

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2005-2006 BUDGET ESTIMATES HEARING

Outcome: 2

Output Group: 2.4 – Funding for Higher Education

DEST Question No. E301_06

Senator Carr asked on 2 June 2005, EWRE Hansard page 70.

Question:

What are the financial projections for 2005-06 for the University of Newcastle?

Answer:

University of Newcastle – financial projections

The University released a document, *'Managing Substantial Workplace Change Discussion Paper'*, to its general staff on 30 May and the document indicates potential financial deficits ranging between \$18 million and \$29 million for the University between 2005 and 2010 respectively, unless remedial action were to be taken. An extract of this document is at Attachment A.

The 2004 Annual Report of the University of Newcastle budgets the following results in 2005:

Budgeted Results	2005 (\$ million)
Total Revenue	315.2
Total Expenditure	319.9
Deficit	(4.7)

1.0 Need, means and timeframe for change

1.1 Background

1.1.1 Need

On 26 October, 2004, Vice-Chancellor Professor Nick Saunders announced a major review of University policy and practices to address the deficit recorded for 2003 and the projected deficit for 2004.

Professor Saunders stated:

"Cost pressures will continue and we face many challenges. For Newcastle to maintain its status as one of Australia's best Universities, management must be responsive to the challenges and focused on ensuring that every scarce dollar is used to support teaching and research of the highest possible standards."

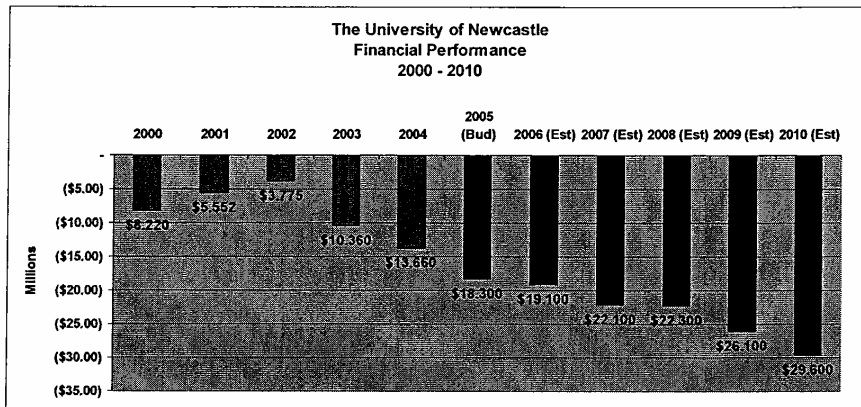
"For this reason I think it timely that the University's financial operations and its management structure, procedures and functions should be independently reviewed to ensure that they are relevant and efficient and to eliminate any duplication and waste."

Following further investigations of the University's financial position it has become apparent that the University is operating under severe financial stress. In the absence of immediate and significant corrective action, the University faces an unsustainable operating future and a very real prospect of insolvency and / or administration.

The current situation is the result of an extended period of negative financial performance since the year 2000 which will continue to deteriorate further if immediate remedial action is not undertaken. The period 2000 to 2003 inclusive resulted in the University publishing accrued deficits of \$21.4 million and, in 2004 a further deficit of 28.6 million was recorded. The University continued to meet its short term financial obligations during this period through the progressive reduction of its cash reserves.

(Note that the 2003 and 2004 published financial deficits of \$3.8 million and \$28.6 million respectively contain a number of abnormal items which, when adjusted for, reveal an underlying performance of \$10 million and \$14 million).

The longer term outlook suggests that this recent pattern of financial performance will continue into the foreseeable future. Additional financial deficits ranging between \$18 million and \$29 million (and resulting in further cumulative deficits of approximately \$140 million) have been modelled between 2005 and 2010 respectively. This modelling process has been independently reviewed by PhillipsKPA consulting specialists, and is presented graphically as follows:



The current financial situation faced by the University is both a real and severe one. Given the extreme and unprecedented situation which it now clearly faces, the University must act in a decisive and well planned manner if it is to redress the current process of deterioration.

In this respect the University has identified a range of cost containment strategies, of which this discussion paper represents a key component. Management believe they have identified a sound and reasoned strategy for reversing the current process of decline, with a view to securing the medium to longer term future of the University.

Financial modeling indicates that the University will need to reduce its staff by a total of 150 – 180 academic staff and 250 – 290 general staff roles.

1.1.2 Means

In October Council was informed that a number of cost saving measures were being examined, including a:

- Major review of administrative arrangements: from January to 30 May, 2005. This review has resulted in savings of \$16.356m being identified. Full details can be found at: <http://www.newcastle.edu.au/reviews/admin/index.html>
- Review by Academic Senate of courses and programs: from December 2004 to June 2005. Recommendations of this review include (i) deletion of 15.1% of 1770 undergraduate courses; (ii) elimination of 18 undergraduate programs by 2007; (iii) deletion of 24 postgraduate courses; and (iv) reduction of postgraduate programs from 167 to 152. Full details can be found at: <http://www.newcastle.edu.au/reviews/programs-courses/index.html>
- Review of non-salary expenditure: commenced in February 2005 and is ongoing.

- 4 -