

9 August 2013

Mr Michael McNally  
Industrial Organiser  
National Tertiary Education Union

Dear Michael

### **Questions posed by NTEU members**

I refer to our emails of 26<sup>th</sup> July and 5<sup>th</sup> and 6<sup>th</sup> August regarding questions posed from NTEU members.

### **Higher Education Funding**

Like all Australian public universities, JCU is facing some challenging financial issues in 2013, 2014 and 2015 in order to cope with the Federal Government funding cuts and the uncertain future funding arrangements for Universities given a lower Federal Government revenue base.

In 2012, the Federal Government flagged that significant funding cuts were likely in the higher education sector. In 2013, the Federal government announced budget cuts of approximately \$2.8 billion to the higher education sector. The cuts to funding from the Federal Government are expected to continue into 2014 and beyond. As a result of these cuts JCU has experienced approximately a \$26 million decrease in the funding it is to receive over the next three years. This will have a severe impact on JCU and its operating budget.

In addition to funding cuts to the higher education sector, JCU is also dealing with greater competition in the University sector for domestic students and a decrease in the number of fee-paying international students.

These additional factors do not assist JCU to operate in what is already a challenging operating environment.

The financial matters impacting on the University sector are well known to our employees. While we value our employees and are prepared to participate in providing further information in response to these questions, this letter should be read with the communications made to all our employees about the sector, our funding and the current economic outlook, which is referred to below and available on our website.

### **University Budget**

As a result of the decline in funding received from the Federal Government, JCU has had to carefully review its budget as the assumptions and figures that had been used in its budget forecasting and modelling are no longer applicable.

JCU prepares a new triennium budget every year. It is bound by various legislation in relation to its financial management, auditing and fiscal responsibilities. JCU responsibly managing its financial commitments and budget forecasting and review is an essential part of this.

This means that JCU will face tighter budgets over the next three years and needs to be fiscally responsible until such time as Federal Government funding increases.

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## NTEU Questions

It is in light of this context and background that we provide our responses to the questions asked:

**1. Why was the budget for the employee's salary increase for 2013 changed from 4% to 2.6%?**

As outlined above, a new triennium budget is prepared every year and the planning assumptions used to predict a 4% increase have changed considerably in the space of 18 months. Therefore, forecast information and planning assumptions used in 2010 for the 2011-2013 triennium budget were no longer applicable given the current information at the time of compiling the 2013-2015 budget.

Further, at the time the 2013-2015 budget was prepared, the Federal Government had already commenced reducing funding to the university sector including performance funding and then later in 2012 through the Mid-Year Economic and Fiscal Outlook there were further cuts. Since that time, the Government has announced further funding reductions via the efficiency cuts.

As a result of these factors it was reasonable and appropriate for JCU to review the 2013-2015 budget as it could not sustain a 4% increase to employees' salaries for each year of the replacement enterprise agreement.

**2. When did this change occur and who made the decision/what was the decision-making process?**

Triennium budgets are prepared each year.

All budgeting decision are made by the University Council's Finance Committee and approved by the University Council.

**3. Given the cost of living rises, for example insurance rises of 200-800% with an average of 500%; Electricity this financial year of 22.6%; Stamp Duty 7-9% and their flow on raises, what does management consider to be a reasonable salary increase for employees?**

JCU understands that there are cost of living increases for employees. Equally employees appreciate that there are significant funding and deficit challenges for JCU. JCU has not come to its salary offer lightly. It values our employees, but it must also be responsible with expenditure of what is essentially public funds.

In addition to their salary, JCU employees are entitled to a range of benefits such as superannuation, leave, leave loading and study assistance, on terms that are more generous than what is offered either by other universities or other employers in North Queensland. JCU is not trying to claw back or diminish these benefits.

With the further RBA rate cut on Tuesday, and the economic data available nationally and in Queensland, we believe the pay offer to be fair and reasonable taking into account our responsibilities as a University and our desire to support our employees.

**4. Is it not better for the budget to operate in deficit for longer than for employees to have what is effectively a salary cut in real terms?**

The University is not contemplating cutting salaries. In a difficult and uncertain funding environment, it would be irresponsible to place JCU in a potentially vulnerable financial position. It is important that any salary increases given to employees are sustainable over the life of the enterprise agreement.

**5. Why is it not possible to budget for higher salary increases in 2014 and 2015 given the time that provides to realign the university budget?**

The cuts to funding from the Federal Government are from all present indications likely to continue into 2014 and beyond. Due to the uncertainty faced by JCU it would be irresponsible for it to forecast higher salaries without any guarantee from the Federal Government as to future funding. JCU must act reasonably and responsibly at this time.

**6. Why have senior management been awarded large salary increases and bonuses if the organisation they run is in such dire financial straits?**

Historical remuneration is not a reflection of current circumstances. It is not clear on what information the question is based.

However, the salaries of Senior Management are conservative when compared to other Universities.

It needs to be remembered also that JCU must be able to attract and retain Senior Management of a high calibre. This in turn not only attracts other employees to JCU but also students. To be in a position to do this JCU needs to be able to pay Senior Management accordingly.

Wages for Senior Management are set by the Remuneration and Human Resources Committee of Council and are based on median benchmarks within the University sector. The publicly available information about the remuneration of Senior Management, as published in the University annual reports is the total remuneration for "Key Management Personnel", and this includes salary, superannuation, packaged benefits, leave loading and leave entitlements.

**7. Why hasn't expenditure on new buildings and projects been curtailed sufficiently over the past three years to prevent the university getting into a deficit situation?**

Expenditure on new buildings and projects comes in the form of tied grants from both the Federal and State Governments and cannot be transferred to JCU's general revenue or used for other purposes. Capital expenditure decisions are made long in advance of when major capital works actually commence. The decisions for the capital works program that are currently being undertaken were made several years ago and once the decision has been made to commence, the resulting development cannot be stopped as contracts have been signed and other implementation plans have commenced.

That said, because of the current financial situation JCU is facing, we are currently reviewing our capital plan to determine what, if any, projects which have not yet commenced may be deferred in the short term to assist with the current funding challenges.

**8. When can members expect a response from the review of the budget requested from VCAC?**

As requested by VCAC, JCU is currently reviewing its capital plan and other planned expenditure in light of the current funding challenges. As you would appreciate this is not a simple task. It is anticipated that a response will be possible sometime in the week commencing 19 August 2013.

We remain happy to discuss these matters further in our bargaining meetings.

If you or your members require any further information on the funding cuts to the higher education sector and their impact on JCU I refer you to previous correspondence given to employees accessible on the website - <http://www.jcu.edu.au/ea2012/> .

Regards,



Robyn McGuiggan