



Part 1: Summary

Purpose

This is an overview of the initial consultation about the post-pandemic Recovery Plan for The Australian National University (ANU). It outlines the challenges we face and how we must adapt to our new circumstances in order to thrive in the future.

It also sets out how specific details and information on proposed changes within local areas will be shared for consultation and feedback; as well as providing the guiding principles which will support any confirmed changes that may need to be implemented.

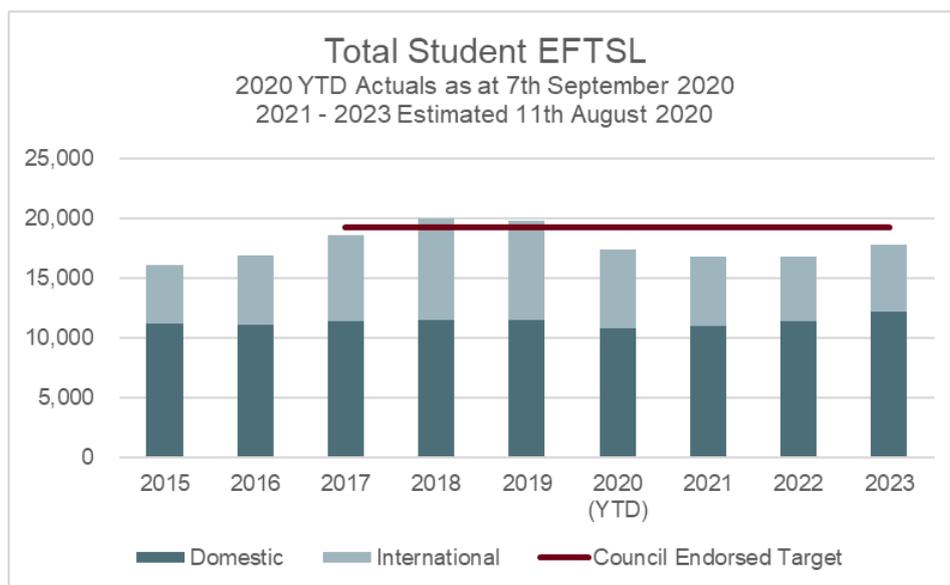
The role of the national university

ANU was founded immediately after World War II as part of the nation’s post-war reconstruction. We were founded to be a resource for the nation to provide the knowledge, research and skilled people to help Australia transform, unite and prosper. Our guiding ambition as Australia’s national university is to:

- Provide a transformational student experience equal to the world’s best;
- Ensure our student cohort is diverse;
- Meet our national responsibilities through a renewed compact with Australia;
- Conduct research that transforms society and creates sovereign capability; and
- Be a leader in creating an equitable and inclusive community which is the first choice for talented students, academics and professional staff.

Our financial and operational circumstances

In 2020, we have responded to a series of critical events by doing our best, first and foremost, to look after the wellbeing of our staff and students, because that is a core value of our institution. In 2018 we took the strategic decision to limit our student numbers and diversify our student cohort, and we began implementing this with changes to our approach to planning and admissions in 2019. In 2020 the global pandemic, local and natural disasters, international and national border closures and campus closures, have caused a significant decline in our revenue, a downturn that will affect us in 2021 and for years to come. Our revenue projections for 2021 to 2023 are largely flat and our current mode of operation will limit our ability to meet our strategic ambitions. It is essential that our expenditure reflects reductions in our revenue in the years ahead. We started 2020 in a strong financial position, but we now know that to deliver on our mission as Australia’s only national university, we must reshape ANU for the future.



The local and global economic and societal context has fundamentally changed, and so we must change with it to survive, serve our communities, and thrive in the future. At a minimum, the ANU Council has determined that we need to retain cash to the equivalent of three months' operational expenses (~\$250 million) in reserve to ensure we can pay our expenses, including salaries and bills.



The challenge for 2021 and beyond is to ensure our ongoing ability to operate within our highly constrained projected revenue. It is not good enough just to survive the pandemic; we must thrive and help provide the building blocks for the national recovery.

We are encountering new challenges which have tested the resilience of our community and added extra cost. Our campus environment has shifted from in-person to remote to hybrid models of learning; social distancing has disrupted on-campus operations; our student cohort is scattered across the country and the globe; our international enrolments have dropped to levels below 2017; our resources are stretched to support the national response to the pandemic; and many in our community are fatigued, whilst facing further uncertainty and anxiety.

ANU: a resource for the nation and our priorities for the future

The founding mission of our university is to make a substantial contribution for the benefit of all Australians, which is particularly important during tumultuous times. And we will provide the advice, expertise, leadership and education that will ensure Australia and our region prospers in the new COVID-world. To support the national recovery, we will:

- Provide the highest quality education, accessible to all Australians, that will equip the current and coming generations with the knowledge and skills to lead in an uncertain world, create new industries and businesses, and be ready to contribute to Australia's future highly skilled workforce;
- Encourage a diverse international student cohort, educating the worlds' brightest minds and leaders, growing an influential alumni group across the globe who understand and support Australia's culture and values;
- Develop, enhance and deliver high quality short courses to help the current workforce respond to the changing world;
- Create a hybrid education experience, incorporating digital and face-to-face learning without compromising the distinctively Australian ANU experience;
- Undertake research in the national interest that is world-leading and contributes to Australian prosperity, health and security;
- Contribute our expertise to policy makers, enhancing national capability for post-COVID transformation;
- Train, nurture and support our staff to ensure our community is agile, efficient and effective; and
- Maintain long-term investments in core national research infrastructure.

ANU: future state

The future and our sources of revenue remain uncertain. We need to pursue new revenue by actively investing in rebuilding our student numbers, growing business development and commercialisation of research, philanthropy, government and private funding.

The ANU community has already contributed to significant savings by reducing costs and deferring capital works. We have seen significant and generous sacrifices from our community, in particular the deferment of the 2020 and 2021 pay rises. The financial challenge would have been \$13.5M higher in 2021 but for the deferral of the pay rises. This measure alone has saved up to 90 positions.

We have also had 230 staff elect to accept voluntary separations, and are expecting another 20 in the weeks to come. It is always hard to lose colleagues and their contribution will be sorely missed.

But given the projected size of the impacts on our University, we have a further financial challenge in 2021 that needs to be resolved. We need to live within our means so we can continue to operate sustainably and invest in our people, campus, infrastructure and technology, to ensure ANU emerges from the current crisis, not a poor shadow of its current self, but an institution that inarguably meets its responsibility to the Australian people.

In order to put the University on a sustainable financial footing from 2021, yesterday the ANU Council approved the development of the ANU Recovery Plan, designed to address the remaining strategic and financial challenges. The Recovery Plan will enable ANU to meet its current and future financial



obligations and to achieve our strategic objectives as outlined in the *Australian National University 2017-2021 Strategic Plan*, with sustainable, stable and secure financial foundations. This plan outlines how we will continue this trajectory and reduce our size with a smaller student cohort; and in parallel, a smaller staffing profile.

The core outcome of the recovery plan, is that we have to close a remaining financial gap of \$103 million per annum from 2021. This requires savings in both non-salary and salary expenditure and will require a further reduction of 215 positions. We will aim to achieve as much of the salary savings as possible through further voluntary separations, with redundancies a last resort. More detail will be provided for each College and Portfolio once the consultation phase for this initial change proposal has been finalised and feedback taken on board.

What comes next

Where a need for change is identified, formal change management processes will be undertaken in Colleges, Research Schools and Portfolios. These proposals will outline the specifics and nature of the change proposed within local areas and will be released for consultation and discussion. Proposed local areas changes may include: a change to structures and organisation of the College; Portfolio and Service Divisions; a change to academic organisational units and programs; a change to resource allocations and/or a reduction; and reshaping of both academic and professional staff workforce profiles.

Staff will be encouraged to provide feedback about the ANU Recovery Plan through staff forums, written submissions and meetings with the Deans/Head of School or Portfolio lead. The proposed timelines are provided on page 11.



Part 2: Rationale for Change

Our circumstances have changed, and to continue to thrive and deliver on our national mission, ANU has developed a plan to move from pandemic response through institutional recovery to thrive in the future.

Operating in a COVID-19 world

COVID-19 has changed our strategic, financial and operational circumstances. Our international student numbers are down to below 2017 levels and in our best guess scenario will likely fall further in 2021 (a 30 percent reduction from 2019), which is a significant strain on our budget.

Also, the way in which we operate has changed. Social distancing has transformed how we run our campuses: many of our staff and students work or study remotely and many have been unable even to come back to Canberra. The same travel restrictions that have stopped many of our staff and students from returning to campus are also making it tougher to sustain our collaborations.

We've risen to the challenge as the national university and we've played our part in helping Australia, respond, adapt and prepare for recovery.

External expectations

Government and community expectations have changed in a COVID world.

The government expects us to teach more Australian students to help with the nation's recovery and to focus more than ever on the future workforce. This will impact how we are funded.

There is a greater demand for short courses to help the workforce respond to changing circumstances. Our students want an education and a repertoire of skills that equip them for the future, and they expect digital delivery to be a permanent complement to our face-to-face options.

There is a clear expectation that we will have a more diverse international student cohort, which was a key strategic priority identified before the pandemic.

Now more than ever our research and policy contributions are needed and are having an impact. And these expectations exist at a time when tough economic conditions require us to be agile, efficient and effective. We are not insulated from external factors and we must adapt to face them.

We need to stay focussed on our strategy and mission

In these difficult times we must remain focused on our national mission and keep working towards our strategic goals.

In 2018, we chose to be a human scale campus, by diversifying and limiting the size of our student cohort to preserve and enhance the unique ANU experience. We were already on a path to becoming smaller, which has helped to some extent to cushion us from the shocks of 2020. Now we must continue to invest in our student experience, making it distinctive and equal to the world's best. Our core mission has not changed, and we must continue to meet our national responsibilities through a renewed compact with Australia. That means conducting research that is uniformly excellent and using this knowledge and associated skills to transform society and create sovereign capability.

We are an organisation that is led by its values and our goal is to be an equitable and inclusive University that is first choice for staff and students – a community that reflects Australia and its diversity.



Adapting to our new circumstances

We are developing a sustainable recovery plan to adapt to our new circumstances and thrive. This means we must continue to invest in excellence, new areas of teaching and research and the skills of our people.

To do this, we must grow in key areas of research business development, philanthropy, teaching and other revenue earning and retaining activities. And we need to live within our means so we can continue to operate sustainably and invest in our people, campus, infrastructure and technology, so ANU continues to be a great place to work, study and live. We can expect the challenges of a live pandemic to continue so we must keep evolving our operations to remain COVID safe.

2020 Financial Position

The University started 2020 in a strong financial position. While there was already an expectation that changes to our resource allocation would be needed as we transitioned to our planned lower level of student enrolments, the multiple crises of this year have highlighted and accelerated the need for change to the University's expenditure base.

As the global COVID-19 pandemic unfolded, we implemented short-term liquidity measures which included: capital expenditure deferrals; a recruitment pause; travel savings; and increased use of borrowings to manage the immediate financial impact of the pandemic. Many of the decisions made to date have been difficult, but all have been made to ensure we can continue to deliver on our mission, whilst recognising the changing and uncertain financial circumstances around us.

As part of the suite of measures to address the financial uncertainty, the ANU Council endorsed the adoption of an Expenditure Control Framework for 2020 and 2021 to ensure the financial health of the University by limiting growth in our expenditure. The key success measure for 2020 is to finish the year with cash reserves no lower than \$250 million, to ensure we have sufficient cash to cover three months operational expenditure going into the uncertainties of 2021, and to avoid breaching solvency and liquidity ratios. The financial strategy to meet this target included:

- Reducing operational expenditure by \$71 million, including reductions in external costs and non-salary related costs; travel savings and salary savings through a reduction in Executive salaries for six months; deferring the scheduled pay rise for all staff; a recruitment pause; and, voluntary separations;
- Utilising debt facilities of \$200 million to fund some of the necessary CAPEX and one-off separation costs; and
- Using some of our cash reserves.

On 31 July, Council approved the 2020 Revised Budget which forecasts an Operating Deficit of \$219 million. The Revised Budget was necessary to reflect our changed financial circumstances this year, and take into account the impact on revenue due to the pandemic and reduced student cohort, COVID response expenditure and savings identified above as part of the expenditure control framework. It is based on the university maintaining cash reserves at or above the Council approved requirement of \$250M by year end.

ANU has substantial financial assets on its balance sheet comprising investments in the Long-Term Investment Pool (LTIP) as well as cash balances with commercial banks. However, whilst the financial assets are large, there are significant restrictions on the use to which much of those balances can be put. These balances include restricted funds totalling \$935 million which includes endowments, Commonwealth Super Scheme, self-insurance for workers compensation and property. These restricted funds are akin to 'trust' accounts and can only be spent for the designated purposes. There is a further \$285 million in the LTIP which is available at University discretion. Our general cash balance stands at approximately \$600 million. All of which has been factored into our financial health strategy.



2021 Financial Position

Financial projections for the three years from 2021 to 2023 show that our revenue is not likely to grow substantially above the level achieved in 2020. There is some improvement to our expenditure forecast as some of the COVID-19 related costs will not likely be incurred again in 2021 (\$39 million).

Unfortunately, this means that the financial shortfalls will continue despite substantial salary and non-salary savings over the last six months. Total revenue is estimated to be \$1.093 billion in 2021, given the expected size of the student cohort. With no further action to address our cost base, ANU will face a deficit of \$192 million in 2021 and a continuing deficit of similar magnitude per annum in 2022 and 2023.

We must adapt to our new financial circumstances in 2021 to remain financially sustainable and avoid placing an unnecessary cost and debt burden on the University's future. There are three key objectives of the Financial Health Strategy for 2021:

- Manage within a balanced Operating Result;
- Maintain adequate cash flows and reserves; and
- Keep debt at prudent levels.

Accordingly, the Council approved Financial Health Strategy for 2021 will see ANU achieve a balanced cash operating result on our operations, meaning that our deficit will be no greater than our depreciation and structural adjustment costs. ANU will fund capital investment and structural adjustment costs by taking on additional debt in 2021.

In order to place ANU on a sustainable expenditure footing and to accommodate projected lower levels of revenue, an ongoing expenditure reduction of approximately \$103 million per annum is required from 2021. The savings made in 2020 are an important contribution to our financial sustainability. However, even with those savings factored in, our current spending profile remains structurally misaligned with our revenue projections.

To provide ANU with the time to make the further necessary adjustments, ANU Council has approved an Operating Loss in 2021 no greater than our annual depreciation expense, plus structural adjustment costs (separation and transition costs). This position recognises that capital expenditure and structural adjustment costs can be funded through increasing debt facilities as they provide enduring benefit to ANU. Taking into account the savings of \$103 million and funding of capital expenditure and structural adjustment costs through increasing debt, the forecasted cash position at the end of 2021 will be \$245 million, close to the target of \$250 million.

ANU is limited in the amount of debt we can take on with the aggregate debt limit set by the Minister for Finance. The Minister agreed to increase the debt limit to \$800 million following a request from ANU shortly after the beginning of the COVID-19 pandemic. Currently, approximately \$615 million of this limit has been utilised, although only \$315 million of that utilised debt is currently drawn down.

The use of debt facilities for some or all the capital expenditure program and restructuring costs can mitigate the timing of the changes needed for reducing operating expenditure, but this approach cannot be used indefinitely. There is a need for operating expenditure to be reduced to achieve a more structurally appropriate level. In addition, the level of capital expenditure for future years will need to be reviewed to assess how much capital expenditure we can afford. The legacy of past capital expenditure approvals continues to be a heavy weight on the use of cash within ANU.

Adjustment to the reduced expenditure base will better align with our revenue forecasts but is a significant and strategic exercise. These transition costs are a worthwhile one-off investment and suitable for funding through our debt facilities as they will provide an enduring savings benefit and help ensure the longer-term financial sustainability of ANU. There is provision in our financial modelling for



separation costs as well as transition costs to the equivalent of one quarter of the full year savings amount required.

Investments and funding sources

We have drawn on our cash reserves and debt capacity in 2020 to fund core activities and capital investment. This capacity is not unrestricted – any debt we take on needs to be repaid with interest, and the costs of servicing a higher debt burden risks future financial sustainability and takes us closer to the University's government-mandated debt ceiling. For 2021, we are planning to reduce our capital investment plans yet again, with the completion of works in progress and a focus on safety and compliance being the major planned building investments. We will also continue our investments in our technology foundations and information security. Any capital investment in 2021 will need to be funded by increased debt – at this stage this is planned to be an additional \$180 million.

An important part of the financial plan is the investment that needs to be made in areas and activities that are strategic priorities. These include:

- Business development and commercialisation of research
- Philanthropy and fundraising
- New modes of teaching such as microcredentials
- Continued improvements to the student experience
- The creation of a new First Nations portfolio
- Excellence and emerging academic areas.

The University must work to diversify funding sources and collaborations. It needs to invest to generate revenue and reconsider spending in other areas. This means slowing but maintaining momentum for some projects, pausing projects where we can pick them back up later, and sadly ceasing some activities entirely.



Part 3: The Nature of the Change

Community engagement

From May to July 2020, the Vice-Chancellor held a series of financial forums for staff to provide ideas and suggestions to address the financial challenges facing ANU. More than 1000 staff participated in the discussions which yielded constructive ideas and feedback, demonstrating the commitment of staff to support ANU and address the current and future challenges together.

These suggestions, along with input and consultation from professional and academic leaders, have been used in the development of the ANU Recovery Plan. These initiatives will provide benefit across ANU and complement and support change initiatives being proposed at College and Portfolio level.

Saving measures

The ANU needs to achieve an ongoing reduction in expenditure each year of \$103 million.

We are committed to achieving as much of the required savings as possible from non-salary costs. These include:

1. Limiting use of consultants and contractors;
2. Limiting travel (when this resumes) by maintaining alternative modes of collaboration;
3. Investing in Greenhouse Gas emission reductions;
4. Improved procurement of goods and services
5. Reducing non-salary costs such as printing and associated costs through moving to follow me printing and use of online documentation;
6. Negotiating better rates for airline and travel (when business travel recommences); and
7. Flexible working arrangements leading to reduced space footprint.

However, non-salary savings will not be sufficient to close the structural deficit.

The strategy is based on 50% of our ongoing level of savings coming from our salary expenditure. Despite the significant contributions made by colleagues who have accepted a voluntary separation, there is a need for a further reduction of 215 positions. This reduction will be achieved through additional voluntary separations, or as a last resort, redundancies. This will mean farewelling many colleagues – every one of them a valued contributor to our University and the ANU community. We will do so with warmth, respect and gratitude for their time with us.

Part 4: Process to support change across ANU

ANU is seeking to consult and provide some certainty on the nature and scope of the changes that are being considered. We are providing details on the process for decision making across campus, how any changes will be considered and implemented and the timelines for consultation and change.

Each College and Portfolio will identify where changes need to be made to achieve savings and meet the requirements of their 2021 budget allocation. The Deans and Portfolio Heads will work with their School and Research School Directors and Executive and Professional Staff Leaders to identify the nature of the changes which may be required. These changes will need to support and deliver the College/Portfolio and University objectives, continue to deliver excellence in teaching, research and services and will be managed at the appropriate level including Colleges, Research School, Research Institute, Portfolio or Service Division. It is understood that as a result, some planned activities may not be delivered due to reduced budgets.

College and Portfolio proposals



College and Portfolio proposals will outline the nature of the proposed changes and provide details on how these proposed changes will support the overall University objectives and mission. These proposals will include specific information on:

- The expected impact of the changes for students and staff;
- The process for consultation;
- Details on how any confirmed changes would be achieved and implemented;
- The principles to support staff impacted by workforce changes;
- The principles to support students impacted by academic and research changes; and
- The timetable of proposed activities and change.

It is anticipated the program for change across ANU will commence in early October 2020 and will continue until implementation is completed in 2021.

Colleges and Portfolios will consider the design of their teaching, research and services, the capability and best structure required to meet their strategic objectives and achieve their funding envelope. If this analysis results in proposals for significant change, and which include a reduction in positions, ANU will provide specific information on the proposed changes and consult with the affected staff and the community in accordance with the *ANU Enterprise Agreement 2017-2021*.

This will mean some Colleges and Portfolios will be considering design and planning and, if required, undertaking consultation on proposed changes before the end of 2020 with the objective of implementation of any changes ahead of the commencement of the 2021 academic year. Other Colleges and Portfolios will take a little longer to consider the design and service delivery and the changes that may be required. Some areas will have small levels of change that will be achieved through informal change and consultation and discussion within that local area.

In considering any design and proposed changes which may be required, careful consideration will be given and consultation undertaken regarding the impact on students, HDR supervision and panel arrangements, impact on collaborations across disciplines, impact on research grants, research and other contracts and partners and impact on donors and alumni.

Part 5: The University Commitment

This document details the overall nature of the changes required by the University and confirms how specific details and information on proposed changes within local areas will be shared for consultation and feedback. It confirms the staffing principles which will support any changes that may move to implementation.

It is anticipated that implementation of the University program will involve formal change management proposals in some Colleges, Research Schools and/or Portfolios. These proposals will outline the specifics and nature of the changes proposed within local areas and will be released for consultation and discussion. Proposed local area changes may include a change to structures and organisation of Colleges, Portfolios and Service Divisions, a change to academic organisational units and programs, a change to resource allocations and/or a reduction and rebalancing of both academic and professional staff workforce.

We acknowledge there will be a period of uncertainty while consultation on any proposed changes to enable delivery and support of the strategic and financial reform program is undertaken and any agreed changes are confirmed and implemented. We will ensure colleagues have access to appropriate support, and encourage every member of ANU to behave with compassion and kindness during these uncertain times.

We will also consult with and work with the NTEU on improved employment arrangements for casual staff and commit to exploring how we could provide fixed term contract staff with access to internal employment opportunities for an agreed period of time once their contract has ended.



The University is committed to providing job security (Clause 67, ANUEA) and any staff reductions will be managed and achieved through:

- natural attrition;
- permanent transfer;
- redeployment;
- voluntary conversion to part-time work;
- fixed term and pre-retirement agreements; or
- voluntary separation.

The University will seek wherever possible to avoid redundancies, however, if unavoidable, they will be subject to the University's redundancy provisions.

Notification

The University is drafting this document to set out its initial plan for your information and it is being circulated to:

- All University Staff
- All University Students
- Nominated staff representatives including the NTEU;
- ANUSA and PARSA
- Other relevant stakeholders as required.

Representation

Throughout this process staff members may be represented, and seek advice or assistance at any time from a person of their choice as outlined in the ANU Staff Representation Procedure which may be accessed via this link http://policies.anu.edu.au/procedures/staff_representation_procedure/procedure

Staff may not request representation by a legal practitioner unless they are directly involved in a formal disciplinary or termination of employment processes.



Part 6: Consultation

ANU is committed to consultation with staff and students and we will continue to provide a range of options and opportunities for the community to be involved, ask questions and provide feedback and ideas.

ANU has set out the below timetable to meet and confer with the staff and students across campus (and their chosen representatives). ANU will endeavour to reach agreement about the implementation of change and to work consultatively with people affected by any changes.

Feedback may be submitted at anu.edu.au/recovery

Alternatively please contact one of the nominated members of staff identified in the contacts table below.

Date	Details of Consultation Process
15 September 2020	Special University Council meeting for endorsement
15 September 2020	Briefing with NTEU
16 September 2020	Release Change Proposal to University Community Consultation period commences
16-29 September 2020	VC Town Halls College, Portfolio and Student Forums Email feedback Continued consultation with NTEU
29 September 2020	Consultation Closes
29 September to 5 October 2020	Review of consultation feedback
Commencing 6 October 2020	Release of commentary on feedback from consultation Launch of College/Portfolio level programs for managing change

Key Contacts

This change management process to support strategic and financial reform will be led by Chief Operating Officer, Mr Paul Duldig, in consultation with the Human Resources Division.

Name	Position	Contact details
General Comments & Feedback		Lodge your feedback via the website: anu.edu.au/recovery or email ANUrecovery@anu.edu.au
Paul Duldig	Chief Operating Officer	coo@anu.edu.au
Nadine White	Director, Human Resources	director.hr@anu.edu.au
Belinda Farrelly	Associate Director, Organisational Change	org.change@anu.edu.au

Support for Staff:

Staff seeking additional support or advice should contact:

Name	Position	Contact details
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Gail Frank Dr Maaria Haque	Adviser to Staff Adviser to Staff	(02) 6125 3616 (02) 6125 8283 staff.adviser@anu.edu.au
Employee Assistance Providers	Assure Relationships Australia	1800 808 374 (02) 6122 7100