

Financial Position Inquiry

Parliamentary Standing Committee of
Public Accounts

Wednesday 2nd October 2024





Acknowledgment of Country

We acknowledge the palawa/pakana of lutruwita, the traditional owners of the land upon which we live and work.

We pay respects to Elders past and present as the knowledge holders and sharers. We honour their strong culture and knowledges as vital to the self-determination, wellbeing and resilience of their communities.

We stand for a future that profoundly respects and acknowledges Aboriginal perspectives, culture, language and history.

Please refer to the University [palawa kani Guidelines](#) and our [Acknowledgment of Country protocols](#) for further information.

Australia's evolving higher education policy direction aligns with the University of Tasmania's strategic direction

As we navigate through this period of sector evolution, our financial context remains a delicate balancing act as the only university in the State

To secure our long-term financial sustainability and deliver on our mission, we need to work with the State to maximise the value of our collective assets and leverage the benefits of the new policy settings

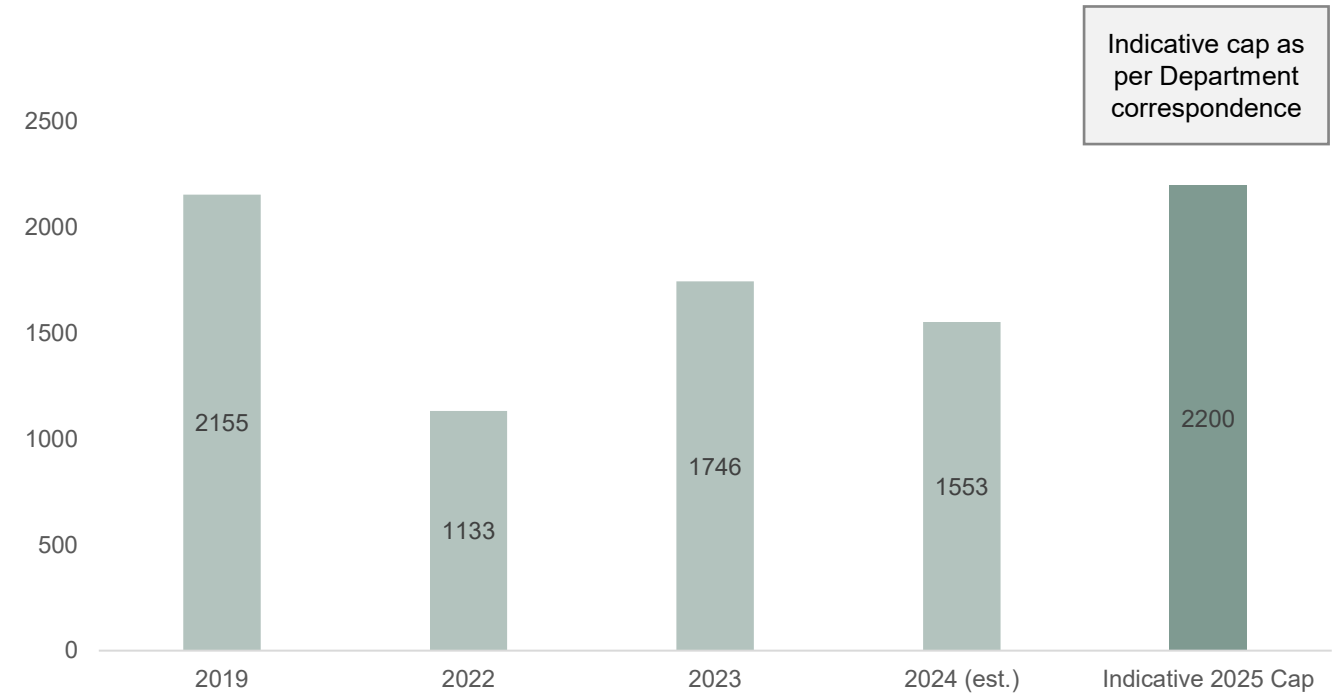
We previously provided an overview of Australia's evolving international education policy context.

- The proposed Education Services for Overseas Students Amendment Bill (ESOS Bill) introduces a **managed approach** to international education.
- Under this approach, the University of Tasmania has been assigned a **proposed cap of 2,200** international student commencements for 2025.
- Rebuilding our student numbers to achieve this cap will take time, and achieving growth will rely on timely **improvements to the visa processing system**.



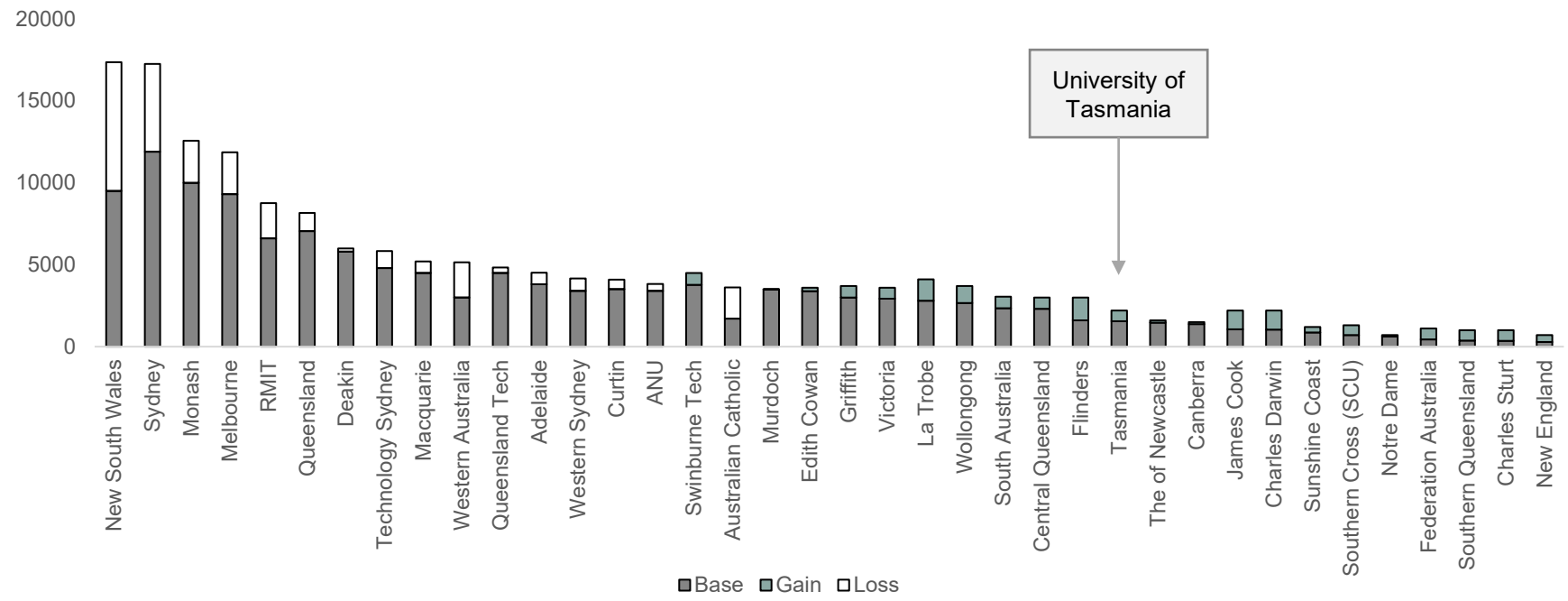
The University of Tasmania's proposed international student cap for 2025 brings us back to 2019 levels and enables growth in our student numbers.

University of Tasmania Historical, Estimated and Indicative Cap - New Overseas Student Commencements, 2019 - 2025



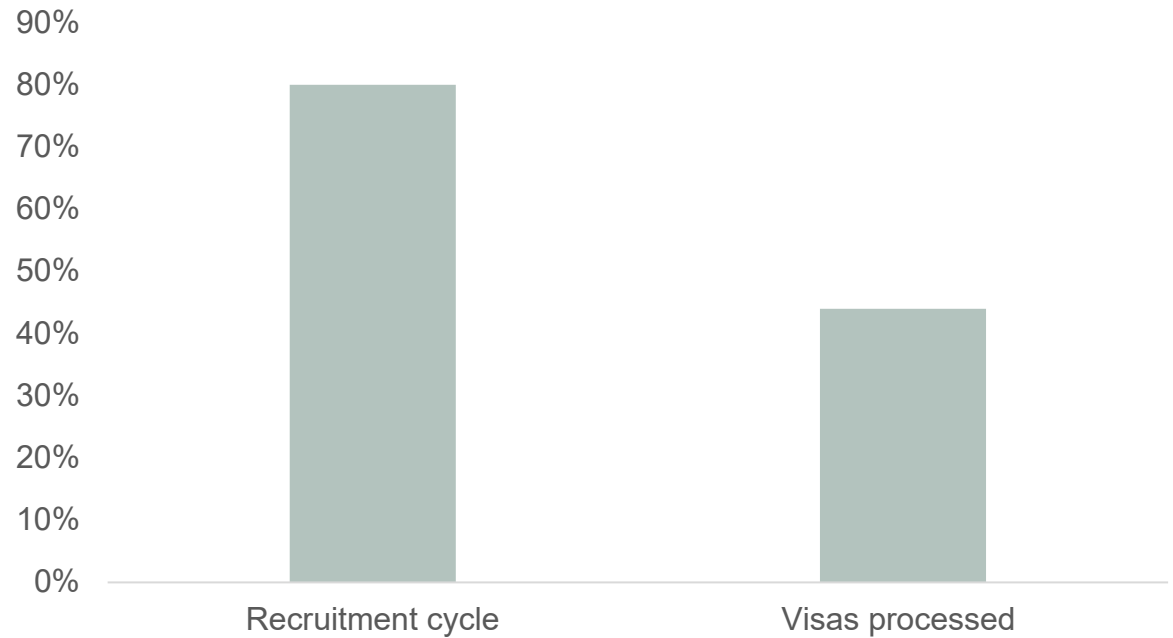
The proposed student caps across the sector show significant growth for some universities, and the need to reduce student numbers for others.

New Overseas Commencements and Indicative Caps, 2024 vs 2025, by Institution



While we support the policy approach, these changes are coming too late to have a positive impact on our 2025 recruitment

2025 recruitment cycle percentage and percentage of 2025 visas processed



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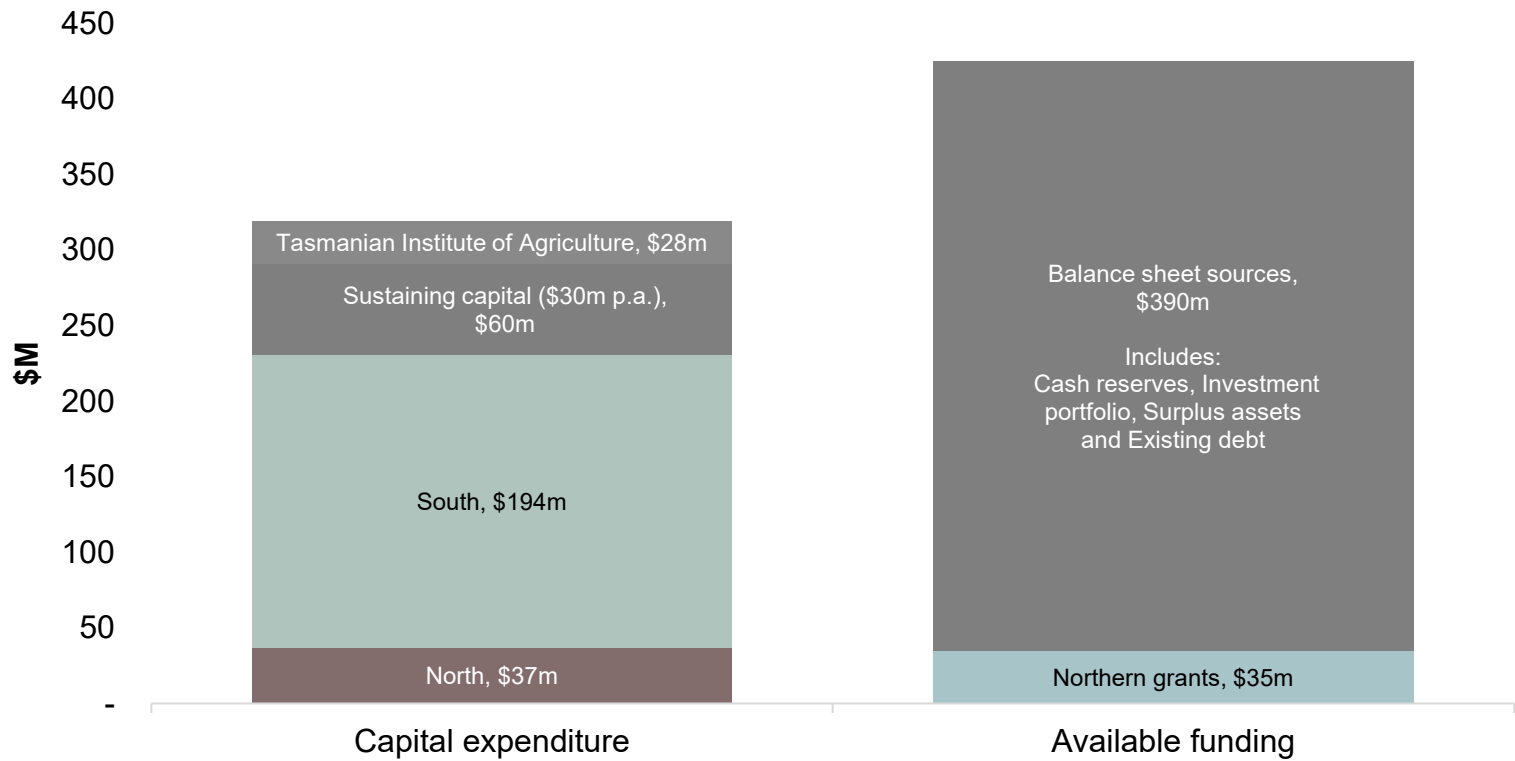
We were asked via the Questions on Notice to provide a copy of the 10-year outlook paper provided to University Council

- Our funding model is dynamic, and it is adapted as our circumstances evolve.
- The December 2023 Council paper was a point in time analysis, and large parts of the analysis have since been updated.
- We recently presented an updated outlook to 2050 to our Strategic Resourcing Committee that we want to share today.



We have the funding needed to meet our short-term capital commitments and additional funding sources available to manage risks.

Funding plan to meet our committed capital expenditure (2024/25)

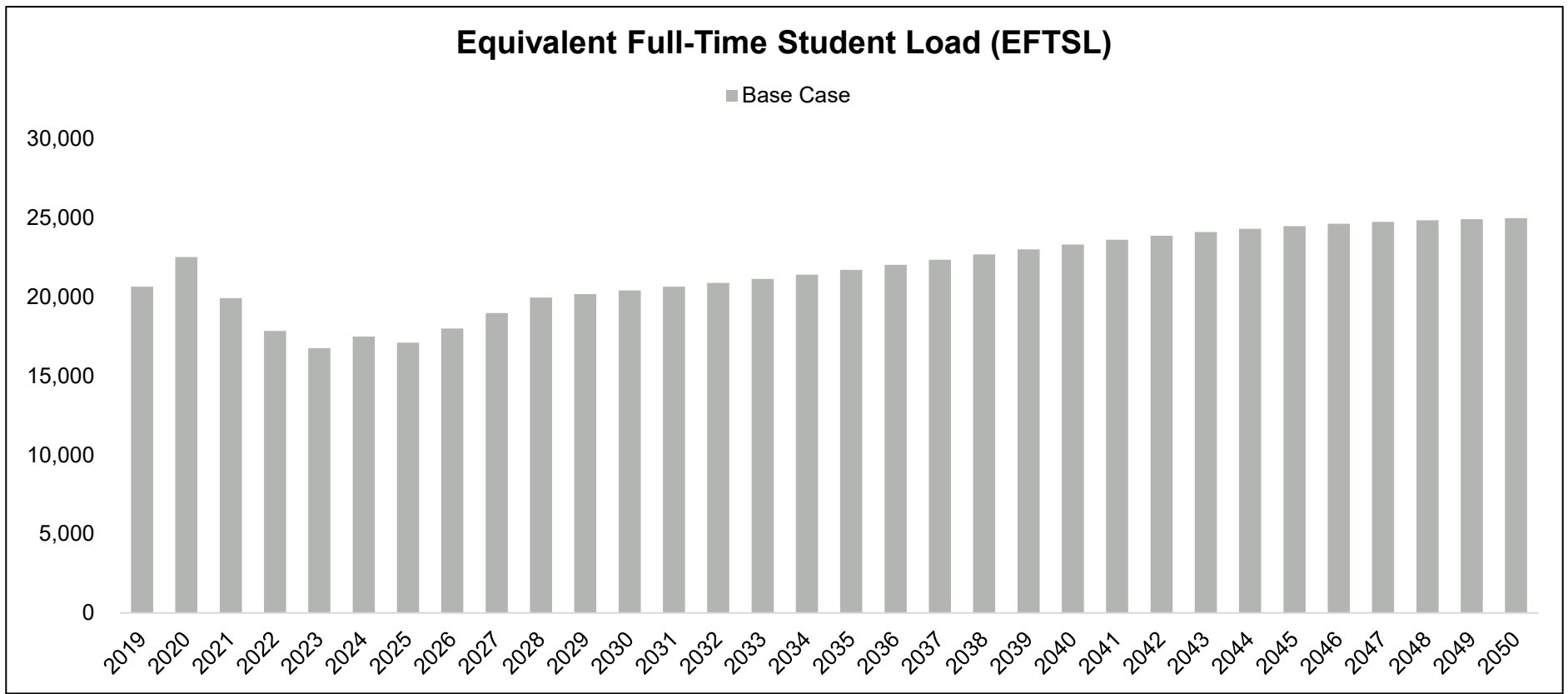


With the short-term plan funded, we have modelled a “base case” scenario for our long-term planning, taking into account the changing policy environment.

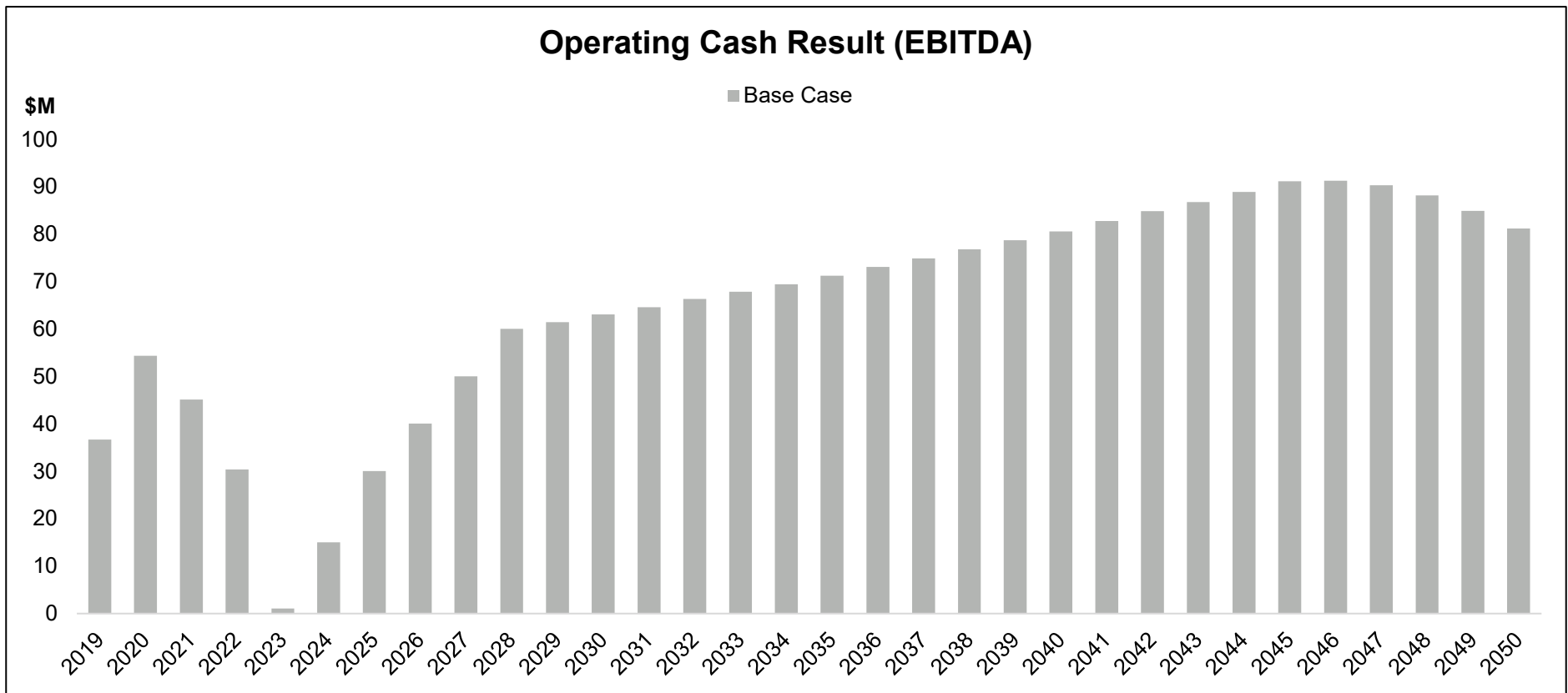
Base Case

- Modelling runs from **2024 through to 2050**
- Domestic student numbers follow **population trends**
- Accord growth (50%) starts from **2030**
- Accord funding mechanisms **maintain status quo**
- International quota means we grow to a **~20% international student mix**

We expect growth in the short-term as international students return, and in the long-term as the domestic Accord reforms take effect

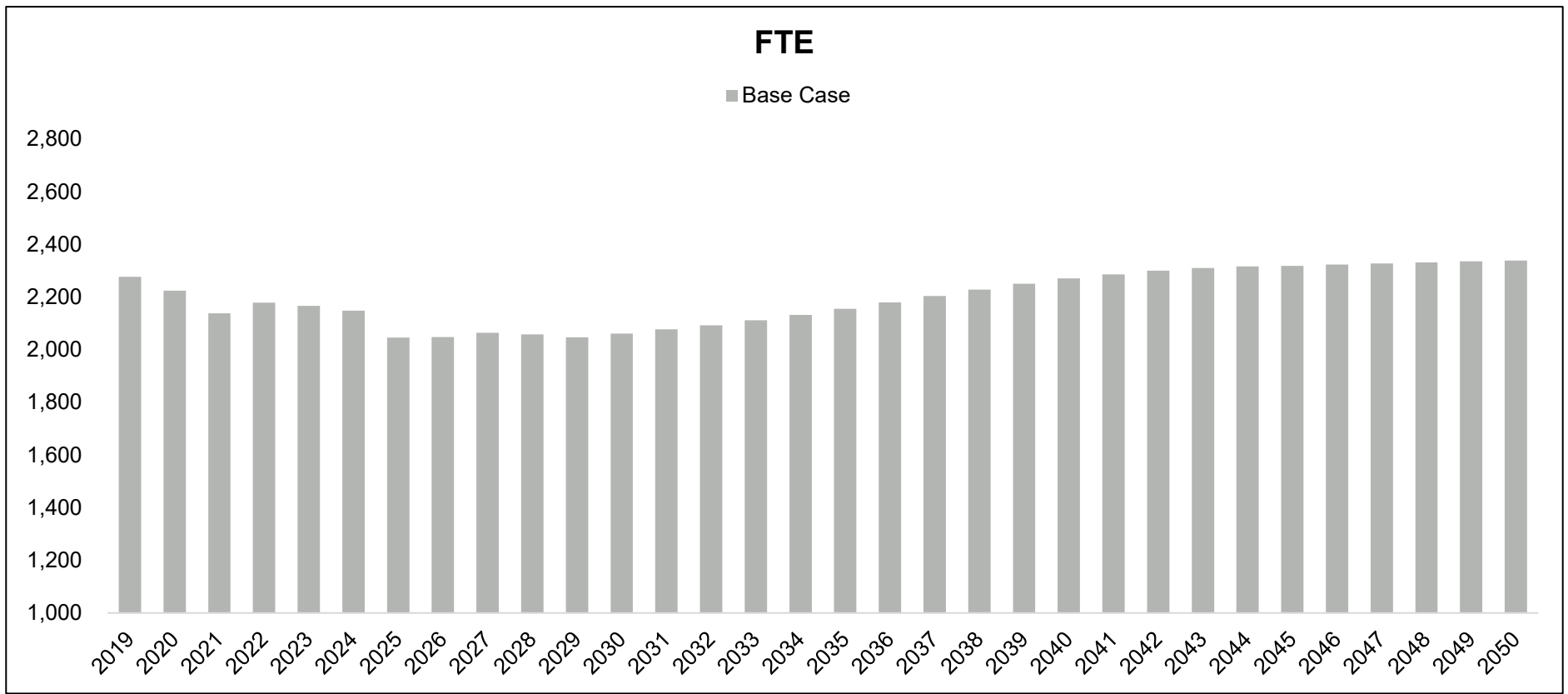


Even with a managed growth environment, we can return to a sustainable financial position in the immediate term



EBITDA and all other \$ items are on a nominal basis, the increase in EBITDA over time from 2028 is related to inflation increase only

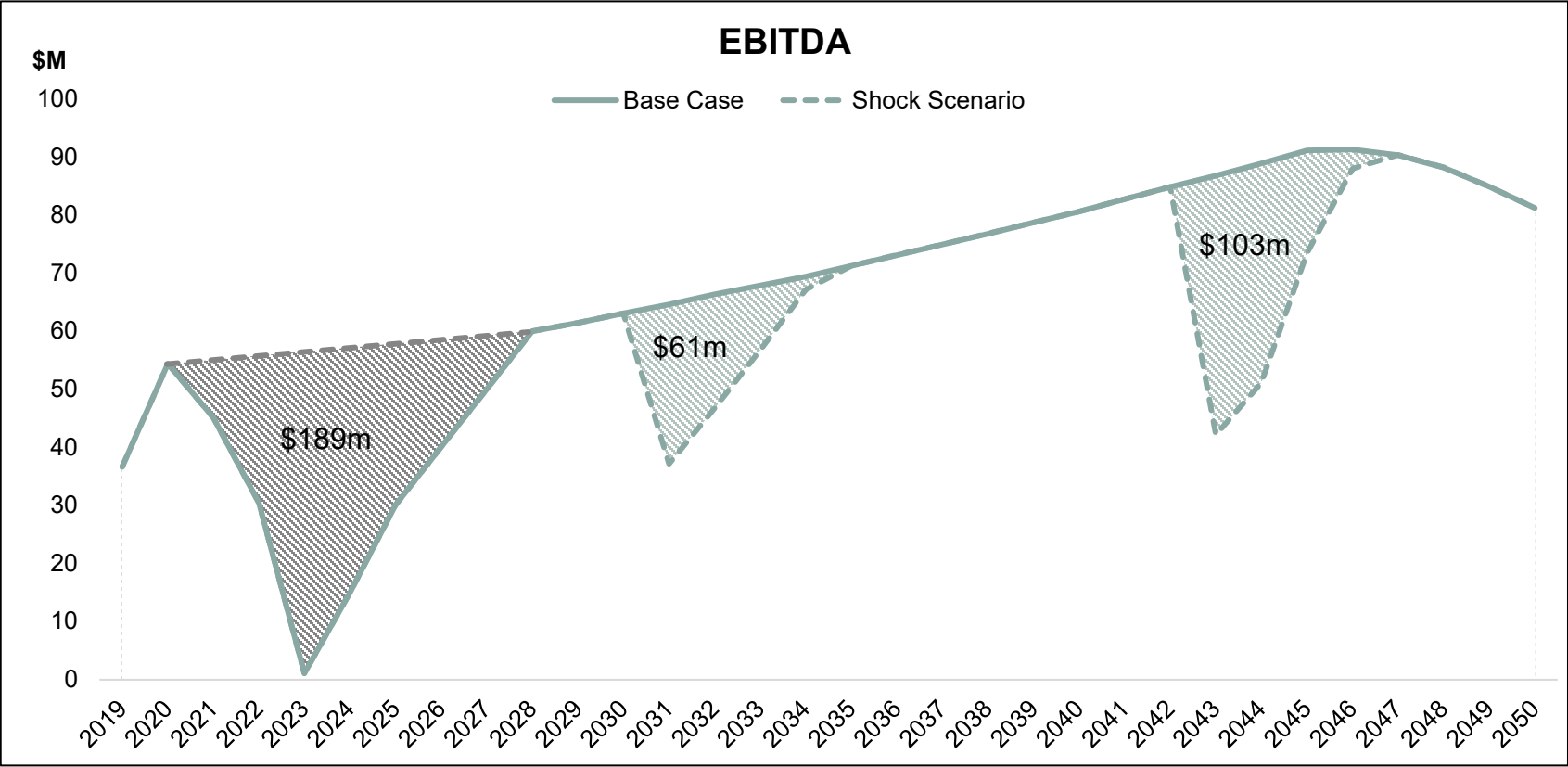
Staff growth needs to be managed carefully in the short-term, until the Accord student growth commences from 2030.



While our financial picture improves under our Base Case planning, we will need to refinance a portion of the green bond debt when it matures in 2032

Funding Model Projection									
\$m	2024	2025	2026	2027	2028	2029	2030	2031	2032
Opening cash	100.7	83.7	19.5	8.0	2.0	9.6	22.8	36.9	51.6
Cash inflow	91.0	76.1	46.1	50.1	60.0	61.5	63.1	64.6	66.4
EBITDA (consolidated)	15.0	30.1	40.1	50.1	60.0	61.5	63.1	64.6	66.4
Other funding - grants etc	76.0	46.0	6.0	-	-	-	-	-	-
Cash outflow	(184.8)	(175.2)	(57.6)	(56.1)	(52.4)	(48.2)	(49.1)	(49.9)	(52.0)
Other net cash outflows from operations	(7.8)	(11.9)	(4.2)	(11.6)	(8.0)	(3.1)	(3.2)	(3.2)	(3.3)
Capital expenditure	(165.2)	(147.5)	(37.5)	(30.0)	(30.0)	(30.8)	(31.5)	(32.3)	(33.1)
Net interest cost (inc. lease payments)	(11.8)	(15.8)	(15.9)	(14.4)	(14.4)	(14.4)	(14.4)	(14.4)	(15.6)
Net cash position (excl. debt and investments)	7.0	(15.5)	8.0	2.0	9.6	22.8	36.9	51.6	65.9
Cashflow from investment drawdown	76.7	35.0	-	-	-	-	-	-	-
Closing cash surplus / (deficit)	83.7	19.5	8.0	2.0	9.6	22.8	36.9	51.6	65.9
Investment portfolio									
Opening balance	405.0	341.1	317.5	329.6	342.4	356.0	370.4	385.7	401.9
Investment returns	12.8	11.4	12.1	12.8	13.6	14.4	15.3	16.2	17.2
L-T portfolio investment/(drawdown)	(76.7)	(35.0)	-	-	-	-	-	-	-
Closing investment portfolio	341.1	317.5	329.6	342.4	356.0	370.4	385.7	401.9	419.1
Less philanthropy and research funds	(265.7)	(265.7)	(265.7)	(265.7)	(265.7)	(265.7)	(265.7)	(265.7)	(265.7)
Closing unrestricted investment portfolio	75.4	51.8	63.9	76.7	90.3	104.7	120.0	136.2	153.4

Planning for any unexpected shocks to the system, such as COVID, highlights the importance of maintaining an adequate investment portfolio to mitigate risks



Alongside the base case, we have modelled scenarios to consider the financial impact of variations in sector policy outcomes.

Base Case

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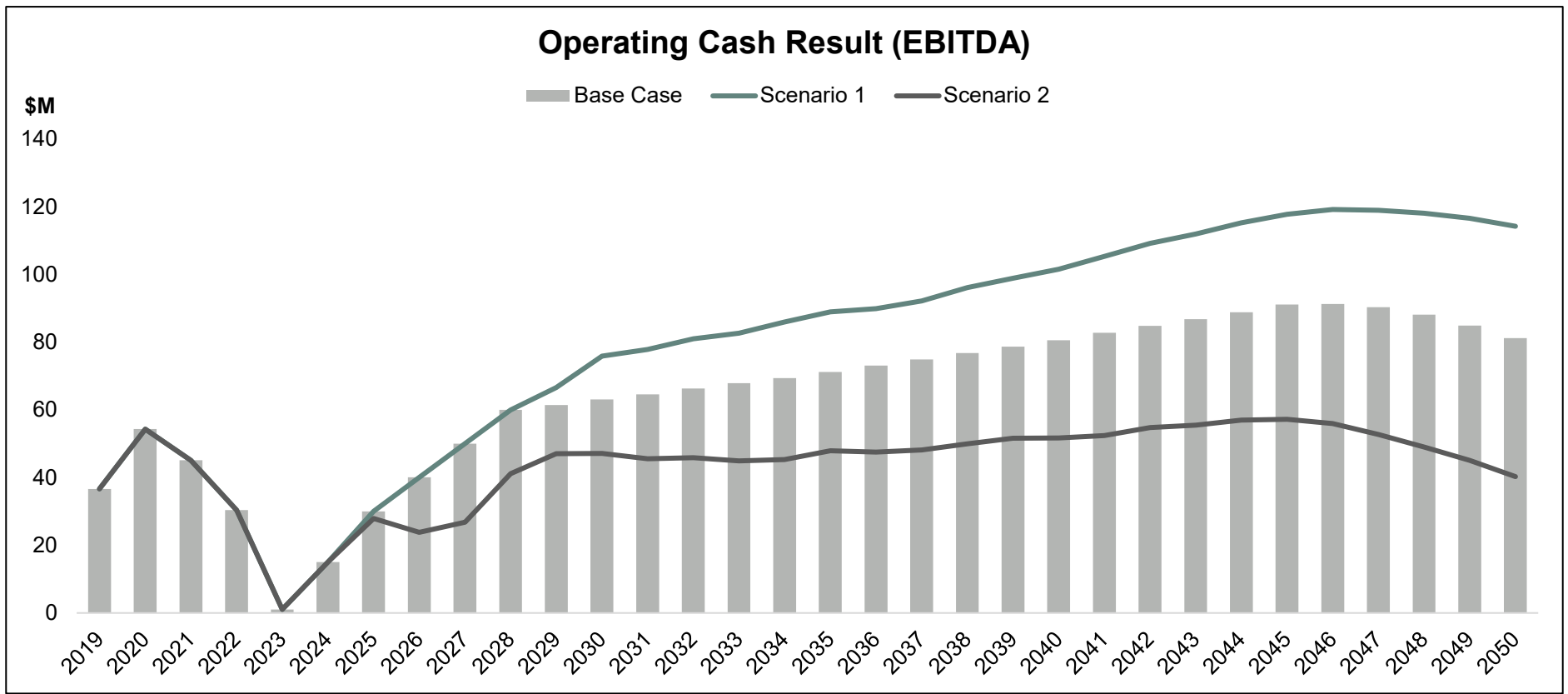
Scenario 1 – High International Growth (variations from Base Case)

- Increase international student mix to **~25%** (requires increased quota)

Scenario 2 – Low Growth (variations from Base Case)

- Accord growth does not start until **2035**
- Accord funding mechanisms **fall short** of current funding profile
- Unable to fill our quota due to migration challenges and settle at **~15% international mix**

It is evident the impact changing the parameters around international student growth has on our operating cash result



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While the base case modelling demonstrates the financial sustainability of the university, we have little room for innovation or new investments

- The modelling highlights the **importance of the Federal policy reforms** in underpinning our results
- We also do not have capacity to invest in **new STEM facilities** in the South, which are critically needed.
- We need to apply a long-term view to our **asset management**, so we have more productive assets, enabling us to achieve our education mission statewide.
- Our scenarios all require us to plan to **refinance our first Green Bond**, due to the impact of COVID and the lack of return from our Sandy Bay assets





UNIVERSITY of
TASMANIA



Thank you