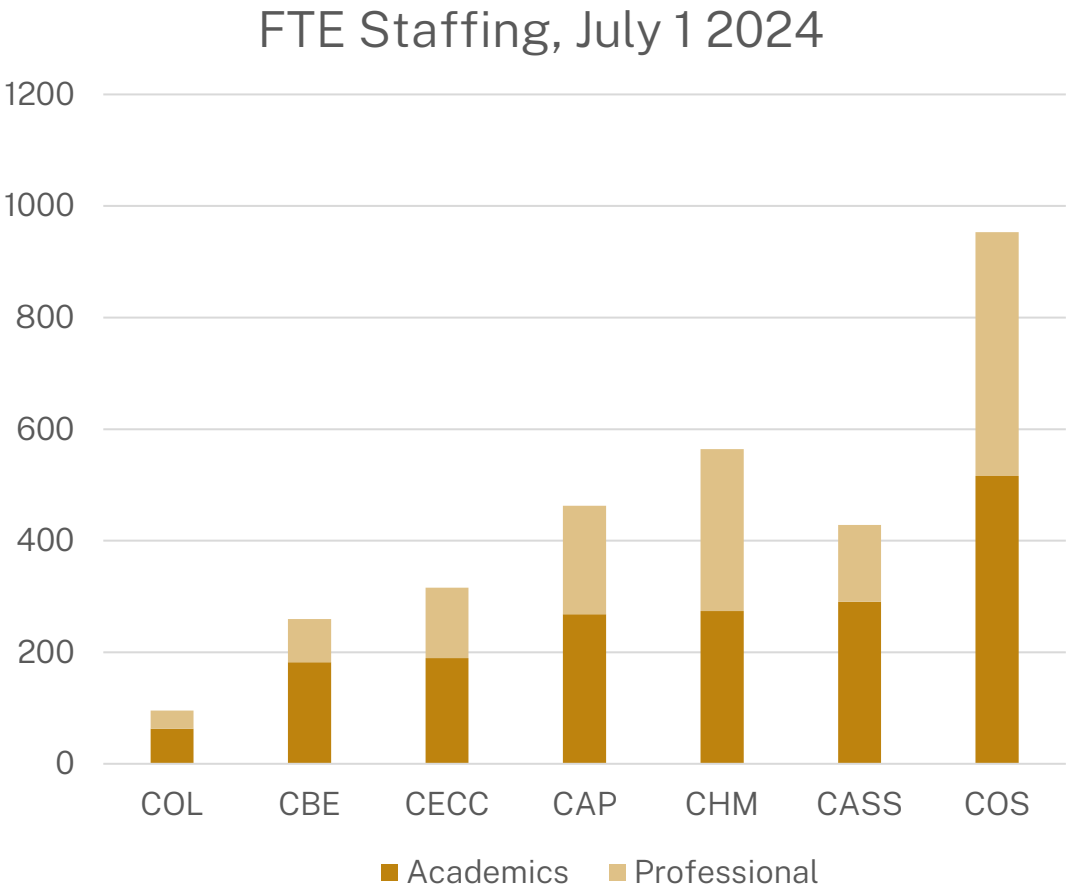
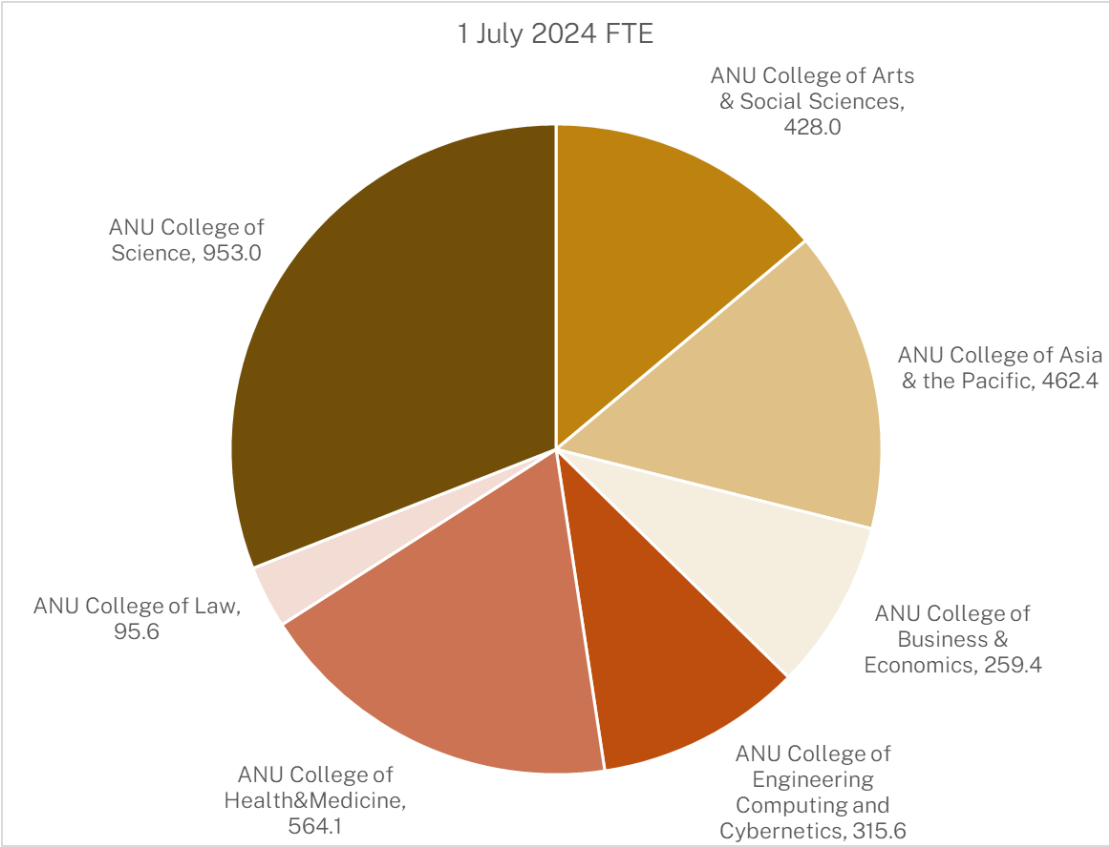
# We will commence a data-drive re/alignment of our support services ecosystems

There are an approximate 780 professional continuing full-time support services roles across the Colleges.

- Benchmarking data says we are expensive and inefficient; our own data says our people are dissatisfied; and we know there are inequities of support and service

FUNCTION	Current State	Next Steps	Efficiencies?	Owner
Research services support	The DVC R&I portfolio is reviewing its current structure and composition. There is a scoping exercise to understand the ~250 research services/support staff roles in the Colleges.	Expect to be able to commence realignment activities in Q3.	YES	DVC R&I
Education services support	The DVC A portfolio is reviewing its current structure and composition.	There is a scoping exercise to understand the ~550 education services/support staff roles in the Colleges and Portfolios.	YES	DVC A
Governance	CGRO is reviewing its current structure and composition, as well as University's policy suite. The focus of this activity is to standardise and improve governance support practices across the University.	Expect to be able to commence realignment activities in Q3.	YES	Uni Secretary
Comms	ACE is reviewing its current structure and composition.	There is a scoping exercise to understand the ~ 300 communications, marketing and engagement roles across the University.	YES	Chief Comms Officer
Facilities	Director F&S reviewing current structures and practises for asset utilisation and facilities support	Scoping roles across the University. Centralising ownership of assets to enable optimisation (eg teaching spaces, office space utilisation, vehicle fleet)	YES	Dir F&S

# We also need to tackle the size and shape of the academic footprint ...



# Realising the full benefit from the current realignment activities means taking a whole of university approach

Our current college structure is very heterogenous

- 7 colleges: Disparity in sizes, composition, focus and impact
- Wide range of practices, budgets, education/research scores, culture

Our approach would include:

- Realignment by EOY 2024. Restructure and reassess in 2025. Set targets for new organisational units to achieve by end of 2025
- Focus on quality, distinctiveness and national mission
- Minimise disruption on educational programs, research and high functioning organisations
- Keep all schools, but not necessarily all colleges
- Create new centres of gravity and purpose
- Achieve better parity of college sizes and more equity of resources



# We can now move from re/alignment to restructuring – we need to make strategic choices ...

Our current realignment activities have predominantly impacted the professional services; now we need to expand to whole of university

Restructure/reassess phase needs a whole of university view to maximise impact

We need to make strategic decisions, not one-size fits all reductions

Focus	Realignment Complete	Restructure & Reassess	Owner
Organisational	EOQ3	Underway	VC
Functional	EOQ2	Underway	COO
Support Services	Phase 1. EOQ3 Phase 2. EOQ4	Phase 1. Underway Phase 2. unknown	COO + Provost
Academic	Realignment Structure EOQ3 Proposed implementation EOY	2025	VC + Provost

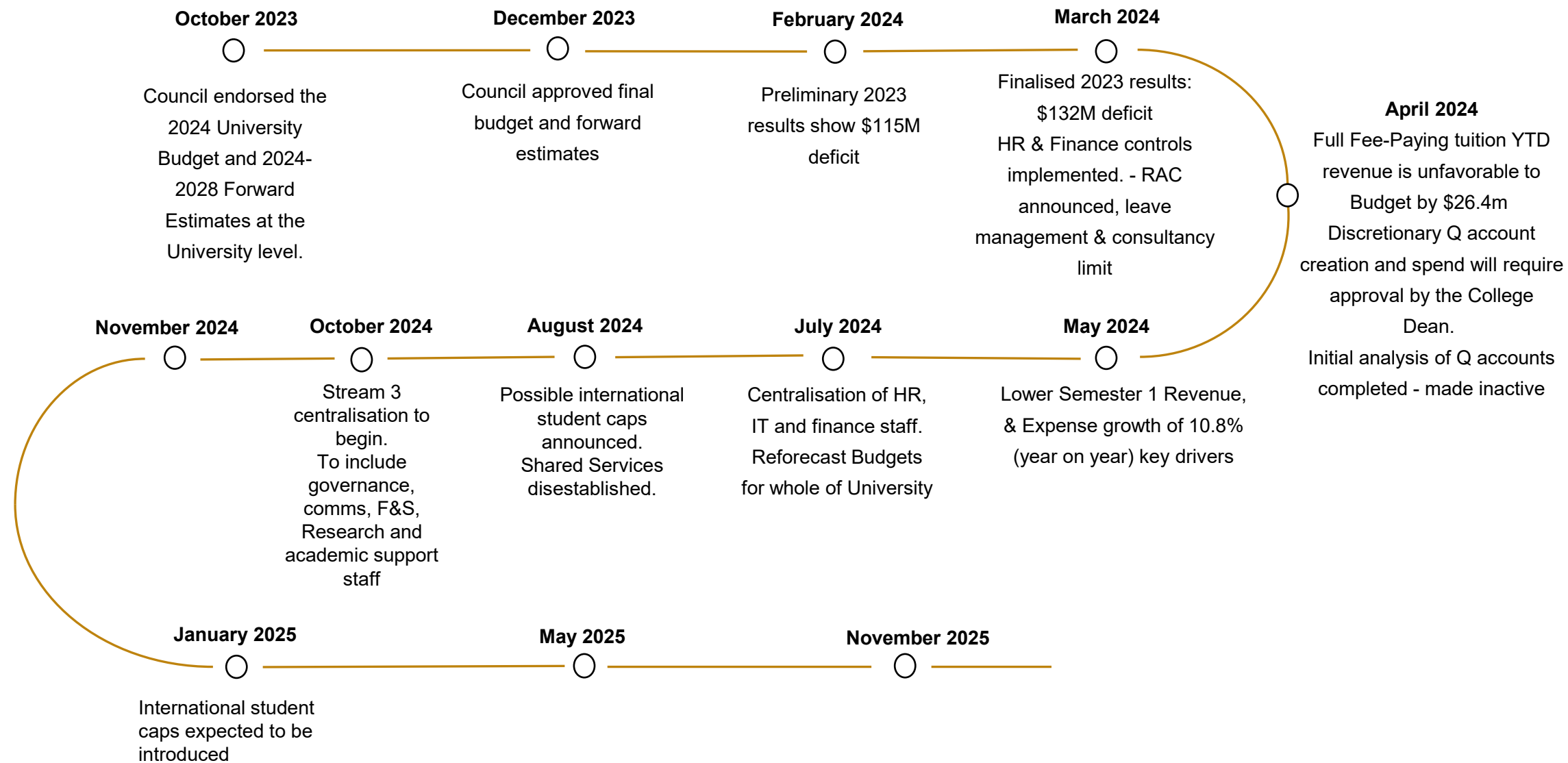


# NEXT STEPS





# We are in a rapidly evolving space ... on a long journey



# Rebooting the powerhouse of social reconstruction is going to be the most important thing we do ...

The next 6-18 months are going to be complicated and unstable for us and the rest of the sector

We will need to stay exquisitely focused on resetting our cost base to improve our financial position and gain more optionality in a world of continued uncertainty

Opportunity to recast the University and reshape our landscape. This is not a quick realignment: it is a multi-year journey, starting now.

We need to be ONE ANU!

