



PREMIER OF TASMANIA

29 OCT 2020

Professor Rufus Black
Vice-Chancellor
University of Tasmania
Private Bag 51
HOBART TAS 7001

Dear ~~Professor Black~~

Rufus

University of Tasmania borrowing limit increase

I refer to your letter dated 6 October 2020 seeking approval for a \$200 million increase in the University's borrowing facility limit.

As indicated in my letter of 23 October 2019, it is important that a robust framework exists to consider any approvals under Section 7(2) of the *University of Tasmania Act 1992*. This will ensure that the economic and fiscal risks to the State of the University's strategy are understood and managed, particularly in the current uncertain environment.

Given this, it would be appreciated if the following information could be provided to ensure that I can fully consider the University's request for an increased funding facility:

- a business case in support of the borrowing limit;
- financial performance for the 2020 financial year to date;
- 2021 operating budget;
- updated long term financial forecasts reflecting revised funding strategy;
- sensitivity/scenario analysis covering key risks; and
- full details of existing borrowings and other debt like obligations.

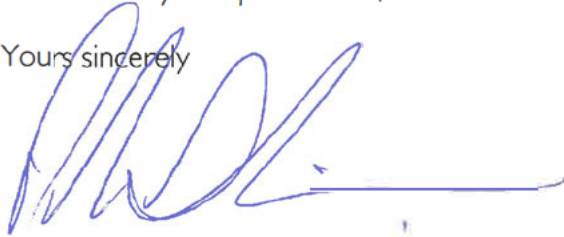
In addition, I note my previous request for the University to obtain a stand-alone credit rating and the previous commitment of the University to that process. I would like to see this continue to progress, and request that the University provide a copy of the engagement letter with an approved rating agency as soon as possible.

I have requested Treasury to consult with key personnel in the University to obtain the documents necessary to support the consideration of the increased funding facility.

I also note your comments in relation to the Government guarantee for COVID-19 borrowing arrangements. The Government's guarantee was to provide Tascorp assurances in lending to any participating authority, including the University, to support cash flow and other funding needs related to COVID-19, including the need to implement Government policy responses to COVID-19. My approval under section 7(2) of the Act for an increased borrowing limit unrelated to COVID-19 would not necessarily increase the Government guarantee.

I look forward to receiving the information requested so that I can give appropriate consideration to the University's request for a \$200 million increase in its borrowing facility.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Peter Gutwein', with a long horizontal line extending to the right.

Peter Gutwein MP
Premier
Treasurer



UNIVERSITY of
TASMANIA

**Office of the
Vice-Chancellor**

The Hon Peter Gutwein MP
Premier of Tasmania
GPO Box 123
Hobart TAS 7001

By email: premier@dpac.tas.gov.au

Dear Premier

Thank you for your letter dated 29 October 2020 regarding the University's borrowing limit increase.

I very much appreciate the need to ensure that the economic and fiscal risks to the State of the University's strategy are understood and managed, particularly so in the current uncertain environment.

We will provide all the information you request to Treasury and Tascorp by the end of November and work with Tascorp to ensure they are well assured of the University's position before the end of 2020. As you would appreciate, to maximise the benefit to the State in the context of the COVID-19 recovery from both an institutional and broader economic perspective, we are keen to get work on our Southern Campus well underway as early in 2021 as possible. Accordingly, I have asked the University's Chief Operating Officer, David Clerk, and Chief Financial Officer, Jo Willsmore, to provide every assistance to key personnel at Treasury and Tascorp to ensure we are able to provide full assurance to the State to support our proposal.

Thank you again for your consideration of our proposal and I look forward to realising the exciting opportunities before us for Hobart and Tasmania as a whole.

Yours sincerely

Professor Rufus Black
Vice-Chancellor

5 November 2020

From: [Adam Dance](#)
To: [REDACTED] [Jo Willsmore](#)
Cc: [REDACTED]; [Calvert, Fiona](#); [REDACTED]; [Nadyne Russell](#)
Subject: RE: UTAS borrowing limit
Date: Friday, 18 December 2020 3:13:04 PM
Attachments: [image002.jpg](#)
[image003.jpg](#)
[image001.jpg](#)
[2019 UTAS Financial Statements Signed 20022020.pdf](#)
[Council 4 December 2020 item4.3 Sthn Campus funding.pdf](#)

Hi [REDACTED]

Reponses are below, hopefully this meets your requirements, give me a call to discuss if needed, I'm on leave next week, but I'll be happy to take call with a view to having all information to you as expeditiously as possible.

I have attached the paper seeking approval regarding the \$200m debt facility this was approved at the Council meeting without amendment.

I have also attached the 2019 annual accounts (Tascorp had received these earlier in the year as required under the MLFA) this sets out the details of "other debt like obligations" that include leases, and Guarantees that are outstanding, refer to Note 13 of the accounts for details. Throughout 2020 the value of these has not materially changed, with the exception that our credit card facility has been reduced to \$4m. We are working on refreshing these numbers as part of the year end process, in summary

- Lease Liabilities = \$16m
- A bank Guarantee relating to AMC Search of \$1m (which is matched with a Term deposit for the same amount)
- Remaining bank guarantees of \$414k, (this was reaffirmed with CBA in September)

At the moment, our borrowing limit is \$200m, which includes an overdraft facility with Tascorp of \$75m and two pieces of term debt, totalling \$125m, these both mature in March 2023 and are for a quantum, and at a rate as listed below;

- \$93.6m – 5.11%
- 33.4m – 1.66%

As at today, the overdraft remains undrawn, and is forecast to remain undrawn at the end of the year. Leaving our total borrowings at \$125m

I hope this covers things off, again, if you need more information, or have questions on the items you already have, please let me know

Thanks

Adam

Adam Dance

Treasury and Commercial Projects Senior Manager | Financial Services
University of Tasmania
Private Bag 53 Hobart TAS 7001

[REDACTED] | adam.dance@utas.edu.au



CRICOS 00586B

From: [REDACTED]
Sent: Friday, 18 December 2020 10:41 AM
To: Jo Willsmore <jo.willsmore@utas.edu.au>; Adam Dance <adam.dance@utas.edu.au>
Cc: [REDACTED] Calvert, Fiona
<Fiona.Calvert@treasury.tas.gov.au>; [REDACTED]
Subject: RE: UTAS borrowing limit

Hi Jo and Adam

The documents that we believe that remain outstanding include the following:

- a full business case that has been approved by the Council; and
- full details of existing borrowings and other debt like obligations.

If you could please provide those that would be great.

I believe that the other data requested is included in what you have provided so far but we will come back to you if need.

Thanks

[REDACTED]

From: Calvert, Fiona <Fiona.Calvert@treasury.tas.gov.au>
Sent: Thursday, 17 December 2020 7:26 PM
To: Jo Willsmore <jo.willsmore@utas.edu.au>; Adam Dance <adam.dance@utas.edu.au>
Cc: [REDACTED]
[REDACTED]; David
Clerk <david.clerk@utas.edu.au>
Subject: RE: UTAS borrowing limit

Jo

I will arrange for Craig to provide details to you and Adam tomorrow on those documents that remain outstanding from the Treasurer's request.

Regards

Fiona

Fiona Calvert | Deputy Secretary

Economic and Financial Policy Division | Department of Treasury and Finance

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21 Murray Street, Hobart, TAS 7000 | GPO Box 147, Hobart TAS 7001

From: Jo Willsmore <jo.willsmore@utas.edu.au>

Sent: Thursday, 17 December 2020 4:19 PM

To: Calvert, Fiona <Fiona.Calvert@treasury.tas.gov.au>; Adam Dance
<adam.dance@utas.edu.au>

Cc: Tipping, Craig <Craig.Tipping@treasury.tas.gov.au>; Binns, Nathan
<Nathan.Binns@treasury.tas.gov.au>; Ferrall, Tony <Tony.Ferrall@treasury.tas.gov.au>; David
Clerk <david.clerk@utas.edu.au>

Subject: RE: UTAS borrowing limit

Dear Fiona

I apologise for any misunderstanding and believe you now have all the information required to brief the Treasurer.

I have also attached confirmation of our engagement with Moody's (pending Moody's acceptance).

Please let me know if you wish to discuss this further or require any additional information.

I wish you an enjoyable Christmas break.

Kind regards,

Jo

Jo Willsmore

Chief Financial Officer

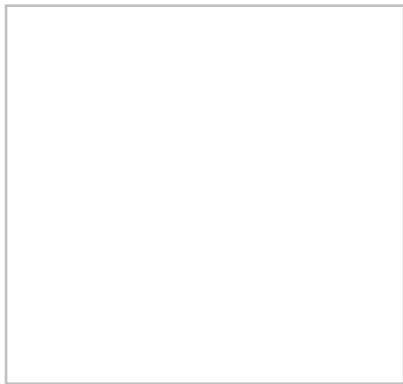
Financial Services

University of Tasmania

Corporate Services Building, Private Bag 53

Hobart TAS 7001

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CRICOS 00586B

From: Calvert, Fiona <Fiona.Calvert@treasury.tas.gov.au>

Sent: Thursday, 17 December 2020 1:09 PM

To: Adam Dance <adam.dance@utas.edu.au>

Cc: [REDACTED]
[REDACTED] Jo
Willsmore <jo.willsmore@utas.edu.au>; David Clerk <david.clerk@utas.edu.au>

Subject: RE: UTAS borrowing limit

Adam

Thank you for providing the attached information to Nathan. As noted on a number of occasions, the process for the approval under Section 7(2) of the *University of Tasmania Act 1992* is a separate process to that to be undertaken by Tascorp. Ideally this process should have been undertaken in advance of the Tascorp assessment. It is therefore disappointing that we have only just been provided with some information to enable Treasury to provide advice to the Treasurer, significantly later than it was provided to Tascorp.

As noted in the letter from the Premier to the Vice-Chancellor on 28 October 2020 (and in previous correspondence from the Premier and Treasurer over the past 14 months), the following information is required to enable the assessment to be made:

- a business case in support of the borrowing limit;
- financial performance for the 2020 financial year to date;
- 2021 operating budget;
- updated long term financial forecasts reflecting revised funding strategy;
- sensitivity/scenario analysis covering key risks; and
- full details of existing borrowings and other debt like obligations.

We also look forward to receiving a copy of the Moody's rating agreement once it is finalised.

Once we have received this information, we will be in a position to prepare advice to the Treasurer.

Regards

Fiona

Fiona Calvert | Deputy Secretary
Economic and Financial Policy Division | Department of Treasury and Finance
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21 Murray Street, Hobart, TAS 7000 | GPO Box 147, Hobart TAS 7001

From: Adam Dance <adam.dance@utas.edu.au>
Sent: Wednesday, 16 December 2020 12:21 PM
To: Binns, Nathan <Nathan.Binns@treasury.tas.gov.au>
Cc: Nadyne Russell <nadyne.russell@utas.edu.au>
Subject: RE: UTAS borrowing limit

Hi Nathan

We are working on having a decision on increasing the University's borrowing limit at the Tascorp Board on Friday the 18th. To support Tascorp in making this decision we have sent through information as requested.

What we have provided is listed below

Item 1 – A financial model including budget and additional 4 years projections that were taken to University Council on 30 October. The financial model is based on the worst case projections provided at that council meeting, but does contain a switch that converts the numbers to a high case, which is based on increased HECS contributions from domestic students and an increase in International student numbers.

Item 2 – Is a more detailed explanation of the capital program included in the financial model, which indicates the current assumed spend, and the timing and costs relating to the sites that form the new CBD campus.

Item 3 & Item 4 – a more detailed breakdown of the forecast of the Northern Transformation spend in the North and the North West, including the timing of completion and costs of key aspect of the projects in the North and North West.

Item 5 – A breakdown from the University Investment advisors relating to historical performance of the Investment portfolio, and the data and analysis that underpins the forecast return that is in the model. This document was endorsed by the University Investment Panel as well as the Finance Committee.

Item 6 and Item 7– A breakdown of how savings related to expenses are achieved, what was shown to Council in relation to these savings, and an excerpt of the budget relating to these costs for 2021.

Item 8 – Tascorp wanted to see how we receive our Federal Government funding, and what are the main elements. Attached is a pay run report that sets out these numbers and what is received by the University every fortnight

Item 9 – UTAS properties membership rules – Tascorp were interested in the construct of property Co, noting that it is a wholly owned subsidiary of UTAS and maintains the same charity status.

I'll go through my correspondence with Tascorp and flick anything else through that is relevant, please give me a call if you need more detail, or have any questions about any of this, it might be easier to schedule in a short meeting at some point, so I can walk you through this work, including the model.

Subsequent to the outcome of the Tascorp Board meeting, we would hope to have Treasury approval early next year but I would be interested in your thoughts on this timeframe. In parallel, we have received, signed and returned a Moody's rating agreement, once we have a completed version, signed by both parties, we will forward that on to yourselves, as requested in the Treasurers letter to the VC.

Thanks

Adam

University of Tasmania Electronic Communications Policy (December, 2014).
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University of Tasmania

Annual Financial Statements – 31 December 2019

Annual Financial Statements – 31 December 2019

Statements

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Statement of Financial Position
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INCOME STATEMENT
for the year ended 31 December 2019

		Consolidated		Parent entity	
	Notes	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
REVENUE AND INCOME FROM CONTINUING OPERATIONS					
Australian Government financial assistance					
Australian Government grants	2.1	370,542	372,143	370,542	372,143
HELP - Australian Government payments	2.1	72,422	78,943	72,422	78,943
State and local government financial assistance	2.2	23,730	24,626	23,730	24,626
HECS-HELP - student payments		7,615	6,627	7,615	6,627
Fees and charges	2.3	166,713	144,653	165,526	143,617
Consultancy and contracts	2.4	28,991	30,173	28,991	30,173
Other income and revenue	2.5	27,407	43,559	22,997	96,543
Investment income (net gains/losses)	3	78,551	11,736	76,436	11,310
Gain on disposal of assets		1,071	-	1,071	-
Total revenue and income from continuing operations		777,042	712,460	769,330	763,982
EXPENSES FROM CONTINUING OPERATIONS					
Employee related expenses	4.1	410,665	379,860	405,813	375,532
Depreciation and amortisation	9,10	40,179	34,960	39,941	34,678
Repairs and maintenance		16,421	17,483	16,372	17,452
Borrowing costs	4.2	6,221	4,972	6,221	4,972
Impairment of assets	4.3	149	6,593	149	6,593
Loss on disposal of assets		-	126	-	126
Other expenses	4.4	229,936	209,337	228,463	205,561
Total expenses from continuing operations		703,570	653,331	696,959	644,914
Net result from continuing operations		73,472	59,129	72,371	119,068
Items that will not be reclassified to profit or loss					
Gain/(loss) on revaluation of property, plant and equipment	9, 11	178	-	178	-
Net actuarial gains/(losses) in respect of superannuation plans	27(c)	225	(85)	225	(85)
Total comprehensive income		73,875	59,044	72,774	118,983

This statement should be read in conjunction with the accompanying notes.

The above Income Statement has been prepared in accordance with Australian Accounting Standards.

The summary below provides a breakdown of the composition of the net result as it relates to the University.

It should not be interpreted that noting these key components in any way draws attention away from the statutory total result.

	Consolidated		Parent entity	
KEY COMPONENTS OF THE RESULT	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
The following reconciliation highlights the key components of the University result:				
Result from core activities *	(1,909)	(3,630)	(895)	(1,469)
Net movements in statutory funds (excluding investment allocations)	(2,025)	23,398	(2,025)	23,398
Investment income (interest and dividends)	14,172	26,348	13,748	25,890
Realised gains/(losses) on investments	4,259	52	4,155	66
Unrealised gains/(losses) on investments	60,120	(14,664)	58,533	(14,646)
Borrowing costs	(6,221)	(4,972)	(6,221)	(4,972)
Capital grants	17,774	23,037	17,774	23,037
Net Settlement of Insurance Claim	(1,582)	4,617	(1,582)	4,617
Transfer of assets from the University of Tasmania Foundation Fund	-	-	-	58,203
Other non operating income	-	6,906	-	6,906
Restructuring costs	(11,116)	(1,962)	(11,116)	(1,962)
Net result from continuing operations	73,472	59,129	72,371	119,068

* The core activities of the University are:

- learning and teaching;
- research, knowledge transfer and research training;
- community engagement; and
- activities incidental to undertaking the above.

Restructure programs are not included.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

		Consolidated		Parent entity	
	Notes	2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	5	18,926	37,092	15,355	33,877
Receivables	6	28,627	28,713	29,498	29,616
Contract assets	2.6(d), 6	5,267	-	5,267	-
Other financial assets	7	7,799	14,280	7,730	14,165
Inventories		755	701	755	701
Other non-financial assets	8	14,654	10,256	14,594	10,182
Total current assets		76,028	91,042	73,199	88,541
NON-CURRENT ASSETS					
Receivables	6	6,673	6,580	6,673	6,580
Other financial assets	7	434,783	389,974	426,431	383,270
Property, plant and equipment	9	826,421	667,732	825,675	666,734
Intangible assets	10	52,692	51,220	52,680	51,220
Service concession assets	11	142,903	140,824	142,903	140,824
Total non-current assets		1,463,472	1,256,330	1,454,362	1,248,628
Total assets		1,539,500	1,347,372	1,527,561	1,337,169
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	12	37,631	30,600	37,145	30,661
Borrowings	13	71,348	-	71,348	-
Contract liabilities	2.6(d)	63,357	24,417	63,257	24,356
Provisions	14	68,534	62,359	67,594	61,467
Other liabilities	15	19,947	18,334	19,947	18,334
Total current liabilities		260,817	135,710	259,291	134,818
NON-CURRENT LIABILITIES					
Borrowings	13	138,291	93,600	138,291	93,600
Contract liabilities	2.6(d)	39,025	-	39,025	-
Provisions	14	25,646	25,074	25,598	25,027
Other liabilities	15	117,635	121,626	117,635	121,626
Total non-current liabilities		320,597	240,300	320,549	240,253
Total liabilities		581,414	376,010	579,840	375,071
Net assets		958,086	971,362	947,721	962,098
EQUITY					
Statutory funds	16	120,111	196,900	120,111	196,900
Reserves	16	217,278	217,100	217,278	217,100
Retained earnings	16	620,697	557,362	610,332	548,098
Total equity		958,086	971,362	947,721	962,098

This statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

Consolidated	Notes	Statutory funds \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2018		173,541	217,100	521,677	912,318
Net result	16	-	-	59,129	59,129
Transfer to statutory funds	16	23,359	-	(23,359)	-
Other comprehensive income	16	-	-	(85)	(85)
Total comprehensive income		23,359	-	35,685	59,044
Balance at 31 December 2018		196,900	217,100	557,362	971,362
Balance at 1 January 2019		196,900	217,100	557,362	971,362
Retrospective changes	1.9.1	(87,151)	-	-	(87,151)
Balance as restated		109,749	217,100	557,362	884,211
Net result	16	-	-	73,472	73,472
Transfer to statutory funds	16	10,362	-	(10,362)	-
Gain/(loss) on revaluation of property, plant and equipment	16	-	178	-	178
Other comprehensive income	16	-	-	225	225
Total comprehensive income		10,362	178	63,335	73,875
Balance at 31 December 2019		120,111	217,278	620,697	958,086

Parent Entity		Statutory funds \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2018		114,786	217,100	511,229	843,115
Net result	16	-	-	119,068	119,068
Transfer to statutory funds	16	23,910	-	(23,910)	-
Transfer of assets from the University of Tasmania Foundation Fund	16	58,204	-	(58,204)	-
Other comprehensive income	16	-	-	(85)	(85)
Total comprehensive income		82,114	-	36,869	118,983
Balance at 31 December 2018		196,900	217,100	548,098	962,098
Balance at 1 January 2019		196,900	217,100	548,098	962,098
Retrospective changes	1.9.1	(87,151)	-	-	(87,151)
Balance as restated		109,749	217,100	548,098	874,947
Net result	16	-	-	72,371	72,371
Transfer to statutory funds	16	10,362	-	(10,362)	-
Gain/(loss) on revaluation of property, plant and equipment	16	-	178	-	178
Other comprehensive income	16	-	-	225	225
Total comprehensive income		10,362	178	62,234	72,774
Balance at 31 December 2019		120,111	217,278	610,332	947,721

This statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

		Consolidated		Parent Entity	
	Notes	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Australian Government grants		427,248	433,076	427,248	432,817
OS-HELP (net)		(227)	147	(227)	147
Superannuation supplementation		596	625	596	625
State and Local Government grants		18,450	16,505	18,450	16,505
HECS-HELP - student payments		7,615	6,627	7,615	6,627
Receipts from student fees and other customers		158,935	143,457	157,071	142,509
Dividends received		17,226	22,630	16,339	22,098
Interest received		763	1,797	699	1,719
Payments to suppliers and employees (inclusive of GST)		(667,934)	(641,025)	(660,522)	(631,452)
Interest and other costs of finance		(5,962)	(4,959)	(5,962)	(4,959)
Short term lease payments and lease payments for leases of low value assets		(2,059)	-	(2,265)	-
Other operating inflows		86,195	95,803	80,791	89,974
Net cash inflow/(outflow) from operating activities	23(b)	40,845	74,681	39,832	76,609
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital grants		17,774	23,037	17,774	23,037
Proceeds from sale of property, plant and equipment		7,822	6,625	7,822	6,625
Payments for property, plant and equipment		(196,033)	(103,702)	(196,352)	(103,682)
Payments for intangibles		(9,724)	(6,937)	(9,407)	(6,937)
Payments for financial assets		(62,273)	(126,403)	(61,580)	(119,698)
Proceeds from sale of financial assets		88,324	127,170	87,542	126,067
Movement in loans to controlled entities		-	-	747	(1,598)
Movement in monies held on behalf of other entities		(2,458)	632	(2,458)	632
Net cash inflow/(outflow) from investing activities		(156,569)	(79,578)	(155,912)	(75,554)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		100,000	-	100,000	-
Repayment of lease liabilities		(2,442)	-	(2,442)	-
Net cash inflow/(outflow) from financing activities		97,558	-	97,558	-
Net increase/(decrease) in cash held		(18,166)	(4,897)	(18,522)	1,055
Cash at beginning of reporting period		37,092	41,989	33,877	32,822
Cash at end of reporting period	5	18,926	37,092	15,355	33,877

This statement should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied for all years reported unless otherwise stated. The financial statements include separate statements for the University of Tasmania (University) as the parent entity and the consolidated entity consisting of the University and its controlled entities.

1.1 Basis of preparation

As per AASB1054 *Australian Additional Disclosures*, the annual financial statements represent the audited general purpose financial statements of the University of Tasmania. They have been prepared on an accrual basis and comply with the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The University of Tasmania applies Tier 1 reporting requirements. Additionally, the statements have been prepared in accordance with the following statutory requirements:

- University of Tasmania Act 1992
- Higher Education Support Act 2003 (Financial Statement Guidelines)
- Australian Charities and Not-for-Profits Commission Act 2012

The University is a not-for-profit entity and these financial statements have been prepared on that basis. Some of the Australian Accounting Standards requirements for not-for-profit entities are inconsistent with the IFRS requirements.

The consolidated entity current liabilities exceed its current assets. The other financial assets including invested funds are classified as non-current in line with the consolidated entity's strategy of holding them long term. The majority of the funds could be redeemed within 30 days if required for working capital purposes.

Date of authorisation for issue

The financial statements were authorised for issue by the University Council on 14 February 2020.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for debt and equity financial assets (including derivative financial instruments) that have been measured at fair value either through other comprehensive income or profit or loss, certain classes of property, plant and equipment and investment properties.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires making certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

- Note 2.6 - Revenue and income, and associated contract assets and liabilities
- Note 4.3 - Impairment of assets
- Note 9 - Fair value, depreciation and amortisation of property, plant and equipment
- Note 10 - Intangibles
- Note 11 & 15 - Service concession asset
- Note 13.1 - Lease liabilities
- Note 14 & 27 - Superannuation provision
- Note 14 - Long service leave provision
- Note 14 - Restructuring provision

1.2 Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the University ("parent entity") as at 31 December 2019 and the results of all controlled entities for the year then ended. The University and its controlled entities together are referred to in these financial statements as the consolidated entity. A controlled entity is any entity controlled by the University. The consolidated entity has control over a controlled entity when it is exposed, or has rights, to variable returns from its involvement with the controlled entity, and has the ability to affect those returns through its power over the controlled entity. Power over the controlled entity exists when the consolidated entity has existing rights that give it current ability to direct the relevant activities of the controlled entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity. A list of controlled entities is contained in Note 22 to the financial statements. Controlled entities are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of controlled entities. Intercompany transactions, balances and unrealised gains on transactions between entities within the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities are changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

1.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the consolidated entity's functional and presentation currency.

Transactions and balances

Transactions made using foreign currency are converted into Australian currency at market exchange rates applicable at the date of the transaction. Amounts payable or receivable in foreign currencies at balance date are converted into Australian currency at market exchange rates at balance date. Currency conversion gains and losses are recognised in profit or loss.

1.4 Tax status

Income tax

The consolidated entity does not provide for Australian income tax as it is exempt from income tax in accordance with the provisions of Division 50 of the Income Tax Assessment Act 1997.

Fringe benefits tax

The consolidated entity is liable to pay fringe benefits tax, and this is included in the Income Statement.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are presented as operating cash flows.

1.5 Joint venture and collaborative agreements

The consolidated entity participates in six Co-operative Research Centres. The consolidated entity interests are not considered material, and expenditure incurred by the consolidated entity as a result of its participation is expensed.

1.6 Rounding of amounts

Amounts in the financial statements are rounded to the nearest \$1,000.

1.7 Comparative amounts

Where necessary, comparative information has been reclassified to enhance comparability in respect of the changes in presentation adopted in the current

1.8 Impacts of new accounting standards and interpretations

The following standards have been issued but are not mandatory for 31 December 2019 reporting periods:

AASB1059 Service Concession Arrangements: Grantors (Application date: 1 Jan 2020). The consolidated entity elected to early adopt this standard in 2017 in order to account for its Purpose Built Student Accommodation (PBSA) asset transactions.

In addition, at the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were on issue but not yet effective:
AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material - 1 January 2020
2019-1 Amendments to References to the Conceptual Framework in IFRS Standards - 1 January 2020
AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the effect of new IFRS Standards Not Yet Issued in Australia - 1 January 2020

The impact of these is not expected to be material.

1.9 Initial application of Australian Accounting Standards and Interpretations

The consolidated entity has adopted AASB15, AASB1058 and AASB16 in accordance with the transitional provisions applicable to each standard. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

1.9.1 AASB15 Revenue from Contracts with Customers and AASB1058 Income of Not-for-profit entities

This note explains the impact on the consolidated entity's financial statements of adopting AASB15 and AASB1058.

The consolidated entity adopted AASB15 and AASB1058 using the modified retrospective method of transition, with the date of initial application of 1 January 2019. In accordance with the provisions of this transition approach, the consolidated entity recognised the cumulative effect of applying these new standards as an adjustment to opening retained earnings at the date of initial application, i.e., 1 January 2019. Consequently, the comparative information presented has not been restated and continues to be reported under the previous standards on revenue and income. In addition, the consolidated entity has applied the practical expedient and elected to apply these standards retrospectively only to contracts and transactions that were not completed contracts at the date of initial application, i.e., as at 1 January 2019.

The new accounting policies for revenue and other income for not-for-profit entities in accordance with AASB15 and AASB1058 respectively are provided in Note 2.6a.

Overview of AASB15 and AASB1058

Under the new income recognition model applicable to not-for-profit entities, the consolidated entity first determines whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer (or on behalf of the customer) are 'sufficiently specific'.

If an enforceable agreement exists and the promises are 'sufficiently specific' (to a transaction or part of a transaction), the consolidated entity applies the general AASB15 principles to determine the appropriate revenue recognition. If these criteria are not met, the consolidated entity considers whether AASB1058 applies.

The nature and effect of the changes as a result of adoption of AASB15 and AASB1058 are as follows:

	Consolidated		Parent entity	
	Ref	1st January	Ref	1st January
	adjustments	2019	adjustments	2019
Opening adjustment to equity		(87,151)		(87,151)
Recognition of contract assets	2.6(d)	3,705	2.6(d)	3,705
Recognition of contract liabilities	2.6(d)	(90,856)	2.6(d)	(90,856)

Set out below are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2019 as a result of the adoption of AASB15 and AASB1058. The adoption of AASB15 did not have a material impact on Other Comprehensive Income or the consolidated entity's operating, investing and financing cash flows.

**Income Statement
for the year ended 31 December 2019**

	Ref	Consolidated	Parent
	adjustments	\$'000	\$'000
Net result from continuing operations under AASB15/AASB1058		73,472	72,371
Impacted revenue line items:			
Australian Government grants	2.1	(15,240)	(15,240)
State and local government financial assistance	2.2	(311)	(311)
Fees and charges	2.3	267	267
Consultancy and contracts	2.4	(2,592)	(2,592)
Other income and revenue	2.5	3,318	3,318
Total revenue recognised as a contract asset/liability		(14,558)	(14,558)
Net result from continuing operations under previous AAS		58,914	57,813

**Statement of financial position
as at 31 December 2019**

	Ref	Consolidated	Parent
	adjustments	\$'000	\$'000
Total equity under AASB15/AASB1058		958,086	947,721
Impacted line items:			
Contract Assets	2.6(d), 6	5,267	5,267
Contract Liabilities	2.6(d)	77,859	77,859
		72,592	72,592
Total equity under previous AAS		1,030,678	1,020,313

The nature of the adjustments as at 1 January 2019 and the reasons for the changes in the statement of financial position as at 31 December 2019 and the income statement for the year ended 31 December 2019 are described below:

(a) Contract Assets

A contract asset has been recognised representing expected revenue from performance obligations that have been met as at 1 January 2019.

(b) Contract liabilities

A contract liability has been recognised representing contract revenue invoiced by the consolidated entity where the specific performance obligations had not yet been met as at 1 January 2019.

(c) Equity

Equity has decreased by \$72.592 m representing the recognition of the contract asset and liability described above. This related to statutory funds.

1.9.2 AASB16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019)

This note explains the impact on the consolidated entity's financial statements of adopting AASB16.

The consolidated entity has adopted AASB16 using the modified retrospective method of transition, with the date of initial application of 1 January 2019. As permitted under the transition provisions in the standard, the comparatives for the 2018 reporting period have not been restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are provided in note 13.1.

On adoption of AASB 16, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the consolidated entity's incremental borrowing rate as of 1 January 2019. The weighted average consolidated entity's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.6%.

The consolidated entity elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(a) Practical expedients applied

The consolidated entity has applied the following practical expedients in transitioning existing operating leases:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment)
- Applied the exemption not to recognise right-of-use assets and lease liabilities where the remaining leases term is 12 months or less from the date of initial application
- Relied on its assessment of whether leases are onerous applying AASB137 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application, as an alternative to undertaking an impairment review
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease and
- Excluded initial direct costs from the measurement of right-of-use assets at the date of initial application.

(b) Reconciliation of operating lease commitments under AASB117 and lease liabilities under AASB16

The difference between the operating lease commitments disclosed previously by applying AASB117 and the value of the lease liabilities recognised under AASB16 on 1 January 2019 is explained as follows:

	Consolidated	Parent Entity
	1st January 2019	
	\$'000	\$'000
Operating lease commitments disclosed as at 31 December 2018	13,331	13,331
(Less): Discounted using the consolidated weighted average incremental borrowing rate of 3.6%	141	141
(Less): Short-term and low-value leases recognised on a straight-line basis as an expense	(171)	(171)
Add: Adjustments as a result of a different treatment of extension and termination options	3,992	3,992
(Less): Leases with non-exclusive right of use	(486)	(486)
(Less): Lease entered into after 1 January 2019	(6,287)	(6,287)
(Add): Leases not included in operating lease commitments	171	171
Lease liability recognised as at 1 January 2019	10,691	10,691
Current Lease liability	1,348	1,348
Non-current lease liability	9,343	9,343
	10,691	10,691

(c) Measurement of right-of-use assets

The right-of-use assets were recognised at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Any leasehold improvements relating to the right-of-use assets have been re-classified as part of the cost of the right-of-use asset (previously recognised as a leasehold improvement).

(d) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Right-of-use assets – increase by \$26.231m
Lease liabilities – increase by \$10.691m
Leasehold improvements - decrease by \$15.718m

There was no net impact on retained earnings on 1 January 2019.

(e) The consolidated entity as a lessor

The consolidated entity is not required to make any adjustments on transition to AASB16 where it is a lessor, except for subleases.

(f) Sale and leaseback transactions

The consolidated entity has no sale and leaseback transactions as at 31 December 2019.

1.9.3 Other accounting standards and interpretations

The following interpretations and amending standards have also been adopted:

AASB2016-8. Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
AASB2017-1. Amendments to Australian Accounting Standards – Transfers of Investment Property
AASB2017-6. Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
AASB2017-7. Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
AASB2018-1. Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle
AASB2018-2. Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement

		Consolidated		Parent Entity	
		2019	2018	2019	2018
Notes	\$'000	\$'000	\$'000	\$'000	\$'000

2. REVENUE AND INCOME FROM CONTINUING OPERATIONS

The notes 2.1 to 2.5 disclose the revenue and income received during the period according to the mandatory disclosures required by the Department of Education. The disclosures as per AASB15 and AASB1058 are included in the note 2.6 and a reconciliation is included in note 2.7.

2.1 Australian Government financial assistance including Australian Government Loan Programs (HELP)

(a) Commonwealth Grant Scheme and other grants	28.1				
Commonwealth Grant Scheme		199,761	199,640	199,761	199,640
National Institutes Funding		7,823	7,677	7,823	7,677
Access and Participation Fund		6,920	6,841	6,920	6,841
Promotion of Excellence in Learning and Teaching		(10)	-	(10)	-
Disability Performance Funding		261	175	261	175
Australian Maths & Science Partnership Program		-	(176)	-	(176)
Indigenous Student Success Program		2,660	2,613	2,660	2,613
Total Commonwealth Grants Scheme and other grants		217,415	216,770	217,415	216,770
(b) Higher Education Loan Programs (HELP)	28.2				
HECS-HELP		68,514	75,350	68,514	75,350
FEE-HELP		2,530	2,303	2,530	2,303
SA-HELP		1,378	1,290	1,378	1,290
Total Higher Education Loan Programs		72,422	78,943	72,422	78,943
(c) EDUCATION Research	28.3				
Research Training Program		24,666	24,657	24,666	24,657
Research Support Program		22,706	23,489	22,706	23,489
Total EDUCATION Research		47,372	48,146	47,372	48,146
(d) Other capital funding	28.5				
Education Investment Fund		-	2,000	-	2,000
Linkage Infrastructure, Equipment and Facilities grant		386	702	386	702
Total other capital funding		386	2,702	386	2,702
(e) Australian Research Council (ARC)	28.6				
Discovery		8,562	8,264	8,562	8,264
Linkages		5,457	2,866	5,457	2,866
Networks and Centres		-	-	-	-
Special Research Initiatives		7,030	8,532	7,030	8,532
Total Australian Research Council		21,049	19,662	21,049	19,662
(f) Other Australian Government financial assistance					
Non-capital					
National Health and Medical Research Council		4,965	4,300	4,965	4,300
Australian Government Research (non-ARC)		21,854	22,491	21,854	22,491
Other Australian Government income		49,501	48,072	49,501	48,072
Total non-capital		76,320	74,863	76,320	74,863
Capital					
Other Australian Government capital income	28.5	8,000	10,000	8,000	10,000
Total capital		8,000	10,000	8,000	10,000
Total other Australian Government financial assistance		84,320	84,863	84,320	84,863
Total Australian Government financial assistance		442,964	451,086	442,964	451,086
Reconciliation					
Australian Government grants		370,542	372,143	370,542	372,143
Higher Education Loan Programs		72,422	78,943	72,422	78,943
Total Australian Government financial assistance		442,964	451,086	442,964	451,086

		Consolidated		Parent Entity	
		2019	2018	2019	2018
	Notes	\$'000	\$'000	\$'000	\$'000
2. REVENUE FROM CONTINUING OPERATIONS (continued)					
2.2 State and Local Government financial assistance					
Non-capital					
Institute for Marine and Antarctic Studies (IMAS)		3,642	2,899	3,642	2,899
Tasmanian Institute of Agriculture (TIA)		5,772	5,577	5,772	5,577
Menzies Research Institute (Menzies)		812	1,048	812	1,048
Other State and Local Government Funded Research		5,108	3,749	5,108	3,749
Vocational Education and Training - State Government Support		844	1,074	844	1,074
Total non-capital		16,178	14,347	16,178	14,347
Capital					
Other capital income		7,552	10,279	7,552	10,279
Total capital		7,552	10,279	7,552	10,279
Total State and Local Government financial assistance		23,730	24,626	23,730	24,626
2.3 Fees and charges					
Course fees and charges					
Fee-paying overseas students - onshore		136,505	114,423	136,505	114,423
Fee-paying overseas students - offshore		3,131	2,778	3,131	2,778
Fee-paying domestic postgraduate students		1,944	1,747	1,944	1,747
Total course fees and charges		141,580	118,948	141,580	118,948
Other fees and charges					
Student Services and Amenities Fees from students	28.10	4,148	4,152	4,148	4,152
Accommodation charges		14,924	14,532	14,156	13,697
Vocational Education and Training student fees		799	1,141	799	1,141
Other		5,262	5,880	4,843	5,679
Total other fees and charges		25,133	25,705	23,946	24,669
Total fees and charges		166,713	144,653	165,526	143,617
2.4 Consultancy and contracts					
Industry and other research contracts		24,995	20,087	24,995	20,087
Research consultancies		22	58	22	58
Industry support to ARC Linkage projects		422	657	422	657
Industry support to other Commonwealth research		3,552	5,291	3,552	5,291
Total consultancy and contracts		28,991	30,173	28,991	30,173
2.5 Other income and revenue					
Donations and bequests		1,668	3,288	1,668	2,318
Research donations and bequests		4,673	4,080	4,673	4,080
Scholarships and prizes		1,493	1,686	1,493	1,686
Contract revenue (other than consultancy and contract research)		9,278	9,434	2,234	3,091
Sale of goods		4,219	3,957	4,216	3,958
Other revenue		4,290	-	4,299	-
Other income		1,786	25,194	4,414	85,490
Total other income		27,407	43,559	22,997	96,543

The Parent Entity's other income for 2018 included \$58.2m of assets transferred from the University of Tasmania Foundation Fund (see note 16) and insurance recoveries of \$14.8m relating to flood damage to the University's Sandy Bay campus.

2.6 Revenue and income from continuing operations

The consolidated entity receives revenue and income streams from a variety of sources, as follows:

Sources of funding: The consolidated entity receives funds from Australian Government as well as State and Local Government to assist with education programs across a wide range of disciplines, and at different education qualification levels. Apart from the sources received from Government, the consolidated entity also receives funds and fees from private organisations or individuals that are used for the different programs led by the University or correspond to the education services provided by it.

Revenue and income streams: The consolidated entity derives revenue and income from two main activities: education and research:

i) Education: the consolidated entity has domestic and overseas students enrolled in a variety of programs for different qualification levels (from certificates to doctoral degrees). Domestic and overseas student recruitment is affected by various economic, social and political factors such as the national and global economy, and local demography.

ii) Research: The consolidated entity performs research activities in different fields such as health, engineering, education, or science. The consolidated entity enters into many different types of research agreements with different counterparties, such as with private sector customers and Government agencies that award research grants. Each grant agreement is assessed as to whether it is an enforceable arrangement and contains sufficiently specific promises to transfer outputs from the research to the customer (or at the direction of the customer). Judgement is required in making this assessment. The consolidated entity has concluded that some research agreements represent a contract with a customer whereas other research grants are recognised as income when the consolidated entity obtains control of the research funds.

In addition to revenue and income derived from education and research activities, the consolidated entity also derives revenue and income from other fees and charges from services that are provided ancillary to education and research, such as accommodation and amenities provided to students, and capital grants to fund its infrastructure.

a) Disaggregation:

The consolidated entity derives revenue and income from:

	Consolidated Sources of funding \$'000					Revenue from contracts with customers	Income of not for profit entities
	Student Fees	Australian Government financial assistance	State and Local Government financial assistance	Industry and other non- government sources	Other (incl. Donations and Bequests)		
Revenue and income streams:							
Education - Course fees and charges							
Domestic students	1,944	288,459	-	-	-	290,403	-
Overseas students	139,636	-	-	-	-	139,636	-
Vocational education and training	-	-	844	-	799	1,643	-
Total education revenue and income	141,580	288,459	844	-	799	431,682	-
Research							
Australian Research Council (ARC)	-	21,049	-	-	-	21,049	-
National Health and Medical Research Council (NHMRC)	-	4,965	-	-	-	4,965	-
Australian Government Research (non-ARC)	-	71,355	-	-	-	23,696	47,659
Department of Education - Research Training and Support Programs	-	47,372	-	-	-	-	47,372
State funding for research institutes (IMAS, TIA, Menzies)	-	-	10,226	-	-	-	10,226
State and local government research contracts	-	-	5,108	-	-	1,161	3,947
Non-Government entity research contracts and consultancies	-	-	-	28,991	-	9,751	19,240
Research donations and bequests	-	-	-	-	4,673	-	4,673
Total research revenue and income	-	144,741	15,334	28,991	4,673	60,622	133,117
Non-course fees and charges (ancillary to provision of education and research)							
Student Services and Amenities Fees	-	1,378	-	-	4,148	5,526	-
Accommodation charges	-	-	-	-	14,924	14,924	-
Contract revenue (other than consultancy and contract research)	-	-	-	-	9,278	9,278	-
Sale of goods	-	-	-	-	4,219	4,219	-
Other fees and charges	-	-	-	-	5,262	5,199	63
Total non-course fees and charges	-	1,378	-	-	37,831	39,146	63
Capital Government Grants	-	-	15,938	-	-	15,938	-
Other							
Donations and bequests	-	-	-	-	1,668	-	1,668
Scholarships and prizes	-	-	-	-	1,493	-	1,493
Other revenue (AASB15)	-	-	-	-	4,290	4,290	-
Other income (AASB1058)	-	-	-	-	1,786	-	1,786
Total other	-	-	-	-	9,237	4,290	4,947
Total revenue from contracts with customers	141,580	339,547	21,890	9,751	42,920	551,678	-
Total income of not-for-profit entities	-	95,031	10,226	19,240	9,620	-	138,127

	Parent entity Sources of funding \$'000					Revenue from contracts with customers	Income of not for profit entities
	Student Fees	Australian Government financial assistance	State and Local Government financial assistance	Industry and other non- government sources	Other (incl. Donations and Bequests)		
Education - Course fees and charges							
Domestic students	1,944	288,459	-	-	-	290,403	-
Overseas students	139,636	-	-	-	-	139,636	-
Vocational education and training	-	-	844	-	799	1,643	-
Total education revenue and income	141,580	288,459	844	-	799	431,682	-
Research							
Australian Research Council (ARC)	-	21,049	-	-	-	21,049	-
National Health and Medical Research Council (NHMRC)	-	4,965	-	-	-	4,965	-
Australian Government Research Contracts and Grants (non-ARC)	-	71,355	-	-	-	61,726	9,629
Department of Education - Research Training and Support Programs	-	47,372	-	-	-	-	47,372
State funding for research institutes (IMAS, TIA, Menzies)	-	-	10,226	-	-	-	10,226
State and local government research contracts and grants	-	-	5,108	-	-	2,244	2,864
Non-Government entity research contracts and grants	-	-	-	28,991	-	18,043	10,948
Research donations and bequests	-	-	-	-	4,673	-	4,673
Total research revenue and income	-	144,741	15,334	28,991	4,673	108,027	85,712
Non-course fees and charges (ancillary to provision of education and research)							
Student Services and Amenities Fees	-	1,378	-	-	4,148	5,526	-
Accommodation charges	-	-	-	-	14,156	14,156	-
Contract revenue (other than consultancy and contract research)	-	-	-	-	2,234	2,234	-
Sale of goods	-	-	-	-	4,216	4,216	-
Other fees and charges	-	-	-	-	4,843	4,780	63
Total non-course fees and charges	-	1,378	-	-	29,597	30,912	63
Capital Government Grants			15,938			15,938	
Other							
Donations and bequests	-	-	-	-	1,668	-	1,668
Scholarships and prizes	-	-	-	-	1,493	-	1,493
Other revenue (AASB15)	-	-	-	-	4,299	4,299	-
Other income (AASB1058)	-	-	-	-	4,414	-	4,414
Total other	-	-	-	-	11,874	4,299	7,575
Total revenue from contracts with customers	141,580	377,577	19,026	18,043	34,695	590,858	
Total income of not-for-profit entities	-	57,001	13,090	10,948	12,248	-	93,350

2.6 Revenue and income from continuing operations (continued)

Revenue from contracts with customers

b) Accounting policies and significant accounting judgements and estimates

Education - Course fees and charges:

The course fees and charges revenue relates to undergraduate programs, graduate and doctoral degree programs and vocational education and training programs. The revenue is recognised as and when the course is delivered to students over the academic year. When the courses or trainings have been paid in advanced by students or the consolidated entity has received the government funding in advance (e.g. before starting the academic period) the consolidated entity recognises a contract liability until the services are delivered. The consolidated entity does not have obligations to return or refund obligations or other similar obligations. There is no significant financing component, as the period from when the student pays and the service is provided is less than 12 months and the consideration is not variable.

Research:

Revenue recognition for research funding is dependent upon the source of the funding and the nature of the transaction.

The following specific research revenue recognition criteria have been applied:

- Funding received from **Australian Research Council "ARC"**: the consolidated entity considers agreements with the ARC to be enforceable and to have sufficiently specific performance obligations. It therefore recognises revenue as the research is performed (e.g. as the ARC obtains control of the intellectual property as it is created).
- Funding received from **National Health and Medical Research Council "NHMRC"**: the consolidated entity considers agreements with the NHMRC to be enforceable and to have sufficiently specific performance obligations. It therefore recognises revenue as the research is performed (e.g. as the NHMRC obtains control of the intellectual property as it is created).
- Funding received from **other government sources (i.e. non "ARC")**: For research agreements of \$100,000 or more, the consolidated entity considers each agreement on a case by case basis as to whether it is within the scope of AASB15. If the consolidated entity considers the agreement to be enforceable and to have sufficiently specific performance obligations, it recognises the revenue when the research is performed/delivered.
- Funding received from **State and Local Government**: The consolidated entity recognises revenue received for its three research institutes (IMAS, TIA and Menzies) in accordance with AASB1058 Income of not for profit entities, as it does not consider there to be sufficiently specific performance obligations for the revenue to fall within the scope of AASB15. For all other State and Local Government research agreements, where total contract revenue is \$100,000 or more, the consolidated entity considers each agreement on a case by case basis as to whether it is within the scope of AASB15. If the consolidated entity considers the agreement to be enforceable and to have sufficiently specific performance obligations, it recognises the revenue when the research is performed/delivered.
- Funding received from **non-government entities**: For research agreements of \$100k or more, the consolidated entity considers each agreement on a case by case basis as to whether it is within the scope of AASB15. If the consolidated entity considers the agreement to be enforceable and to have sufficiently specific performance obligations, it recognises the revenue when the research is performed/delivered.

Accounting policy

The research grants that are considered within the scope of AASB15 meet the enforceability criteria due to the existence of refund clauses in the agreements with the grantor and the promises to transfer good or services to the customer (or on behalf of the customer) are sufficiently specific as the consolidated entity has the obligation to provide:

- Comprehensive academic paper with the results of the research after completion
- Publishing research data and results on an ongoing basis in a openly accessible repository as requested by the grantor
- Intellectual property.

Depending on the nature of the promise, the consolidated entity either recognises revenue at a point in the time when the promise is delivered (e.g. when the comprehensive academic paper is published) or recognises revenue as the service is performed (e.g. as the customer obtains control of the intellectual property as it is created).

Where there is a refund clause within an agreement, a refund liability is recognised by the consolidated entity as soon as it is probable that the refund is payable and amount of the refund can be measured reliably.

Non-course fees and charges

Non-course fees and charges revenue relates to student services and amenities fees, student accommodation, parking fees, and sale of goods (such as publications and testing services). Revenue relating to student services and amenities fees and student accommodation is recognised over time as and when the service is provided over the relevant academic year. Revenue relating to parking fees and sale of goods is recognised at the point in time when the service or sale is delivered.

Other revenue that is within the scope of AASB15 mainly relates to rental/venue hire revenue, conference registrations, commissions received and commercialisation revenue. The revenue is recognised at the point of time when the service is delivered.

c) Unsatisfied performance obligations

Remaining performance obligations represent services the consolidated entity has promised to provide to customers under agreements for research services which are satisfied as the goods or services are provided over the contract term. The consolidated entity uses the input method to determine the transaction price allocated to the remaining performance obligations in its contracts with customers. The input method recognises revenue on the basis of the consolidated entity's efforts or inputs to the satisfaction of a performance obligation; the consolidated entity uses costs incurred to measure its efforts or inputs to the satisfaction of a performance obligation.

For customer contracts with terms of one year or less, or where revenue is recognised using the 'right to invoice' method of recognising revenue, as permitted under AASB15, disclosures are not required in relation to the transaction price allocated to these unsatisfied performance obligations. These unsatisfied performance obligations are expected to be satisfied within the following periods:

	Within 1 year \$'000	From 1 to 5 years \$'000	After 5 years \$'000	Total \$'000
Consolidated				
Australian Research Council (ARC)	11,190	12,353	2,926	26,469
National Health and Medical Research Council (NHMRC)	563	2,410	268	3,241
Australian Government Research (non-ARC)	3,336	8,362	3,839	15,537
State and local government research contracts	1,236	858	80	2,174
Non-Government entity research contracts and consultancies	22,509	6,643	1,286	30,438
	38,834	30,626	8,399	77,859
Parent				
Australian Research Council (ARC)	11,190	12,353	2,926	26,469
National Health and Medical Research Council (NHMRC)	563	2,410	268	3,241
Australian Government Research (non-ARC)	3,336	8,362	3,839	15,537
State and local government research contracts	1,236	858	80	2,174
Non-Government entity research contracts and consultancies	22,509	6,643	1,286	30,438
	38,834	30,626	8,399	77,859

As permitted under the transitional provisions in AASB15, the transaction price allocated to partially unsatisfied performance obligations as of 31 December 2018 is not disclosed.

d) Contract assets and liabilities related to contracts with customers

The consolidated entity has recognised the following assets and liabilities related to contracts with customers:

	Consolidated 2019		Parent 2019	
	Closing balance \$'000	Opening balance \$'000	Closing balance \$'000	Opening balance \$'000
Contract Assets - current	5,267	3,705	5,267	3,705
Contract Assets - current	5,267	3,705	5,267	3,705
Student fees in advance	24,106	24,118	24,106	24,118
Non-research contract liabilities	417	299	317	238
Research contract liabilities - current	38,834	45,317	38,834	45,317
Contract Liabilities - current	63,357	69,734	63,257	69,673
Research contract liabilities - non current	39,025	45,539	39,025	45,539
Contract Liabilities -non current	39,025	45,539	39,025	45,539

Contract assets

The contract assets are associated with research projects where the consolidated entity has met the specific performance obligations but has not yet invoiced the revenue. Any impairment associated with the contract assets is disclosed in Note 6 Receivables and contract assets.

Accounting policy

While a receivable is the consolidated entity's right to consideration that is unconditional, a contract asset is the consolidated entity's right to consideration in exchange for goods or services that the consolidated entity has transferred to the customer when that right is conditioned on meeting the terms and performance obligations of the contract.

Contract liabilities

The contract liabilities are associated to revenue received from customers for which the performance obligations have not yet been met. The consolidated entity uses the input method to determine the transaction price allocated to the remaining performance obligations in its contracts with customers. The input method recognise revenue on the basis of the consolidated entity's efforts or inputs to the satisfaction of a performance obligation; the consolidated entity uses costs incurred to measure its efforts or inputs to the satisfaction of a performance obligation.

Accounting policy

A contract liability is the obligation to transfer goods or services to a customer for which the consolidated entity has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the consolidated entity transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the consolidated entity performs under the contract.

e) Refund liabilities

The consolidated entity has recognised the following refund liabilities related to contracts with customers:

	Consolidated 2019		Parent 2019	
	Closing balance	Opening balance	Closing balance	Opening balance
	\$'000	\$'000	\$'000	\$'000
Refund liabilities - current	270	63	270	63

Accounting policy

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the consolidated entity ultimately expects it will have to return to the customer. The consolidated entity updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Income of not-for-profit**f) Accounting policies and significant accounting judgements and estimates****Grants (other than capital grants)**

Grant income mainly comprises of funding for research projects where there are no specific performance obligations. The income is recognised immediately when the funds are received, in accordance with AASB1058.

Department of Education – Research Block Grant (“RBG”): the consolidated entity received funding in relation to the Research Training Program (“RTP”) and Research Support Program (“RSP”). The consolidated entity recognises the income immediately when it has the contractual right to receive the grant, as per AASB1058.

Other

The consolidated entity considers all other income as to whether it should be recognised under AASB15 or AASB1058, and recognises it accordingly.

g) Volunteer services

The consolidated entity relies on the services of volunteers, predominantly students and alumni, particularly in the conduct of its research activities. The consolidated entity has elected to not recognise volunteer services received as income in its financial statements as the impact is unlikely to be material.

		Consolidated 2019	2018	2019	Parent Entity 2018
Notes		\$'000	\$'000	\$'000	\$'000

2.7 Reconciliation of revenue and income

The following table reconciles the amounts disclosed in notes 2.1 to 2.5 which contain the mandatory disclosures required by the Department of Education and the disclosures provided in note 2.6 as per AASB15 and AASB1058:

		Consolidated 2019	Parent Entity 2019
Notes		\$'000	\$'000
Total Australian Government financial assistance including Australian Government Loan Programs (HELP)	2.1	442,964	442,964
Total State and Local Government financial assistance	2.2	23,730	23,730
Total Fees and charges	2.3	166,713	165,526
Total Consultancy and contract fees	2.4	28,991	28,991
Total Other revenue and income	2.5	27,407	22,997
Total		689,805	684,208
Total Revenue from contracts with customers as per AASB15	2.6(a)	551,678	590,858
Total Income of not-for-profit as per AASB1058	2.6(a)	138,127	93,350
Total Revenue and Income from continuing operations		689,805	684,208

3.

Investment income

Interest	596	1,891	532	1,813
Dividends	13,576	24,457	13,216	24,077
Net fair value gains/(losses) - Financial assets designated at fair value through profit or loss	64,379	(14,612)	62,688	(14,580)
Total investment revenue and income	78,551	11,736	76,436	11,310

Accounting policy

Interest

Recognised on a proportional basis taking into account the interest rates applicable to the financial asset.

Dividends

Revenue is recognised when (a) the consolidated entity's right to receive the payment is established, which is generally when shareholders approve the dividend, (b) it is probable that the economic benefits associated with the dividend will flow to the entity; and (c) the amount of the dividend can be measured reliably.

Derivatives that do not qualify for hedge accounting

A derivative measured at fair value through profit or loss may be designated as a hedging instrument (except for some written options as per AASB9.B6.2.4) which do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income.

		Consolidated		Parent Entity	
		2019	2018	2019	2018
	Notes	\$'000	\$'000	\$'000	\$'000
4. EXPENSES FROM CONTINUING OPERATIONS					
4.1 Employee related expenses					
Academic					
Salaries		144,462	138,615	144,518	137,444
Contribution to superannuation and pension schemes		23,894	22,033	23,893	21,888
Payroll tax		11,471	10,793	11,470	10,680
Workers' compensation		423	141	423	141
Long service leave expense		4,941	4,263	4,941	4,261
Annual leave		11,459	10,902	11,459	10,863
Restructuring costs		4,327	1,430	4,327	1,430
Other expenses		5,004	4,963	5,004	4,963
Total academic		205,981	193,140	206,035	191,670
Non-Academic					
Salaries		143,842	136,003	139,933	133,752
Contribution to superannuation and pension schemes		23,471	21,612	22,959	21,304
Payroll tax		11,050	10,133	10,908	10,132
Workers' compensation		373	262	353	229
Long service leave expense		4,701	4,190	4,624	4,103
Annual leave		11,942	11,178	11,703	11,009
Restructuring costs		6,789	532	6,789	532
Other expenses		2,517	2,809	2,510	2,801
Total non-academic		204,685	186,720	199,779	183,862
Total employee benefits and on costs		410,665	379,860	405,813	375,532

Accounting policy

Refer to Note 14 for accounting policy.

4.2 Borrowing costs					
Interest expense on financial liabilities at amortised cost		5,576	4,972	5,576	4,972
Interest expense on lease liabilities		645	-	645	-
Total borrowing costs expensed		6,221	4,972	6,221	4,972

Interest rates payable

Current: Tascorp overdraft facility - Official Cash Rate + 0.65%

Non-current: \$125m Tascorp loan maturing March 2023 - fixed interest only, \$93.6m at interest rate of 5.11% and \$31.4m at interest rate of 1.66% - payable six monthly in arrears

Accounting policy

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period for which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

For Interest expense on lease liabilities, please refer to note 13.1 which details the policy for lease accounting where the consolidated entity is a lessee.

		Consolidated		Parent Entity
		2019	2018	2019
				2018
Notes	\$'000	\$'000	\$'000	\$'000

4. EXPENSES FROM CONTINUING OPERATIONS (continued)

4.3 Impairment of assets

Impairment of flood damaged assets	-	5,891	-	5,891
Building	468	-	468	-
Impairment of receivables (Note 6 and 25)	(319)	702	(319)	702
Total impairment of assets	149	6,593	149	6,593

Key estimates, judgements and accounting policy

Assets that have an indefinite useful life are not subject to amortisation or depreciation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, except to the extent that the write-down can be debited to an asset revaluation reserve applicable to that class of asset. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use.

4.4 Other expenses

Scholarships and prizes	29,264	29,972	29,262	28,015
Non-capitalised equipment	7,020	9,300	6,893	9,241
Advertising, marketing and promotional expenses	9,449	8,912	9,440	8,846
Telecommunications	2,952	3,602	2,927	3,578
Travel and staff development	20,092	19,886	19,545	19,405
Consumables	14,919	13,307	14,659	12,991
Office administration	3,614	3,902	3,516	3,811
Information technology operating costs	13,747	11,047	13,638	11,021
Advisory and consultancy services	35,110	34,206	36,029	35,020
Research sub-contractors	40,942	21,262	40,942	21,262
Conjoints, secondments and employment agency costs	2,430	2,472	2,430	2,472
Books, serials and subscriptions	9,195	8,550	9,154	8,524
Electricity and heating fuel	8,398	8,593	8,403	8,592
Cleaning	5,803	5,998	5,791	5,984
Security	3,917	3,221	3,917	3,209
Property and building operating costs	3,223	3,842	3,313	3,711
Council and director fees	755	611	755	611
Audit and assurance services	747	753	704	724
Short term and low value asset lease payments	2,059	4,082	2,265	4,387
Insurance	3,455	2,382	3,452	2,352
New appointment expenses	1,803	1,544	1,781	1,543
Other	11,042	11,893	9,647	10,262
Total other expenses	229,936	209,337	228,463	205,561

Accounting policy

Other expenses are recognised on an accrual basis.

5. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	15,689	34,599	15,355	33,877
Short term deposits and bills	3,237	2,493	-	-
Total current cash and cash equivalents	18,926	37,092	15,355	33,877

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the year as shown in the Statement of Cash Flows as follows:

Balances as above	18,926	37,092	15,355	33,877
Balance per the Statement of Cash Flows	18,926	37,092	15,355	33,877

Cash at bank accounts are bearing floating interest rates between 1.25% and 1.90% (2018: 1.40% and 1.90%). Cash on hand is non-interest bearing.

Short term deposits and bills as at 31 December 2019 are bearing interest rates of between 1.47% and 2.61% (2018: between 2.32% and 2.61%). These deposits have a maturity date of less than 90 days or at call.

Accounting policy

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

		Consolidated 2019	2018	2019	Parent Entity 2018
	Notes	\$'000	\$'000	\$'000	\$'000
6. RECEIVABLES AND CONTRACT ASSETS					
Current					
Trade receivables		22,553	17,991	21,446	16,880
Loans to controlled entities		-	-	2,508	3,255
Less provision for expected credit losses		(509)	(1,081)	(509)	(2,157)
		22,044	16,910	23,445	17,978
Deferred Government contribution for superannuation	27	582	627	582	627
Bonds and deposits		1,202	3,088	1,155	3,067
Accrued income		2,883	5,920	2,339	5,694
GST		1,916	2,168	1,977	2,250
Total current receivables		28,627	28,713	29,498	29,616
Non-current					
Deferred Government contribution for superannuation	27	6,673	6,580	6,673	6,580
Sundry loans and advances		300	300	300	300
Less provision for expected credit losses		(300)	(300)	(300)	(300)
Total non-current receivables		6,673	6,580	6,673	6,580
Total receivables		35,300	35,293	36,171	36,196

Trade receivables are non-interest bearing and are generally on terms of 30 days.

Accounting policy

A receivable represents the consolidated entity's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

While a receivable is the consolidated entity's right to consideration that is unconditional, a contract asset is the consolidated entity's right to consideration in exchange for goods or services that the consolidated entity has transferred to the customer when that right is conditioned on meeting the terms and performance obligations of the contract.

Contract assets

As at 31 December 2019, the consolidated entity has contract assets of \$5.267m which is net of an allowance for expected credit losses of \$nil. Refer to note 2.6 for further detail.

Set out below is the movement in the allowance for expected credit losses of trade receivables and contract assets:

As at 1 January	1,081	542	1,081	542
Provision for expected credit losses	173	756	173	756
Receivables written off during the year as uncollectible	(735)	(217)	(735)	(217)
Unused amount reversed	(10)	-	(10)	-
As at 31 December	509	1,081	509	1,081

Accounting policy

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are typically due for settlement no more than 30 days from the date of recognition.

The collection of trade receivables is reviewed on an ongoing basis. Debts known to be uncollectible are written off. A provision for impaired receivables is established where there is evidence the consolidated entity will not be able to collect all amounts due according to the original terms of the receivable. The amount of any movement in the provision is recognised in the Income Statement, with the balance of the provision recognised in the Statement of Financial Position.

Impairment

For trade receivables the consolidated entity applies a simplified approach in calculating expected credit losses ("ECLs"). Therefore, the consolidated entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The consolidated entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

7. OTHER FINANCIAL ASSETS

Current

Other financial assets at amortised cost	7.1	7,799	14,280	7,730	14,165
Total current other financial assets		7,799	14,280	7,730	14,165

Non-current

Other financial assets at amortised cost	7.1	40,629	23,678	40,629	23,678
Financial assets at fair value through profit and loss (FVTPL)	7.2	394,154	366,296	382,268	356,058
Investment in subsidiaries	7.3	-	-	3,534	3,534
Total non-current other financial assets		434,783	389,974	426,431	383,270
Total other financial assets		442,582	404,254	434,161	397,435

	Consolidated		Parent Entity	
	2019	2018	2019	2018
Notes	\$'000	\$'000	\$'000	\$'000
Accounting policy The consolidated entity classifies its financial assets as follows: - those to be subsequently measured at fair value (either through profit or loss (FVTPL) or through other comprehensive income (FVTOCI)), and - those to be measured at amortised cost. The classification depends on the consolidated entity's business model for holding the financial assets and the contractual cash flow characteristics. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date. For assets measured at fair value, gains and losses will either be recognised in profit or loss (FVTPL) or OCI (FVTOCI). For investments in equity investments that are not held for trading, this will depend on whether the consolidated entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). Financial assets held at amortised cost Financial assets which are held to collect contractual cash flows (principal and interest) are recognised at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on de-recognition directly in the income (profit or loss) statement and presented in other gains/(losses) together with foreign exchange gains or losses. Impairment losses are presented separately in the income statement. Financial assets at fair value through profit or loss (FVTPL) Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. They are held for sale in the near term; that is, for trading. These assets comprise the consolidated entity's investment funds, which are managed as pooled funds by a number of independent portfolio managers. Funds are invested in Australian equities, overseas equities, alternatives, fixed interest securities and property trusts under an approved investment policy (see note 7.2). The majority of specific purpose endowments received by the consolidated entity to fund research activities, scholarships and prizes are also managed in this pooled investment fund. Purchases and sales of investments are recognised on trade date, the date on which the consolidated entity commits to purchase or sell the asset. Financial assets at FVTPL are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Income Statement. Financial assets are derecognised when the right to receive cash flows expires or is transferred, and the consolidated entity transferred substantially all the risks and rewards of ownership. Upon derecognition the gain or loss is recognised in the Income Statement.				

7.1	Other financial asset at amortised cost				
	Current:				
	Cash At Call - Managed Funds	7,799	14,280	7,730	14,165
	Non-current:				
	Trust investments	40,629	23,678	40,629	23,678
	Total other financial asset at amortised cost	48,428	37,958	48,359	37,843

7.2	Financial assets at fair value through profit and loss (FVTPL)				
	<i>Listed securities - managed funds, comprising:</i>				
	Australian equities	67,528	70,102	62,268	65,867
	Overseas equities	126,035	101,819	123,662	99,714
	Australian property	660	720	-	-
	International property	22,866	19,229	22,663	19,075
	Alternatives	140,505	113,783	139,261	112,870
	Australian fixed interest	24,530	44,033	22,491	42,055
	Overseas fixed interest	12,029	16,609	11,922	16,476
	Total managed funds	394,153	366,295	382,267	356,057
	Unlisted securities - shares	1	1	1	1
	Total financial assets at fair value through profit and loss (FVTPL)	394,154	366,296	382,268	356,058

The financial assets at fair value are invested wholly in managed funds. 84% of the managed funds (up from 80% in 2018) are investments with fund managers who are signatories to the United Nations. The invested funds are classified as non-current in line with the consolidated entity's strategy of holding them long term. The majority of the funds could be redeemed within 30 days if required.

7.3	The consolidated entity's investment in subsidiaries relates to its investment in AMC Search Limited. Please refer to note 22 for further details.
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		Consolidated		Parent Entity	
		2019	2018	2019	2018
	Notes	\$'000	\$'000	\$'000	\$'000
8. OTHER NON-FINANCIAL ASSETS					
Prepayments		14,654	10,256	14,594	10,182
		14,654	10,256	14,594	10,182

Accounting policy

The consolidated entity recognises a prepayment as an asset when payments for goods or services have been made in advance of the consolidated entity obtaining a right to access those goods or services.

The consolidated entity as lessor

For accounting policy, please refer to note 8.1 below which details the policy for the consolidated entity as a lessor for 2019.

8.1 The consolidated entity as lessor

Operating leases

Lease income	1,518	965	1,518	965
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Operating leases as a Lessor

Maturity analysis of undiscounted lease payments

Within one year	2,011	640	2,011	640
Later than one year but not later than five years	2,437	380	2,437	380
Later than five years	184	314	184	314
Total undiscounted lease payments receivable	4,632	1,334	4,632	1,334

Accounting policy

Policy on assessment of whether a contract is, or contains, a lease is detailed in note 13.1.

The consolidated entity as a lessor

When the consolidated entity acts as a lessor, it determines at inception whether each lease is a finance lease or an operating lease. To classify each lease, the consolidated entity makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the consolidated entity considers indicators such as whether the lease is for the major part of the economic life of the asset. The consolidated entity reassesses the lease classification only if there is a lease modification. Changes in estimates (e.g. changes in estimates of the economic life or of the residual value of the underlying asset), or changes in circumstances (e.g. default by the lessee), do not give rise to a new classification of a lease for accounting purposes.

The consolidated entity recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

Where the lease is classified as a finance lease, the consolidated entity recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. Subsequently, the consolidated entity recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

9. PROPERTY, PLANT AND EQUIPMENT

(a) Consolidated - \$'000		Notes	Land	Buildings	Capital WIP	Leasehold improvements	Plant, vehicles and equipment	Library	Works of art	Total		
At 1 January 2018												
At cost			-	-	30,441	15	153,125	51,564	-	235,145		
At valuation			85,247	412,395	-	23,767	-	-	9,126	530,535		
Accumulated depreciation and impairment			-	(19,397)	-	(1,155)	(93,937)	(47,540)	-	(162,029)		
Net book amount			85,247	392,998	30,441	22,627	59,188	4,024	9,126	603,651		
Year ended 31 December 2018												
Opening net book amount			85,247	392,998	30,441	22,627	59,188	4,024	9,126	603,651		
Additions			7,783	36,412	46,839	-	4,956	94	242	96,326		
Transfers from capital works in progress			-	1,690	(10,501)	2,402	6,409	-	-	-		
Revaluation increment/(decrement)			16	-	-	-	-	-	-	-		
Service concession asset			11	-	-	(1,075)	-	-	-	(1,075)		
Disposals			(67)	-	-	-	(706)	-	-	(773)		
Impairment			-	-	-	-	(4,933)	-	-	(4,933)		
Depreciation charge			-	(11,348)	-	(864)	(12,861)	(391)	-	(25,464)		
Closing net book amount			92,963	419,752	65,704	24,165	52,053	3,727	9,368	667,732		
At 31 December 2018												
At cost			-	-	65,704	15	152,339	51,656	-	269,714		
At valuation			92,963	450,498	-	26,169	-	-	9,368	578,998		
Accumulated depreciation and impairment			-	(30,746)	-	(2,019)	(100,286)	(47,929)	-	(180,980)		
Net book amount			92,963	419,752	65,704	24,165	52,053	3,727	9,368	667,732		
Consolidated - \$'000												
Year ended 31 December 2019		Notes	Land	Buildings	Capital WIP	Leasehold improvements	Plant, vehicles and equipment	Library	Works of art	Subtotal Property, plant and equipment (owned)	Right of use assets	Total
Opening net book amount			92,963	419,752	65,704	24,165	52,053	3,727	9,368	667,732	-	667,732
Adoption of AASB16			-	-	-	(15,718)	178	-	-	(15,540)	26,231	10,691
Additions			44,824	848	127,876	-	4,185	122	93	177,948	7,782	185,730
Transfers between classes			-	40,848	(48,198)	(8,447)	4,504	-	-	(11,293)	11,293	-
Revaluation increment/(decrement)			16	32,361	(35,936)	-	-	-	499	(3,076)	-	(3,076)
Service concession asset			11	-	-	(2,264)	-	-	-	(2,264)	-	(2,264)
Disposals			(511)	(1,764)	-	-	(209)	-	-	(2,484)	-	(2,484)
Impairment			-	(468)	-	-	-	-	-	(468)	-	(468)
Depreciation charge			-	(12,589)	-	-	(12,242)	(387)	-	(25,218)	(4,222)	(29,440)
Closing net book amount			169,637	410,691	143,118	-	48,469	3,462	9,960	785,337	41,084	826,421
At 31 December 2019												
At cost			-	-	143,118	-	155,678	51,778	-	350,574	45,306	395,880
At valuation			169,637	412,890	-	-	-	-	9,960	592,487	-	592,487
Accumulated depreciation and impairment			-	(2,199)	-	-	(107,209)	(48,316)	-	(157,724)	(4,222)	(161,946)
Net book amount			169,637	410,691	143,118	-	48,469	3,462	9,960	785,337	41,084	826,421

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Key estimates, judgements and accounting policy

Property, plant and equipment

Land, buildings and works of art are shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Other classes of property, plant and equipment are stated at cost or fair value less depreciation. The valuation methodology adopted for asset classes is as follows:

Asset Class	Valuation basis	Detail
Property (land and buildings)	Fair Value	Freehold land and buildings were revalued in 2019.
Plant and equipment	Cost	All plant and equipment items with a cost equal to or exceeding \$10,000 have been capitalised.
Library	Cost	
Works of art	Fair Value	A valuation of works of art was undertaken in 2019.

Revaluations are made with sufficient regularity to ensure that the carrying amount of land, buildings and works of art does not differ materially from their fair value at reporting date.

Where land, buildings or works of art are subject to revaluation, any increment is recognised in other comprehensive income and accumulated in equity under the heading asset revaluation reserve. To the extent that the increment reverses a previous decrement recognised in profit or loss, the increment is first recognised in profit or loss. Decrements that reverse previous increments of the same asset class are also recognised in other comprehensive income to the extent of the remaining reserve attributable to the asset class. All other decrements are charged to the Income Statement.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Income Statement.

Capital Work in progress (WIP)

Capital work in progress is recognised at cost and represents the cost associated with the construction of buildings and other projects of a capital nature, which have not reached their date of practical completion.

Intangibles work in progress represents the cost associated with the development of software which has not been commissioned.

Depreciation

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Depreciable assets	2019	2018
Buildings	1.7% - 25%	1.7% - 25%
Right of use asset	2.2% to 100%	n/a
Plant and equipment	2.5% - 33%	2.5% - 33%
Library collections	5%	5%
Intangibles	6.6% - 33%	6.6% - 33%

Land and works of art are not depreciated.

		Consolidated 2019	2018	2019	Parent Entity 2018
Notes		\$'000	\$'000	\$'000	\$'000

9.1 Right-of-use assets

The consolidated entity leases a number of properties in Hobart and across the state of Tasmania.

Information about leases where the consolidated entity is a lessee is presented below:

Buildings

As at 1 January 2019	26,231		26,231	
Additions of right-of-use assets	19,075		19,075	
Amortisation charge	(4,222)		(4,222)	
As at 31 December 2019	41,084		41,084	

Accounting policy (applicable from 1 January 2019)

Assessment of whether a contract is, or contains, a lease

At inception of a contract, the consolidated entity assesses whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The consolidated entity assesses whether:

- (a) the contract involves the use of an identified asset – The asset may be explicitly or implicitly specified in the contract. A capacity portion of larger assets is considered an identified asset if the portion is physically distinct or if the portion represents substantially all of the capacity of the asset. The asset is not considered an identified asset, if the supplier has the substantive right to substitute the asset throughout the period of use.
- (b) the consolidated entity as lessee has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- (c) the consolidated entity as lessee has the right to direct the use of the asset throughout the period of use. The lessee is considered to have the right to direct the use of the asset only if either:
 - (i) it has the right to direct how and for what purpose the identified asset is used throughout the period of use; or
 - (ii) the relevant decisions about how and for what purposes the asset is used is predetermined and the lessee has the right to operate the asset, or the lessee designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Accounting for lease - the consolidated entity as lessee

In contracts where the consolidated entity is a lessee, the consolidated entity recognises a right-of-use asset and a lease liability at the commencement date of the lease, unless the short-term or low-value exemption is applied.

Right-of-use asset

A right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made before the commencement date (reduced by lease incentives received), plus initial direct costs incurred in obtaining the lease and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. A right-of-use asset associated with land and buildings is subsequently measured at fair value. All other property, plant and equipment are measured as described in the accounting policy for property, plant and equipment in Note 10.

Concessionary (peppercom) leases

Leased assets arising from significantly below market leases are measured at fair value at the inception of the lease whereas the lease liability is recognised at present value of peppercom lease payment amounts. The difference between the right-of-use asset and lease liability is recorded as income in the income statement under AASB1058. The consolidated entity has however elected, under AASB 2018-8 Amendments to Australia Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities, to measure right-of-use assets arising under 'concessionary leases' at initial recognition at cost, in accordance with AASB16 paragraphs 23–25, which incorporates the amount of the initial measurement of the lease liability.

		Consolidated 2019	2018	2019	Parent Entity 2018
	Notes	\$'000	\$'000	\$'000	\$'000
10. INTANGIBLE ASSETS					
Opening net book amount		51,220	51,049	51,220	51,049
Additions		7,184	328	6,867	328
Additions to intangibles work in progress		1,479	6,609	1,479	6,609
Disposals		-	(104)	-	(104)
Impairment		-	(957)	-	(957)
Amortisation charge		(7,191)	(5,705)	(6,886)	(5,705)
Closing net book amount		52,692	51,220	52,680	51,220
Cost		78,242	71,058	77,925	71,058
Accumulated amortisation and impairment		(35,557)	(28,366)	(35,252)	(28,366)
Intangibles work in progress		10,007	8,528	10,007	8,528
Net book amount		52,692	51,220	52,680	51,220

Accounting policy

Intangible assets that are acquired, developed or constructed by the consolidated entity are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Where intangible assets have a definite useful life, amortisation is charged to the Income Statement on a straight-line basis over the estimated useful life. Amortisation commences from the date they are available for use. The estimated useful lives are as follows:

Core business systems software	10 - 15 years
Other minor software applications	3 years

11. SERVICE CONCESSION ASSETS

Non-current

Opening balance at valuation		140,824	143,512	140,824	143,512
Additions		2,585	1,075	2,585	1,075
Depreciation and impairment		(3,760)	(3,763)	(3,760)	(3,763)
Revaluation increment/(decrement)	16	3,254	-	3,254	-
Total service concession asset		142,903	140,824	142,903	140,824

Accounting policy

In 2017, the University executed a market transaction in respect of Purpose Built Student Accommodation (PBSA) assets, whereby it granted a 30 year licence to receive net rentals from these assets in exchange for payment of an upfront amount. The licensee is responsible for maintaining the asset condition to a pre-set regime and the University retains the operations of the premises. At the conclusion of the arrangement the asset will revert back to the University's control at a pre-agreed condition at which time the University will assume asset risk and rental revenue.

In 2019, the University entered into a joint arrangement with third parties to construct Purpose Built Student Accommodation (PBSA) at 40-44 Melville Street, Hobart. On completion the right to receive net rentals will transfer to third parties. Any preliminary construction design costs incurred to date by the University have been recognised as an addition to service concession assets.

Both transactions were accounted for under AASB 1059 and the University early adopted this standard.

Service concession assets are revalued at depreciated current replacement cost.

	Consolidated		Parent Entity	
	2019	2018	2019	2018
Notes	\$'000	\$'000	\$'000	\$'000
12. TRADE AND OTHER PAYABLES				
Current				
Creditors and accruals	37,640	30,382	37,154	30,443
OS-HELP liability to Australian Government	(9)	218	(9)	218
Total current trade and other payables	37,631	30,600	37,145	30,661
Non-current				
Creditors and accruals	-	-	-	-
Total non-current trade and other payables	-	-	-	-
Total trade and other payables	37,631	30,600	37,145	30,661

Creditors and accruals include refund liabilities related to research contracts with customers of \$270k (2018: \$63k).

Accounting policy

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the year which are unpaid. The amounts are unsecured, are recognised at cost and are normally settled within 30 days.

13. BORROWINGS

Current				
Unsecured loan - interest bearing	68,600	-	68,600	-
Lease liabilities	2,748	-	2,748	-
Total current borrowings	71,348	-	71,348	-
Non-current				
Unsecured loan - interest bearing	125,000	93,600	125,000	93,600
Lease liabilities	13,291	-	13,291	-
Total non-current borrowings	138,291	93,600	138,291	93,600
Total borrowings	209,639	93,600	209,639	93,600

a) Financing arrangements

At balance date the following lines of credit were established:

Loan facilities

Total loan facility - Tascorp	125,000	100,000	125,000	100,000
Total overdraft facility	75,000	50,000	75,000	50,000
Used at balance date	(193,600)	(93,600)	(193,600)	(93,600)
Unused at balance date	6,400	56,400	6,400	56,400

Business card facility

Total facility	9,000	9,000	9,000	9,000
Used at balance date	-	-	-	-
Unused at balance date	9,000	9,000	9,000	9,000

b) Fair value

The fair values of borrowings are set out in note 26.

c) Risk exposure

The exposure of the consolidated entity's borrowing to interest rate changes and the contractual repricing dates at the balance dates are as follows:

Within one year	68,600	-	68,600	-
Between one and five years	-	-	-	-
Later than five years	-	-	-	-
Total borrowings	68,600	-	68,600	-
Current borrowings	71,348	-	71,348	-
Non-current borrowings	138,291	93,600	138,291	93,600
Total borrowings	209,639	93,600	209,639	93,600

All borrowings are in Australian Dollars. For an analysis of the sensitivity of borrowings to interest rate risk refer to note 26.

		Consolidated 2019	2018	2019	Parent Entity 2018	
	Notes	\$'000	\$'000	\$'000	\$'000	
d) Reconciliation of liabilities arising from financing activities						
				Non-cash changes		
			Acquisition/ Disposal	Fair Value Changes	Initial recognition	
	2018 \$'000	Cash flows \$'000	\$'000	\$'000	\$'000	2019 \$'000
Long-term borrowings	93,600	31,400	-	-	-	125,000
Short-term borrowings	-	68,600	-	-	-	68,600
Lease liabilities	-	(2,442)	-	-	10,691	8,249
Total liabilities from financing activities	93,600	97,558	-	-	10,691	201,849

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date and does not expect to settle the liability for at least 12 months after the balance sheet date.

The University's loan facilities with Tascorp are made under a Master Loan Facility Agreement; the facility restricts other financial indebtedness and encumbrances that can be incurred. The borrowings are unsecured, however, require the University to maintain cash reserves at a level no less than the outstanding amount loaned, where cash reserves means cash, cash equivalents and financial investments, or equivalent items, less the value of Statutory Funds.

13.1 The consolidated entity as lessee

Amounts recognised in the income statement:

Interest on lease liabilities	645	645
Expenses relating to leases of short term leases and low-value assets, excluding short term leases of low-value assets	684	684
	1,329	1,329

Maturity analysis – undiscounted contractual cash flows:

Within one year	3,310	3,310
Later than one year but not later than five years	9,518	9,518
Later than five years	8,975	8,975
Total undiscounted contractual cash flows	21,803	21,803
Lease liabilities recognised in the statement of financial position	16,039	16,039
Current	2,748	2,748
Non-current	13,291	13,291

The leases as at 31 December 2019 relate to property \$14.7m and motor vehicles \$1.3m.

Amounts recognised in statement of cash flows:

Total cash outflow for leases	(2,442)	(2,442)
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	Consolidated		Parent Entity	
	2019	2018	2019	2018
Notes	\$'000	\$'000	\$'000	\$'000
Accounting policy				
Lease liabilities – the consolidated entity as lessee				
Policy on assessment of whether a contract is, or contains, a lease is detailed in note 9.1 above.				
Lease liability				
A lease liability is initially measured at the present value of unpaid lease payments at the commencement date of the lease. To calculate the present value, the unpaid lease payments are discounted using the interest rate implicit in the lease if the rate is readily determinable. If the interest rate implicit in the lease cannot be readily determined, the incremental borrowing rate at the commencement date of the lease is used.				
Lease payments included in the measurement of lease liabilities comprise:				
- Fixed payments, including in-substance fixed payments; - Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. payments varying on account of changes in CPI); - Amounts expected to be payable by the lessee under residual value guarantees; - The exercise price of a purchase option if the consolidated entity is reasonably certain to exercise that option; and - Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.				
Subsequently, the lease liability is measured at amortised cost using the effective interest rate method resulting in interest expense being recognised as a borrowing cost in the income statement. The lease liability is remeasured when there are changes in future lease payments arising from a change in an index or rate with a corresponding adjustment to the right-of-use asset, or where there are other changes to the lease such as change in a lease term or change in the assessment of an option to purchase the underlying asset. The adjustment amount is factored into amortisation of the right-of-use asset prospectively.				
Right-of-use assets are presented within property, plant and equipment in Note 9.1 and lease liabilities are presented as borrowings in Note 13.				
Short-term leases and leases of low-value assets				
The consolidated entity has elected not to recognise right-of-use assets and lease liabilities for short-term leases i.e. leases with a lease term of 12 months or less and leases of low-value assets i.e., when the value of the leased asset when new is \$10,000 or less. The consolidated entity recognises the lease payments associated with these leases as expense on a straight-line basis over the lease term.				

13.2 Concessionary leases

The consolidated entity has a number of concessionary (peppercorn) leases, where it pays rent at a below market rent. As at 31 December 2019, there were two material concessionary leases: the Makers Workshop and Hunter Street buildings.

Accounting policy

Refer to note 9.1 for accounting policy related to concessionary leases and for details of the assets which have a concessionary lease.

		Consolidated		Parent Entity	
		2019	2018	2019	2018
	Notes	\$'000	\$'000	\$'000	\$'000
14. PROVISIONS					
Current					
Annual leave		28,384	29,180	27,961	28,774
Long service leave		30,935	28,176	30,418	27,690
Restructuring costs		8,064	3,637	8,064	3,637
Superannuation	27	1,151	1,366	1,151	1,366
Total current provisions		68,534	62,359	67,594	61,467
Non-current					
Long service leave		14,701	13,640	14,653	13,593
Superannuation	27	10,945	11,434	10,945	11,434
Total non current provisions		25,646	25,074	25,598	25,027
Total provisions		94,180	87,433	93,192	86,494
(1) Annual leave liabilities include the following non-employee on-costs		1,784	1,638	1,753	1,608
(2) Long service leave liabilities include the following non-employee on-costs		3,260	2,657	3,219	2,618

Key estimates, judgements and accounting policy

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits:

Wages and salaries, and sick leave

Liabilities for short-term employee benefits including wages and salaries are measured at the amount expected to be paid when the liability is settled, if it is expected to be settled wholly before 12 months after the end of the reporting period, and is recognised in other payables in respect of employees' services up to the reporting date. Sick leave entitlements provided to the employees of the consolidated entity are non-vesting and are based on a cumulative sick leave system. Costs for non-accumulating sick leave are recognised when leave is taken.

Annual leave

Liabilities for annual leave for all employees are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service up to that date. Related on-costs are included in the provision.

Long service leave

The liability for long service leave for all employees is measured as the present value of the estimated future payments to be made in respect of services provided up to the reporting date. Consideration is given to future increases in salary levels, experience of employee departures and periods of service. Related on-costs are included in the provision. Expected future payments are discounted using market yields on government bonds at the reporting date.

Superannuation

Employee contributory superannuation funds exist to provide benefits for the consolidated entity's employees and their dependants on retirement, disability or death of the employee. The contributions made to these funds by the consolidated entity are recorded as an expense as they become payable.

Restructure costs

Restructure costs are recognised as an expense and liability when the consolidated entity has approved a detailed and formal restructuring plan, and the restructuring has either commenced or been announced.

		Consolidated 2019	2018	2019	Parent Entity 2018
	Notes	\$'000	\$'000	\$'000	\$'000
15. OTHER LIABILITIES					
Current					
Bonds and deposits held		806	1,201	806	1,201
Monies held on behalf of other entities		1,565	4,023	1,565	4,023
Grant of right to operate		4,491	5,491	4,491	5,491
Australian Government unspent financial assistance		13,085	7,619	13,085	7,619
Total current other liabilities		19,947	18,334	19,947	18,334
Non-current					
Grant of right to operate		117,635	121,626	117,635	121,626
Total non-current other liabilities		117,635	121,626	117,635	121,626
Total other liabilities		137,582	164,377	137,582	164,316

Accounting policy

Revenue in advance represents revenue received for future years, including where students pay all or part of their fees in advance of educational services being delivered.

Australian Government unspent financial assistance represents funding received but not spent (refer to Note 2) and also includes unspent Higher Education Loan Program (HELP) funds.

Grant of right to operate relates to funds received upfront in relation to an arrangement with the private sector for the provision of student accommodation (Purpose Built Student Accommodation (PBSA) - note 11). The remaining term of this arrangement is 28 years and the income is to be recognised over the arrangement term.

16. EQUITY

Reserves					
Asset revaluation reserve					
Balance at end of previous year		217,100	217,100	217,100	217,100
Add: revaluation increment/(decrement) on land	9	32,361	-	32,361	-
Add: revaluation increment/(decrement) on buildings	9,11	(32,682)	-	(32,682)	-
Add: revaluation increment/(decrement) on plant and equipment	9	-	-	-	-
Add: revaluation increment/(decrement) on works of art	9	499	-	499	-
Balance at end of year		217,278	217,100	217,278	217,100
Statutory funds					
Balance at end of previous year as previously reported		196,900	173,541	196,900	114,786
Adoption of AASB15 and AASB1058	1.9.1	(87,151)	-	(87,151)	-
Transfer of assets from the University of Tasmania Foundation Fund		-	-	-	58,204
Current year movements		10,362	23,359	10,362	23,910
Statutory funds balance		120,111	196,900	120,111	196,900
Retained earnings					
Balance at end of previous year		557,362	521,677	548,098	511,229
Other comprehensive income		225	(85)	225	(85)
Result		73,472	59,129	72,371	119,068
Movement and transfer in statutory funds		(10,362)	(23,359)	(10,362)	(82,114)
Total retained surplus		620,697	557,362	610,332	548,098

Accounting policy

Statutory funds

The statement of comprehensive income combines a number of funds which, under granting conditions, cannot be utilised for general purpose expenditure. These are referred to as Statutory Funds, and comprise:

Trust funds - donations for endowments and specified purposes such as prizes and scholarships, and
Other statutory funds - specific research grants, consultancies and other contract funds.

17. KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration of Council Members

The Council is the governing body of the University.

The number of Council Members where the total remuneration (including salary, superannuation and other benefits) for the reporting period was paid within bands of \$15,000 were:

	Consolidated 2019	2018	Parent entity 2019	2018
	No.	No.	No.	No.
\$0 to \$14,999	4	2	4	2
\$15,000 to \$29,999	6	5	6	5
\$30,000 to \$44,999	2	3	2	3
\$45,000 to \$59,999	1	1	1	1
\$75,000 to \$89,999	1	1	1	1
	14	12	14	12
Aggregate remuneration of Council Members	\$ 335,829	\$ 338,147	\$ 335,829	\$ 338,147

Members of the University Council are: Hon. Michael Field, Professor Rufus Black, Professor Natalie Brown, Mrs Jenny Burgess, Mrs Susan Chen, Mr James Groom, Professor Kwong Lee Dow, Ms Phillipa Leedham, Mr Harvey Gibson, Mr Paul Gregg, Professor Jamie Kilpatrick, Mr Corey Peterson and Ms Ella Hilder. Ms Leanne Topher was a member for part of 2019.

Remuneration of executive officers

The number of executive positions where the total remuneration (including salary, superannuation and other benefits) for the reporting period was paid within bands of \$15,000 were:

Remuneration of executive officers	Consolidated 2019	2018	Parent entity 2019	2018
	No.	No.	No.	No.
150,000 to 164,999	-	1	-	1
180,000 to 194,999	-	1	-	1
210,000 to 224,999	-	1	-	1
330,000 to 344,999	-	2	-	2
375,000 to 389,999	1	-	1	-
390,000 to 404,999	1	-	1	-
405,000 to 419,999	1	-	1	-
465,000 to 479,999	-	1	-	1
540,000 to 554,999	1	-	1	-
555,000 to 569,999	2	1	2	1
885,000 to 899,999	-	1	-	1
975,000 to 989,999	1	-	1	-
1,020,000 to 1,034,999*	-	1	-	1
	7	9	7	9
Aggregate remuneration of executives	\$ 3,880,153	\$ 4,168,785	\$ 3,880,153	\$ 4,168,785

* includes separation payment.

Executive officers are defined as the Vice-Chancellor and members of the University Executive Team who report directly to the Vice-Chancellor, or who are responsible for whole of University strategy. The list of senior executives comprises: Professor Rufus Black (Vice-Chancellor), Professor Jane Long (Provost), Professor Anthony Koutoulis (Deputy Vice-Chancellor (Research), Mr Rob Atkinson (Deputy Vice-Chancellor (Global), Mr Lee Whiteley (Chief Executive - University of Tasmania College), Mr Craig Barling (Chief Strategy Officer) and Mr David Clerk (Chief Operating Officer).

Other transactions with key management personnel

All transactions with members of Council and key management personnel or their related entities are conducted at arm's length, at normal market prices and on normal commercial terms.

The following activity occurred during 2019:

Mr Harvey Gibson was a Partner with Wise, Lord & Ferguson for part of 2019, during which time his Council remuneration was paid to Wise, Lord and Ferguson. Professor Rufus Black (Vice-Chancellor) donated a proportion of his salary to the University for Scholarships.

18. REMUNERATION OF AUDITORS

Consolidated		Parent entity	
2019	2018	2019	2018
\$'000	\$'000	\$'000	\$'000

During the year, the following fees were paid for services provided to the consolidated entity by the auditor and non-related audit firms:

Audit of the financial statements			
Tasmanian Audit Office	164	140	137
Total remuneration for audit services	164	140	137

The fee for the 2019 audit of consolidated financial statements is \$193,250 (2018: \$169,010)

Other audit and assurance services

Fees paid to other firms for internal audit, audit of grant monies and other assurance services:

Tasmanian Audit Office	1	16	1	16
Deloitte	446	560	446	560
Assurance Pty Ltd	48	66	48	66
Institute of Internal Auditors	26	-	26	-
Altus Page Kirkland	-	1	-	1
Ausmeat	-	2	-	2
Lloyd's Register Quality Assurance Ltd	10	-	-	-
KPMG	28	-	28	-
Dept of Agriculture and Water Resources	1	-	1	-
Australian Maritime Safety Authority	5	-	-	-
Total remuneration for other audit and assurance services	565	645	550	645

19. CONTINGENCIES

The consolidated entity had the following contingent liabilities at 31 December 2019:

University of Tasmania:

Contract performance guarantee in respect of leased premises with the Australian Broadcasting Corporation
- 2019: \$35k (2018: \$35k)

Contract performance guarantee in respect of a lease with the Australian National Maritime Museum (2 Murray Street, Pyrmont)
- 2019: \$175k (2018: \$175k)

Contract performance guarantee with Premium Custody Services Pty Ltd:
-2019: \$25k (2018: \$25k)

Contract performance guarantee with Tasmanian Water and Sewerage Corporation Pty Ltd:
-2019: \$179k (2018: \$nil)

AMC Search Ltd:

Bank guarantee to Commonwealth of Australia in relation to the Pacific Patrol Boat training contract from 2013 to 2020
- 2019: \$1m (2018: \$1m)

The consolidated entity has no other material contingent liabilities. There were no contingent assets as at 31 December 2019.

	Consolidated		Parent Entity	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
20. COMMITMENTS				
Capital expenditure commitments				
Contracted but not provided for and payable not later than one year	9,516	94,643	9,516	94,643
Total capital expenditure commitments	9,516	94,643	9,516	94,643
Operating lease commitments (for 2018 comparative purposes prior to adoption of AASB16)				
Commitments in relation to property and equipment leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	-	2,841	-	2,841
Later than one year but not later than five years	-	7,741	-	7,741
Later than five years	-	2,749	-	2,749
Total lease commitments	-	13,331	-	13,331
Operating lessor commitments				
Commitments in relation to property and equipment leases contracted for at the reporting date but not recognised as assets, receivable:				
Within one year	-	640	-	640
Later than one year but not later than five years	-	380	-	380
Later than five years	-	314	-	314
Total lessor commitments	-	1,334	-	1,334

21. RELATED PARTIES

(a) Parent entity

The ultimate parent entity within the consolidated entity is the University of Tasmania.

(b) Controlled entities

Interests in controlled entities are set out in note 22.

(c) Key management personnel

Disclosures relating to Council Members and specified executives are set out in note 17.

(d) Transactions with related parties/controlled entities

	Consolidated		Parent Entity	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Sale of goods and services to controlled entities	-	-	2,921	3,519
Purchase of goods and services from controlled entities	-	-	337	278
Funding provided to controlled entities	-	-	1,505	1,550
Funding received from controlled entities	-	-	-	-

(e) Loans to/(from) related parties/controlled entities

Loan to controlled entities - Beginning of the year	-	-	3,255	1,657
Loans advanced	-	-	329	1,598
Loan repayments received	-	-	(1,076)	-
Loans to controlled entities - end of year	-	-	2,508	3,255

(f) Outstanding balances

Current payables (purchases of goods)				
Controlled entities	-	-	15	439
Total current payables	-	-	15	439

22. CONTROLLED ENTITIES

Controlled entities

Ownership Interest

	2019	2018
	%	%

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1.2:

AMC Search Limited

AMC Search is a company limited by guarantee which provides maritime training and consulting services.

100 100

UTAS Properties Pty Ltd

UTAS Properties Pty Ltd is a company limited by guarantee. The company was registered on 10th October 2019 and established to guide and manage the future use and value of the property assets of the University.

100 -

Tasmania University Union Inc (TUU)

The TUU is an Incorporated Association established in 1899, and is the body of student representation for tertiary students attending the University of Tasmania. As a result of changes to AASB 10 *Consolidated Financial Statements*, the University of Tasmania now satisfies the definition of control and has consolidated the TUU since 2014.

- -

UTAS Holdings Pty Ltd

UTAS Holdings is a company limited by shares. The company was registered on 15 August 2014 and established to act as a holding company for commercialisation activities of the University of Tasmania.

100 100

Sense-Co Tasmania Pty Ltd

Sense-Co Tasmania is a company limited by shares. The company was registered on 19 August 2014 and established to focus on the commercialisation opportunities of sensing technology. The company is a 80% owned subsidiary of UTAS Holdings Pty Ltd.

80 80

All entities are incorporated in Australia.

23. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, the consolidated entity considers cash to include cash on hand, short term deposits at call and investments in money market instruments. Cash at the end of the reporting period, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank and on hand
Short term deposits and bills

Consolidated

2019
\$'000

2018
\$'000

Parent Entity

2019
\$'000

2018
\$'000

15,689	34,599	15,355	33,877
3,237	2,493	-	-
18,926	37,092	15,355	33,877

(b) Reconciliation of net cash used in operating activities to result

Result	73,472	59,129	72,371	119,068
Capital grants	(17,774)	(23,037)	(17,774)	(23,037)
Depreciation and amortisation	40,179	34,960	39,941	34,678
Non-cash donations	-	(20)	-	(20)
Transfer of assets from the University of Tasmania Foundation Fund	-	-	-	(58,203)
(Profit)/loss on sale of property, plant and equipment	(1,071)	126	(1,071)	126
Impairment of property, plant and equipment	468	5,891	468	5,891
Movement in realised/unrealised (gains)/losses on investments	(64,379)	14,612	(62,688)	14,580
Net actuarial (gains)/losses in respect of superannuation plans	225	(85)	225	(85)
Change in Assets and Liabilities				
(Increase)/decrease in receivables and contract assets	(4,702)	(3,224)	(4,341)	(2,969)
(Decrease)/increase in provision for impaired receivables	(572)	539	(1,648)	539
(Increase)/decrease in inventories	(54)	39	(54)	39
(Increase)/decrease in other non-financial assets	(4,398)	(1,473)	(4,412)	(1,414)
(Decrease)/increase in payables	21,811	(1,391)	21,262	(1,109)
(Decrease)/increase in provisions	6,747	(2,480)	6,698	(2,567)
(Decrease)/increase in other financial liabilities	(395)	395	(395)	395
(Decrease)/increase in unspent financial assistance	5,466	(6,179)	5,466	(6,179)
(Decrease)/increase in other liabilities	(14,177)	(3,121)	(14,216)	(3,124)
Net cash provided or used by operating activities	40,845	74,681	39,832	76,609

24. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No significant events have occurred.

25. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives and Policies

The University's council has overall responsibility for the establishment and oversight of the consolidated entity's risk management framework. The Council established:

- The Audit and Risk Committee, which meets regularly to monitor and evaluate the consolidated entity's risk management framework;
- The Investment Advisory Committee as a sub-committee of the Audit and Risk Committee, which monitors and advises on investment strategy and performance.

The consolidated entity's activities expose it to a variety of financial risks, as follows:

a) Credit risk

The maximum exposure to credit risk on financial assets of the consolidated entity, excluding investments, relates to receivables which are exposed to the risk of financial loss due to the other party to the contract failing to discharge a financial obligation. The maximum credit risk exposure in relation to receivables is the carrying amount less the provision for expected credit loss. The consolidated entity is not materially exposed to any individual or group. Accounts receivable credit terms are 30 days.

b) Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The University's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities through maintenance of sufficient liquid assets and borrowing facilities and active monitoring of cash flow forecasts. The following table summarises the maturity of the consolidated financial assets and financial liabilities:

c) Foreign currency risk

Amounts payable or receivable in foreign currencies at balance date are converted into Australian currency at market exchange rates at balance date. Currency conversion gains and losses are included in the net result for the year. The consolidated entity holds minimal foreign current denominated monetary assets or liabilities; there is therefore limited exposure to foreign currency risk.

d) Interest rate risk

The consolidated entity is not exposed to interest rate risk on its long term borrowings as they are at a fixed interest rates. It has minimal exposure to interest rate risk through its holdings of cash and other short term assets, and short term borrowings.

Consolidated	Non interest bearing \$'000	Floating \$'000	1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000	Carrying amount as per Statement of Financial Position \$'000	Fair value \$'000
31 December 2019							
Financial assets							
Cash and cash equivalents	-	15,689	3,237	-	-	18,926	18,926
Receivables	35,300	-	-	-	-	35,300	35,300
Other financial assets	1	406,022	-	36,559	-	442,582	442,582
Total financial assets	35,301	421,711	3,237	36,559	-	496,808	496,808
Financial liabilities							
Payables	37,631	-	-	-	-	37,631	37,631
Borrowings	-	68,600	-	125,000	-	193,600	204,340
Total financial liabilities	37,631	68,600	-	125,000	-	231,231	241,971
31 December 2018							
Financial assets							
Cash and cash equivalents	-	34,599	2,493	-	-	37,092	37,092
Receivables	35,293	-	-	-	-	35,293	35,293
Other financial assets	1	343,611	-	60,642	-	404,254	404,254
Total financial assets	35,294	378,210	2,493	60,642	-	476,639	476,639
Financial liabilities							
Payables	30,600	-	-	-	-	30,600	30,600
Borrowings	-	-	-	93,600	-	93,600	103,140
Total financial liabilities	30,600	-	-	93,600	-	124,200	133,740

25. FINANCIAL RISK MANAGEMENT (continued)

e) Market risk

Exposure to other price risk arises due to the inherent risk of unfavourable movements in the market value of the consolidated entity's investments. The consolidated entity's Investments mainly comprise investments in managed investment funds. The investment fund has a longer-term investment strategy with a growth-style portfolio including equities. It is acknowledged there may be short-term fluctuations in asset values from time to time with such a strategy. The possibility of a negative return is approximately one year in seven. Historical trends for such a strategy indicate that, with reasonable probability, unrealised losses will be recovered in the short to medium term.

The managers place a great deal of emphasis on risk management and constantly examine the risk and return profiles of the portfolios in terms of both asset allocation and the active management of each asset class within the portfolio. This ensures a well diversified portfolio of assets.

The University's investment policy has established benchmarks for the portfolio. During 2019 the following benchmarks applied:

Equities 45% (actual at 31 December 2019: 47.7%); alternatives 40% (35.7%), Global Property 5% (5.8%), fixed interest 9.5% (8.8%); and cash and cash equivalents 1% (2.0%).

f) Summarised sensitivity analysis

The following table summarises the sensitivity of the consolidated entity's financial assets and liabilities to interest rate risk and other price risk.

Consolidated	Carrying amount \$'000	Interest rate risk				Market risk			
		-0.5%	1.0%	-10%	+10%				
		Impact on result \$'000	Impact on equity \$'000	Impact on result \$'000	Impact on equity \$'000	Impact on result \$'000	Impact on equity \$'000	Impact on result \$'000	Impact on equity \$'000
31 December 2019									
Financial assets									
Cash and cash equivalents	18,926	(95)	(95)	189	189	n/a	n/a	n/a	n/a
Receivables	35,300	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other financial assets	442,582	-	-	-	-	(44,258)	(44,258)	44,258	44,258
Total financial assets	496,808	(95)	(95)	189	189	(44,258)	(44,258)	44,258	44,258
Financial liabilities									
Payables	37,631	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Borrowings	193,600	343	343	(686)	(686)	n/a	na	na	na
Total financial liabilities	231,231	343	343	(686)	(686)	-	-	-	-
31 December 2018									
Financial assets									
Cash and cash equivalents	37,092	(185)	(185)	371	371	n/a	n/a	n/a	n/a
Receivables	35,293	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other financial assets	404,254	-	-	-	-	(40,425)	(40,425)	40,425	40,425
Total financial assets	476,639	(185)	(185)	371	371	(40,425)	(40,425)	40,425	40,425
Financial liabilities									
Payables	30,600	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Borrowings	93,600	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total financial liabilities	124,200	-	-	-	-	-	-	-	-

Method and underlying assumptions of the sensitivity analysis:

1. The variation in interest rate risk takes into account interest rate movements during 2019 and future expectations.
2. A variation range of +/- 10% is estimated for other price risk based on investment returns over the past three years.
3. The University's foreign exchange risk is considered minimal.
4. \$125m of long term loans at fixed interest rates.
5. Short term borrowings calculated at current face value declining to 0 in 12 months

26. FAIR VALUE MEASUREMENTS

a) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

The carrying amounts and aggregate net fair values of financial assets and liabilities at balance date are:

	Note	Carrying amount		Fair value	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	5	18,926	37,092	18,926	37,092
Receivables	6	35,300	35,293	35,300	35,293
Other financial assets	7	442,582	404,254	442,582	404,254
Total financial assets		496,808	476,639	496,808	476,639
Financial liabilities					
Payables	12	37,631	30,600	37,631	30,600
Borrowings	13	209,639	93,600	220,379	103,140
Total financial liabilities		247,270	124,200	258,010	133,740

The University of Tasmania measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss
- Land and buildings
- Leasehold improvements
- Works of art
- Assets classified as held for sale
- Service concession asset

b) Fair value hierarchy

The University of Tasmania categorises assets and liabilities measured at fair value into a hierarchy based on the level of inputs used in measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices within level 1 that are observable for the asset or liability either directly or indirectly

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

i) Recognised fair value measurements

Fair value measurements recognised in the balance sheet are categorised into the following levels at 31 December 2018.

Fair value measurements at 31 December 2019

Recurring fair value measurements	Note	2019	Level 1	Level 2	Level 3
Financial assets		\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss					
Other financial assets	7	442,582	402,713	39,869	-
Total financial assets		442,582	402,713	39,869	-
Non-financial assets					
Land	9	169,637	-	169,637	-
Buildings	9	410,691	-	-	410,691
Works of art	9	9,960	-	9,960	-
Service concession asset	11	142,903	-	-	142,903
Total non-financial assets		733,191	-	179,597	553,594

26. FAIR VALUE MEASUREMENTS (continued)

Fair value measurements at 31 December 2018

Recurring fair value measurements	Note	2018 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets					
Financial assets at fair value through profit or loss					
Other financial assets	7	404,254	381,336	22,918	-
Total financial assets		404,254	381,336	22,918	-
Non-financial assets					
Land	9	92,963	-	92,963	-
Buildings and Leasehold improvements	9	443,917	-	-	443,917
Works of art	9	9,368	-	9,368	-
Service concession asset	11	140,824	-	-	140,824
Total non-financial assets		687,072	-	102,331	584,741

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

The University of Tasmania's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

ii) Disclosed fair values

The University of Tasmania has a number of assets and liabilities which are not measured at fair value, but for which the fair values are disclosed in the notes.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables.

c) Valuation techniques used to derive level 2 and level 3 fair values

i) Level 2 fair values

Land, buildings and leasehold improvements are independently valued at regular intervals. An independent valuation of the University's land was performed by Messrs Tim Ashton and Craig Butler of Marsh Valuation Services during 2019. The valuation was performed to determine fair value in accordance with AASB 116 *Property, Plant and Equipment*. The fair value was determined by employing current replacement cost.

Works of art are valued independently at regular intervals. An independent valuation of the University's works of art over \$5,000 was performed by Ms Rosanna Cameron during 2019. Works of art were valued by comparing selling prices of present pieces by the same artist. Management has assessed the remaining collection and deem that the carrying value represents the fair value.

ii) Level 3 fair values

Buildings and leasehold improvements are valued independently at regular intervals. An independent valuation of the University's buildings and leasehold improvements was performed by Messrs Tim Ashton and Craig Butler of Marsh Valuation Services during 2019. The valuation was performed to determine fair value in accordance with AASB 116. The fair value was determined by employing current replacement cost.

d) Fair value measurements using significant unobservable inputs (level 3)

The following table is a reconciliation of level 3 items for the period ended 31 December 2019 and 2018.

Level 3 Fair Value Measurements 2019						
	Other financial assets	Buildings	Land	Works of Art	Service concession asset	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	-	443,917	-	-	140,824	584,741
Adoption of AASB16	-	15,718	-	-	-	15,718
Additions	-	848	-	-	2,585	3,433
Transfers from capital works in progress	-	32,401	-	-	-	32,401
Disposals	-	(1,764)	-	-	-	(1,764)
Depreciation and/or impairment	-	(13,057)	-	-	(3,760)	(16,817)
Revaluation	-	(35,936)	-	-	3,254	(32,682)
Closing balance	-	410,691	-	-	142,903	553,594
Level 3 Fair Value Measurements 2018						
	Other financial assets	Buildings and Leasehold Improvements	Land	Works of Art	Service concession asset	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	-	415,625	-	-	143,512	559,137
Acquisitions	-	36,412	-	-	1,075	37,487
Transfers from capital works in progress	-	4,092	-	-	-	4,092
Depreciation and/or impairment	-	(12,212)	-	-	(3,763)	(15,975)
Closing balance	-	443,917	-	-	140,824	584,741

27. SUPERANNUATION

	2019 \$'000	2018 \$'000
Assets recognised in the Statement of Financial Position		
Current		
Deferred Government contribution for superannuation	582	627
Non-Current		
Deferred Government contribution for superannuation	6,673	6,580
Total superannuation assets	7,255	7,207
Liabilities recognised in the Statement of Financial Position		
Current		
Supplementary Pension Scheme	569	739
Retirement Benefits Fund	582	627
	1,151	1,366
Non-Current		
Supplementary Pension Scheme	4,272	4,854
Retirement Benefits Fund	6,673	6,580
	10,945	11,434
Total superannuation liability	12,096	12,800

(a) Schemes operational and open to membership

i) UniSuper Limited

The majority of University staff are members of schemes and plans administered and managed by UniSuper Limited. UniSuper offers eligible members the choice of two schemes known as the Defined Benefit Division (DBD) and Accumulation Super.

The UniSuper Defined Benefit Division (DBD) is a defined benefit plan under Superannuation Law but, as a result of amendments to Clause 34 of the UniSuper Trust Deed, a defined contribution plan under Accounting Standard AASB 119 *Employee Benefits*.

Accumulation Super is a cash accumulation productivity scheme.

(b) Schemes closed to future membership

i) Supplementary Pension Scheme liability

The University of Tasmania Staff Superannuation and Additional Benefits Scheme was closed on 31 December 1982 and wound up. One aspect of the scheme remains, the supplementary pension scheme.

Characteristics of scheme

The Supplementary Pension Scheme provides retirement benefits to former employees of the University and their dependents in the form of defined benefit pensions. The scheme is closed to new entrants and to the accrual of further benefits with all current beneficiaries in receipt of a pension. Pension payments are met on an emerging cost basis and no separate assets are held to meet these liabilities. As such, the scheme is not a regulated superannuation scheme. Future pension payments are linked to general salary increases for current University employees and hence the liabilities are sensitive to these awards. Pensions from the scheme are payable for life and therefore, to the extent that pensioners live longer (or shorter) than assumed, the present value of actual pension payments may differ to the liabilities disclosed.

An actuarial report was prepared by Geoff Morley of GM Actuaries Pty Ltd as at 31 December 2019 including estimates of future year liabilities.

27. SUPERANNUATION (continued)

(b) Schemes closed to future membership (continued)

	2019 \$'000	2018 \$'000
Liabilities recognised in the Statement of Financial Position		
Total liability	4,841	5,593
Current	569	739
Non-current	4,272	4,854
	4,841	5,593
Principal actuarial assumptions		
Discount rate	2.50%	2.50%
Inflation (pensions)	2.50%	2.50%
Reconciliation of change in liabilities		
	\$'000	\$'000
Defined Benefit Obligation at 1 January	5,593	6,254
Service cost	-	-
Interest cost	132	146
Benefits paid	(659)	(892)
Actuarial (gains)/losses arising from changes in assumptions	397	-
Experience (gain)/loss on liabilities	(622)	85
Defined Benefit Obligation at 31 December	4,841	5,593

Sensitivity analysis

The valuation results are sensitive to changes in the assumptions adopted. The table below highlights this sensitivity to changes in discount rate and salary increase assumptions (with reference to 31 December 2019 actuarial report):

Assumption	Liability as at 31 December 2019 \$'000	Change in liability \$'000
Actual	4,841	-
Reduce discount rate by 0.5%	5,019	178
Increase salary increase assumption by 0.5%	5,029	188

ii) Retirement Benefits Fund (RBF)

Characteristics of scheme

The University has a liability in respect of a small number of former staff who transferred from the Tasmanian College of Advanced Education and who are members of the State Government scheme, the Retirement Benefits Fund.

An arrangement exists between the Australian Government and the State Government to meet the unfunded liability for the University's beneficiaries of the Retirement Benefits Fund on an emerging cost basis. Accordingly the liability of \$7.3m (2018: \$7.2m) is recognised in the Statement of Financial Position and the right to re-imbursement from the Commonwealth is recorded as an asset.

The defined benefit section of RBF is closed to new members. All new members receive accumulation only benefits.

Description of the regulatory framework

The scheme operates under the Public Sector Superannuation Reform Act 2016 and the Public Sector Superannuation Reform Regulations 2018. Although the scheme is not formally subject to the Superannuation Industry (supervision) (SIS) legislation, the Tasmanian Government has undertaken (in a Heads of Government Agreement) to operate the scheme in accordance with the spirit of the SIS legislation. As an exempt public sector superannuation scheme (as defined in the SIS legislation), the scheme is not subject to any minimum funding requirements.

RBF is a complying superannuation fund within the provisions of the Income Tax Assessment Act 1997 such that the fund's taxable income is taxed at a concessional rate of 15%. However RBF is also a public sector superannuation scheme which means that employer contributions may not be subject to the 15% tax (if the RBF board elects) up to the amount of "untaxed" benefits paid to members in the year.

The Superannuation Commission is responsible for the governance of the scheme. As Trustee, the Superannuation Commission has a legal obligation to act solely in the best interests of scheme beneficiaries. The Superannuation Commission has the following roles:

- Administration of the scheme and payment to the beneficiaries when required in accordance with the scheme rules; and
- Management and investment of the scheme assets.

27. SUPERANNUATION (continued)

(b) Schemes closed to future membership (continued)

Description of risks

There are a number of risks to which the scheme exposes the University of Tasmania. The more significant risks relating to the defined benefits are:

- Legislative risk - the risk is that Legislative changes could be made which increase the cost of providing the defined benefits.
- Pensioner mortality risk - the risk is that Pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.
- Inflation risk - the risk that Inflation is higher than anticipated, increasing pension payments, and the associated employer contributions.
- Investment risk - the risk that Investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall over the long term.
- Salary growth risk - the risk that wages or salaries will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions over the long term.

There were no plan amendments, curtailments or settlements during the year.

An actuarial report was prepared by Dr David Knox (Fellow of the Institute of Actuaries of Australia) at Mercer as at 30 June 2019.

	2019 \$'000	2018 \$'000
Liabilities recognised in the statement of financial position		
Defined benefit obligations	9,143	9,078
Fair value of plan assets	(1,888)	(1,871)
Net liability	7,255	7,207
Current	582	627
Non-current	6,673	6,580
	7,255	7,207
Reconciliation of the fair value of scheme assets		
Fair value of scheme assets at beginning of the year	1,871	1,745
Interest income	53	54
Actual return on scheme assets less interest income	166	296
Employer contributions	578	635
Benefits paid	(780)	(859)
Taxes, premiums and expenses paid	-	-
Fair value of scheme assets at end of the year	1,888	1,871
Reconciliation of the Defined Benefit Obligation		
Present value of Defined Benefit Obligations at beginning of the year	9,078	9,107
Current service cost	-	-
Net interest	260	286
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	(925)	209
Actuarial (gains)/losses arising from liability experience	1,510	335
Benefits paid	(780)	(859)
Taxes, premiums and expenses paid	-	-
Present value of Defined Benefit Obligations at end of the year	9,143	9,078

Significant actuarial assumptions

Assumptions to determine defined benefit cost

Discount rate (active members)	3.00%	3.30%
Discount rate (pensioners)	3.00%	3.30%
Expected rate of increase of compulsory preserved amounts	3.00%	3.00%
Expected salary increase	3.00%	3.00%
Expected pension increase rate	2.50%	2.50%

Assumptions to determine Defined Benefit Obligation

Discount rate (active members)	1.80%	3.00%
Discount rate (pensioners)	1.80%	3.00%
Expected salary increase	3.00%	3.00%
Expected rate of increase of compulsory preserved amounts	3.00%	3.00%
Expected pension increase rate	2.50%	2.50%

27. SUPERANNUATION (continued)

(b) Schemes closed to future membership (continued)

Funding arrangements

The employer contributes a percentage of each lump sum or pension benefit payment. This percentage may be amended by the Minister on the advice of the Actuary.

Sensitivity analysis

The Defined Benefit Obligation as at 31 December 2019 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to expected pension increase rate sensitivity.

Scenario A: 1.0% pa lower discount rate assumption

Scenario B: 1.0% pa higher discount rate assumption

Scenario C: 1.0% pa lower expected pension increase rate assumption

Scenario D: 1.0% pa higher expected pension increase rate assumption

	Base Case	Scenario A -1.0% pa discount rate	Scenario B +1.0% pa discount rate	Scenario C -1.0% pa pension increase rate	Scenario D +1.0% pa pension increase rate
Discount rate	1.8% pa	0.8% pa	2.80% pa	1.8% pa	1.8% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
Defined Benefit Obligation (\$'000s)	9,143	12,106	10,228	10,271	12,035

The Defined Benefit Obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Financial year ending	2020	2019
	\$'000	\$'000
Expected employer contributions	582	627

The weighted average duration of the defined benefit obligation is 8.0 years (2018: 7.6 years)

(c) Amounts recognised in statements

	2019	2018
	\$'000	\$'000
Amounts recognised in the Income Statement		
Supplementary Pension Scheme liability		
Current service cost	-	-
Interest expense	132	146
Retirement Benefits Fund		
Current service cost	-	-
Interest expense	260	286
Interest income	(53)	(54)
Deferred Government contribution		
Current service cost	-	-
Interest expense	(260)	(286)
Interest income	53	54
Total expense recognised in the Income Statement	132	146

Amount recognised in other comprehensive income

Supplementary Pension Scheme liability		
Actuarial gains/(losses) arising from changes in financial assumptions	(397)	-
Actuarial gains/(losses) arising from liability experience	622	(85)
Retirement Benefits Fund		
Actuarial gains/(losses) arising from changes in financial assumptions	925	(209)
Actuarial gains/(losses) arising from liability experience	(1,510)	(335)
Deferred Government contribution		
Actuarial (gains)/losses arising from changes in financial assumptions	(925)	209
Actuarial (gains)/losses arising from liability experience	1,510	335
Total amount recognised in other comprehensive income	225	(85)

28. ACQUITTAL OF AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE
Parent Entity only

	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

28.1 EDUCATION - CGS and other education grants

	Commonwealth Grant Scheme		Indigenous Support Success Program		Access and Participation Program		Disability Performance Funding		National Institutes		Promotion of Excellence in Learning and Teaching	
Financial assistance received in cash during reporting period	203,699	200,225	2,660	2,354	6,920	6,841	261	175	7,823	7,677	-	-
Net accrual adjustments	(3,938)	(585)	-	259	-	-	-	-	-	-	(10)	-
Revenue for the period	199,761	199,640	2,660	2,613	6,920	6,841	261	175	7,823	7,677	(10)	-
Surplus/(deficit) from the previous year	-	-	-	-	-	-	(194)	(59)	-	-	107	207
Funds available for the period	199,761	199,640	2,660	2,613	6,920	6,841	67	116	7,823	7,677	97	207
Less expenses including accrued expenses	(199,761)	(199,640)	(2,660)	(2,613)	(6,920)	(6,841)	(406)	(310)	(7,823)	(7,677)	17	(100)
Surplus/(deficit) for the reporting period	-	-	-	-	-	-	(339)	(194)	-	-	114	107

	Australian Maths & Science Partnership		National Priorities		Total	
Financial assistance received in cash during reporting period	-	(176)	370	-	221,733	217,096
Net accrual adjustments	-	-	(370)	-	(4,318)	(326)
Revenue for the period	-	(176)	-	-	217,415	216,770
Surplus/(deficit) from the previous year	1,088	1,066	-	-	1,001	1,214
Funds available for the period	1,088	890	-	-	218,416	217,984
Less expenses including accrued expenses	(1,132)	198	-	-	(218,685)	(216,983)
Surplus/(deficit) for the reporting period	(44)	1,088	-	-	(269)	1,001

28.2 Higher Education Loan Programs (excluding OS-HELP)

	HECS-HELP		FEE-HELP		SA-HELP		Total	
Cash payable/(receivable) at beginning of year	5,145	12,038	254	131	29	29	5,428	12,198
Financial assistance received in cash during the reporting period	69,113	68,457	2,958	2,426	1,378	1,290	73,449	72,173
Cash available for the period	74,258	80,495	3,212	2,557	1,407	1,319	78,877	84,371
Revenue earned	(68,514)	(75,350)	(2,530)	(2,303)	(1,378)	(1,290)	(72,422)	(78,943)
Cash payable/(receivable) at end of year	5,744	5,145	682	254	29	29	6,455	5,428

28.3 Department of Education and Training Research

	Research Training Program		Research Support Program		Total	
Financial assistance received in cash during reporting period	24,666	24,657	22,706	23,489	47,372	48,146
Net accrual adjustments	-	-	-	-	-	-
Revenue for the period	24,666	24,657	22,706	23,489	47,372	48,146
Surplus/(deficit) from the previous year	-	-	-	-	-	-
Funds available for the period	24,666	24,657	22,706	23,489	47,372	48,146
Less expenses including accrued expenses	(24,666)	(24,657)	(22,706)	(23,489)	(47,372)	(48,146)
Surplus/(deficit) for the reporting period	-	-	-	-	-	-

28.4 Total Research Training Program Expenditure

	Total domestic students		Total overseas students		Total Research Training program	
Research Training Program fee offsets	18,687	18,152	210	663	18,897	18,815
Research Training Program stipends	5,180	5,345	573	488	5,753	5,833
Research Training Program allowances	5	7	6	2	11	9
Total for all types of support	23,872	23,504	789	1,153	24,661	24,657

Parent Entity only

28.6 Australian Research Council Grants

	Discovery		Linkages		Networks and Centres		Special Research Initiatives		Total	
Financial assistance received in cash during reporting period	9,132	8,264	2,998	2,866	-	-	8,532	12,130	19,662	
Net accrual adjustments	(4,198)	-	10,230	-	-	-	(6,503)	-	(471)	
Revenue for the period	4,934	8,264	13,228	2,866	-	-	(6,503)	8,532	11,659	
Surplus/(deficit) from the previous year	3,628	3,539	(7,771)	590	-	-	13,533	9,273	9,390	
Funds available for the period	8,562	11,803	5,457	3,456	-	-	7,030	17,805	21,049	
Less expenses including accrued expenses	(8,570)	(8,175)	(5,452)	(11,227)	-	-	(7,029)	(4,272)	(21,051)	
Surplus/(deficit) for the reporting period	(8)	3,628	5	(7,771)	-	-	1	13,533	(2)	

28. ACQUITTAL OF AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE (continued)

Parent Entity only

	2019 \$'000	2018 \$'000
28.7 Other Australian Government Financial Assistance		
Cash received during the reporting period	81,201	85,790
Cash spent during the reporting period	(81,201)	(85,790)
Net cash received	-	-
Cash surplus/(deficit) from the previous year		
Cash surplus/(deficit) for the reporting period	-	-
28.8 OS-HELP		
Cash received during the reporting period	1,170	1,298
Cash spent during the reporting period	(1,397)	(1,151)
Net cash received	(227)	147
Cash surplus/(deficit) from the previous year	218	71
Cash surplus/(deficit) for the reporting period	(9)	218
28.9 Higher Education Superannuation		
Cash received during the reporting period	596	625
Cash available	596	625
Cash surplus/(deficit) from the previous year	3	(85)
Cash available for the reporting period	599	540
Contributions to specified defined benefit funds	(597)	(537)
Cash surplus/(deficit) for the reporting period	2	3
28.10 Student Services and Amenities Fee		
Unspent/(overspent) revenue from previous period	(34)	334
SA-HELP revenue earned	1,378	1,290
Student services fees direct from students	4,108	4,152
Total revenue expendable in period	5,452	5,776
Student services expenses during period	(5,803)	(5,810)
Unspent/(overspent) student services revenue	(351)	(34)

MANAGEMENT CERTIFICATE FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT BY PRINCIPAL ACCOUNTING OFFICER

In my opinion:

- (a) the financial statements present a true and fair view of the financial position of the University and the consolidated entity as at 31 December 2019 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date, and comply with Australian Accounting Standards, the Australian Charities and Not-for-profits Commission Act 2012 and the Financial Statement Guidelines for Australian Higher Education Providers for the 2019 Reporting Period (issued by the Department of Education and Training);
- (b) at the time of signing the statements there are reasonable grounds to believe that the University will be able to pay its debts as and when they fall due;
- (c) the amount of Australian Government financial assistance expended during the reporting period was for the purpose(s) for which it was intended, and the University has complied with applicable legislation, contracts, agreements and program guidelines in making expenditure; and
- (d) the University charged Student Services and Amenities Fees strictly in accordance with the *Higher Education Support Act 2003* and the Administration Guidelines made under the Act. Revenue from the fee was spent strictly in accordance with the Act and only on services and amenities specified in subsection 19-38(4) of the Act.

In addition, at the date of signing I am not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



DAVID CLERK
Chief Operating Officer

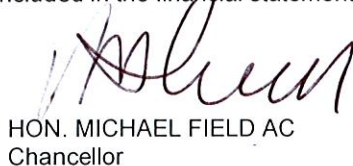
14 February 2020

STATEMENT BY THE CHANCELLOR AND THE VICE-CHANCELLOR

In our opinion:

- a) the financial statements present a true and fair view of the financial position of the University and the consolidated entity as at 31 December 2019 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date, and comply with Australian Accounting Standards, the Australian Charities and Not-for-profits Commission Act 2012 and the Financial Statement Guidelines for Australian Higher Education Providers for the 2019 Reporting Period (issued by the Department of Education and Training);
- b) at the time of signing the statements there are reasonable grounds to believe that the University will be able to pay its debts as and when they fall due;
- c) the amount of Australian Government financial assistance expended during the reporting period was for the purpose(s) for which it was intended, and the University has complied with applicable legislation, contracts, agreements and program guidelines in making expenditure; and
- d) the University charged Student Services and Amenities Fees strictly in accordance with the *Higher Education Support Act 2003* and the Administration Guidelines made under the Act. Revenue from the fee was spent strictly in accordance with the Act and only on services and amenities specified in subsection 19-38(4) of the Act.

In addition, at the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



HON. MICHAEL FIELD AC
Chancellor

14 February 2020



Professor Rufus Black
Vice-Chancellor

14 February 2020

4 **Matters for Decision**

4.3 *** Southern Campus Funding**

Responsibility: Chief Operating Officer

MOTION(S):

- That Council:
 - approves a \$200m increase in term debt with Tascorp to deliver the Southern Campus Strategy
 - delegates authority to the Vice-Chancellor to execute the variation to the Master Loan Agreement with Tascorp
 - delegates authority to the Vice-Chancellor to approve the drawdown of new debt and the refinance of existing debt with a weighted average cost of debt and tenor as defined in attachment 1, to be updated and presented at the meeting.
 - approves the early termination and refinance of \$125m in existing term debt with Tascorp to secure low interest rate and long tenor: and
 - approves a change to *Treasury and Investment Policy* principle 2.1 to increase the University's consolidated debt to equity ratio from 25 per cent to 30 per cent.

The University has successfully responded to revenue losses due to COVID-19 by introducing a range of measures to achieve short-term savings and a long-term sustainable cost base. The balance sheet remains strong with the investment portfolio recovering from recent COVID impacted losses and our major capital projects in the North and North West and Hedberg in the South de-risked. In response to the COVID situation, the state government has also provided a guarantee for our existing debt of \$200m with Tascorp.

Following the update provided to the August 2020 Council meeting on the restart of the southern campus master, a funding solution is required to activate the southern campus strategy that maintains balance sheet strength over the long term. The design of the funding solution has been guided by the following principles:

- Structure – debt will be drawn to support the staged requirements of the southern campus plan.
- Refinance – early termination of \$125m in existing term debt with Tascorp (maturing 2023) to secure low interest rates and long tenor.
- Tenor – longer term debt of between 10 – 25 years to lower interest rate risk and appropriately constructed to enable repayment upon staged maturity.

- Rate expectation – 10-year borrowings with Tascorp are currently 1.6%, whilst the rate for 25 years is ~3.4%.

The proposed funding solution will see a total increase in debt facilities from \$200m (\$125m term debt and \$75m overdraft facility) to \$400m (\$325m and \$75m overdraft facility) enabling the southern campus strategy to commence in 2021 with shovel ready projects that activate vacant sites and existing buildings. It is anticipated that the total cost of new borrowings will be comparable to existing interest costs.

Approval from both Treasury and Tascorp is required to facilitate the drawdown of any new debt, and the approval process has been initiated to enable a decision before year-end.

Further detail is available in the **attached** paper.

UNIVERSITY COUNCIL

From David Clerk, Chief Operating Officer

Date 4 December 2020

Subject **Southern Campus Funding**

RECOMMENDATION

That Council approves the following to deliver the southern campus strategy:

- a \$200m increase in term debt with Tascorp
- Council delegate authority to the Vice-Chancellor to execute the variation to the Master Loan Agreement with Tascorp
- Council delegate authority to the Vice-Chancellor to approve the drawdown of new debt and the refinance of existing debt with a weighted average cost of debt and tenor as defined in attachment 1, to be updated and presented at the meeting.
- early termination and refinance of \$125m in existing term debt with Tascorp to secure low interest rate and long tenor
- a change to *Treasury and Investment Policy* principle 2.1 to increase the University's consolidated debt to equity ratio from 25 per cent to 30 per cent.

BACKGROUND

In November 2019, following Treasury approval, the University increased its borrowing to \$200m, including an overdraft facility of \$75m. In-principle support was provided by Treasury for an additional \$100m to pursue its southern campus strategy in December 2019, pending the review of key financial information and engagement with a ratings agency to obtain a credit rating.

At this time Tascorp advised that there would be a full review of the University's borrowing capacity upon a request for further funding and upon maturity of the term debt of \$125m in March 2023.

In August 2020, the Treasurer advised the University its existing borrowings of \$200m with Tascorp would be guaranteed by the State via a letter of comfort provided to Tascorp. This was provided as part of a response to the financial impacts of COVID19, and is understood to have been provided to all Tascorp clients.

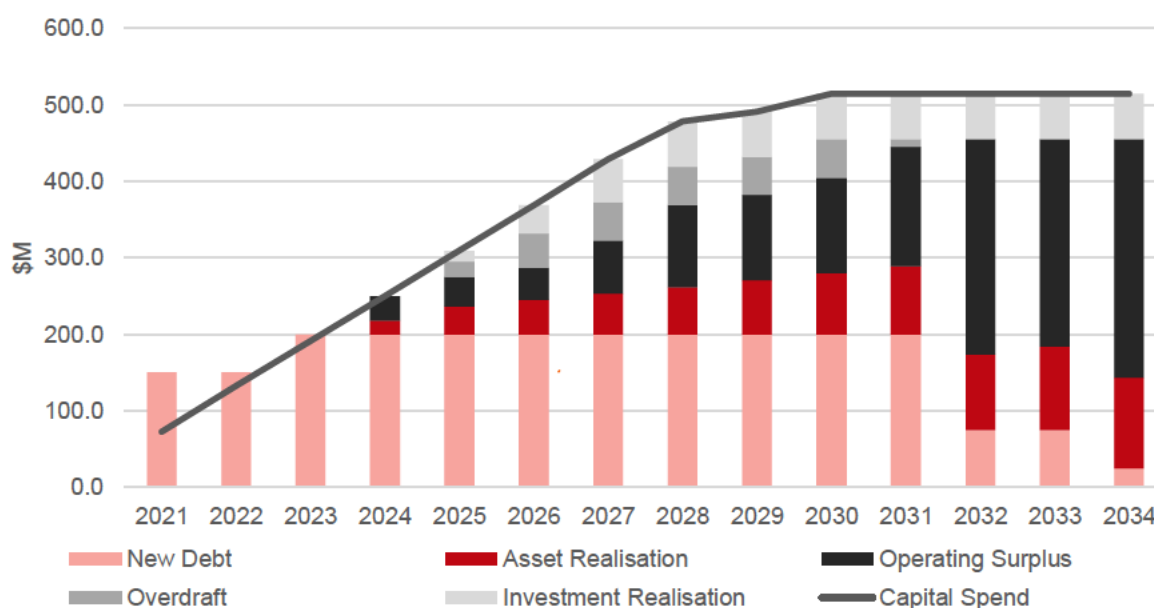
At the start of 2020, the overdraft had a balance of \$66m and following approval by Council in March 2020 to liquidate up to \$160m from the investment portfolio, \$50m was used to reduce the balance of the overdraft.

PROPOSED FUNDING SOLUTION

Projected operating surpluses will enable the completion of northern capital projects in 2023. For the southern campus strategy to commence in 2021, additional sources of funding are required.

With interest rates at historic lows, taking on additional longer-term debt is the most cost-effective method to facilitate this. The funding solution design also includes value from UTAS Properties Pty Ltd, returns from the investment portfolio and projected operating surpluses post 2023.

Chart 1 below models the mix of funding required to deliver the southern strategy over a period of 10 years at an expected cost of circa ~\$500m. Existing debt of \$125m is excluded from this chart.

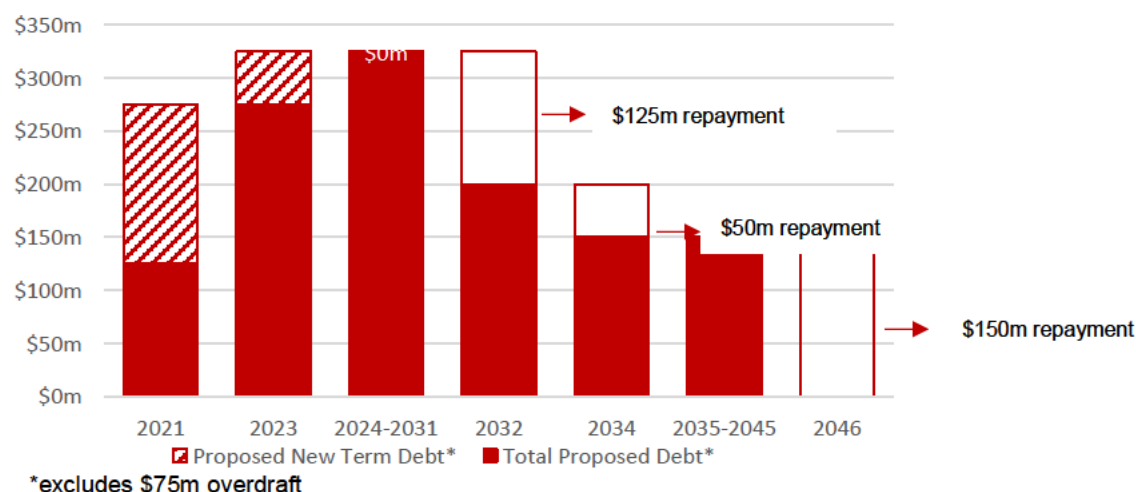
Chart 1: Funding vs Building over time**Debt Profile, Serviceability and Refinancing**

The \$200m in additional debt will be drawn in the most cost-effective way, to align with the southern campus capital program and to minimise interest costs. It is projected that the first tranche of debt will be drawn in 2021 (for expenditure in 2021-2022), with the remainder drawn in 2023. To reduce interest rate risk in relation to the 2023 debt, a forward start arrangement is proposed, if it proves cost effective to do so.

It is proposed existing debt of \$125m (maturing in 2023) be refinanced to increase the term of the loans and take advantage of the current low interest rate environment.

It is expected that this debt will be refinanced with a tenor of more than 10 years.

The staged draw down and timing of repayment of proposed debt facilities is represented in chart 2 below, with full repayment is expected by 2046.

Chart 2: Term Debt

Debt Capacity

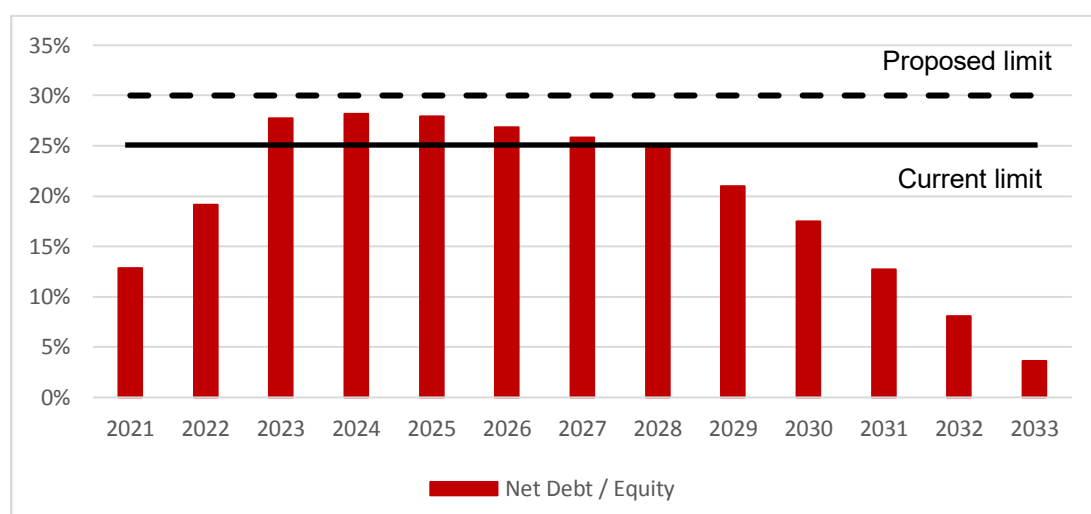
The University's *Treasury and Investment Policy* Debt/Equity ratio is 25%

Based on projections of the University's total equity, and the Moody's leverage criteria for Public University, a Debt/Equity ratio of up to 30% would maintain an investment grade credit rating.

The University's Debt/Equity ratio is projected to be under 10% for the end of 2020, where debt is calculated net of cash holdings. The additional \$200M of debt will push the debt/equity ratio to between 25% to 30%.

It is recommended that the Debt/Equity limit is increased to 30% and this increase, in conjunction with the unrestricted investment portfolio, remains within with the leverage criteria set by Moody's to be considered investment grade. At the completion of the southern project the ratio is projected to be less than 20%.

Chart 3: Net Debt / Equity



NEXT STEPS

In accordance with the University of Tasmania Act 1992, increases to the University's borrowing limit is subject to approval from the Treasurer.

In response to Treasury's requirements for an increase in borrowing limits, restated from 2019, and to facilitate an initial drawdown of additional debt in early 2021, the approval process with Treasury and Tascorp has commenced. This involves a full review of the University's long-term financial forecasts, based on best and worst-case revenue and EBITDA scenarios presented to Council in October 2020. A recommendation will initially be taken to the Tascorp Board on 18 December 2020, and as in 2019, Tascorp has indicated this may need two board meetings to appropriately consider the University's request. A decision is anticipated from Treasury following Tascorp approval.

The University is in the process of re-entering an agreement to achieve a credit rating in early 2021 and in accordance with Treasury's requirements, will provide a copy of the engagement letter with the ratings agency once this agreement is finalised.

ATTACHMENTS

- Attachment 1 – Updated refinancing, cost of debt and tenor assumptions
- Attachment 2 – Revised *Treasury and Investment Policy*

RESPONSIBLE OFFICER

Jo Willsmore
Chief Financial Officer

The refinance of existing debt and drawdown of new debt up to \$200m to be approved within the following parameters:

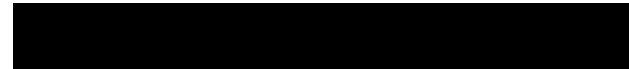
1. Weighted average cost of debt



2. Weighted average tenor of debt

Between 15 and 17 years with a maximum tenor of 25 years for any term debt

3. Refinancing costs on existing debt



Policy 6.8: Treasury and Investment Policy

Purpose:

This policy guides the responsible and effective management of the University, and its controlled entities, investment, and financing activities.

1. Investment funds

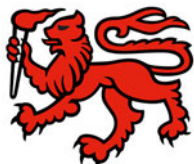
- 1.1. The University will seek to maximise investment returns within acceptable risk levels.
- 1.2. Investment allocation decisions for longer-term investment funds will be managed to achieve:
 - a) an average annual return, after fees, at least equal to the average increase in headline consumer price index plus a margin recommended by the University's investment advisors and approved as part of the University's annual strategic planning process.
 - b) over rolling five-year periods, achieve an average before fees annual return that is at least equal to the benchmark return
 - c) to limit the probability of a negative return to no more than 1 in every 4.5 years
 - d) a zero-carbon future
- 1.3. Investment decisions will ensure investment funds maintain sufficient liquidity to mitigate existential risk.
- 1.4. The University's investment decisions will be governed by a negative fossil fuel screen and a positive screen that considers the United Nations Sustainable Development Goals.
- 1.5. Investment funds will be utilised in support of the renewal of necessary physical infrastructure of the University and for strategic purposes.
- 1.6. The University's investments will be managed to realise the objectives of endowment funds and to meet annual spending requirements (e.g. scholarships, prizes, gifts and research).
- 1.7. Investment funds are managed to support the University in maintaining its consolidated debt to equity ratio.

2. Governance and risk management

- 2.1. Any University financial decision will be compliant with relevant borrowing facilities' covenants and undertakings and the University's consolidated debt to equity ratio of ~~25~~ 30 per cent.
- 2.2. All aspects of enacting and administering borrowings or financing arrangements will be coordinated by the University's treasury function, which will ensure appropriate controls are in place to manage risks.

3. Borrowings, debt and cash management

- 3.1. Borrowing arrangements will ensure the University's liquidity, maintain financial stability, and support the University's long-term funding strategy.
- 3.2. The University will seek appropriate borrowings to minimise financing costs and provide stability through management of refinancing risk.
- 3.3. The University's cash balances will be managed efficiently to ensure all obligations are met, at the lowest possible cost.



UNIVERSITY of
TASMANIA

**Office of the
Vice-Chancellor**

The Hon Peter Gutwein MP
Premier of Tasmania
GPO Box 123
Hobart TAS 7001

By email: premier@dpac.tas.gov.au

Dear Premier

Thank you for your letter received 3 March 2021 confirming approval of a \$200 million increase in the University's borrowing facility limit, conditional upon the University obtaining an investment grade credit rating.

To implement our Southern Infrastructure Project, we are seeking to contract with the building industry to commence construction in early quarter two 2021.

As requested, we have initiated the process to obtain a private monitored credit rating with Moody's Investor Service with the objective to complete in quarter three 2021.

At its meeting on 31 March, Tascorp Board will consider the University's funding request. To enable the Southern Infrastructure project to proceed in accordance with our desired timelines, the University will work with Tascorp following their Board meeting to confirm:

- Approval of an additional \$200 million term debt facility conditional upon obtaining an investment grade credit rating
- The revised Master Loan Facility Agreement, that underpins the new arrangements; and
- An interest rate risk mitigation strategy

I look forward to briefing you on the plans for our Southern Infrastructure when we meet on 31 March in Launceston.

Yours sincerely

Professor Rufus Black
Vice-Chancellor

March 2021

**Office of the
Vice-Chancellor**

University of Tasmania
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7001 Australia

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E Vice.Chancellor@utas.edu.au

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PREMIER OF TASMANIA

- 3 MAR 2021

Professor Rufus Black
Vice-Chancellor
University of Tasmania
Private Bag 51
HOBART TAS 7001

Dear Professor Black

Southern Infrastructure Project Borrowing Limit Increase

I refer to your letter dated 6 October 2020 seeking approval for a \$200 million increase in the University's borrowing facility limit.

I understand that this increased funding facility is needed in order to progress work as part of the Southern Infrastructure Project, a key component of the University's forward Strategic Plan.

On the basis of the supporting information provided to Treasury by the University, I approve the request to increase the University's borrowing facility limit, as required under section 7(2) of the *University of Tasmania Act 1992*. This approval is subject to the following conditions:

- the University obtains and maintains a stand-alone, investment grade credit rating from an approved rating agency;
- the increase of \$200 million to the existing borrowing facility limit is approved solely for the purposes of the construction of the Southern Infrastructure Project; and
- the \$200 million borrowing facility limit will reduce over time consistent with the maturity profile detailed in the University's request.

I am of the view that the University should obtain borrowings on a stand-alone basis. Therefore, the current Government guarantee provided to the Tasmanian Public Finance Corporation to support COVID-19 related funding will not be increased to cover any additional borrowings by the University.

If you have any questions in relation to this matter, please contact David Bailey at the Department of Treasury and Finance on (03) 6166 4413 or at david.bailey@treasury.tas.gov.au.

Yours sincerely

Peter Gutwein MP
Premier
Treasurer



Tasmanian Public Finance Corporation

114 Murray Street Hobart Tasmania 7000
GPO Box 1207 Hobart Tasmania 7001
Phone (03) 8396 1200 Intl 61 3 8396 1200
Fax (03) 9086 4195 Intl 61 3 9086 4195
ABN 75 403 768 119

12 April 2021

Mr David Clerk
Chief Operating Officer
University of Tasmania
Private Bag 53
Hobart TAS 7001

Dear David

UTAS Borrowing Limit

Further to our recent conversation, I am pleased to formally advise that the TASCORP Board has approved a \$200 million increase in the University of Tasmania (UTAS) borrowing limit to assist with the construction of the Southern Infrastructure Project subject to the following conditions precedent:

- UTAS obtaining and providing TASCORP with a credit rating agency report showing a baseline credit assessment of investment-grade;
- TASCORP being satisfied that the report does not identify any issues or risks that are material;
- Establishment of a Southern Infrastructure Project Term Sheet on terms acceptable to TASCORP outlining specific loan conditions; and
- Additional MLFA covenants and security charges.

I look forward to meeting at a convenient time to further discuss the loan approval and required terms and conditions in more detail.

In the interim, please do not hesitate to contact me directly on 0418 540 517.

Yours sincerely

Anton Voss
Chief Executive Officer



Tasmanian Public Finance Corporation

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Private Bag 53
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- Additional MLFA covenants and security charges.

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In the interim, please do not hesitate to contact me directly on 0418 540 517.

Yours sincerely

Anton Voss
Chief Executive Officer

The Hon Peter Gutwein MP
Premier of Tasmania
GPO Box 123
Hobart TAS 7001

By email: premier@dpac.tas.gov.au
Cc: avoss@tascorp.com.au
Tony.Ferrall@treasury.tas.gov.au

Dear Premier

Thank you for your supportive comments in relation to the release of the University's southern masterplan. I have been pleased that it has received a broadly positive response from the Hobart community. We are now focusing on ensuring we are well placed to deliver it for the future sustainability of the University and the benefit of the southern Tasmanian economy.

Following conditional approval of a \$200 million increase in our borrowing limit to facilitate the campus, we have continued to work with Tascorp to address the conditions precedent to assure them the funding can be delivered to meet immediate capital commitments.

We are now well advanced in obtaining a credit rating with Moody's Investor Services, to be delivered later this month. However, ongoing negotiations with Tascorp surrounding security requirements have been unsuccessful to date.

The significant issue is the requirement for a General Security Deed by Tascorp over all assets of the University, an additional requirement to real property mortgages of at least \$580m and a Negative Pledge without exceptions, although these requirements are yet to be confirmed as the University has not received a draft Master Loan Facility Agreement.

Our investigations to date indicate that no Australian Universities have entered into a General Security Deed and it is not commercially or operationally feasible for the University. Entering into a General Security Deed will breach already existing contractual arrangements and will require a comprehensive due diligence over all University contractual agreements, and ongoing monitoring.

In order to progress the southern campus and deliver its positive social and economic impact for Hobart and Tasmania, I would appreciate a discussion on Tascorp's security requirements or the alternative option of pursuing corporate facilities, including repayment of existing Tascorp debt, within the approved \$400 million borrowing facility limit with the State.

Yours sincerely



Professor Rufus Black
Vice-Chancellor

08 June 2021

Anton Voss
Chief Executive Officer
Tasmanian Public Finance Corporation (Tascorp)
Level 1, 114 Murray Street
Hobart, TAS 7000

By email: avoss@tascorp.com.au

Dear Anton

Thank you for meeting with us today and for your teams' engagement over the past fortnight regarding the proposed refinancing of the University of Tasmania's (UTAS's) existing \$200 million debt facilities and an additional \$200 million facility. We appreciate the constructive feedback regarding security and have considered it carefully in the context of our recently acquired Moody's Aa2 (A1 stand alone) credit rating.

We believe our proposal below balances the need for the layers of security to be both effective and commercial for Tascorp and at the same time provide UTAS with the flexibility to develop new sustainable and diversified income streams. Activation of our property, investment and commercialisation strategies are a key enabler for creating a diversified revenue base to deliver sustainability for the long term. We have been transparent with you on these strategies, and our proposal is designed to achieve sufficient and structurally simple layers of security that maximise value creation opportunities.

On this basis, we have set out the layers of security in our proposal below.

1. Real Property Mortgages

We propose Tascorp hold mortgages on the UTAS properties detailed below:

Building Name	Address	Certificate of Title/Strata Plan	Area (m ²)	Valuation (\$m)	Notes
Medical Science Building 1 & 2	Medical Science Precinct, 17 Liverpool Street, Hobart TAS	164197 / 1	20,091	210	Based on Charter Hall unsolicited valuation of IMAS building at \$500 per sqm. 10 June 2021
West Park	10 Bass Highway, Parklands TAS		4,194	30	Based on Charter Hall valuation at \$350 per sqm 10 June 2021
Hedberg	19-27 Campbell Street, Hobart TAS	181245 / 2 181245 / 3 V633C – 1J	9,413	80	Construction cost discounted by 30% to reflect strata title arrangements
Total			33,698	320	

Note: Due to the level of market activity, independent valuations for the Medical Science Buildings will not be available until early August.

Copies of the Certificate of Title and Strata Plans for the abovementioned properties have previously been provided.

2. Security Deed

A Security Deed, as previously provided, would grant security over \$150M in managed funds (cash and equities). There would be two separate 'Grantors' – UTAS and the Custodian of the managed funds. We have referred to these parties collectively as the 'Grantors' where appropriate.

Tascorp would hold certificated security (i.e. title) over the \$150M value of collateral (defined as 'Marketable Securities'). Each grantor grants Tascorp a PPSA security interest in the collateral and an acknowledgement from both grantors that there is no subordination of any security interest in the collateral. In the event of an 'Event of Default', broadly the deed provides that Tascorp is entitled to all distributions and can exercise all voting powers in respect to the collateral (to the exclusion of the custodian).

3. Master Loan Facility Agreement (MLFA)

In response to Tascorp's proposed amendments to the MLFA, to allow UTAS and UPPL to develop the Sandy Bay Campus we propose the exclusion of the whole of the Sandy Bay Campus from the negative pledge.

Our proposed amendments to Clause 19.11 effectively carve out the Sandy Bay Campus, land described in Volume 176312 Folio 1 previously provided, with the effect that UTAS and UPPL could then deal with this Campus in accordance with 19.1 and 19.2 of the MLFA. This would require clause 19.11 to be amended as follow:

Amended Clause 19.11 - It will not sell, transfer or otherwise dispose of, part with possession of, or create or allow to exist an interest in, all or a substantial part of its assets or undertakings (excluding the Sandy Bay Campus), or agree or attempt to do so (whether in one or more related or unrelated transactions) except as permitted.

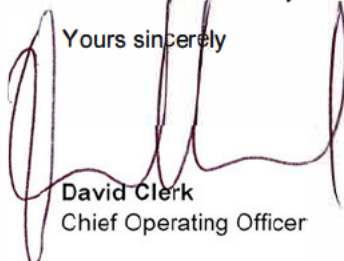
Further to the above, we propose the following additional amendments to the MLFA:

- With reference to the inclusion of a pricing step up clause, that Tascorp provide a proposed definition around such a clause.
- The provision of the specific security deed would result in clause 19.9 being removed, the clause is also impractical with the proposed borrowing limit.

In addition to the MLFA, we propose appointing the CEO of Tascorp to observer status for all UPPL board meetings. As you know, UPPL is the vehicle through which the Sandy Bay Campus will be developed. The intent of this role is to provide full real time transparency on Sandy Bay Campus decision making. This role would not have voting rights.

Please contact me if you would like to discuss any aspects of this letter.

Yours sincerely



David Clerk
Chief Operating Officer

22 June 2021



Tasmanian Public Finance Corporation

114 Murray Street Hobart Tasmania 7000
GPO Box 1207 Hobart Tasmania 7001
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Fax (03) 9086 4195 Intl 61 3 9086 4195
ABN: 75 403 768 119

17 December 2021

Mr David Clerk
Chief Operating Officer
University of Tasmania
Churchill Ave
Sandy Bay, TAS 7005

Dear David,

Master Loan Facility Agreement (MLFA)

I refer to recent discussions and correspondence regarding UTAS' request for TASCORP to provide written consent for UTAS to enter into an Australian Medium Term Note (AMTN) program and execute a corporate debt facility prior to exiting legal arrangements with TASCORP.

We understand the intention of executing the above documentation is to fully repay and retire all TASCORP facilities. Establishment of such facilities will create a financial indebtedness under the MLFA. Under clause 19.2 of the MLFA, UTAS is not permitted to create financial indebtedness without the prior written consent of TASCORP.

I wish to advise that TASCORP consents to UTAS's request to enter into the AMTN and corporate debt facility documentation, on the following conditions:

- AMTN proceeds, when issued, will be used to fully repay and cancel TASCORP facilities;
- corporate debt facility will not be drawn down until after TASCORP facilities are cancelled; and
- UTAS acknowledges these conditions prior to execution of documentation.

Should you have any queries, please do not hesitate to contact me on 0409 234 719.

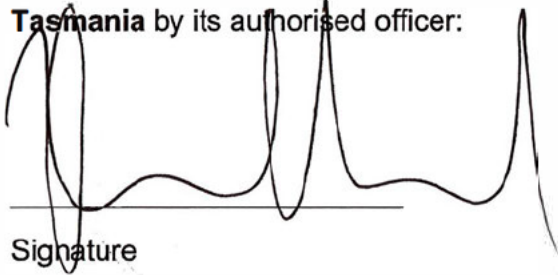
Heath Baker

Acting Chief Executive Officer

Please signify your acknowledgement by signing and returning the enclosed copy of this letter.

Accepted and acknowledged

For and on behalf of the **University of
Tasmania** by its authorised officer:



Signature

DAVID CORK - CHIEF OPERATING OFFICER.

Print Name/Title

From: [Heath Baker](#)
To: [Bailey, David](#); [Binns, Nathan](#); [Long, Kirstan](#)
Cc: [Ferrall, Tony](#)
Subject: FW: ***MANDATE ANNOUNCEMENT – UNIVERSITY OF TASMANIA A\$ MTN***
Date: Thursday, 10 March 2022 3:58:17 PM
Attachments: [UTAS Green Bond Framework Bond DNV SPO.pdf](#)
[Credit Opinion - University-of-Tasmania-Australia - 14Dec21.pdf](#)
[Greenbond Framework UTAS 2022 Final.pdf](#)

Hi all,

Just thought I would send you through the recent UTAS marketing documentation for your background information.

I can't save the presentation but you can view it at below [highlighted link](#).

We had a meeting with UTAS today who advised that markets have been too volatile to launch a trade yet but are still hopeful of doing something as early as next week, at which stage TASCORP facilities will be fully repaid and retired.

I will send through pricing comparisons once they launch.

Any questions let me know.

Cheers

Heath Baker
Chief Executive Officer
Tasmanian Public Finance Corporation
114 Murray Street, Hobart TAS 7000
Phone: [REDACTED]
Mobile: [REDACTED]

From: [REDACTED]
Sent: Monday, 21 February 2022 3:24 PM
To: Product and Markets - AU Institutional Sales
<product.and.markets-.au.institutional.sales@nab.com.au>

Subject: ***MANDATE ANNOUNCEMENT – UNIVERSITY OF TASMANIA A\$ MTN***
MANDATE ANNOUNCEMENT – UNIVERSITY OF TASMANIA A\$ MTN

The University of Tasmania, rated Aa2 (Stable) by Moody's, has mandated CBA and NAB to arrange a series of fixed income investor calls commencing on 2nd March 2022. A potential AUD-denominated 10 or 12 year fixed rate senior unsecured green bond may follow, subject to market conditions. The University is open to taking interest at longer tenors.

Any potential green bond will be issued under the University of Tasmania A\$ Debt Issuance Programme, and used to support the financing of assets and projects that are aligned to the ICMA Green Bond Principles 2021 and in accordance with the University's Green Bond Framework. DNV is the Second Party Opinion provider.

The University was founded in 1890 and is Australia's fourth oldest university, with a community that consists of over 36,000 students and is one of the largest employers in the state employing over 6,300 people, or the full-time equivalent of over 2,900 people, across Tasmania. The University was founded on the core principle of serving its island state and its people, and its mission remains the same to this day to be a place where we do things for and from Tasmania to the world.

[NetRoadshow](#)

Direct Link: [REDACTED]

[Materials Available on NetRoadshow](#)

- Preliminary Information Memorandum
- Preliminary Pricing Supplement

- Investor Presentation
- Moody's Rating Report
- Green Bond Framework
- Second Party Opinion
- Historical Financials (FY18, FY19, FY20)

Group Investor Call

When: Wednesday 2 March 2022

12:00pm AEDT | 9:00am HKT/SGT | 10:00am JST/KST

Presented By: Professor Rufus Black (Vice-Chancellor)

Mr David Clerk (Chief Operating Officer)

Ms Jo Willsmore (Executive Director, Corporate Finance)

Details: Please register for the call via:



Investor Meeting Schedule

We will look to fill the Wednesday slots prior to making Thursday times available.

All meeting times below are referencing AEDT.

Wednesday 2 March 2022

9:00am – 10:00am 1-1 Call

10:15am – 11:15am 1-1 Call

12:00pm – 1:15pm Group Investor Call

1:45pm – 2:45pm 1-1 Call

3:00pm – 4:00pm 1-1 Call

4:15pm – 5:15pm 1-1 Call

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CREDIT OPINION

14 December 2021

New Issue

 Rate this Research

RATINGS

University of Tasmania

Domicile	Australia
Long Term Rating	Aa2
Type	LT Issuer Rating = Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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University of Tasmania (Australia)

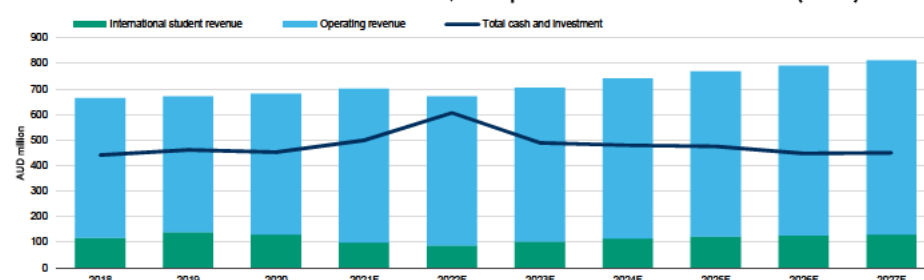
New Issuer

Summary

University of Tasmania's (UTAS) credit profile reflects its solid standalone credit quality, the supportive institutional framework for Australian universities flowing from the [Government of Australia \(Commonwealth, Aaa stable\)](#) as well as close operational ties with the [state of Tasmania \('the state', Aa2 stable\)](#). The university is partly constrained by its small Tasmania catchment that increases its reliance on interstate and international students¹ and relatively low EBIDA margins that benchmark below similarly rated peers². UTAS' rating also considers execution risks for the planned relocation of the existing Sandy Bay campus that will be predominantly debt-funded.

Exhibit 1

To minimize future revenue volatility from the international cohort, UTAS is working toward sustainable international student commencements of around 1,500 Equivalent Full-Time Student Load (EFTSL) annually



Source: University of Tasmania, Moody's Investors Service

Credit strengths

- » Strong institutional framework and funding support
- » Distinctive research capabilities and operating ties with the state and Commonwealth

Credit challenges

- » Weak demographics increase reliance on interstate and international students
- » Rising total adjusted debt burden as UTAS undertakes large capital spending program
- » Execution risks on Northern and Southern campus transformation plans, although risk management processes are well established

Rating outlook

The rating outlook is stable, reflecting the strong institutional framework and high levels of oversight by the state and Commonwealth governments, as well as our expectation that over the next 12-18 months, the university's credit metrics will remain at levels appropriate for its standalone credit profile consistent with its a1 BCA.

Factors that could lead to an upgrade

Material increases in UTAS' holdings of total cash and investments that bolster its liquidity profile, and a sustained improvement in the university's EBIDA margins, which could stem from effective cost controls and robust revenue growth as it ramps up the delivery of its five-year strategic transformation plan, would likely place upward pressure on the ratings.

Factors that could lead to a downgrade

A significant deterioration in financial performance, reflected in: sustained lower EBIDA margins; materially higher levels of total adjusted debt¹ beyond our projections, which could arise from delays, cost overruns or risk management practices proving less effective than assumed in delivering the Northern and Southern transformation plans; and/or a deterioration in UTAS' internal liquidity levels would likely place downward pressure on the ratings.

We could downgrade the ratings if we believe there is a reduced likelihood of extraordinary financial support from the Commonwealth or if the creditworthiness of the Australian sovereign weakens.

Key indicators

Exhibit 2

University of Tasmania Year ended 31 December

	2018	2019	2020	2021F	2022F	2023F
Operating Revenue (AUD'000) [1]	665,964	672,364	681,572	701,585	672,108	706,384
EBIDA Margin (%)	13.40	6.63	10.55	13.07	6.59	6.80
Total Cash and Investments (AUD'000)	441,346	461,508	452,469	498,730	606,567	489,694
Total Cash and Investments to Operating Expenses (x)	0.72	0.68	0.68	0.75	0.88	0.68
Total Cash and Investments to Total Adjusted Debt (x)	1.85	1.39	1.79	1.55	1.07	0.87
Annual Debt Service Coverage (x)	17.95	0.60	12.41	15.63	2.81	3.97

[1] Operating revenue is net of scholarship expenses and is adjusted to smooth investment returns.

Sources: University of Tasmania, Moody's Financial Metrics and Moody's estimates

Detailed credit considerations

University of Tasmania's ratings combine: (1) a baseline credit assessment (BCA) of a1, and (2) a high likelihood of extraordinary support from the Commonwealth in the event of acute liquidity stress.

The university's ratings are bolstered by its strong standalone credit profile (reflected in the a1 BCA) which is underpinned by strong financial resources and liquidity metrics as well as a moderate (albeit rising) total adjusted debt burden.

STRONG INSTITUTIONAL FRAMEWORK AND FUNDING SUPPORT

UTAS benefits from a strong institutional framework for higher education in Australia, including secure funding levels and strong oversight. Both the Commonwealth and state governments play important roles in the governance of Australia's public universities, which are established under state legislation and remain statutory authorities of the states.

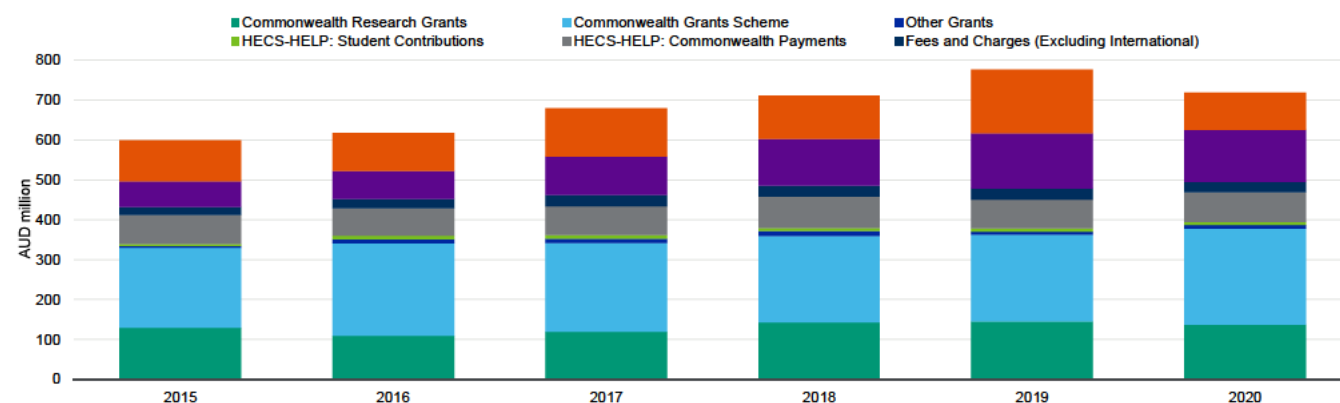
UTAS has a strong regulatory and funding framework with the Commonwealth and state government. The university requires approval from the Tasmanian Treasurer to raise new debt and the state provides support in the form of operating and research grants. State

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

oversight of UTAS also includes the Auditor-General conducting the annual statutory audit of the university's financial statements and well as the Tasmanian Minister for Education appointing two of the University Council positions (refer exhibit 4 below).

Exhibit 3

Commonwealth transfers will remain a significant portion of UTAS's total revenue base



Sources: University of Tasmania, Moody's Investors Service

The Commonwealth provides the bulk of university funding in Australia through secure and predictable transfers, as well as research and other grants. Operating grant funding from the Commonwealth is received on a fortnightly basis through the year, ahead of need. The Commonwealth also monitors the financial performance of universities, focusing on operating results, liquidity and capital management.

We expect that the Commonwealth will remain a key supporter of the university sector, given the sector's importance to the national and regional economies and government policy goals. Nevertheless, UTAS has increased its emphasis on expenditure control, as well as exploring alternative revenue and funding sources, including growing interstate and international student enrolments.

The Commonwealth committed significant funds towards the Northern Transformation Program (NTP). The new campuses at West Park (Burnie) and Inveresk (Launceston) have both been designated as Priority Projects by Infrastructure Australia, citing the overall economic benefit to Australia and noting their strategic importance to the development of northern Tasmania.

The NTP is a partnership between UTAS, TasTAFE⁴ and three levels of government. The Commonwealth is contributing AUD150 million in funding and the Tasmanian state government is contributing AUD75 million; the University the balance of AUD138 million. The City of Launceston and the Burnie City Council are making strategic land allocations and investment in associated public infrastructure.

DISTINCTIVE RESEARCH CAPABILITIES AND OPERATING TIES WITH STATE AND COMMONWEALTH

The sole university in the island state of Tasmania, UTAS has a distinctive identity which includes very close research and operating ties with both the Commonwealth and state governments. All state agricultural and aquaculture management and research is conducted through UTAS.

The largest employer in Tasmania outside of the state government, the university benefits from its role as a key tool to develop and implement state policy, conduct reviews and research on proposals for reform of the law referred by the Attorney General (under the Tasmanian Law Reform Institute Renewal Agreement, 2019) as well as various partnerships including management of fisheries and biohazards. UTAS is the sole source of state trained nurses, doctors and teachers.

During the pandemic, 30 FTE were seconded from UTAS to the state to develop and build Tasmania's COVID processes with the university developing the Premier's Economic and Social Recovery Advisory Council (PESRAC) that was implemented by the state. More broadly, Commonwealth and state support was robust through the coronavirus disruption and included guaranteed domestic undergraduate funding, support in securing international online capacities (into China) as well as additional targeted increases in research funding.

The state's unique geographical location as Australia's gateway to Antarctica and the Great Southern Ocean combines with the university's Australian Maritime College (AMC) and Institute for Marine and Antarctic Studies (IMAS) to consolidate a distinctive level of integration with government and government agencies, such as the Australian Antarctic Division (AAD) and the Commonwealth Scientific and Industrial Research Organisation (CSIRO).

This includes the Antarctic Gateway Partnership⁵ (the Partnership), a Commonwealth-funded initiative. The Partnership aims to reinforce recognition of Tasmania as a global leader in Antarctic and Southern Ocean science and as a gateway for Antarctic research, education, innovation and logistics.

In April 2021, the Centre for Antarctic and Southern Ocean Technology was established with the signing of a Memorandum of Understanding between the UTAS, the AAD and CSIRO. This formalizes the already high levels of cooperation between the AAD, CSIRO and UTAS, and fulfils an important priority in the Australian Antarctic Strategy and 20 Year Action Plan, to advance Australia's interests in Antarctica.

Exhibit 4

UTAS' core strengths in research (recognised on a national and global scale) are particularly evident in health, marine and maritime.

	Impact objective	Contribution
Australian Maritime College	Examining feasibility of tidal energy in Australia	Feasibility study for tidal turbines
	Understanding changes in the Antarctic floor and ice by mapping	Operation of Automated Underwater Vehicle for mapping purposes
Institute for Marine and Antarctic Studies	Inform climate policy by better understanding how the ocean responds to climate change	Quantifying ecological change and species adaption to climate change
Menzies Institute for Medical Research	Improving knowledge and treatment of Multiple Sclerosis and its preventable risk factors	Online unit offered globally with unit recognised in top 10 globally
Wicking - Dementia Research and Education Centre	Improving the knowledge and treatment of Dementia and its preventable risk factors	MOOCs, ISLAND study, undergraduate and postgraduate education

Sources: University of Tasmania, Moody's Investors Service

WEAK DEMOGRAPHICS INCREASE RELIANCE ON INTERSTATE AND INTERNATIONAL STUDENTS

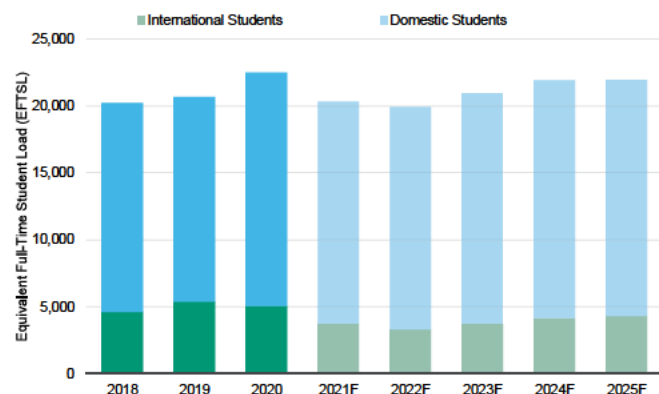
Tasmania's relatively small domestic catchment has traditionally increased UTAS' reliance on interstate and international student and underscores the importance of revenue diversity for the university. Consistent with the Strategic Plan, UTAS is now focusing student recruitment strategies to better target interstate and Tasmanian markets with distinctive offerings and an international student strategy which centres on market diversification and online offerings (UTAS has the 4th largest online offering in Australia).

As a direct result of the pandemic and closure of Australia's international borders, UTAS' commencing enrolments for international students fell to 960 in 2021 (from a peak of 2,304 in 2019). Although international borders have progressively re-opened in recent months, they remain far from fully open ahead of the 2022 education year, constraining the pace of recovery in international student enrolments despite UTAS' online offerings and deferred students (where enrolments have been paid). Despite the drop in international students since 2019, the 2021 levels are in line with budgeted levels and importantly, retention/continuing students remains ahead of budget. The University is projecting international commencements to increase to 1,250 EFTSL in 2022 and then to 1,500 EFTSL in 2023.

Despite the lower international student commencements and revised strategic fit for this cohort within UTAS' broader strategy, the university has seen higher applications from key domestic markets. This includes 18% growth in total applications to core (undergraduate) courses, which includes 15% more Tasmanian applications than in 2020. With regards to specific programs, interstate students coming to study Marine and Antarctic Science and Psychological Science grew 52% and 152% respectively in 2021.

Exhibit 5

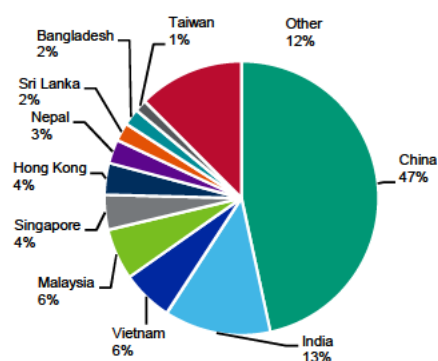
UTAS has rebalanced its past overreliance on international students to a more sustainable level
Equivalent Full-Time Student Load



Sources: University of Tasmania, Moody's Investors Service

Exhibit 6

However, the international student mix remains reliant on Chinese and Indian students
Breakdown of international students by EFTSL as at 31 December 2020



Sources: University of Tasmania, Moody's Investors Service

UTAS' reliance on interstate and international students increases the need for student housing solutions.

Student housing represents a challenge to the university as it seeks to attract students from outside of Tasmania. In 2017, UTAS granted a 30-year license to Spark Living to receive net rentals and manage 10 of the University's 14 student accommodation properties (approximately 1,647 beds) in exchange for an upfront payment of AUD130 million. The transaction also included a new 422 bed facility in Hobart ('the asset') that was built by Spark Living on Melville Street.

UTAS does not provide any rental guarantee to the licensee, however under the agreement, it continues to manage the allocation of students to accommodation, student services and pastoral care. The licensee is responsible for maintaining the asset and UTAS is able to absorb excess demand through its Midcity and Fountainside hotels, which were acquired and converted by UTAS to meet increasing demand pending completion of the additional student accommodation constructed by Spark Living).

At the conclusion of the arrangement the asset will revert to the University's control, at an agreed condition, at which time the University will assume asset risk and rental revenue. The service concession asset will be revalued under the same policy as revaluations of property, plant and equipment. The transaction is accounted for under AASB 1059 'Service Concession Arrangements – Grantor'.

While the future revenue from student accommodation has effectively been monetized without occupancy guarantee, our analysis recognizes AUD117.635 million – the AASB 1059 assessed 'Grant of Right to Operate' liability in the balance sheet – in its total adjusted debt calculations as at fiscal 2020 reflecting the strength of the UTAS affiliation with the underlying assets. This amount relates to funds received upfront in relation to the license to Spark Living. As at 31 December 2020, the remaining term of this arrangement was 27 years with the income recognised over the arrangement term.

Additionally, Under Moody's [Higher Education Methodology](#), August 2021, these operating lease liabilities (as calculated under AASB 16) are included as debt in our calculation of total adjusted debt

Prior to the pandemic, UTAS had targeted a more secure revenue base and lower cost base through the delivery of initiatives in its 2019-2024 Strategic Plan designed to grow the university whilst strengthening EBIDA margins, this includes a new course architecture to rationalize offerings and make them economically sustainable, whilst adding new offerings such as Allied Health which had never been available on the island.

Revenue initiatives include maximizing Higher Education Contribution Scheme⁶ (HECS) funding which could free up additional payments ~AUD30 million through more effective pricing of non-core offerings and reducing fee waivers.

At the same time, COVID-19 provided the opportunity to accelerate the strategic plan, as UTAS targeted cost reductions in operating expenses as well as salary costs. Our analysis concludes that the university's EBIDA margin will range between 6% and 7% over the 2022 and 2023, levels consistent with 'Baa' within scorecard Factor 3 under the Higher Education Methodology, August 2021

During calendar 2020, a review of course offerings highlighted significant duplication and redundancy in the undergraduate course offerings. Subsequently, course nests were reduced from 209 in 2020 to 60 in 2021, offering significant efficiency gains and a clearer and better aligned offering for prospective students.

In response to the pandemic, and consistent with the broader strategic plan, in 2020 UTAS was able to achieve operating expenditure savings of AUD31 million against budget through various initiatives (including 17% reduction in spending on casual teaching as well as lower travel, professional services, marketing, agent commissions etc.) and lower business as usual capital spending.

UTAS has also secured permanent cost savings with FTE reduced by 122 since 2019, which is expected to deliver annual cost savings of circa AUD17 million (at a cost of AUD14 million completed in FY2020). These reductions were achieved through UTAS' voluntary redundancy program (Academic : 64 Professional: 129) as well as 16 early retirements and the non-renewal of 37 fixed term contracts.

RIISING TOTAL ADJUSTED DEBT BURDEN AS UTAS UNDERTAKES LARGE CAPITAL SPENDING PROGRAM

The payment structure for the AUD363 million NTP is based on agreed milestones to be achieved for both state and Commonwealth funding payments with payments staggered throughout the construction project based upon milestone performance. Government grants represent almost two-thirds of the funding for the NTP, with the residual AUD138 million self-funded by the university through surplus cash reserves.

The Southern Campus Transformation (SCT) program provides the opportunity to create a distinctive and attractive southern campus in the city of Hobart over the next decade. The SCT will bring the southern students and staff together in one central location.

Following strong capital grant funding for the NTP, UTAS has increased financial capacity to self-fund the SCT which will be funded from a blend of investments and reserves, cashflows and new borrowings. The SCT will progressively emerge over the next decade and the university will stage the transition from the existing Sandy Bay campus to the city.

UTAS has already acquired the additional properties needed to support the SCT development with the new debt funding applied to green and brownfield construction. The phased approach will also provide the time and flexibility to manage project risk, as required.

The SCT projects will be staged over 10 years and initially funded via new debt funding. Our central scenario assumes funding for the second stage will be supported by surplus operating cash flows, modest draw downs from the university's investment portfolio (see Exhibit 7), as well as revenue generated from the redevelopment of the Sandy Bay campus.

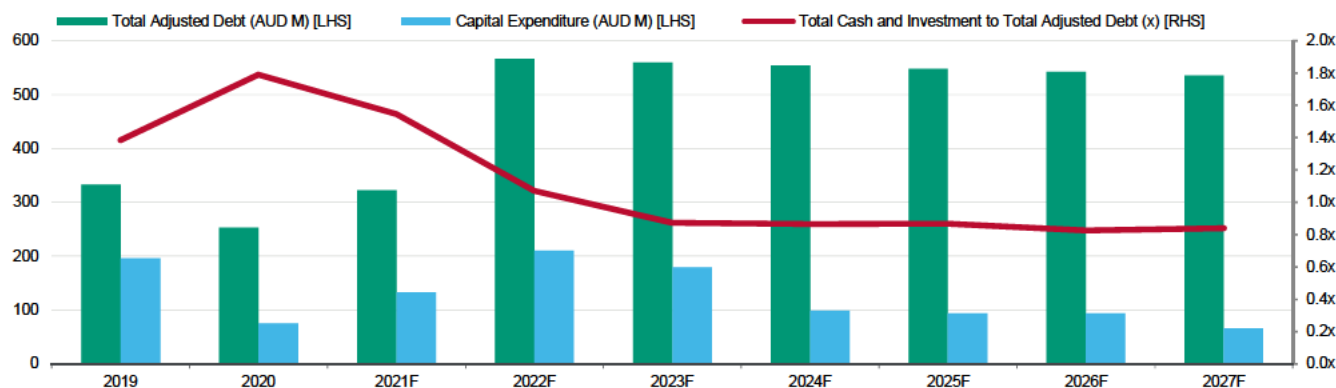
It is important to note that UTAS has AUD4.3 million net liability for unfunded superannuation liabilities, which is also included in Moody's total adjusted debt calculations⁷.

Despite the projected increase in debt (see Exhibit 7) as the university progresses the SCT projects, we expect that over time, the debt service coverage ratio will stabilize between 2.5x and 4.0x, levels consistent with a scorecard sub-factor outcome of "Aa" under our Higher Education Methodology.

UTAS Property Pty Ltd (Property Co) was established to deliver value on surplus properties which are currently significantly undervalued in the balance sheet. The existing campus infrastructure at Sandy Bay is between 50-70 years old and requires significant capital spending if it were to be retained within UTAS' Hobart operations.

Exhibit 7

Strong government funding support underpinned Northern Campus Program and enables capacity to fund the Southern Campus Transformation



Source: University of Tasmania, Moody's Investors Service

UTAS has commenced master-planning to transform Sandy Bay into a sustainable urban community. The title for Sandy Bay is owned by the university and pending rezoning to remove the educational constraints on the site, proceeds from the redevelopment will be retained in full by UTAS to build reserves and support the broader SCT.

Importantly, any redevelopment projects under the Masterplan will be staged to maintain a viable campus at Sandy Bay (until 2030) while the SCT completes. The phased approach provides the time and flexibility to manage project risk.

EXECUTION RISKS ON NORTHERN AND SOUTHERN CAMPUS TRANSFORMATION PLANS, ALTHOUGH RISK MANAGEMENT PROCESSES ARE WELL ESTABLISHED

UTAS is exposed to extensive governance, procurement and execution risks as it progresses on its Northern and Southern campus transformation plans. Notwithstanding the significant grant funding and designation of the NTP as a Priority Project by Infrastructure Australia, UTAS is exposed to overruns that may arise from project delays, higher delivery costs or changes to scope.

Additionally, despite UTAS already having acquired the properties to undertake the proposed relocation of Sandy Bay into the Hobart CBD, UTAS is exposed to similar execution risks with the SCT, as well as the risks management challenges of the progressive decant and redevelopment of the Sandy Bay campus over the period to 2030.

In mitigation of these risks, UTAS has established a good record in delivering projects on time and on budget which are underpinned by robust governance and risk management processes.

- » **Governance:** Projects are managed by dedicated Steering Committees chaired by the Vice-Chancellor
- » **Procurement:** UTAS comprehensive Request for Proposal process helps manage risks in the early stages
- » **Execution risk:** Risk of delays and overruns for the redevelopment plans are managed by dedicated project teams assigned to each build

We also take a degree of comfort that since 2011, UTAS has been active in the Tasmanian construction market with an average annual capital spend of AUD70 million.

Exhibit 8

UTAS has maintained a solid record of delivering projects on time and on budget and we expect ongoing projects to be well managed
University of Tasmania major projects – 2010 – current

Project	Cost (AUD Ms)	Completion year	On time/on budget
Medical Sciences 1	58	2011	Yes
Medical Sciences 2	90	2013	Yes
IMAS	45	2014	Yes
Domain and Centenary Buildings	17.1	2016	Yes
Student Accommodation 1	86	2019	Yes
Student Accommodation 2	78	2020	Yes
Hedberg	115	2021	No (refer comments below)
Northern Campus Transformation	363	Ongoing	Yes

Hedberg – a JV between State and UTAS, late design changes saw increased costs and delivery beyond initial target date. Changes were at the request (and as such the expense) of UTAS.
Source: University of Tasmania, Moody's Investors Service

The success of the university in delivering these projects largely reflects clearly established frameworks to manage the various complexities of project monitoring and delivery, whilst preserving underlying educational offerings to students.

Exhibit 9

Risk of delays and overruns for UTAS's capital plans are managed by a dedicated project team assigned to each build

Project Managers	Project Teams	Contract Management	Change Management
» Dedicated Project Managers responsible to monitor project delivery	» Project Team for North and South meet on a weekly basis	» Legal contracts in place for all architect and construction firm engagements	» Buildings are delivered during semester break to minimise disruption
» Each project is supported by the Transformation team, including (i) Legal (ii) Finance (iii) Change Management (iv) Comms & Engagement	» Constant monitoring of emerging risks via Status Reports	» Formal contract review process managed by Legal and Procurement Teams	» Early engagement of staff and students in technical working groups guide building designs
	» Key issues documented in Briefing Papers for Transformation Working Group review and approval	» Quantity Surveyor actively engaged in each project from early stage to monitor costs	» Prototype office established in Burnie and planned for Launceston and Hobart
			» Weekly engagement with staff leadership via University Strategic Forum

Source: University of Tasmania, Moody's Investors Service

Regular monitoring, involvement of external expertise as required and oversight at the highest levels of the university have been (and will continue) to be critical to the successful delivery of the NTP and SCT. UTAS has established extensive governance protocols which include bespoke measures to assist with the risk management and oversight of the NTP and SCT as follows:

Exhibit 10

UTAS projects are managed through a rigorous approach to governance and risk

Governance structure ensures that progress and key information is cascaded up and down through the university	
Project Status Reports (Weekly)	» Monitoring at detailed project level of whether elements are on track or if issues are emerging that require attention » Detailed status reports updated on a weekly basis and reviewed at weekly meetings » Stakeholder Status reports monitor key stakeholder engagements and emerging issues
Transformation Working Group (Weekly)	» Chaired by Vice-Chancellor, attended by Chief Operating Officer and Provost » Reviews progress and provides decision making forum » Separate forums for both Northern and Southern Projects » Briefing papers prepared and decisions documented for all key issues
Design Review Group (Weekly)	» Chaired by Vice-Chancellor, attended by Chief Operating Officer and Head of School of Architecture and Design » Project architects invited as needed » Reviews and challenges all building designs as they develop
University Council (Quarterly)	» Strategic Resourcing Committee (SRC) and University Council provide formal approval of overall project plans and funding » Formal Delegation of Authority in place to determine issues requiring SRC or Council approval

Source: University of Tasmania, Moody's Investors Service

Extraordinary support considerations

We take into account a high likelihood of extraordinary support from the Government of Australia (Aaa, stable), which reflects our assessment of the risks posed to the Commonwealth's financial reputation if the university were to experience acute liquidity stress. We also factor in a very high default dependence level to reflect the relatively large proportion of revenue derived from Commonwealth grants.

ESG considerations

How environmental, social and governance risks inform our credit analysis of University of Tasmania

Moody's takes account of the impact of environmental (E), social (S) and governance (G) factors when assessing higher education issuers' economic, institutional and fiscal strength and their susceptibility to event risk.

Environmental risks for the higher education sector in Australia are considered low. Key environmental challenges relate to campus positioning around low lying areas and vulnerability to flooding and storm surges, although we assess this as not material to the university's credit profile. Environmental Sustainability is one of six core outcome measures embedded in UTAS' Strategic Plan 2019-2024, which includes actions and research to focus on responsible use of agricultural resources and sustainable management of ecosystems, reducing carbon emissions and preserving oceans, promoting sustainable fisheries and aquaculture, reducing waste and pollution. As a result of this focus, the University's investment funds have fully divested all fossil fuels and have a clear mandate to invest in climate friendly industries of the future. UTAS' Green philosophy also extends to its debt funding which will be issued within the broad parameters of a green bond.

Social risks are material to rated universities' credit profiles, including demographics, socially-driven government policy, changing student preferences, and labour relations. Demographic and societal trends present the greatest exposure within the higher education sector and non-profit sectors. We assess UTAS' exposure to social risks as moderate, taking a high degree of comfort from how it identifies and actively manages these risks at the highest levels. However, shocks that are social at their origin, such as the coronavirus pandemic, may result in lower demand from postgraduate and international students in addition to higher attrition which will lead to lower than expected income and weaker operating performances. UTAS benefits from its role as a key tool to develop and implement state policy, conducting reviews and research proposals for law reform (on behalf of the Attorney General) as well as various partnerships including management of fisheries and biohazards. During the pandemic, 30 full time equivalent staff were seconded from UTAS to the state to develop and build Tasmania's COVID processes with the university developing the Premier's Economic and Social Recovery Advisory Council (PESRAC) that was implemented by the state. UTAS' 2019-2024 Strategic Plan centres on six key outcomes to make an impact for and from Tasmania and recognizes more than half the university's students were not 'school leavers' and had to balance study alongside work and other commitments. As a result, UTAS plays a key role implementing government social policy that recognizes the state's decentralised population and the need to deepen collaboration with schools as well as enhance the university's regional access, improve pathways and tailor offerings.

Governance considerations are material to rated universities' credit profiles. UTAS' governance is considered strong, reflecting the strong institutional framework for the higher education sector in Australia. The Commonwealth and state governments play important roles in legislating and monitoring governance of the sector. UTAS' standards of governance are considered high and are aligned with the general standards of governance for all Australian public universities. Data transparency is very high, with all material legislation, University statutes and policies published on its website, along with capital plans and accounts.

Further details are provided in the "Baseline credit assessment" section. Our approach to ESG is explained in our cross-sector methodology [General Principles for Assessing ESG Risks](#).

Profile

Founded in 1890, UTAS is the sole provider of higher education located in the state of Tasmania and was established in its current form under the University of Tasmania Act 1992 following integration with the Tasmanian State Institute of Technology in Launceston which became the Newnham Campus. In 1995, a new campus at Burnie on the North-West Coast was opened, which later became known as the Cradle Coast Campus.

The university is world renowned for its research at the Institute for Marine and Antarctic Studies (IMAS) in Hobart, and the Australian Maritime College (AMC) in Launceston. UTAS' key areas of distinction are in marine and freshwater biology (ranked fourth globally) as well as fisheries and oceanography (ranked seventh globally), which are underpinned by Tasmania's geographic proximity to the Great Southern Ocean and the Antarctic. This positions UTAS as a global polar research hub.

UTAS' 2019–2024 Strategic Plan is centred on six key outcomes⁸ that are structured to make an impact for and from Tasmania. The Strategic Plan noted more than half the university's students were not 'school leavers' and had to balance study alongside work and other commitments. Concomitantly, UTAS and government recognized the state's decentralised population and the need to deepen collaboration with schools as well as enhance the university's regional access, improve pathways and tailor offerings (e.g. short-courses and associate degrees).

During the pandemic, it became apparent that the Strategic Plan addressed many of the challenges faced as a result of COVID, with the university well-placed to accelerate the rollout of the strategy, including making UTAS a more differentiated offering that is easier to navigate, supported by a simpler organization.

Exhibit 11

UTAS is the sole higher education provider on the Tasmanian island, which enables deep and long-term partnerships



Source: University of Tasmania, Moody's Investors Service

UTAS Sydney campus includes the Rozelle campus, offering nursing, paramedic and health management education, all in partnership with local hospitals and health service providers. It occupies space, owned by Sydney Local Health District, in part of Callan Park. In 2017, UTAS established the Australian Maritime College (AMC) Sydney study centre at the Australian National Maritime Museum, in Darling Harbour, Sydney.

Rating methodology and scorecard factors

In the case of the UTAS, the scorecard matrix generates an estimated BCA of aa3, which is close to the BCA of a1 assigned by the rating committee.

The principal methodologies used in these ratings were Higher Education Methodology published in August 2021 and Government-Related Issuers Methodology published in February 2020. Alternatively, please see the Rating Methodologies page on www.moody's.com for a copy of these methodologies.

The Scorecard-Indicated Outcome, which generate estimated BCAs from a set of qualitative and quantitative credit metrics, are tools used by the rating committee in assessing Higher Education standalone credit quality. The credit metrics captured by these tools provide a good statistical gauge of standalone credit strength, and, in general, higher ratings can be expected among issuers with the highest scorecard-estimated BCAs. Nevertheless, the scorecard-estimated BCAs do not substitute for the rating committee's judgments regarding individual BCAs, nor is the scorecard a matrix for automatically assigning or changing these assessments.

Exhibit 12

University of Tasmania

As of 31st of December 2020

Scorecard Factors and Sub-factors	Value	Score
Factor 1: Scale (15%)		
Adjusted Operating Revenue (USD Million)	470	A
Factor 2: Market Profile (20%)		
Brand and Strategic Positioning	A	A
Operating Environment	Aa	Aa
Factor 3: Operating Performance (10%)		
EBIDA Margin	11%	A
Factor 4: Financial Resources and Liquidity (25%)		
Total Cash and Investments (USD Million)	342	Aa
Total Cash and Investments to Operating Expenses	0.7	A
Factor 5: Leverage and coverage (20%)		
Total Cash and Investment to Total Adjusted Debt	1.8	Aa
Annual Debt Service Coverage	12.4	Aaa
Factor 6: Financial Policy and Strategy (10%)		
Financial Policy and Strategy	A	A
Scorecard-Indicated Outcome		aa3
Assigned BCA		a1

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt (issued or proposed) after the close of the fiscal year.

For non-US issuers, nominal figures are in US dollars consistent with the Higher Education Methodology.

Source: Moody's Investors Service, University of Tasmania

Moody's related research

- » [Higher Education Methodology](#), August 2021
- » [Government-Related Issuers Methodology](#), February 2020

Ratings

Exhibit 13

Category	Moody's Rating
UNIVERSITY OF TASMANIA	
Outlook	Stable
Baseline Credit Assessment	a1
Issuer Rating	Aa2

Source: Moody's Investors Service

Endnotes

- 1 Approximately half of UTAS' students are from Tasmania, a third from interstate and remaining 17% are international students.
- 2 Lower EBIDA margins reflect UTAS' higher cost base from its multi campus operating model which incorporates Hobart, Launceston and the Cradle Coast, as well as a small presence in Sydney.
- 3 Total Adjusted Debt under Moody's Higher Education Methodology August 2021 includes operating lease liability and net unfunded superannuation liabilities within total adjusted debt
- 4 TasTAFE is the largest public provider of vocational education and training in Tasmania. Owned by Tasmania, it is governed by an independent Statutory Board consisting of up to seven members appointed by the Minister for Education and Training.
- 5 Key objectives of the Partnership include: a) Developing an innovative, next-generation, polar autonomous underwater vehicle to acquire high resolution data under sea ice and ice shelves; b) Providing a near real-time sea ice charting service to vessels operating in the East Antarctic and conducting research to support sea ice forecasting; c) Advancing our understanding of how the oceans melt Antarctic ice shelves, and quantifying present and future Antarctic Ice Sheet mass loss and its contribution to sea-level rise; d) Building our understanding of environmental controls on marine life, ranging from pelagic microbes to benthic communities using various sampling platforms, lab-based microbial culture experiments, habitat and life history assessments of mesopelagic, and regional process studies; and e) Assessing the contribution of the Antarctic Ice Sheet to sea level since the Last Glacial Maximum (~20,000 years ago) via geophysical observations and modelling.
- 6 Since its inception in 1989, the Higher Education Contribution Scheme (HECS) has become an integral part of the Australian higher education system. By shifting a significant proportion of the cost of higher education from the Commonwealth to students, it has enabled the continuing expansion of the sector in an era of budgetary constraint. The HECS debt is indexed using the Consumer Price Index each year. The adjustment is made on June 1 and applies to that portion of the debt that has remained unpaid for a year or more. No interest is charged on HECS debt and the debt is cancelled at death.
- 7 Total Adjusted Debt under Moody's Higher Education Methodology includes operating lease liability, net unfunded superannuation liabilities and guaranteed debt obligations within total adjusted debt. Compared to international peers, Australia provides some of the strongest support for unfunded superannuation liabilities where the unfunded liability is fully covered by the Commonwealth (78%) and the rest by the states (22%), consequently removing universities' funding obligations for legacy unfunded superannuation liabilities.
- 8 Educational Attainment, Health, Economic Performance, Social Inclusion, Cultural Participation and Environmental Sustainability.

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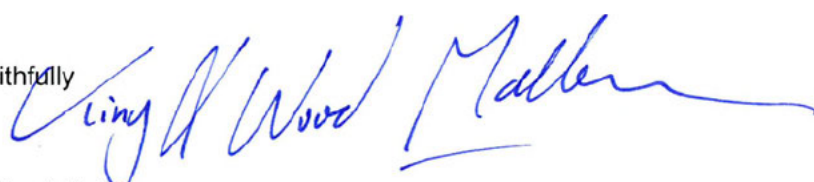
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[REDACTED]

Yours faithfully



King & Wood Mallesons

Contact

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

This communication and any attachments are confidential and may be privileged.

From: [Nadyne Russell](#)
To: [Jo Willsmore](#)
Cc: [Adam Dance](#)
Subject: Engagement with Treasury - additional \$200m in debt facilities
Date: Thursday, 17 December 2020 3:29:00 PM
Attachments: [image001.jpg](#)
[UTAS meeting with Treasury - 14 September 2020.pdf](#)
[Correspondence from Premier 29 Oct 2020.pdf](#)
[VC Letter to Premier 5 November.pdf](#)
[Tascorp Letter to UTas re borrowing limit approval and alteration to MLFA conditions 31 October 2019.pdf](#)
[Treasury Approval of Medium Term Funding Solution.pdf](#)

Hi Jo

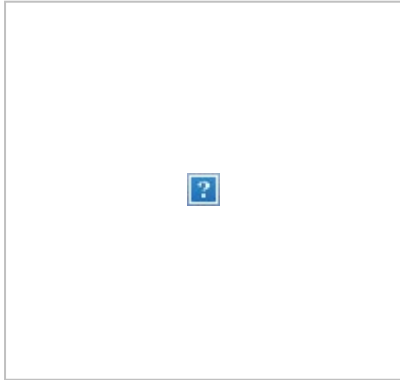
For your discussion with Kate, please see below a brief summary of our engagement with Treasury regarding the additional debt facilities. If required I can prepare a VC Briefing Note with the same points:

- Meeting with Treasurer 14 September ([REDACTED], Fiona Calvert, [REDACTED], David, Jo, Adam) – Presentation: Activating our southern campus strategy with \$200m additional debt
 - Overview of draft masterplan for the acceleration of the southern campus strategy, required funding/timing and capacity for additional debt.
- Correspondence to Treasurer 6 October 2020 – formal request for additional \$200m debt facilities (not attached).
- Attached correspondence from Premier 29 October 2020 - confirming information requirements and that a stand-alone credit rating is still be required.
- Meeting with Treasury on 2 November ([REDACTED], Jo & Adam)
 - Meeting to discuss next steps and timing of additional borrowing request and current process with Tascorp.
 - Treasury advised of their limited capacity to review the University's request to its borrowing limit prior to year-end.
 - UTAS advised that additional facilities will be required in early 2021 and we would need to provide financial information to Tascorp before the end of November for the request to be considered at Tascorp's Board meeting in December.
 - Our interpretation from this discussion was that Treasury approval was a separate process to the Tascorp's assessment of the additional debt request, with Treasury to review the University's financial information independently but with consideration to Tascorp's decision. There was no instruction from Treasury that Treasurer approval was required **before** Tascorp could make their assessment.
 - When The University obtained debt in October 2019, Tascorp approval was provided prior to Treasurers approval, the letter from Tascorp (attached) stipulated that whilst our borrowing limit was increased, we would be unable to use the facility until Treasurers was obtained (and evidence provided to Tascorp)
- Attached correspondence to Premier 5 November from Vice-Chancellor.

Regards, Nadyne

Nadyne Russell
Senior Executive Officer
Financial Services
University of Tasmania
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Hobart TAS 7001
T +613 6226 2277 | F: +613 6226 7829
www.utas.edu.au



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University of Tasmania Electronic Communications Policy (December, 2014).
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UNIVERSITY *of*
TASMANIA

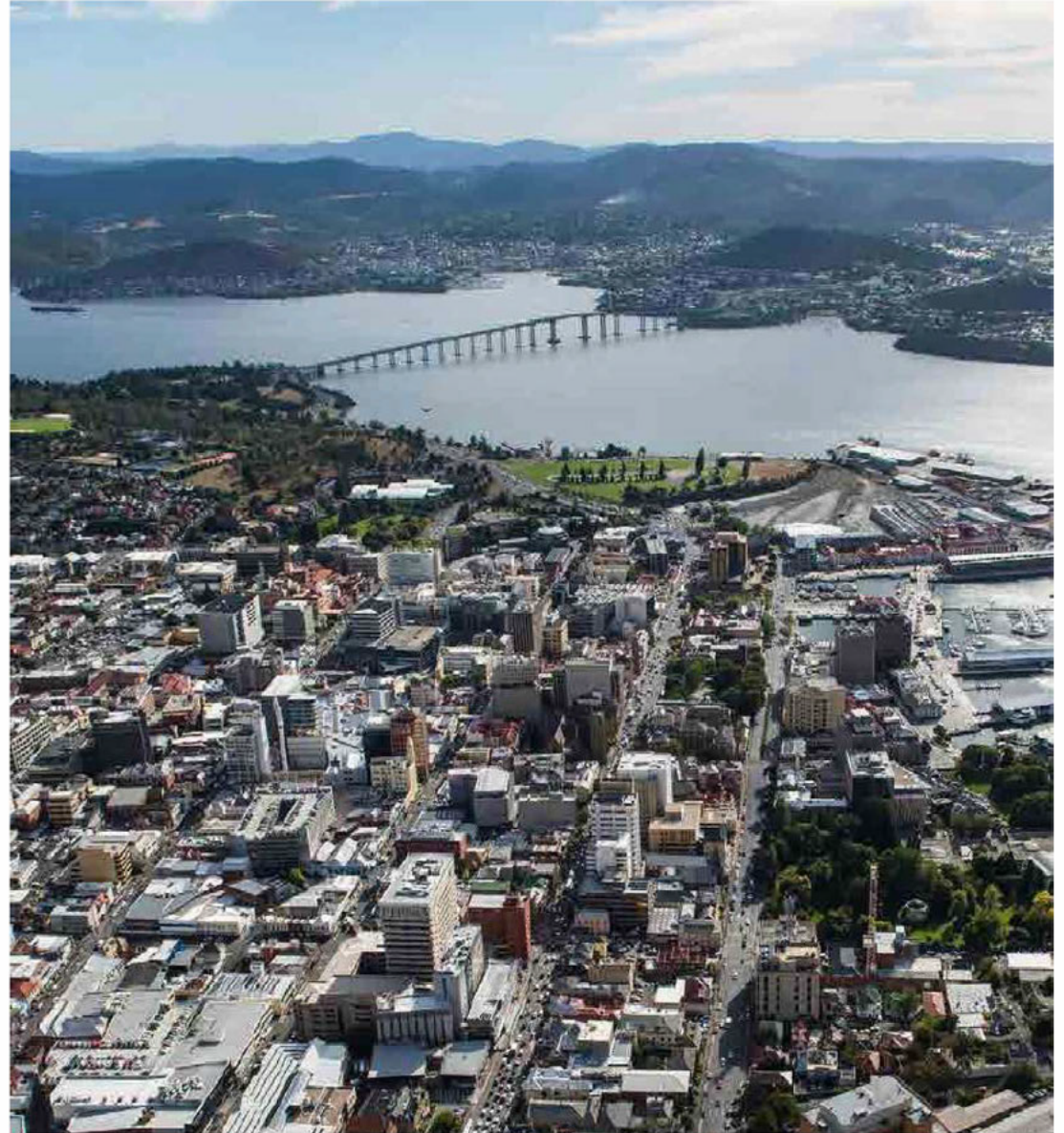
Activating our southern campus strategy

14 September 2020



Agenda

1. **Southern Futures: Why now?**
2. Our response to the impact of **COVID-19** and successful delivery
3. A **staged approach** to delivering our campus strategy and **funding opportunities**
4. **Getting going** with shovel ready projects



Southern Future: Why now?



Our commitment to being a university *of* and *for* the City of Hobart

- In a time of uncertainty, staff and the community want clarity about our long-term intentions and plans about the move to the city
- At the same time, with properties across the CBD, the community wants certainty about what will happen with them in the short term, and the City of Hobart wants to see them activated
- We have brought together all our pre-COVID-19 workings into a draft Masterplan, and we have developed a way to move forward that prioritise students and staff



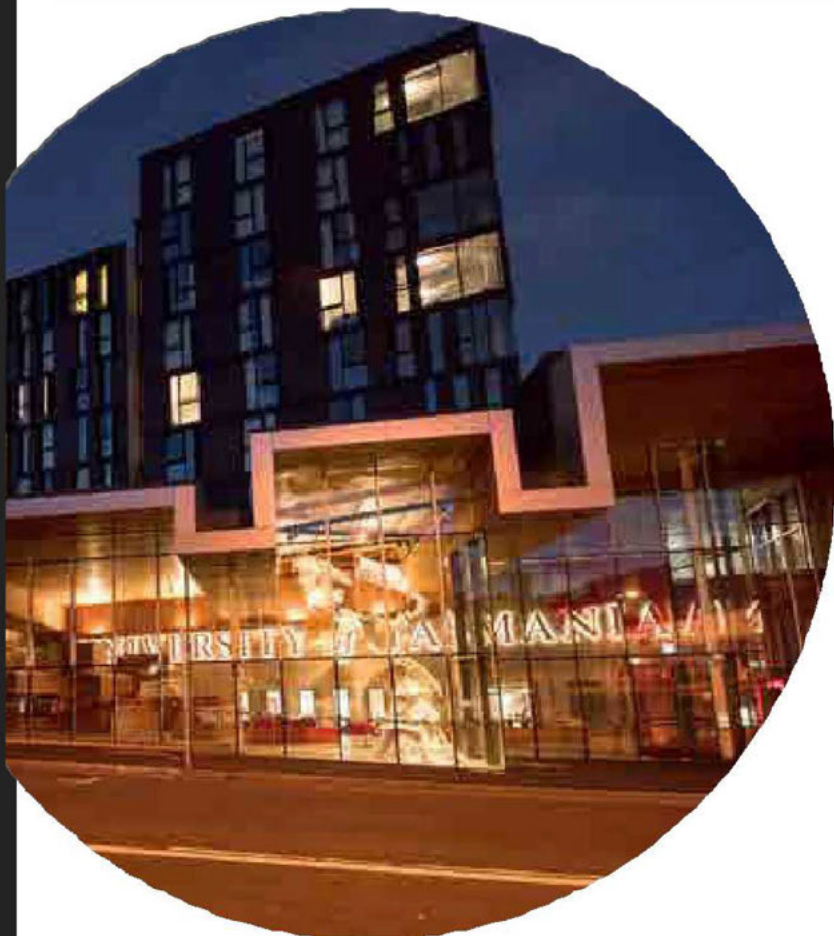
Strategically aligned, **accelerated** pace

Our long-term strategy presents significant opportunities for the University and State to work in partnership to produce enduring economic and productivity benefits for Tasmania.

Our principles-based response to COVID-19



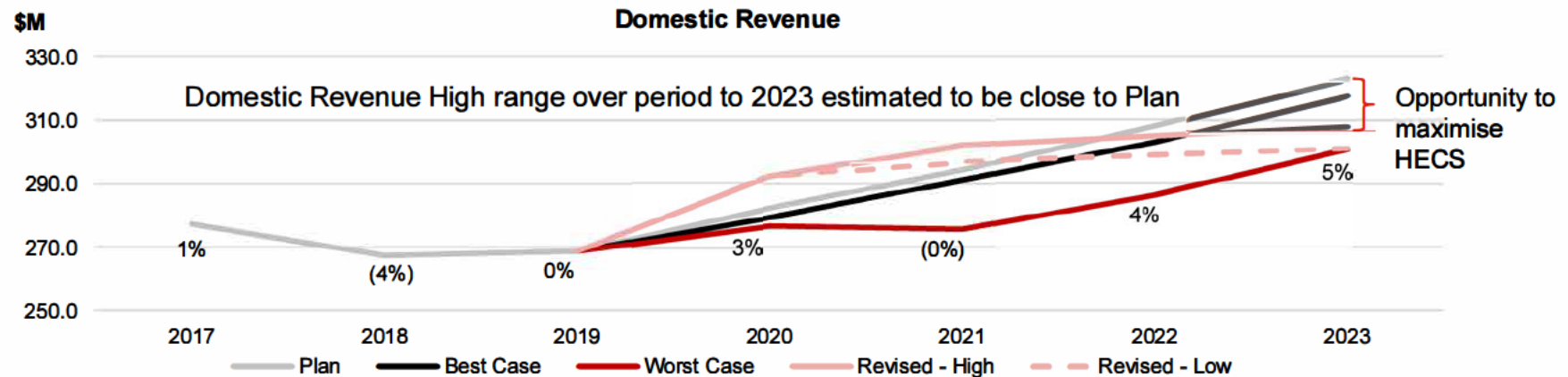
The financial challenges we are facing and initiatives undertaken are designed to achieve a sustainable result



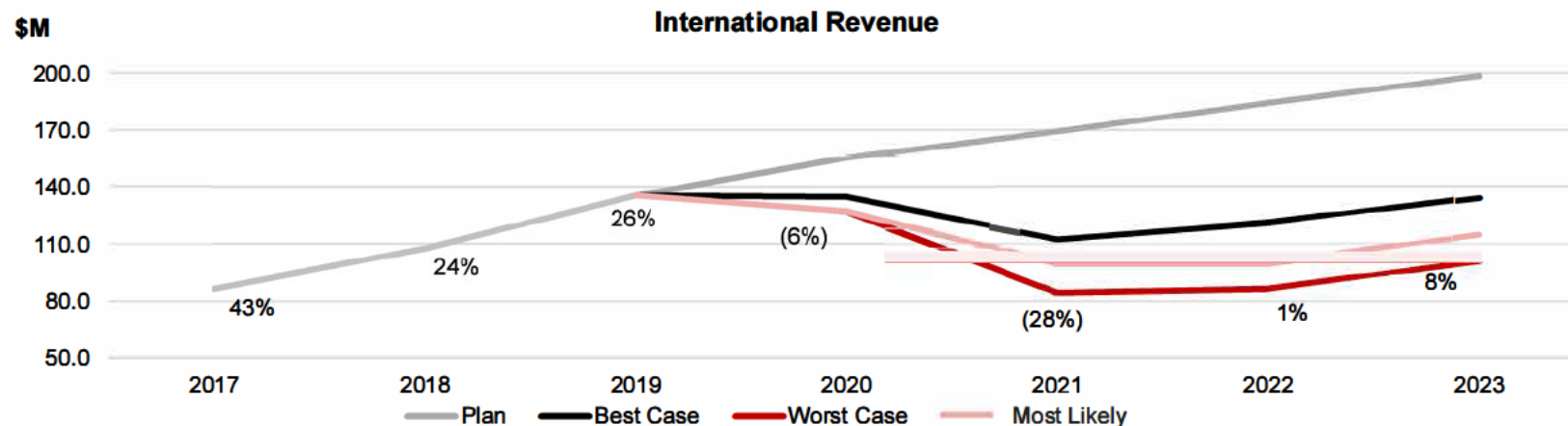
- From the early signs of COVID-19 we have been **modelling scenarios**
- **We have implemented a 1000 day plan** to come out of this challenge as a sustainable university
- We face **potential revenue losses in 2020 of \$30-\$34 million**, and between **\$60 million and \$100 million per year across 2021-2023**
- **We have responded** to these financial challenges by introducing a range of measures in line with our values:
 - **Protect revenue** with a rapid transition to quality on-line learning
 - **Revenue growth strategies** resulting in strong domestic and off-island growth
 - **Immediate non-salary cost savings of \$30 million and BAU capital savings of \$15 million**
 - **Resourcing efficiencies** to create a sustainable University
 - Partial liquidation of the **investment portfolio**

What our current revenue modelling is revealing

- 1 **Growth in domestic EFTSL** with current trends indicating 2020 domestic revenue will exceed our cap (not foreseen until 2023) and our best case scenario



- 2 **Risks to international revenue** are materialising but are being mitigated



A principles-based response to COVID-19 (1000 day plan)

1.

Student Focus

Minimise impact of COVID-19 on students:

- Rapid response to quality online delivery
- Delivery of intensive on campus
- Visa migration supporting offshore delivery

2.

Utilise our strong balance sheet

Our strong balance sheet provides us with choice:

- \$50m investment drawdown to provide flexibility
- Net assets of \$925m (YTD July)
- Land at Sandy Bay campus undervalued at \$26m

3.

Address non-people costs first

Maximise non-salary measures:

- ✓ • **non-salary cost savings for 2020 of \$30m** - holding costs significantly lower in 2021 and 2022
- ✓ • **Business as Usual Capex savings of \$15.6m in 2020** - holding Capex at \$20m for the next three years

4.

Minimise impact on people and retain choice as much as possible

- ✓ • Leveraging enterprise variations
- ✓ • Early retirement and voluntary redundancy program

Our balance sheet remains strong with opportunity to maximise value of the University's surplus property holdings as we move to the city

\$M	December 2019	July 2020	December 2020
Current Assets			
Cash & Investments	15.4	44.0	5.0
Other	47.5	38.9	39.0
Total Current Assets	62.9	83.0	44.0
Non-Current Assets			
Investments	434.2	352.5	380.0
PPE	825.7	858.6	860.6
Other	202.3	197.3	197.2
Total Non-Current Assets	1,462.1	1,408.4	1,437.8
Total Assets	1,525.0	1,491.4	1,481.8
Current Liabilities			
Trade and Other Payables	52.9	37.3	31.0
Borrowings (Overdraft)	68.6	-	10.0
Other	169.7	244.6	143.9
Total Current Liabilities	291.2	281.9	184.9
Non-Current Liabilities			
Borrowings	138.3	138.4	138.4
Other	147.7	145.8	145.9
Total Non-Current Liabilities	286.0	284.3	284.3
Total Liabilities	577.2	566.1	469.2
NET ASSETS	947.7	925.2	1,012.6

1 Investment Portfolio

- Markets starting to recover from recent COVID-19 impacted losses and portfolio will grow in value in the longer-term
- \$50m drawn down to meet operational expenditure requirements
- A further \$50m retained in shorter-term investments to preserve choice

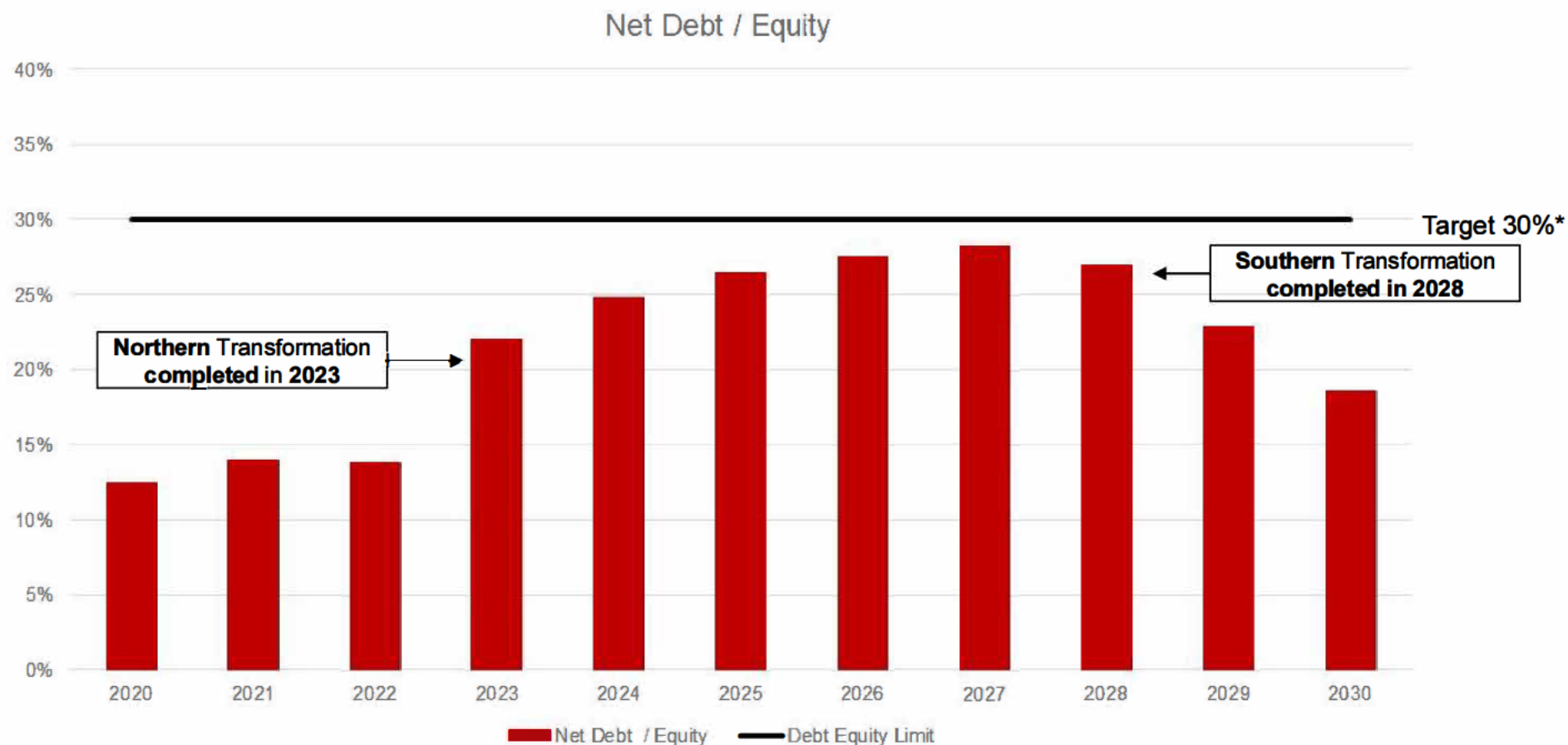
2 Major capital projects de-risked

- North and North West
- Completion of Hedberg

3 Capacity for further debt based on key metrics

4 UTAS Property Pty Ltd established and now operating to deliver the future use and value of property as we transition to city

Balance Sheet strength will be sustained and improved throughout the next decade



*Target based on Moody's Aa leverage metrics

We are on track to emerge from this period with a sustainable university and activate our southern strategy

Transforming what we offer & how we deliver:

Revenue:

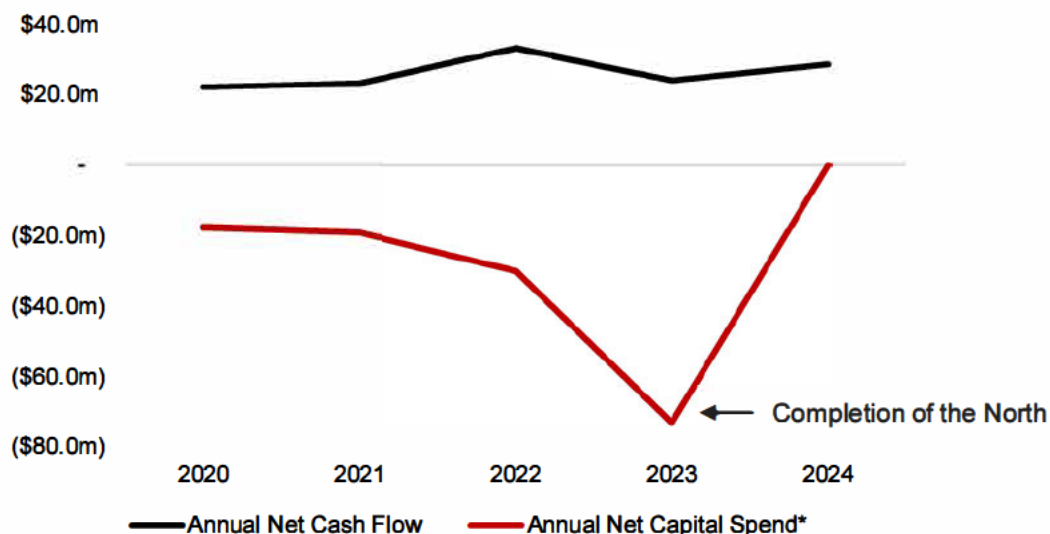
- Student Focus
- Curriculum and Course Transformation

Cost measures:

- Operational cost reduction initiatives
- Resourcing savings

Southern Strategy - timing is now

Annual Net Cash Flow (net of servicing debt and capital)

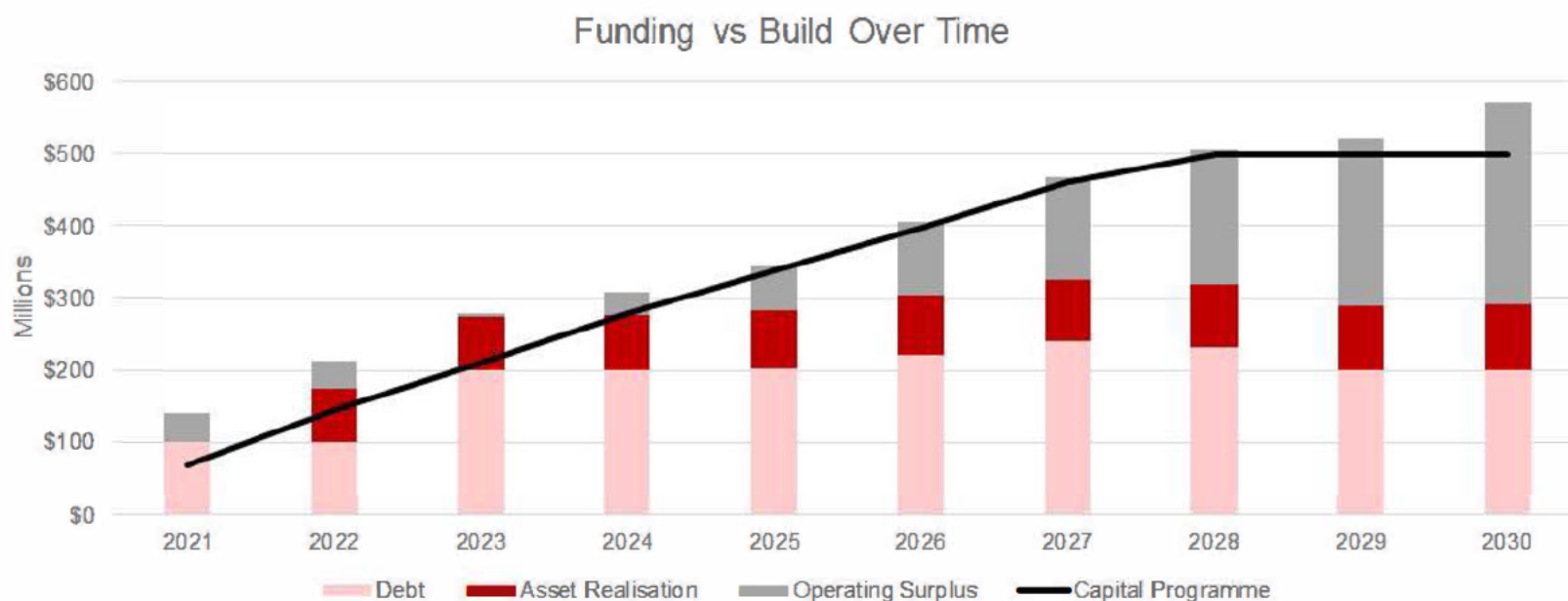


Funding opportunity:

- Refinance current debt (2023)
- In principle support for \$300m borrowing limit
- State Government Guarantee for \$200m
- Cost of debt and serviceability supports \$400m
- Lock in low interest rates at long tenors
- Accelerate revitalisation of the city (shovel ready projects)

*includes Northern project, Hedberg and PBSA2

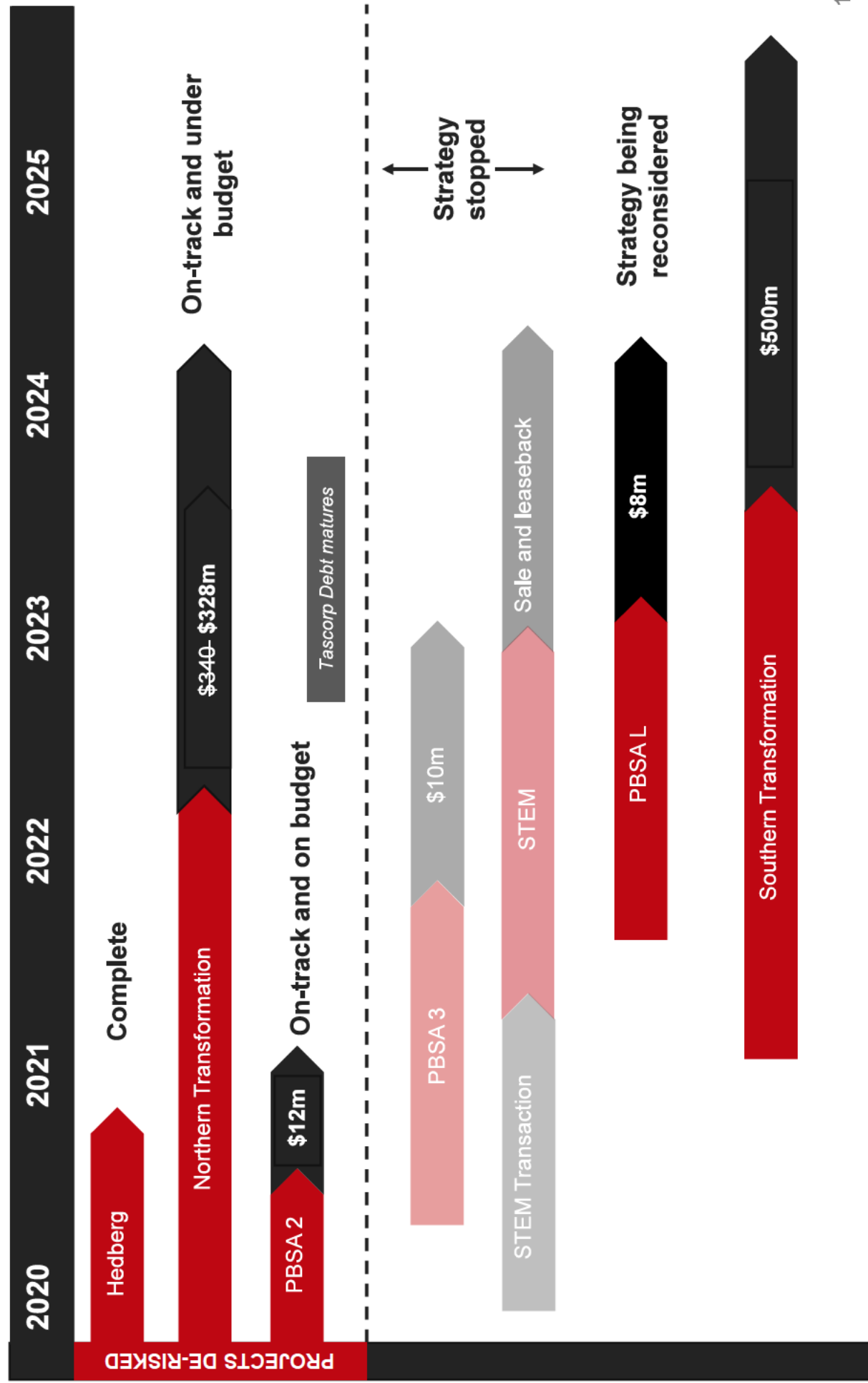
With \$200m additional debt, Southern Transformation can commence in 2021 with asset realisation and operating surpluses used to complete the funding programme



	Debt Level (excl. overdraft)	Overdraft	Cost of Debt (excl. overdraft)	Interest p.a. (excl. overdraft)
Current Borrowings	\$125m	\$75m	4.31%	\$5.4m
Proposed Borrowings	\$325m	\$75m	2.46% (est.)*	\$8.0m

*Proposed borrowings will be of differing tenors, to lower interest rate risk upon maturity, and enable repayment.

Acceleration of the Southern Campus strategy will be prioritised



A staged approach to delivering our campus strategy



We had made a lot of progress on designing a University of and *for* the City of Hobart before COVID-19 arrived

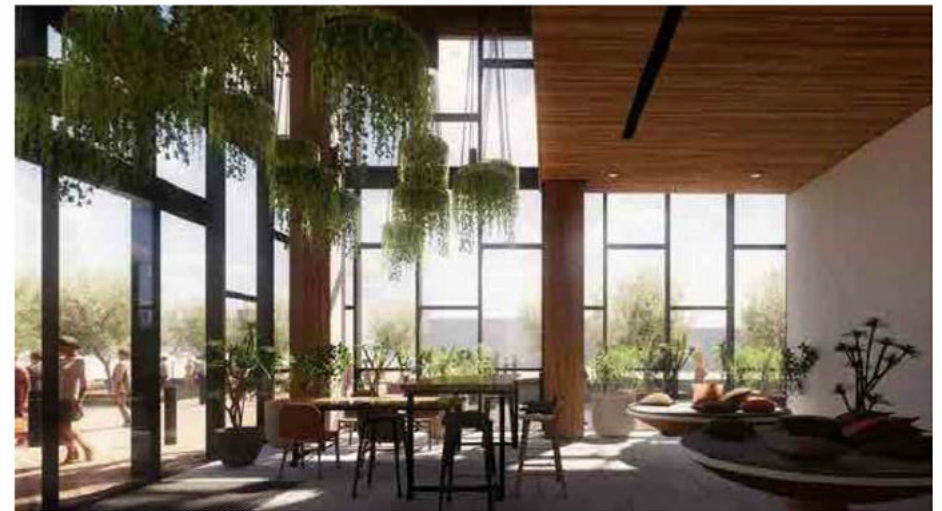
- A draft framework and **masterplan** to restart the conversation has been developed using pre-COVID-19 work based on:
 - + Community consultation
 - + University consultation and review
 - + Lessons from other cities
- This was endorsed by University Council in August 2020
- **To finalise the plan**, we will continue to engage with internal and external stakeholders

Stage 1: Igniting energy into vacant sites through short term activation - projects are shovel ready and support construction jobs

- PBSA2 and Podium and Penny Lane
- Melville Street
- PBSA1 foyer
- Elizabeth Street
- Webster's Block Pocket Park
- Campbell Street
- K+D Community Recreation Centre
- Forestry Winter Garden
- Hunter Street Pocket Park



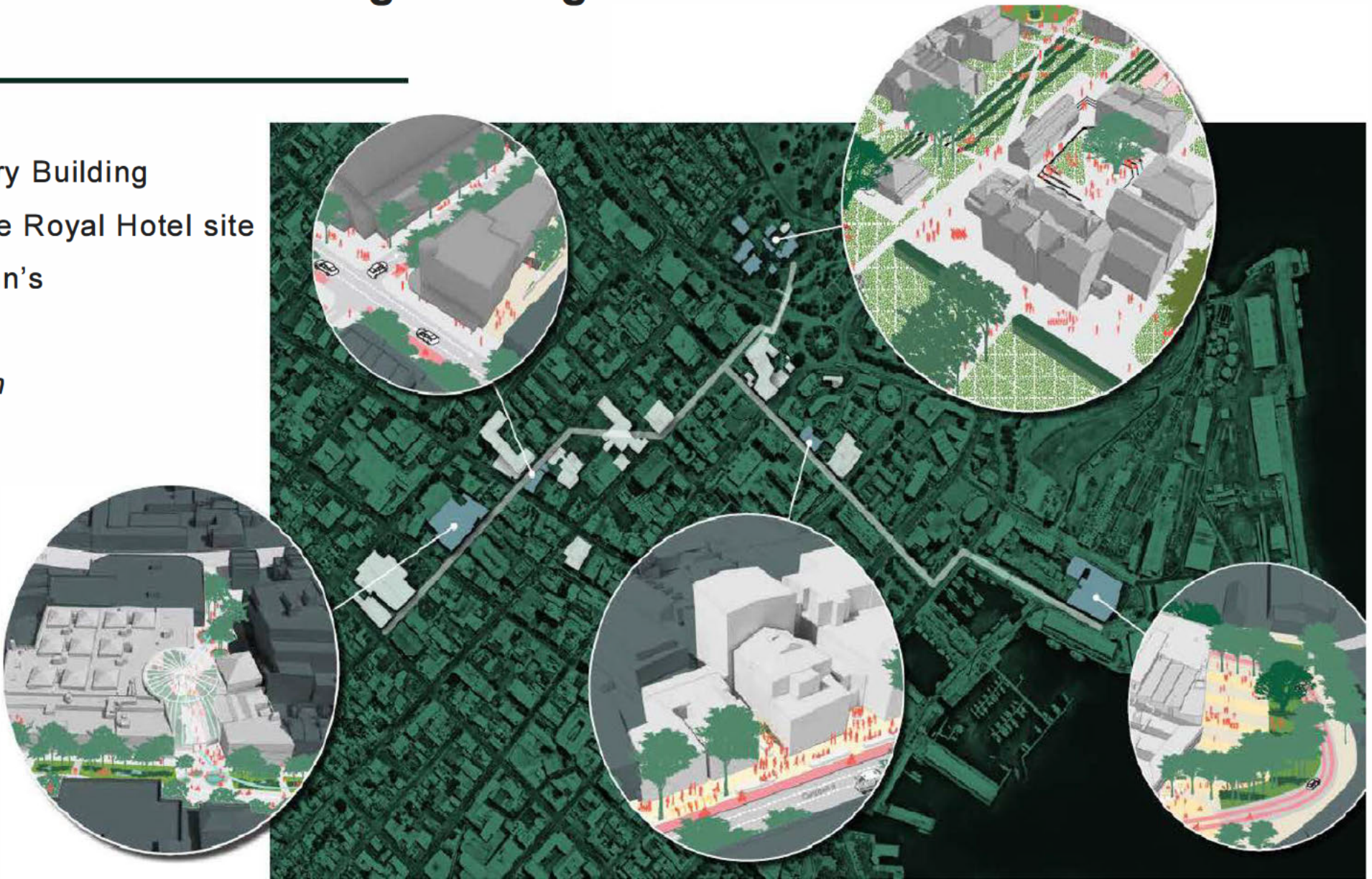
The completion of PBSA2, Podium, Heritage Building and Penny Lane will enliven Melville and Elizabeth Streets



Stage 2 – Utilise Existing Buildings

- Forestry Building
- Theatre Royal Hotel site
- McCann's

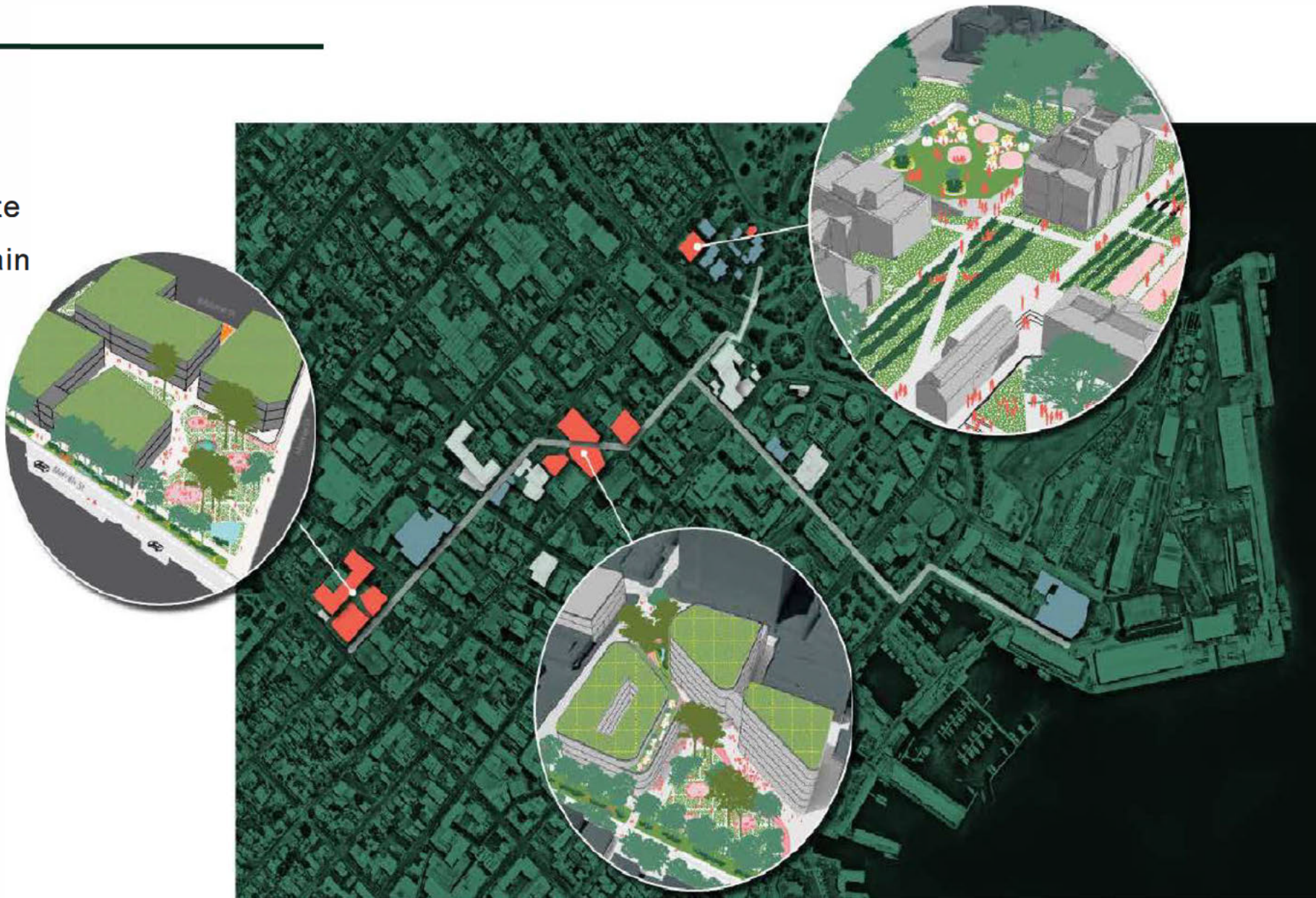
Est. \$80m



Stage 3 – Develop New Facilities

- K&D site
- Websters site
- Lower Domain

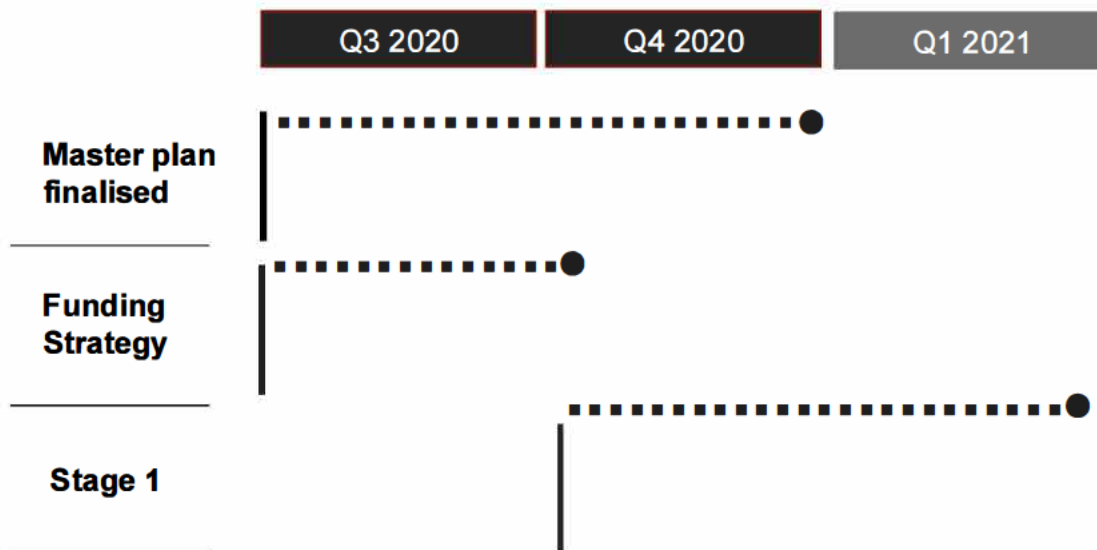
Est. \$350m



Getting Going



With the master plan to be finalised by the end of 2020 our next steps are to implement the funding strategy and commence stage 1 in Q4, 2020





Tasmanian Public Finance Corporation

114 Murray Street Hobart Tasmania 7000
GPO Box 1207 Hobart Tasmania 7001
Phone (03) 8396 1200 Int'l 61 3 8396 1200
Fax (03) 9086 4195 Int'l 61 3 9086 4195
ABN 75 403 768 119

31 October 2019

Mr David Clerk
Chief Operating Officer
University of Tasmania
Private Bag 53
Hobart TAS 7001

Dear David

UTAS Borrowing Limit and MLFA Changes

I am pleased to advise that the TASCORP Board has approved the University of Tasmania (UTAS) borrowing request to provide the following facilities:

- \$125 million term borrowing until 2023; and
- \$75 million overnight working capital facility.

The increase in borrowings is intended to provide funding to cover timing differences between construction costs on the Northern Transformation Project and government grants or internal revenue generation and to provide term funding for the recent purchase of Hobart CBD student accommodation.

Approval of the facilities listed above is conditional upon:

- UTAS agreeing to amendments to the Master Loan Facility Agreement (MLFA) such that the following become events of acceleration, if UTAS:
 - enters into any financial indebtedness without the prior written consent of TASCORP;
 - reduces its unrestricted investment portfolio to less than the outstanding borrowings with TASCORP; or
 - fails to provide formal written updates on the progress of the Capital Expenditure Program on a semi-annual basis.
- TASCORP receiving a copy of the Treasurer's written approval for UTAS to increase its borrowing to \$200 million as required under section 7(2) of the *University of Tasmania Act 1992*.

Attached is a document making the necessary amendments to the MLFA which will require execution by UTAS and return to TASCORP.

Once the required documentation is received, TASCORP will record the new borrowing limits.

TASCORP understand that UTAS is considering different funding models for the Southern Infrastructure Projects (SIP). As the SIP business case is yet to be finalised, TASCORP is not prepared to lend for the SIP at this time. TASCORP would be pleased to consider future borrowing requests by UTAS on a case by case basis.

TASCORP also understand that UTAS' plans for the SIP at this stage contemplate a rollover of its borrowings with TASCORP in 2023. For the avoidance of doubt, if TASCORP is not satisfied with UTAS' overall financial performance, the progress and performance of the capital expenditure program, and/or UTAS' future funding

strategy for the SIP, TASCORP may choose not to refinance UTAS' borrowings post 2023 on a stand-alone basis. However, TASCORP will fully consider such a request based on UTAS' financial position and forecasts at that time.

Should you have any queries on the above or wish to meet to further discuss, please do not hesitate to contact me directly on 0418 540 517.

Yours sincerely

A handwritten signature in black ink, appearing to read 'AVoss', with a horizontal line underneath.

Anton Voss
Chief Executive Officer

Treasurer

Level 9 Executive Building
15 Murray Street HOBART TAS 7000
Ph +61 3 6165 7670
Email treasureroffice@dpac.tas.gov.au

19 NOV 2019



Professor Rufus Black
Vice-Chancellor
University of Tasmania
Private Bag 51
HOBART TAS 7001

Dear Professor Black *Rufus*

University of Tasmania Medium Term Borrowings

I refer to your request to increase the University's medium term borrowing facility limit with the Tasmanian Public Finance Corporation (Tascorp) to \$200 million.

I understand that this increase is needed as a result of timing differences between construction costs on the Northern Transformation Project and to provide term funding for the recent purchases of Hobart CBD student accommodation.

On the basis that the Tascorp Board continues to be satisfied that the University is able to service this level of debt and is prepared to increase the University's borrowing facility limit, I approve the medium term borrowing arrangement as required under section 7(2) of the *University of Tasmania Act 1992*.

If you have any queries in relation to these payments, please contact Jodi Willcox at the Department of Treasury and Finance on (03) 6166 4255 or at jodi.willcox@treasury.tas.gov.au.

Yours sincerely

Hon Peter Gutwein MP
Treasurer

From: [Jane Beaumont](#)
To: [Craig Barling](#)
Cc: [Ben Rose](#); [Susannah Windsor](#); [Annabel Gale](#)
Subject: Hogan Leg Co materials -
Date: Thursday, 28 March 2024 4:12:00 PM
Attachments: [LCS-UTAS-Inquiry-6-July-2023.pdf](#)

Hi Craig

As discussed, I have attached the hansard transcript from Leg Co where Treasury attended with the Treasurer and have highlighted in red font the parts of the transcript that deal with the green bonds/borrowings/role of treasurer/treasurer. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Thanks

Jane

PUBLIC

THE LEGISLATIVE COUNCIL SELECT COMMITTEE MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON THURSDAY 6 JULY 2023

INQUIRY INTO THE PROVISIONS OF THE UNIVERSITY OF TASMANIA PROVISIONS ACT 1992

CHAIR (Mr Valentine) - I will introduce the members of the inquiry, for the record: Mike Gaffney, Sarah Lovell, Meg Webb, myself - Rob Valentine, Jenny Mannering, who is secretary to the committee inquiry, and Henry on Hansard.

Mrs FIONA CALVERT, DEPUTY SECRETARY, ECONOMIC AND FINANCIAL POLICY DIVISION, DEPARTMENT OF TREASURY AND FINANCE, WAS CALLED, MADE THE STATUTORY DECLARATION, AND WAS EXAMINED.

Mr SAM WILSON, STRATEGIC POLICY ANALYST, SHAREHOLDER POLICY AND MARKETS BRANCH, WAS CALLED, MADE THE STATUTORY DECLARATION, AND WAS EXAMINED.

CHAIR - Thank you. I want to commence today by acknowledging the Tasmanian Aboriginal people and pay respect to them and to their elders past and present, and acknowledge that we are meeting on their land today and acknowledge that they are the continuing custodians of the land.

This is sworn evidence that we are taking. You would understand why there is a need for that. It is being recorded. Members of the public may be watching today and we welcome any members of the public who are watching.

This is the Inquiry into the Provisions of the University of Tasmania Provisions Act 1992. It is important to note that all evidence taken at this hearing is protected by parliamentary privilege. I remind you that any comments you make outside the hearing may not be afforded such privilege. There is a copy of Information for Witnesses in front of you. Should we get to a point where we need to take in-camera evidence, you can put that request to the committee and the committee will consider and deliberate on that, and we will go from there accordingly. There is an opportunity to have an opening.

Treasurer, I do not know whether you wish to make an opening statement or take questions. It is totally up to you.

Mr FERGUSON - Thank you, Chair. Good afternoon and thank you for the opportunity to be here today to support your consideration of the terms of reference into your inquiry into the provisions of the University of Tasmania act.

As you know, I am supported at the committee today, in Hobart, by staff of the Department of Treasury and Finance, notably Mrs Fiona Calvert, who serves as Deputy Secretary, Economic and Financial Policy Division, and Mr Sam Wilson, who serves as Strategic Policy Analyst, both of whom have done considerable good work in preparing for your questions today.

As Treasurer, I have a role in relation to the act and the university. I think it would be fair to say that it is a very limited role. As the committee would no doubt be aware, section 7

of the act relates to the powers of the university and it includes the power to borrow money. Subsection (2) specifies that the university must obtain my written approval as Treasurer before borrowing money. I am advised I have no other legislative role under the act.

Over the period to March 2021, the former Treasurer provided a series of approvals in relation to borrowings by the university, supported by robust analysis by the Department of Treasury and Finance. The university currently has an approved borrowing limit of \$400 million. While it hasn't done so in the past, I am advised that none of its current borrowings are through the Tasmanian Public Finance Corporation, or TASCORP, as we call it.

The decision whether to borrow it from TASCORP or from private markets is a matter for the university. It is important to note that while created by state legislation, the university is not owned by the government, it is not a state entity within the Total State Sector and therefore does not sit on government balance sheets.

So, Chair, I hope that is a helpful opening. I am happy to take your questions with the support of my Treasury and Finance officials, but given my limited role, I am advised that there is naturally a fair constraint on the matters on which I could usefully comment. Nonetheless, I welcome your questions and we will do our best to support your consideration.

CHAIR - Thank you very much for that statement, Treasurer. We are looking into the provisions of the act and so we might go to areas that are of interest in relation to the financial dealings of the university.

To commence the questioning, what do you see as the Treasurer's role in relation to UTAS? Is it simply a matter of attending to any section 7(2) requests? Obviously, the requests that come to you in your role as Treasurer could have significant implications, either for the university or for the state. Do you see, in that role, that you have a responsibility to drill down into what they are coming to you for? How do you view that in terms of verifying the ability of the university to be able to satisfy their loans and so on?

Mr FERGUSON - I certainly do see it as a significant responsibility, confined, as I have described, to that very limited role. But within what is a very defined and particular purpose that the parliament of the day determined was the role of the state Treasurer, I see it as a check and balance role, as much as anything, so that there is an external and trusted authority for the university to be required to seek that ability to borrow and then for that borrowing to be contained within a defined limit.

So, yes, I agree with the premise of the question. It would be then that it is not simply a rubber stamp or an automated response, but one where the treasurer of the day, past, present, and future, would seek advice from Treasury about what is a prudent level of borrowings to constrain the university to, noting that the university is very autonomous. It has a very high level of self-government under its own council. To the extent that the state plays a role, other than through the legislation's section 7(2), gives the Treasurer a defined role. It is a significant responsibility to not be too mean in terms of keeping the limit too low and, therefore, constrain what the university's growth opportunities or transformation opportunities might be, but also not too high so as to prevent the university from going too far into borrowings that it might struggle to be able to service. I welcome Mrs Calvert's additional comment.

PUBLIC

Mrs CALVERT - I think you have covered it, Treasurer. When we provided advice to the former treasurer in relation to this, it was based on the requirements of the legislation, so it was done based on a very narrow financial focus. That does not mean we didn't provide significant analysis, but it was in relation to the university's capacity to repay their debt.

CHAIR - In performing that role, do you see any strictures that the act puts in place or the way it provides that function for you as Treasurer, do you see that it is sufficient? Or do you think that it needs strengthening to be able to protect the interests of the state?

Mr FERGUSON - An open opinion that I'll express here is that I do find it perfectly adequate at the moment. The language in the act currently requires that check and balance on the university by the Treasurer. As history has demonstrated by the decisions of the former Treasurer to allow increases to the borrowing limit, I'm advised and I have perused the advice that Treasury provided to him in those circumstances, it is a heavy responsibility that a minister or in this case a Treasurer takes advice before taking the necessary action. I'm satisfied with that because the act constrains the university, it doesn't constrain the Treasurer. The Treasurer's role, external to the university, is to act appropriately and almost to protect the university on both sides of the borrowing limit, by the way, so as not to be too mean to constrain its ability to grow, innovate and transform itself, but also not to provide too much headroom for borrowings that might be too much for an organisation. I would welcome any extra comments from our officials, who are free to speak as they would care to.

Mrs CALVERT - No, I think you have covered it, Treasurer.

CHAIR - I hear what you say about protecting the university, but I'm interested in hearing about how, in exercising that function, it could be protecting the state if something untoward happened to the university. I'm not suggesting it is, but it's an organisation with a lot of financial commitments. If it were to fail, the state might be left to pick up the pieces.

Mr FERGUSON - Perhaps the last part first. Sam and Fiona may be able to do a better job at expressing this, but any financial challenge that was faced by the university doesn't represent a risk to the state government and the Crown vested in Tasmania. While the university organisation is established by state legislation, it is outside the Total State Sector from that point of view.

While I don't think anybody is seriously contemplating that the university is at risk of failure, nor any other university in the country that I'm aware of, in that extraordinary hypothetical there would be a role for the Australian Government to support a university that was struggling, given its predominant role in the funding of universities. I'll ask my officials to make other comments. The role of the Treasurer in establishing borrowing limits in this legislation is analogous to a similar role that's occupied by the Treasurer with other government businesses, although the university is not a government business.

Mrs CALVERT - That's correct, Treasurer. As I said earlier, just because it's a reasonably narrow requirement of the legislation, we did provide comprehensive advice to the former treasurer regarding the capacity for the university to repay its borrowings. Given that over a relatively short period of time there was a doubling of that limit, that's why we provided advice that additional conditions be placed on the increase to the \$400 million. The most critical of those was the independent credit rating from an independent agency, which gave more comfort that the university was able to deliver on its commitments.

CHAIR - Just before I hand to Meg Webb, this concept that it's not a state entity is an interesting one for me. Its foundational act is a state act. If it's not a state entity then who is the university reporting to? Where is that level of control given it's an entity that's so significant in the life of Tasmanians and the state in providing services? It is providing international services for those who are coming in to study, but primarily it is there to serve the state. Given it's a state act, who is holding the university to account?

Mr FERGUSON - I will respond and invite Mrs Calvert to add, if you are able to, Fiona. The university is established as an institution under state legislation. That's not remarkable or unusual. There are a number of other organisations that are established in state and federal legislation. It shouldn't be taken to mean that they are part of the Crown or part of the state sector or the federal government sector. One quick example is some of the residential colleges in Hobart. Even part of the Anglican Diocese in some cases has rules set out in state legislation, even though it's not part of the state.

I agree, Chair, with your comment about the importance of the university. A healthy, flourishing university is something we all want to see. For it to be well governed is precisely why successive parliaments have increasingly given more responsibility to the University Council for its own good governance and the significant responsibility that sits with those individual people as part of that corporate entity, the University Council. I do not see any risk of failure. I don't have any advice that would suggest there are particular risks we should be trying to avoid better than the current governance arrangements. The university has a high level of autonomy and independence, similar to other universities around Australia.

Ms WEBB - I'm going to pick up on a few of the areas already covered for some more detail. It's useful for us to be able to unpick this and understand it better. I appreciate the time from the staff and from you, Treasurer. In relation to the Treasurer's role in the act in protecting the interests of the university and potentially also protecting the interest of the state, I'd like to hear more about the degree you think both of those responsibilities are inherent in the Treasurer's role in this legislation. How might that be expressed, particularly in the interests of the state?

Mr FERGUSON - Could you help me understand the question better?

Ms WEBB - Do you see that the Treasurer's role as outlined in the act, section 7(2), inherently holds a responsibility to protect the interests of the university and also to protect the interests of the state? That is the starting point of the question.

Mr FERGUSON - I think more of the former and less of the latter. I think the legislators back in 1992, potentially sooner in earlier versions of the act that establishes the university, made a decision that in granting the design of the governance and the level of autonomy the University Council would have, there would still need to be an external third party - the Treasurer of Tasmania - to have a particular role or a right or a responsibility to ensure that before the university engages in borrowings, the third-party reference through the Treasurer who, Liberal, Labor or Independent at whatever point in time, would be taking advice from Treasury about what is a prudent level of borrowings. To the extent that it is about protecting the state, I would see that as part of the story, perhaps, but the less important of those two. It's really about ensuring that the university is in a strong financial position and is able to borrow. It is important for organisations to be able to borrow in order to develop capital infrastructure

that will be enjoyed by future generations and be able to service those borrowings in a way that's fair for the current generation so that the current generation doesn't have to bear all of the costs of an asset that will be enjoyed by future people, students, members of the university.

Ms WEBB - Clearly, though, in the sense of the university's degree of importance to the state, the maintenance of its financial viability is important to the state. Therefore, assisting with that and being in oversight of that is actually a function of protecting interests of the state. Is that the sort of progression of responsibility that you see there?

Obviously, there's lots of businesses we'd love to be viable because they contribute to our state, they employ people, they contribute economically, they do all sorts of things. But we don't insert the Treasurer as an oversight of their borrowing. We certainly have governance arrangements in place for the university where they make all other decisions under their own auspices via the University Council. But this one is retained as a responsibility for the Treasurer. Usually that would be because the Treasurer, acting as a member of the government, is acting in the interests of the state to some extent. I'm just teasing that out a bit more.

Mr FERGUSON - I don't disagree with what you're saying and I thoroughly agree with your comment that the Treasurer, in making his or her decision on these matters, is making decisions that are in the interests of the state. I certainly endorse that view. But it's really about a third-party oversight of the level of borrowings.

The legislation is, for example, entirely neutral on the source of borrowed funds. It doesn't obligate the university to only be able to borrow from TASCORP. It has autonomy in respect of those matters. It's really only protecting the state financially if it was borrowing, say, from TASCORP. There's a reflection there about the role of the state because TASCORP, as a lender, is owned by the state government. It's really not about dictating to the university how it should allocate its funds but it certainly is a level of oversight, particularly in respect of their ability to repay that debt and to service those borrowings into the future.

There's certainly a nexus with the state because of that legislation. I don't wish it to change, but it is plausible that section 7(2) is not absolutely necessary. But it is there as a protective mechanism to avoid a potential scenario where a university might wish to borrow too much, more than it can repay.

Ms WEBB - Don't you think, though, that the university and the skill mix within its council would have the wherewithal to make those decisions?

Mr FERGUSON - Yes, I do.

Ms WEBB - I'm asking that in the sense that if there's a proposition that section 7(2) might not be necessary and the state is removed, whose interests are put at risk in that scenario?

Mr FERGUSON - First of all, it's a grand hypothetical on my part and maybe it's an unnecessary conversation because there's no proposal before us or that I would wish to pursue to remove section 7(2), but to make the point that it is a really belt-and-braces approach there, that it is a third party outside of the university, a trusted individual, the Treasurer, on behalf of the Crown in Tasmania, to make a decision on good advice that's in the interest of the state, noting as well that for the university - and yes, I agree again with you about the University Council with the right skill mix to adjudge these matters - to ensure that, on the basis in part

that the university can choose from where it obtains its finance. Lenders have their own rules around checking a borrower's capacity to repay and service their debt.

I personally don't feel very challenged by this. I'm happy with the inquiry and the questions. I personally do not feel challenged about the role of the Treasurer but do see it as a sensible approach, given the tight connection between the people of our state, our government and our parliament with our university.

Ms WEBB - Can I ask a little bit more about the assessment process that is undergone with Treasury, if there is an interaction from the university about borrowing? It has been mentioned already that there is an assessment made about the university's capacity to repay a loan limit that might be granted under section 7(2). Is there something documented that could be provided to us that describes the considerations that come into play to make that assessment?

Mrs CALVERT - There's not a specific document against which it was assessed. We look at a lot of business cases for a whole range of different things, especially from government businesses, and we required a range of information from the university. I'm not sure if we actually received a business case but the information that would make up a business case, there was a quite comprehensive analysis of their financial situation and it was very much focused on their financial situation.

Ms WEBB - So, there's not a set framework that is used each time to make the assessment for the borrowing request?

Mrs CALVERT - Not a written-down framework because everything we assess differs in some way, whether you are looking at an infrastructure project or, in this case, more a borrowing limit. It varies. I think it would be too restrictive to just have a checklist that you tick off because you would miss things.

Ms WEBB - Thank you. Within that process, the primary focus, from what you are describing, is on capacity to repay from the university. But is there any element of it that is about the interests for the state and financial implications for the state?

Mrs CALVERT - Depending on who the university borrows from means there are different financial implications for the state. For example, as the Treasurer said earlier, in the past they have borrowed from the Tasmanian Public Finance Corporation (TASCORP). If that is the case, they will be picked up in the state's credit rating because, obviously, there are borrowings there. That is treated as, I think the word is 'unsupported debt' because, obviously, we do not own them so there's no revenue stream on the other side. Where they are borrowing from the market and there is no guarantee in place, there is no financial impact for the state.

Ms WEBB - Can I pick up then, and again it goes back to some earlier questions from the member for Hobart, around any financial implications for the state in terms of any sense of being guarantor for debt for UTAS?

When we had a hearing here on 4 May, Professor Rufus Black was speaking with us about these sorts of matters. He indicated, and the wording he used was in relation UTAS effectively being an institution of the state and rating agencies implicitly assuming that the state may then bail out UTAS if it were to get into trouble. His exact words at that hearing were:

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Because it is an institution of the state and, in the end, this will come to the kind of view of rating agencies, there has always been an implicit assumption that should the university ultimately be in financial trouble, that would come to be a liability of the state's credit under the state act.

Can you clarify, Treasurer, if you see that in the same way as Professor Black? Or would you like to correct that as a statement if you think that provides the wrong impression?

Mr FERGUSON - I invite Mrs Calvert to answer the question with me, but the university is not part of the Crown, it is not part of the state balance sheet. The state is not responsible for its liabilities, should they occur - well, as they occur. I feel uncomfortable, in one sense, answering the question, because I don't like to create hypothetical scenarios that suggest what would happen if the university were in trouble, when I know that it isn't in trouble. I do not want to trash-talk it.

In the hypothetical you have described, while not wanting to disagree with the vice-chancellor, in the event that a university in Australia was in so much trouble as would require some kind of rescue package, governments would address that in those circumstances. But I would see a far higher role for the Australian Government, given that it is the funder of higher education in Australia, and the state - in those circumstances, in that hypothetical - would no doubt take an interest in it as well.

In that hypothetical scenario, no-one would want to see the University of Tasmania failing in any way. I hope that is a helpful attempt to answer the question. I do not wish to disagree with the vice-chancellor, except to say we would express it differently.

Ms WEBB - Thank you, that is good. Again, I am not wanting to present a hypothetical for any purposes other than to try to unpick the foundational status here. One of the questions I have points to trying to better understand that legal status, I suppose, in terms of who would be legally responsible should the university get into trouble.

For example - and please excuse this scenario, but it helps to unpick what is really at the heart of this - if the university were in a position of having to wrap itself up because it was financially in a pickle, who would own its assets? What is the legal status, from our state government perspective? I am not asking this to be tricky in any way. I am just trying to understand the relationship between the state and the university when it comes to these foundational matters. Do you have an understanding of that legal relationship, given that it is established under a state act?

Mr FERGUSON - Chair, I will invite Mrs Calvert to respond to that question. I also had a break in transmission there, but I think we are working fine now.

Mrs CALVERT - As you are aware, the university is a statutory corporation under the legislation. As the Treasurer said, there is no liability to the state from the university. Obviously, the council is the governing body. I think this has been raised previously in the rating that Moody's did for the university. They implied a level of support from the Commonwealth government for the university. They would provide extraordinary support from the Commonwealth in the event of the situation that you have described.

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The caution with this is that Moody's generally adopts that standard view when they are rating both state and public institutions. You only have to look at Tasmania's rating from Moody's and you will see a similar clause in there.

Ms WEBB - They would expect the federal government to bail the state out, in the same way they would expect the federal government to bail out UTAS if it was required?

Mrs CALVERT - That is correct.

Mr FERGUSON - Chair, if it would be okay, it might be an interesting point for the committee to query with the vice-chancellor whether, in his use of 'the state', he means the state of Tasmania, or 'the state' in terms of the country. It might be an interesting question to follow up.

Ms WEBB - Yes, we can follow that up. Certainly, in the quote I provided, where he referred to a liability of the state's credit under the state act, I think he was referring to Tasmania as the state in both of those instances.

I am also interested for a bit more detail to better understand and make a distinction between state-owned companies and GBEs and entities of that sort, and the relationship they have to the state government, and the relationship UTAS has to the state government. We have already touched on that space a little. In terms of borrowing, I am interested to understand a bit more about the distinction - the similarities and the differences - when it comes to the state and those types of entities - GBEs and state-owned companies - versus the state and UTAS.

For example, UTAS is able to borrow outside of TASCORP. Are those other entities able to borrow outside of TASCORP, too, or are they restricted in different ways? Can you outline some of the similarities or differences.

Mr FERGUSON - Please, Fiona.

Mrs CALVERT - Thank you, Treasurer. Government business enterprises - like Hydro, the Public Trustee, Port Arthur - are established under the Government Business Enterprises Act. Then you have what we call state-owned companies, such as TasNetworks and Tasracing, which are established under corporations law. They also have their own portfolio legislation and articles of association, constitutions and those sorts of things. They are all -

Ms WEBB - I am mostly interested in the borrowing comparisons here, thank you.

Mrs CALVERT - It varies, depending. All GBEs and state-owned companies are required to borrow from the Tasmanian Public Finance Corporation. This is obviously different to the university, which can borrow from TASCORP or the broader market, but we actually restrict them; I think it is done by *Gazette* notice. We actually restrict all the GBEs and SOC's from borrowing from TASCORP.

CHAIR - So, how do you view some organisations like TasTAFE?

Mrs CALVERT - TasTAFE is effectively a statutory authority, so it is not a GBE or a SOC. It is required to borrow from TASCORP, I think.

CHAIR - This brings me to the situation with Spark Living. You are aware that UTAS has an arrangement with Spark Living for university accommodation - student accommodation in particular. I am interested in how the state keeps an eye on the level of commitment being made by the university in relation to the provision of accommodation, and how an entity like Spark Living operates. Do you have a comment on the role the state government plays in that regard, and the Treasurer in particular?

Mr FERGUSON - I have very little to offer on this subject. I have looked into the question and I understand this is squarely a matter for the university. It is not something the government has a role with. I understand the university financial statements present that arrangement under the heading 'Other Liability', and therefore not as a debt, not as a borrowing. I also understand that the Auditor-General of Tasmania has signed off on the UTAS financial statements as part of his role in auditing the university, and that this has been verified as appropriate.

The Government does not really take a position on the operational decision the university has made regarding this financial relationship.

CHAIR - So, even though there are significant funds involved in building these buildings - and indeed, having them rented out for students - at the end of the day, the asset is with the university, I believe, and it is not considered a loan that needs Treasury approval?

Mr FERGUSON - That is my understanding, but I will defer to Fiona.

Mrs CALVERT - That is our expectation - that in accordance with the financial statements from the university, it is not treated as debt.

CHAIR - It is interesting. When Professor Black was with us, he acknowledged that it does create a liability for the university, because student income is what actually then goes back to those, and so clearly it is a liability. If it is a liability, you would wonder why the state Treasurer would not have a part to play in making sure that liability was something that was covered in terms of risk.

Mr FERGUSON - I will invite Mrs Calvert to comment on whether the ratings agencies would look at total liabilities in considering credit ratings, but it is very squarely my advice that it doesn't classify as borrowings. Just as, for example, the university took on a property that it didn't own and leased it on a long-term lease, it would also be a recognised accounting liability rather than borrowing.

Fiona, can you add to that and just touch on whether the ratings agency would consider total liabilities in considering a credit rating?

Mrs CALVERT - I think it is a question that you need to ask the university. We do not have any level of visibility of that. I am certainly not aware of how the rating agencies treated them when they did their rating.

Mr FERGUSON - It really is outside our wheelhouse.

Ms WEBB - I find it an interesting question because the intention with section 7(2) in the act, as you have already described, Treasurer, is to provide a role for state government and the Treasurer is the mechanism to approve borrowings.

As we know, there are some very straightforward borrowing arrangements, but there are also borrowing-like arrangements that can be entered into. Can you help us understand exactly what section 7(2) covers in terms of borrowing-like arrangements? What are the parameters of what it does cover or doesn't cover? Other than the Spark Living arrangements, we also have the issuing of green bonds. I am interested to what extent there is a relationship between section 7(2) and treasurer approval with instruments like that? Can you talk us through what the parameters are in terms of borrowings or borrowing-like mechanisms?

Mrs CALVERT - As I said, from what we are aware of, in the university, the Spark Living arrangement does not fall within the definition of borrowing; the green bonds certainly do and they are covered by the current \$400 million.

Ms WEBB - So, the most recent extension of the limit, from March 2021, was in order for UTAS to be able to engage in the green bond issuance?

Mrs CALVERT - It was an increase from a \$200 million limit to the \$400 million limit. It was agnostic as to what form of borrowing that they used. When we were originally assessing that, I think the expectation was that the university would continue to borrow through the Tasmanian Public Finance Corporation but they subsequently decided to go down the green bond route.

Ms WEBB - So, when Treasury and the Treasurer is presented with the proposition from UTAS about extending a borrowing limit, granted that the university can choose where it borrows ultimately, but there is not an expectation at the time of request for approval that the university is upfront and plain about where it intends to undertake that borrowing, that is not required?

Mrs CALVERT - No, it is not required. In some cases, it would be a bit difficult because, theoretically, they are meant to get the approval to borrow first before they then borrow. Obviously, as they look at their needs and have the approval, their expectations may change in terms of who they will borrow from. Without going into the detail of our advice to the former treasurer, in all our discussions it was very clear that it covered borrowing from the market or TASCORP.

Ms WEBB - So it isn't that you might, Treasurer, on advice from Treasury, attach a different condition or a different level of condition on the borrowing approval, dependent on whether it is with TASCORP or an external market-based mechanism?

CHAIR - Or an international market.

Ms WEBB - In which case you would need to know that information when you are making the assessment and putting conditions in place where the borrowing is intended to occur. But that is not required?

Mrs CALVERT - No.

Ms WEBB - Would it change the conditions that might be considered in terms of advice from Treasury to you, Treasurer, in terms of where UTAS intends to borrow or use mechanisms like green bonds? Would that potentially have generated different conditions or a different requirement if there are different mechanisms ultimately used?

Mr FERGUSON - I wouldn't have thought so. Fiona has indicated no to your earlier question. Of course, it is a reasonable proposition that the university having obtained its borrowing capacity and its limit being settled, it would be a good thing for the university to obtain competitive finance. It should be able to go to the market and obtain the amount and the source of funds that is competitive and at a good rate for them, so it would be a good thing for them to be able to go into a competitive market as they have chosen to do on this occasion.

CHAIR - Even if that is in the international market, which might present different levels of risk? I am interested to pursue that in terms of what Treasury might expect of an organisation like UTAS that has a borrowing limit associated with it - whether you scrutinise it first before they make that decision. It seems like that is not the case, that you do not scrutinise the source of their funding and measure the risk associated with the proposed borrowing.

Mr FERGUSON - I'm not sure I can add to our previous two answers. Again, I'm not sure what that risk is. If you could describe what you feel that the risk might be, we might be in a position to respond further, Chair.

CHAIR - There could be all sorts of risks associated with borrowing internationally as opposed to nationally or, indeed, within the state for that matter. I am interested to know whether there is any examination of those borrowing arrangements other than simply saying 'You can borrow up to a certain level'. That is all it is, a simple question. I am keen to hear how you view that.

Mr FERGUSON - I will invite Treasury to respond, but, again, I take the broad view on this: the university is charged through its legislation to be responsible, to be autonomous. In respect of its borrowing limit, it does require the Treasurer to play a role. The Treasurer, uniformly takes advice and has Treasury perform a robust assessment. But mostly, when we're looking at risk, 'risk' is usually a word that is used in respect of the borrower, not so much the lender. The reason that the legislation and no doubt the parliament of the day that allowed the university to obtain its borrowings from its choice of lender is to give it the widest possible opportunity to attract competitive finance arrangements.

Sometimes, they may choose to use TASCORP and they are welcome to apply and to be able to ultimately do that. Regardless of that and regardless of the lender, they nonetheless have already had to go through the robust process of sharing with Treasury their business case for borrowings but ultimately be able to go to the market and get competitive finance. Fiona, can you add to that?

Mrs CALVERT - I think everything you have said is correct, Treasurer. It is the University Council's role to ensure that they are borrowing responsibly within the limit that is provided by the Treasurer. I'm not sure that the conditions that the former treasurer faced on the limit would have been any different if we had known at the time that they were going to go down a different track.

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CHAIR - I understand that the risk is generally on the entity borrowing, but by the same token - and no-one is suggesting the university is about to fold, but we have to look at these things at the extremes, in the event -

Ms WEBB - I am just trying to understand the legal basis.

CHAIR - We're just trying to understand the legal basis of it. If that were to happen, you have a lender that might have very significant strictures around the repayment of moneys lent and the like, so I am just interested to explore how much attention the Treasurer, and therefore Treasury, would pay to such arrangements like the green bonds scenario before us.

Mr FERGUSON - I can understand, Chair, and do my best to respond. I think you may be detecting we are probably not able to add much more to that question, but we definitely want to assist your committee.

To be a member of the University Council in itself is a significant responsibility. You have responsibility not for the domain we are exploring today of borrowings, but for the key personnel they appoint on their academic and/or executive teams and, ultimately, for the choice of the way the courses are selected and then delivered, to attracting international students and domestic students, to lobby and to successfully obtain funding through federal means for the ongoing life and good health of the university and the cultural life of the university. It is a big responsibility and very analogous to a company director.

The Government does not oversee those or even second-guess them. There is a lot of trust in those people and they do a good job. The responsibility is one recognised by the University Council. Hopefully, that is a helpful set of responses to that set of questions.

CHAIR - It is what it is. Thank you for sharing your thoughts and we will assess that information.

Ms WEBB - A quick clarification: you mentioned at the moment none of the borrowings sit with TASCORP; previously they had done - exclusively, previously, or had there been instances of external borrowings approved through Treasury to the Treasurer previous to now?

Mrs CALVERT - At the time we started looking at this most recently, their borrowings were with TASCORP. I cannot speak to further in the past in terms of whether they have always borrowed from TASCORP.

Ms WEBB - Wouldn't there be a record of that within Treasury? That is not part of your record keeping done in Treasury?

Mrs CALVERT - The limit before 2014 was at \$150 million. I am not sure and it is probably more a question for TASCORP.

Ms WEBB - With the last approval provided in March 2021, at that point in time there were current borrowings from TASCORP, but then that was exited from and the borrowings are now entirely external from that point.

Mrs CALVERT - Yes, that is my understanding.

Ms WEBB - Clearly, from the way you have described the process when UTAS comes to the Treasurer and to Treasury to seek approval for borrowing, a case is put forward and an assessment is made. Other than those instances which can occur at different points over a number of years from Treasury or the Treasurer, is there any regular monitoring of or assessment of the financial position of UTAS? As the state Treasury that has some role in the act that will crop up every now and then, is there also some form of keeping an eye on a monitoring financial position, for example, as the annual report comes out each year or some other ongoing mechanism?

Mr FERGUSON - Chair, I will invite Mrs Calvert to respond, but no doubt the Auditor-General would be an important step to reflect on.

Ms WEBB - We understand the role for the Auditor-General in relation to UTAS's financials. Is there any element of ongoing monitoring or keeping an eye or assessment of financials from Treasury or the Treasurer?

Mrs CALVERT - Not on an ad hoc basis. Only when specific issues come up.

Ms WEBB - Okay, not on a regular ongoing basis. We know UTAS has undergone significant projects in the north of the state, the north-west of the state, proposals in the south of the state. At those times, particularly if there is an intersection into City Deals or other sorts of planning arrangements, does Treasury at that point in time undertake assessments of those sorts of proposals that are put forward that are looking to be progressed by UTAS?

Mrs CALVERT - No, and both of the City Deals were negotiated by the Department of State Growth. I am not sure what level of visibility they had of different issues.

Ms WEBB - Treasury has not been involved in assessing business cases or proposals put forward for any of those sorts of major projects undertaken by the university or proposed by the university to date?

Mr FERGUSON - No, it has not. I know you are not leading us there, Ms Webb, but nor would I wish us to. I would not want us to be in that area because if we were in that area then you really are having the government playing a much more of a hands-on operational role in a university when it is vested with the University Council and the autonomy that any self-respecting university will want and need.

Ms WEBB - It is an interesting question, isn't it? Considering how significantly place-shaping the university can be, there is also obviously impact on the general community and on different regions and cities and different things. There is an interesting proposition there about the role for government and role for local government even in that area, too. While we accept certain autonomy from the university in its decision making, it is not completely absent of an expectation, I would have thought, from at least interest from state government if there are significant decisions and place-shaping decisions to be made, wouldn't you think, Treasurer?

Mr FERGUSON - I do agree with that latter point, on the basis there is always a connection between any important institution and its role in a city, town or suburb and that is why we have a planning system. That is why, for example, major projects have to go through their various public process which does ultimately involve interfaces with other state organisations or politicians and local government processes.

For example, the planning authorities or a planning scheme amendment would require the independent oversight of the Tasmanian Planning Commission. Then, of course, there is the neighbourly thing to do when you are looking at doing a major change, as the university has proven itself wishing to do is to consult with the community and listen to feedback.

A role for executive government to have a hands-on position at the University Council table is certainly not where we would want to be but, yes, I generally agree with some of what you have said about the engagement with other organs of government and with the community generally being a wise move.

Ms WEBB - I certainly was not suggesting a role for state government at the University Council table. I was asking about the interest the state government might take in being informed of making an assessment or holding a view on significant proposals or projects put forward.

Mr FERGUSON - That is fair comment. I will supplement it in that case and say, for example, when a state plays a role as a contributing funder to significant projects then there is exactly that kind of consideration to see if there is a good role for the state to contribute or to lobby for federal funds, for example, to support major capital or operational changes to the university. Of course, then at that point there would be consideration given to the merits of the proposal, but otherwise we do trust the university to manage its affairs and to look to the future and to ensure it is fit for purpose in the years to come.

Ms WEBB - I will preface this by making it very clear so you do not have to go there in your answer Treasurer, I am not asking any questions about any deliberations of Cabinet in this, or any details of Cabinet in this question. Are there situations in which the state Cabinet may consider, or has considered, and provided approval to propositions or proposals brought forward by UTAS?

Mr FERGUSON - I will not speak about Cabinet as you have invited me to and again, quite properly, avoid that. But government considers good ideas and considers whether it would support this or that initiative if there is a role for government. But most often the university manages its own affairs and certainly should manage its own future plans for the way it provides physical infrastructure, academic and social support for students and the marketing for international students. But government does at times. I would say as a nine-year member of this Government, it is pretty occasional that we would take a position on a proposal from the university. I'm trying to answer your question as helpfully as I can. Most often the university is running its own institution as it's trusted to do. Others can provide input or suggestive comments or express their pleasure or displeasure at those ideas. The council would then, like any other corporate entity, take its approval or take its applications through the local government pathway for development.

Ms WEBB - Are there specific instances in which Cabinet has approved or endorsed a proposal from UTAS? You would understand that of most clear relevance right now is the proposed Hobart CBD move. Is that something that has been considered formally by Cabinet? I am not asking you to reflect on the deliberations, just whether it has or not.

Mr FERGUSON - Except for the recent deviation where a list of Cabinet documents by description was provided in respect to the Macquarie Point stadium, we never discuss Cabinet

ever, including what it deliberates on and the timing of it. It's just a protocol that's observed. Generally we don't discuss Cabinet, but we are always happy to discuss positions or decisions that the Government has taken.

Ms WEBB - That's what I am asking you about, Treasurer. Is there a Cabinet-endorsed position that the Government has on that CBD move?

Mr FERGUSON - I'll answer it this way. There's a Government position that we encourage the university to transform itself, to engage with the community, to win arguments, and put forward proposals and be prepared to receive feedback and amend their plans accordingly but, ultimately, to find its own way forward like we would expect any other university in this country to do. We want the university to modernise, to be attractive to domestic Tasmanian, domestic Australian and international students, and not to be stuck in a time-war of not ever being able to change because there are people who constantly say no to any change that's exciting.

That's not to express a bias that we're all endorsing the university's southern campus transformation, but we encourage the university in its next steps because it is a good university. It should be encouraged, it should be supported. The current University Council should have our - as politicians - collective support to do the hard yards, to work with the community, to win over people who are against their proposals and potentially modify them, and ultimately to take a development application to Hobart City Council and be prepared to work through the community consultation that would then take place.

We don't take a yes or no side on it because we don't see that as our role, only to express, as I am, a willingness to get behind the council with the transformation that it has already commenced and has already made some great progress with in the arts and sciences. Something like 40 per cent or nearly 50 per cent of the university's southern activities are already in the CBD. That's been successful but we know it's not always easy. That's why the position, as we have expressed publicly, is to encourage the university and other members of the community to work together.

CHAIR - I want to go back, because the time has almost gone, unless, Treasurer, you have more time available. How often is the university's funding reviewed by the Government? The funding we provide is about 6 per cent, roughly equivalent to payroll tax the university pays the state. I do not know how that level was arrived at. I do not know what has gone on in the past. Could you provide some insight into why the state government provides the amount of funding to the university that it does, and how often that is reviewed?

Mr FERGUSON - My Treasury officials might be able to help you with the answer. If not, we might need to take that on notice. In the 15 months I have been Treasurer, I personally have not had a reason to review it that I can recall. My colleague, Mr Jaensch, may have something to add given that he administers the legislation more generally. Fiona or Sam, do you have anything extra to add?

Mrs CALVERT - No, Treasurer, I think we would need to take that on notice; I do not have any visibility of that.

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Mr FERGUSON - I'm happy to take it on notice and provide to the committee maybe even some further detail that may help you to understand fully how we do provide a level of support to the university.

CHAIR - Thank you, Treasurer. When you provide funding approval to UTAS, how is that reported to parliament?

Mr FERGUSON - I will undertake to provide that information when I provide the answer on notice.

CHAIR - So a second question on notice?

Mr FERGUSON - Yes, or supplement to it.

Mr GAFFNEY - Could you provide copies of each of the section 7(2) approvals granted since 1 July 2017? Can we see the dates, the amounts, what the conditions were and what specific types of borrowings were approved so we have a better understanding of how that operates?

CHAIR - We will write to you with these questions.

Mr GAFFNEY - Since 1 July 2017, thank you.

Mr FERGUSON - Chair, I'll undertake in good faith to take that question on notice. I know Mr Gaffney didn't ask me for any Treasury advice, no issue there, I wouldn't be providing that, but I may be able to provide the correspondence to the university and that would contain the information you are seeking. I'll need to take some advice on that. Unless there is a particular reason that we previously committed that that's not possible, I am not seeing any shaking of heads, it sounds good.

Mr GAFFNEY - Thank you.

CHAIR - Treasurer, I am not sure if your time is up or not. It is on our agenda.

Mr FERGUSON - There's a bit on. Thank you for your time. I appreciate your interest in the university. I know you're there for all the right reasons and so am I. That's why I wore my university tie today. I hope those answers are useful. We'll provide timely responses to those two questions on notice.

CHAIR - It is important to us because the terms of reference are on the provisions of the act. Our interest is quite wide as the terms of reference point out. It's important that we have as much factual information as we can when we are dealing with these types of inquiries. I thank you for taking the time. I thank you for the answers provided. It will give us something to consider.

I thank the staff for coming today and remind you that all the evidence taken at the hearing is protected by parliamentary privilege, but any comments you make to the media or others outside of this room, even if you were to repeat what you said here, will not be protected. Do you understand that? Thank you. I'm sure the minister does.

PUBLIC

The committee adjourned at 3.09 p.m.

From: Ray Murfet
Sent: Thursday, 22 August 2024 8:23 AM
To: Jane Beaumont
Subject: RE: green bonds
Attachments: UTAS NRAS Client Interest Due March 2022.pdf; Council and SRC Resolutions - Debt Facility.pdf; Correspondence from Premier 29 Oct 2020.pdf; Letter from Treasurer to UTAS - SIP Borrowing Approval (5).pdf; VC Letter to Premier 5 November.pdf

Per below to Green Bond raising.

24 March 2022 - AU\$350 million dual tranche \$280m 10 year and \$70m 20 year fixed rate AMTN senior unsecured green bond issued with \$280m net proceeds received. Tascorp paid \$70m directly as part of settlement to settle all debts.

24/03/2022		\$280,000,000.00
------------	--	------------------

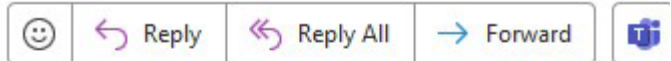
UTas - Receipt of funds - \$70 mill



James Gard <jgard@tascorp.cor>

To Penny Beaver

Cc Heath Baker; Scott Wilson; Jy Webb; James Millen;
 Jo Willismore; Ray Murfet



Thu 24/03/2022 1

Hi Penny,

As discussed by phone, I can confirm that TASCORP has received the \$70 million.

Confirming documentation will follow in due course including invoice for the accrued interest.

Kind regards,

-James

James Gard

Manager, Client Services

Tasmanian Public Finance Corporation

Ph: (03) 8396 1232

Mob: 0418 264 937

Kind regards, Ray.

From: Jane Beaumont <jane.beaumont@utas.edu.au>

Sent: Wednesday, August 21, 2024 6:25 PM

To: Ray Murfet <ray.murfet@utas.edu.au>

Subject: green bonds

Sorry – I can't find the old slides but what were the key dates for treasurer approval? ta

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Tasmanian Public Finance Corporation

114 Murray Street Hobart Tasmania 7000
GPO Box 1207 Hobart Tasmania 7001
Phone (03) 8396 1200 Intl 61 3 8396 1200
Fax (03) 9086 4195 Intl 61 3 9086 4195
ABN: 75 403 768 119

25 March, 2022

University of Tasmania NRAS Account

Newnham Drive
Newnham 7248

Interest Statement from Tasmanian Public Finance Corporation

01-Mar-2022 to 31-Mar-2022 inclusive

Date	Component	Balance	Days	Interest Rate	Interest Amount
Deal No.	281706	Client Overnight Loan			
1/03/2022		70,000,000.00	23	0.65000	\$28,671.23
24/03/2022	Repay Principal	0.00	0	0.65000	\$0.00
					\$28,671.23
Statement total:					
					\$28,671.23

Council and SRC Resolution relating to the Debt Facility 2021/2022

Council meeting of 30 April 2021

Resolution 30-04-2021_UC_14626-9421

Council endorsed the potential sourcing of the additional [REDACTED] million term debt facility and refinancing existing [REDACTED] million debt facility from a lending source other than Tascorp. (Note: Council has already approved Tascorp as a lender for the forementioned facilities).

Resolution 30-04-2021_UC_14626-9422

That Council delegation authority to the Vice-Chancellor to execute the associated loan agreement(s).

Resolution 30-04-2021_UC_14626-9423

That Council delegates authority to the Vice-Chancellor to transact with Tascorp or an alternate lender within the revised weighted average cost of debt and tenor as defined in the paper provided.

SRC meeting 7 June 2021

Resolution: 07-06-2021_SRC_18714-9655

That Committee endorsed and recommended that Council:

1. Approves the sourcing of an additional [REDACTED] million from Tascorp and refinancing of existing debt facilities conditional upon commercially viable covenants and security requirements
2. Approves the option of sourcing the additional [REDACTED] million from the debt capital market and refinancing of existing debt facilities from a lending source other than Tascorp if this can deliver:
 - a comparable tenor
 - more favourable security terms
 - a reasonable differential in cost
3. Delegates authority to the Vice-Chancellor to transact with Tascorp or an alternate lender within the updated weighted average cost of debt and tenor as defined in Attachment 1, and to execute any associated agreement(s) relating to the debt transactions.

Council meeting 25 June 2021

Resolution 25-06-2021_UC_11223-9780

Council approved the sourcing of an additional [REDACTED] million from Tascorp and refinancing of existing debt facilities conditional upon commercially viable covenants and security requirements.

Resolution 25-06-2021_UC_11223-9781

Council approved the option of sourcing the additional [REDACTED] million from the debt capital market and refinancing of existing debt facilities from a lending source other than Tascorp if this can deliver:

- a comparable tenor
- more favourable security terms
- a reasonable differential in cost.

Resolution 25-06-2021_UC_11223-9782

Council approved delegation of authority to the Vice-Chancellor to transact with [REDACTED] or an alternate lender within the updated weighted average cost of debt and tenor as defined below, and to execute any associated agreement(s) relating to the debt transactions:

- Weighted average cost of debt between [REDACTED] and [REDACTED].
- Weighted average tenor of debt between [REDACTED] for any term debt.
- Refinancing costs on existing debt between [REDACTED]

SRC meeting 15 October 2021

Resolution 15-10-2021_SRC_12045-10240:

The Committee received and noted the update on status of negotiations with Tascorp to source an additional [REDACTED] term debt facility and refinance the existing [REDACTED] debt facility.

Council meeting 28 October 2021

Resolution 28-10-2021_UC_10539-10305

Council noted:

- the status of negotiations with Tascorp to source an additional [REDACTED] term debt facility and refinance the existing [REDACTED] debt facility; and
- following constructive discussions with [REDACTED] and the Tasmanian Government, it is likely the commercial market will best fit the University's funding needs and management will now proceed to a detailed assessment of these options.

Council meeting 23 February 2022

Resolution 23-02-2022_UC_15052-10692

Council delegated authority to the Vice-Chancellor to execute a corporate debt facility for working capital purposes for [REDACTED] with [REDACTED] at a margin rate of [REDACTED] plus floating for 5 years.

Resolution 23-02-2022_UC_15052-10707

Council established a sub-committee of Council comprised of the Chancellor and two Deputy-Chancellors, and delegated to the sub-committee the authority to approve the recommendation of the Vice-Chancellor and for the Vice-Chancellor to execute a Green Bond up to [REDACTED] (detailing tenor, amount and rate), subject to appropriate financial and legal advice, reflecting market outcomes.

Resolution 23-02-2022_UC_15052-10709

Council delegated authority to the Vice-Chancellor to execute a range of documents in accordance with standard commercial terms, which exclude specific securities and enabling exclusion of the Sandy Bay Campus from any negative pledge to enable the UPPL (UTAS Properties Pty Ltd) strategy.



PREMIER OF TASMANIA

- 3 MAR 2021

Professor Rufus Black
Vice-Chancellor
University of Tasmania
Private Bag 51
HOBART TAS 7001

Dear Professor Black

Southern Infrastructure Project Borrowing Limit Increase

I refer to your letter dated 6 October 2020 seeking approval for a \$200 million increase in the University's borrowing facility limit.

I understand that this increased funding facility is needed in order to progress work as part of the Southern Infrastructure Project, a key component of the University's forward Strategic Plan.

On the basis of the supporting information provided to Treasury by the University, I approve the request to increase the University's borrowing facility limit, as required under section 7(2) of the *University of Tasmania Act 1992*. This approval is subject to the following conditions:

- the University obtains and maintains a stand-alone, investment grade credit rating from an approved rating agency;
- the increase of \$200 million to the existing borrowing facility limit is approved solely for the purposes of the construction of the Southern Infrastructure Project; and
- the \$200 million borrowing facility limit will reduce over time consistent with the maturity profile detailed in the University's request.

I am of the view that the University should obtain borrowings on a stand-alone basis. Therefore, the current Government guarantee provided to the Tasmanian Public Finance Corporation to support COVID-19 related funding will not be increased to cover any additional borrowings by the University.

If you have any questions in relation to this matter, please contact David Bailey at the Department of Treasury and Finance on (03) 6166 4413 or at david.bailey@treasury.tas.gov.au.

Yours sincerely

Peter Gutwein MP
Premier
Treasurer



UNIVERSITY of
TASMANIA

**Office of the
Vice-Chancellor**

The Hon Peter Gutwein MP
Premier of Tasmania
GPO Box 123
Hobart TAS 7001

By email: premier@dpac.tas.gov.au

Dear Premier

Thank you for your letter dated 29 October 2020 regarding the University's borrowing limit increase.

I very much appreciate the need to ensure that the economic and fiscal risks to the State of the University's strategy are understood and managed, particularly so in the current uncertain environment.

We will provide all the information you request to Treasury and Tascorp by the end of November and work with Tascorp to ensure they are well assured of the University's position before the end of 2020. As you would appreciate, to maximise the benefit to the State in the context of the COVID-19 recovery from both an institutional and broader economic perspective, we are keen to get work on our Southern Campus well underway as early in 2021 as possible. Accordingly, I have asked the University's Chief Operating Officer, David Clerk, and Chief Financial Officer, Jo Willsmore, to provide every assistance to key personnel at Treasury and Tascorp to ensure we are able to provide full assurance to the State to support our proposal.

Thank you again for your consideration of our proposal and I look forward to realising the exciting opportunities before us for Hobart and Tasmania as a whole.

Yours sincerely

Professor Rufus Black
Vice-Chancellor

5 November 2020

From: [REDACTED]
To: [Ray Murfet](#)
Cc: [REDACTED]
Subject: RE: Right to Information Application - UTAS Green bonds [REDACTED]
Date: Friday, 13 October 2023 1:30:03 PM
Attachments: [image001.png](#)

Hi Ray

Just coming back to you on your queries below.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

Happy to chat further as needs be.

Kind regards

[REDACTED]

[REDACTED]

King & Wood Mallesons

[REDACTED]

Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000

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From: [REDACTED]

Sent: Tuesday, 10 October 2023 12:05 PM

To: Ray Murfet <ray.murfet@utas.edu.au>

Cc: [REDACTED]

Subject: RE: Right to Information Application - UTAS Green bonds [KWM-DOCUMENTS: [REDACTED]]

Hi Ray

Many thanks for your email.

[REDACTED] and I are looking into your query and will come back to you.

Kind regards

[REDACTED]

[REDACTED]

[REDACTED]

Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000

kwm.com

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From: Ray Murfet <ray.murfet@utas.edu.au>

Sent: Tuesday, 10 October 2023 10:52 AM

To: [REDACTED]
[REDACTED]

Subject: Right to Information Application - UTAS Green bonds

EXTERNAL

Hi [REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

Kind regards, Ray.

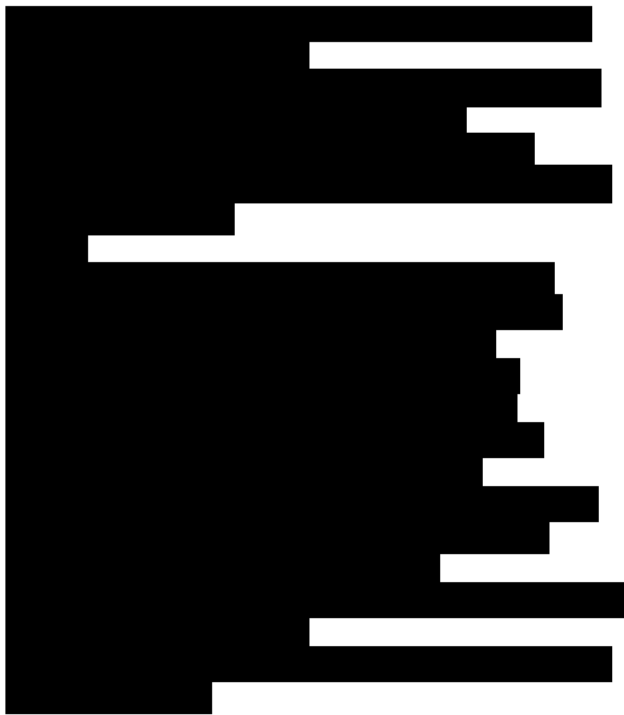
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



Ray Murfet
Associate Director Treasury and Commercial Projects

University of Tasmania
utas.edu.au

Due to my new family/work life schedule crossover, you may receive emails from me outside of normal work hours. Please do not feel any pressure to respond outside of your own work schedule.



CRICOS 00586B

I acknowledge the Traditional Owners of the land on which we work and recognise their continued custodianship and connection to the land, waters and community.

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From: [REDACTED]
Sent: Tuesday, 22 March 2022 6:29 PM
To: [REDACTED]
[REDACTED] Jane Beaumont; Jo Willsmore; Penny Beaver; Ray Murfet
Subject: RE: UTAS - A\$280m 3.97% Notes due 24 Mar 2032 (Tranche 1) & A\$70m 4.45% Notes due 24 Mar 2042 (Tranche 1) - EXECUTED DOCS [KWM-DOCUMENTS [REDACTED]]
Attachments: 56309138_4 - UTAS - Pricing Supplement (2032 Notes) - signed.pdf; 56318739_4 - UTAS - Pricing Supplement (2042 Notes) - signed.pdf; 56309411_4 - UTAS - Subscription Agreement - signed.pdf; 56309384_5 - UTAS - Issue Notice (2032 Notes) - signed.pdf; 56318988_5 - UTAS - Issue Notice (2042 Notes) - signed.pdf

Dear all

Executed documents

Many thanks for sending through your signed documents.

For your records, I attach fully executed copies of the following trade documents:

1. Pricing Supplement (2032 Notes);
2. Pricing Supplement (2042 Notes);
3. Subscription Agreement;
4. Issue Notice (2032 Notes); and
5. Issue Notice (2042 Notes).

We have forwarded the relevant executed documents to [REDACTED] to facilitate settlement on Thursday 24 March 2022.

In terms of CPs, we note the following:

- we confirm that Moody's has assigned ratings to the Notes as set out in the Pricing Supplements;
- we will circulate the signed Closing Certificate on the morning of settlement in order to satisfy the CPs in clauses 3.2(d), 3.2(e), 3.2(i) and 3.2(l) of the Dealer Agreement;
- the Dealers will need to confirm that the CP in clause 3.2(g) of the Dealer Agreement has been satisfied on the morning of settlement; and
- the balance of the CPs in clause 3.2 ("Conditions to each issue") of the Dealer Agreement have already been satisfied by the circulation of the fully executed documents or will be satisfied as a matter of fact on the Issue Date.

Kind regards
Hilary

Hilary Yeoh | Senior Associate
King & Wood Mallesons

T +61 2 9296 2117
M +61 437 919 499
F +61 2 9296 3999
E hilary.yeoh@au.kwm.com

Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000
kwm.com

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From: [REDACTED]
Sent: Monday, 21 March 2022 9:43 AM
To: [REDACTED]

[REDACTED] Jane Beaumont <jane.beaumont@utas.edu.au>; Jo Willsmore <jo.willsmore@utas.edu.au>; Penny Beaver <penny.beaver@utas.edu.au>; Ray Murfet <ray.murfet@utas.edu.au>
Subject: RE: UTAS - A\$280m 3.97% Notes due 24 Mar 2032 (Tranche 1) & A\$70m 4.45% Notes due 24 Mar 2042 (Tranche 1) - EXECUTION VERSION [KWM-DOCUMENTS [REDACTED]]

Dear all

Execution version

There were no further changes to the documents. [REDACTED]

We have separately arranged for UTas to sign.

Kind regards
[REDACTED]

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From: [REDACTED]
Sent: Friday, 18 March 2022 3:44 PM
To: [REDACTED] Penny Beaver <penny.beaver@utas.edu.au>; Ray Murfet <ray.murfet@utas.edu.au>; Jo Willsmore <jo.willsmore@utas.edu.au>; Jane Beaumont <jane.beaumont@utas.edu.au>; [REDACTED]

Subject: RE: UTAS - A\$280m 3.97% Notes due 24 Mar 2032 (Tranche 1) & A\$70m 4.45% Notes due 24 Mar 2042 (Tranche 1) - REVISED DRAFTS [KWM-DOCUMENTS. [REDACTED]]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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From: [REDACTED]

Sent: Thursday, 17 March 2022 5:00 PM

To: [REDACTED]; Penny Beaver <penny.beaver@utas.edu.au>; Jo Willsmore <jo.willsmore@utas.edu.au>; Jane Beaumont <jane.beaumont@utas.edu.au>; [REDACTED]

[REDACTED]

Ray Murfet <ray.murfet@utas.edu.au>

Subject: RE: UTAS - A\$280m 3.97% Notes due 24 Mar 2032 (Tranche 1) & A\$70m 4.45% Notes due 24 Mar 2042 (Tranche 1) - INITIAL DRAFTS [KWM-DOCUMENTS. [REDACTED]]

Hi Penny

Many thanks for your comments. Our responses are as follows:

1. [REDACTED]
3. Can you confirm if any documents need to be single sided [REDACTED]

electronically. As we will settle on the basis of electronic copies, each party will retain their own signed counterparts if they have signed in wet-ink. We will provide detailed signing instructions when we circulate execution versions.]

4. And can you confirm that the executable documents will be available by lunch time Monday 21st [KWM: Subject to any comments the Dealers may have, we will provide execution versions by noon on Monday so that you can arrange for signing. We note that the documents will remain dated for Tuesday 22 March 2022.]

Kind regards

King & Wood Mallesons

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From: [REDACTED]
Sent: Thursday, 17 March 2022 4:43 PM
To: Penny Beaver <penny.beaver@utas.edu.au>; [REDACTED] Jo Willsmore
 <jo.willsmore@utas.edu.au>; Jane Beaumont <jane.beaumont@utas.edu.au>; [REDACTED]

Ray Murfet <ray.murfet@utas.edu.au>

Subject: RE: UTAS - A\$280m 3.97% Notes due 24 Mar 2032 (Tranche 1) & A\$70m 4.45% Notes due 24 Mar 2042 (Tranche 1) - INITIAL DRAFTS [KWM-DOCUMENTS. [REDACTED]]

EXTERNAL

Hi Penny,

With respect to the make-whole on the 2042 Notes, on the day of pricing, the JLMs calculated the equivalent spread on the [REDACTED]

Below screenshot for reference:

[REDACTED]

Cheers,

[REDACTED]

From: Penny Beaver <penny.beaver@utas.edu.au>

Sent: Thursday, 17 March 2022 4:29 PM

To: [REDACTED] Jo Willsmore <jo.willsmore@utas.edu.au>; Jane Beaumont <jane.beaumont@utas.edu.au>;

[REDACTED]

Ray Murfet <ray.murfet@utas.edu.au>

Subject: RE: UTAS - A\$280m 3.97% Notes due 24 Mar 2032 (Tranche 1) & A\$70m 4.45% Notes due 24 Mar 2042 (Tranche 1) - INITIAL DRAFTS [KWM-DOCUMENTS. [REDACTED]]

 **EXTERNAL EMAIL:** Do not click links or open any attachments unless you trust the sender and know the content is safe. 

Hi [REDACTED]

We confirm documents are in order except for the following:

1. [REDACTED]
3. Can you confirm if any documents need to be single sided
4. And can you confirm that the executable documents will be available by lunch time Monday 21st

Regards
Penny

Penny Beaver

Treasurer & Senior Manager Capital Projects

Corporate Finance
University of Tasmania
Corporate Services Building
Private Bag 53, Hobart 7001
+61 0477 995 898
utas.edu.au



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From: [REDACTED]
Sent: Wednesday, 16 March 2022 5:55 PM
To: Penny Beaver <penny.beaver@utas.edu.au>; Jo Willsmore <jo.willsmore@utas.edu.au>; Jane Beaumont <jane.beaumont@utas.edu.au>; [REDACTED]

Subject: UTAS - A\$280m 3.97% Notes due 24 Mar 2032 (Tranche 1) & A\$70m 4.45% Notes due 24 Mar 2042 (Tranche 1) - INITIAL DRAFTS [KWM-DOCUMENTS.FID4310337]

Dear all

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

114

11/11/2016

11/11/2016

kwm.com

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Subscription Agreement

Dated 22 March 2022

University of Tasmania ("**Issuer**")

Commonwealth Bank of Australia (ABN 48 123 123 124)
National Australia Bank Limited (ABN 12 004 044 937)
(each a "**Joint Lead Manager**" and a "**Dealer**", and together, the "**Joint Lead Managers**" and "**Dealers**")

King & Wood Mallesons

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F +61 2 9296 3999
DX 113 Sydney
www.kwm.com
Ref: [REDACTED]

Subscription Agreement

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Subscription Agreement

Details

Parties	Issuer, Joint Lead Managers and Dealers	
Issuer	Name	University of Tasmania
	ABN	30 764 374 782
	Address	Churchill Avenue Sandy Bay TAS 7005 Australia
	Email	finance.treasury@utas.edu.au
	Attention	Treasury
Joint Lead Managers and Dealers	Name	Commonwealth Bank of Australia
	ABN	48 123 123 124
	Address	Level 21 Darling Park Tower 1 201 Sussex Street Sydney NSW 2000 Australia
	Telephone	██████████
	Fax	██████████
	Email	████████████████████
	Attention	██████████
	Name	National Australia Bank Limited
	ABN	12 004 044 937
	Address	Level 6 2 Carrington Street Sydney NSW 2000 Australia
	Telephone	██████████
	Email	████████████████████
	Attention	████████████████

[REDACTED]	[REDACTED]
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© 2006 The Authors

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Subscription Agreement

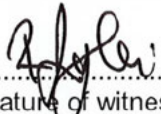
Signing page

Dated: 22 March 2022

Issuer

SIGNED by

for and on behalf of **UNIVERSITY OF
TASMANIA** as its authorised delegate
in the presence of:


.....
Signature of witness

RICHARD INGRIS
.....
Name of witness (block letters)


.....

By executing this agreement the
authorised delegate states that the
authorised delegate has received no
notice of revocation of the authorisation

Joint Lead Managers and Dealers

SIGNED by

as attorney for **COMMONWEALTH
BANK OF AUSTRALIA** under power of
attorney in the presence of:

By executing this agreement the attorney states that the attorney has received no notice of revocation of the power of attorney

From: [REDACTED]
To: ray.murfet@utas.edu.au
Cc: [Jo Willsmore](#); [Nadyne Russell](#); [REDACTED] [Jane Beaumont](#); [Emily Perry](#); [REDACTED]
Subject: RE: External legal sign off on UTAS \$350 million Green Bond borrowing
Date: Friday, 26 May 2023 12:18:33 PM
Attachments: [image001.png](#)
[image002.png](#)
[55384591_5 - UTAS - A\\$ Programme - KWM Legal Opinion \(2022\) \(signed\).pdf](#)

[CBA Information Classification: Customer and Personal]

Hi Ray,

Hope you are well.

Please find attached the signed copy of the document.

Please let us know if you require anything further.

Best Regards,

[REDACTED]

Phone [REDACTED] | Mobile [REDACTED] Email [REDACTED]

From: Ray Murfet <ray.murfet@utas.edu.au>
Sent: Friday, May 26, 2023 11:53:16 AM
To: Jane Beaumont <Jane.Beaumont@utas.edu.au>; Emily Perry <emily.perry@utas.edu.au>; [REDACTED]
Cc: Jo Willsmore <jo.willsmore@utas.edu.au>; Nadyne Russell <nadyne.russell@utas.edu.au>
Subject: FW: External legal sign off on UTAS \$350 million Green Bond borrowing

⚠ EXTERNAL EMAIL: Do not click links or open any attachments unless you trust the sender and know the content is safe. ⚠

Hi [REDACTED]

I hope you've both been well.

Searching through our signed documents, I cannot locate a copy of the signed KWM legal opinion regarding the UTAS AMTN issuance (unsigned word doc attached).

We've been unable to obtain a copy from KWM as yet.

Would either of you be able to share the signed copy that you were provided?

Kind regards,

Ray Murfet
Treasury and Commercial Projects Manager
[REDACTED]

University of Tasmania
utas.edu.au

Due to my new family/work life schedule crossover, you may receive emails from me outside of normal work hours. Please do not feel any pressure to respond outside of your own work schedule.



I acknowledge the Traditional Owners of the land on which we work and recognise their continued custodianship and connection to the land, waters and community.

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From: Jane Beaumont <Jane.Beaumont@utas.edu.au>
Sent: Friday, May 26, 2023 9:29 AM
To: Ray Murfet <ray.murfet@utas.edu.au>; Nadyne Russell <nadyne.russell@utas.edu.au>; Jo Willsmore <jo.willsmore@utas.edu.au>
Cc: Emily Perry <emily.perry@utas.edu.au>
Subject: RE: External legal sign off on UTAS \$350 million Green Bond borrowing

Thanks Ray – it should be dated 28 Feb 2022 so a later version?

From: Ray Murfet <ray.murfet@utas.edu.au>
Sent: Friday, May 26, 2023 9:12 AM
To: Nadyne Russell <nadyne.russell@utas.edu.au>; Jane Beaumont <Jane.Beaumont@utas.edu.au>; Jo Willsmore <jo.willsmore@utas.edu.au>
Cc: Emily Perry <emily.perry@utas.edu.au>
Subject: RE: External legal sign off on UTAS \$350 million Green Bond borrowing

Hi Jane,

It's a bit different format from the word doc but is this it?

Kind regards, Ray.

From: Nadyne Russell <nadyne.russell@utas.edu.au>
Sent: Friday, May 26, 2023 8:30 AM
To: Ray Murfet <ray.murfet@utas.edu.au>
Subject: FW: External legal sign off on UTAS \$350 million Green Bond borrowing

Hi Ray – are you able to assist?

Cheers, Nadyne

From: Jane Beaumont <jane.beaumont@utas.edu.au>
Sent: Friday, May 26, 2023 7:48 AM

To: Jo Willsmore <jo.willsmore@utas.edu.au>; Nadyne Russell <nadyne.russell@utas.edu.au>
Cc: Emily Perry <emily.perry@utas.edu.au>
Subject: FW: External legal sign off on UTAS \$350 million Green Bond borrowing

Hi team – I'm looking for the final PDS version of the word doc KWM legal opinion (003). I have the final version from the bilat but this is for the green bonds. Any takers?

Thanks

From: [REDACTED]
Sent: Tuesday, May 23, 2023 11:17 AM
To: Jane Beaumont <jane.beaumont@utas.edu.au>
Cc: [REDACTED]
Subject: RE: External legal sign off on UTAS \$350 million Green Bond borrowing

Hi Jane

Many thanks for your email. We will take a look and come back to you.

I note that [REDACTED]
[REDACTED] we will come back to you with some possible times to chat.

Kind regards
[REDACTED]

[REDACTED]

[REDACTED]

Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000
kwm.com

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See kwm.com for more information.

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Private and confidential

National Australia Bank Limited
Level 6
2 Carrington Street
Sydney NSW 2000
Australia

(each an “Arranger” and a “Dealer”, and together, the “Arrangers and Dealers”)

We refer to the establishment of the Programme in respect of which we have acted as legal advisers to the Issuer.

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Yours faithfully



King & Wood Mallesons

[Contact](#)

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[This communication and any attachments are confidential and may be privileged.](#)

Schedule 1 - Assumptions

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 - [REDACTED] in the Documents on the terms and conditions set out in the Information Memorandum as amended by the applicable Pricing Supplement.
- 14 The Notes will be duly inscribed in the manner contemplated in the Note Deed Poll, the relevant Pricing Supplement and the Agency Agreement, on a register in Sydney or Melbourne (or such other Australian city as may be agreed).

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Schedule 2 – Qualifications

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[REDACTED]

Simon Perraton

From: Jane Beaumont
Sent: Thursday, 22 August 2024 9:06 AM
To: Ray Murfet
Subject: Re: green bonds

Champion

Get [Outlook for iOS](#)

From: Ray Murfet <ray.murfet@utas.edu.au>
Sent: Thursday, August 22, 2024 8:22:52 AM
To: Jane Beaumont <Jane.Beaumont@utas.edu.au>
Subject: RE: green bonds

Hi Jane,

Per below to Green Bond raising.

14 September 2020 – Meeting with State Treasury ([REDACTED] , Fiona Calvert, [REDACTED] David Clerk, Jo Willsmore, Adam Dance) regarding our southern campus strategy including concept of \$200m additional debt required to execute strategy.

6 October 2020 – Rufus Black letter to State Treasurer, Peter Gutwein, formally requesting an increase in borrowing limit from \$200m to \$400m.

October 2020 to March 2021 - Due diligence undertaken by State Treasury.

3 March 2021 – State Treasurer, Peter Gutwein, approval letter granting approval for \$200m increase in borrowing limit subject to conditions of:

- (1) Obtaining and maintaining an investment grade credit rating,
- (2) the increase is approved solely for the purposes of the construction of the Southern Infrastructure project; and
- (3) the \$200 million borrowing facility limit will reduce over time, consistent with the maturity profile detailed in the University's request.

March 2021

March 2021 to February 2022 – The University tests the market for most appropriate debt instruments. Council on 23 Feb 2022 approves the \$350m Green Bond and \$50m Overdraft. (TasCorp negotiations ceased December 2021).

14 December 2021 - Obtained an investment grade public credit rating of Aa2 from Moody's Investor Service. [Condition 1]

24 March 2022 - AU\$350 million dual tranche \$280m 10 year and \$70m 20 year fixed rate AMTN senior unsecured green bond issued with \$280m net proceeds received. Tascorp paid \$70m directly as part of settlement to settle all debts.

24/03/2022

\$280,000,000.00

UTas - Receipt of funds - \$70 mill



James Gard <jgard@tascorp.cor>

To Penny Beaver

Cc Heath Baker; Scott Wilson; Jy Webb; James Millen;
 Jo Willismore; Ray Murfet



Thu 24/03/2022 1

Hi Penny,

As discussed by phone, I can confirm that TASCORP has received the \$70 million.

Confirming documentation will follow in due course including invoice for the accrued interest.

Kind regards,

-James

James Gard

Manager, Client Services

Tasmanian Public Finance Corporation

Ph: (03) 8396 1232

Mob: 0418 264 937

Kind regards, Ray.

From: Jane Beaumont <jane.beaumont@utas.edu.au>

Sent: Wednesday, August 21, 2024 6:25 PM

To: Ray Murfet <ray.murfet@utas.edu.au>

Subject: green bonds

Sorry – I can't find the old slides but what were the key dates for treasurer approval? ta

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From: [James Gard](#)
To: [Penny Beaver](#)
Cc: [Heath Baker](#); [Scott Wilson](#); [Jy Webb](#); [James Millen](#); [Jo Willsmore](#); [Ray Murfet](#); [Rachel Smith](#)
Subject: RE: UTas - Receipt of funds - \$70 mill - Interest invoice (amended)
Date: Friday, 25 March 2022 2:21:53 PM
Attachments: [image001.png](#)
[UTAS NRAS Client Interest Due March 2022.pdf](#)

Hi Penny,

Amended invoice is attached.

The Statement total was incorrect on the previous invoice.

My apologies.

Regards,

-James

James Gard
Manager, Client Services
Tasmanian Public Finance Corporation



From: James Gard
Sent: Friday, 25 March 2022 1:16 PM
To: Penny Beaver <penny.beaver@utas.edu.au>
Cc: Heath Baker <hbaker@tascorp.com.au>; Scott Wilson <swilson@tascorp.com.au>; Jy Webb <JWebb@tascorp.com.au>; James Millen <jmillen@tascorp.com.au>; Jo Willsmore <jo.willsmore@utas.edu.au>; ray.murfet@utas.edu.au; Rachel Smith <rsmith@tascorp.com.au>
Subject: UTas - Receipt of funds - \$70 mill - Interest invoice

Hi Penny,

We confirm that the \$70 million overnight loan has been repaid.

Invoice for the interest accrued for March is attached.

Kind regards,

-James

James Gard
Manager, Client Services
Tasmanian Public Finance Corporation



From: James Gard
Sent: Thursday, 24 March 2022 12:34 PM
To: Penny Beaver <penny.beaver@utas.edu.au>

Cc: Heath Baker <hbaker@tascorp.com.au>; Scott Wilson <swilson@tascorp.com.au>; Jy Webb <JWebb@tascorp.com.au>; James Millen <jmillen@tascorp.com.au>; Jo Willsmore <jo.willsmore@utas.edu.au>; ray.murfet@utas.edu.au
Subject: UTas - Receipt of funds - \$70 mill

Hi Penny,

As discussed by phone, I can confirm that TASCORP has received the \$70 million.

Confirming documentation will follow in due course including invoice for the accrued interest.

Kind regards,

-James

James Gard
Manager, Client Services
Tasmanian Public Finance Corporation



From: Penny Beaver <penny.beaver@utas.edu.au>
Sent: Wednesday, 16 March 2022 12:00 PM
To: Heath Baker <hbaker@tascorp.com.au>
Cc: James Gard <jgard@tascorp.com.au>; Jo Willsmore <jo.willsmore@utas.edu.au>; Ray Murfet <ray.murfet@utas.edu.au>
Subject: Bond issuance settlement date

Hi Heath

As discussed yesterday the Notes will settle on Thursday 24 March 2022, I have requested for the principal \$70m to be paid from the settlement via [REDACTED] who have a copy of your SSIs. UTas will pay the interest expense separately, I understand Tascorp will provide an interest statement on the day of settlement.

Kind regards

Penny

Penny Beaver
Treasurer & Senior Manager Capital Projects

Corporate Finance
University of Tasmania
Corporate Services Building
Private Bag 53, Hobart 7001



utas.edu.au



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Tasmanian Public Finance Corporation

114 Murray Street Hobart Tasmania 7000
GPO Box 1207 Hobart Tasmania 7001
Phone (03) 8396 1200 Intl 61 3 8396 1200
Fax (03) 9086 4195 Intl 61 3 9086 4195
ABN: 75 403 768 119

25 March, 2022

University of Tasmania NRAS Account

Newnham Drive
Newnham 7248

Interest Statement from Tasmanian Public Finance Corporation

01-Mar-2022 to 31-Mar-2022 inclusive

Date	Component	Balance	Days	Interest Rate	Interest Amount
Deal No.	281706	Client Overnight Loan			
1/03/2022		70,000,000.00	23	0.65000	\$28,671.23
24/03/2022	Repay Principal	0.00	0	0.65000	\$0.00
					\$28,671.23
Statement total:					
					\$28,671.23

Treasury Procedure

Version 3 - Approved 4 August 2024

Contents

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Purpose

This procedure describes how financial risks inherent in treasury arrangements identified in the *Treasury and Investment Policy* are managed and mitigated by the University's treasury function.

Applicable governance instruments

Instrument	Section	Principles
<i>Treasury and Investment Policy</i>	2 Governance and risk management 3 Borrowings, debt and cash management	2.1-3.3
<i>General Delegations Ordinance</i>		

Procedure

1. Introduction

This procedure addresses the measurement and management of the following financial risks, and the associated reporting requirements:

- Liquidity and Funding Risk
- Counterparty Risk
- Foreign Exchange Risk

This procedure applies to:

- Financial Services to administer and manage the requirements of this procedure.
- Financial Services and Procurement staff (including all staff who are bank signatories), who support the assessment of liquidity and funding risk and who report instances of foreign exchange exposure.
- All staff required to report foreign exchange exposure.

2. Liquidity and Funding Risk

Liquidity and funding risk is essential to optimise the University's cash management while managing liquidity risk and ensuring all covenants and compliance requirements are met to minimise funding risk.

2.1. Measurement

- a) Financial Services will measure liquidity and funding risk by comparing total cash requirements against cash resources projected in accordance with the University cycle of forecasts, budgets, long term financial plans and tested against historic cashflow trends.
 - i. Projected cash requirements include:
 - net operating cash outflows
 - net capital cash outflows
 - existing debt maturity schedule; and
 - any other committed capital or research project expenditure.
 - ii. Projected total cash resources include:
 - unrestricted cash and cash equivalent assets
 - any committed future asset sales
 - other future cash inflows; and
 - undrawn facilities.
- b) Financial Services will measure the allocation of eligible assets against green bond proceeds in accordance with the Green Bond Framework and project the unallocated proceeds.

2.2. Management

Financial Services manage liquidity and funding risk by performing the following:

- a) To manage the University's liquidity and funding risk, cash projections will be based on the following:
 - i. for short term obligations (with a fortnightly pay run focus), daily with a minimum of 15 months incorporating the current and following year.
 - ii. for longer term annually including the five planning years.
- b) The University's bank balance will be managed daily, with cash balances exceeding fortnightly working capital needs to be invested in accordance with approved limits.
- c) Credit rating metrics will be calculated and reviewed following each forecast.
- d) The University will minimise the number of bank accounts and where possible cash will be managed from the primary bank account.
- e) Unallocated Green Bond proceeds are to be held in cash equivalents, temporary investment instruments and to temporarily reduce indebtedness of a revolving nature as defined by the Green Bond Framework.

3. Counterparty Risk

Counterparty risk is managed to limit the University's exposure to the probability that the other party in a financial transaction may default on the contractual obligations.

3.1. Measurement:

Counterparty exposure is the total value of all obligations of any single legal entity. The value of financial instruments will be measured as full face value plus accrued interest.

3.2. Management:

Financial Services manage the Treasury cash portfolio and financial instruments held using the approved counterparty limits per the table below.

Long-Term Rating S&P / Moody's / Fitch	Limit
AAA,AA+,AA,AA- / Aaa,Aa1,Aa2,Aa3 / AAA,AA+,AA,AA-	\$125M
A+, A / A1, A2 / A+, A	\$50M
A-, BBB+ / A3, Baa1 / A-, BBB+	\$25M

4. Foreign Exchange Risk

Foreign exchange risk is managed to mitigate the risk that the University's financial performance or position will be impacted by fluctuations in foreign currency exchange rates.

4.1. Measurement:

To track and monitor foreign exchange risk University staff must immediately report to the Treasury and Commercial Projects team in Financial Services at finance.treasury@utas.edu.au any foreign currency exposure over AUD\$50,000, and staff are encouraged to report any foreign currency exposure under AUD\$50,000.

4.2. Management:

To minimise foreign exchange exposure Financial Services will:

- a) collaborate with functions to understand transactions and determine appropriate hedging strategies (if any) to minimise foreign currency risk.
- b) execute all hedging transactions and forward documentation to the function.

5. Treasury Reporting

Financial Services is responsible for treasury management reporting requirements detailed below:

Risk type	Reporting frequency	Reporting detail	Governance compliance
Liquidity and funding risk	Month: University Performance Report Quarter: Chief Financial Officer	Liquidity reporting: - Annual Cashflow projections vs budget - Facilities (drawn and undrawn)	1. Compliance with policy. 2. Any breaches of policy.

	Annual: Strategic Resourcing Committee	Treasury cash categorised by instrument; and Quarterly: Report the allocation of eligible assets against the Green Bond proceeds and the unallocated proceeds held in cash and investment instruments.	3. Action taken in respect of any breaches.
Counterparty risk	Quarter: Chief Financial Officer Annual: Strategic Resourcing Committee	Table of all exposures to counterparties and limits.	
Foreign exchange risk	Quarter: Chief Financial Officer Annual: Strategic Resourcing Committee	Table of foreign currency commitments and hedging arrangements.	

Versions

<u>Version</u>	Action	Approved by	Business Owner/s	Approval Date
1	Approved	Chief Operating Officer	Executive Director Corporate Finance	29 August 2022
2	Approved	Head of Student Services and Operations	Chief Financial Officer	16 August 2023
3	Approved	Deputy Vice-Chancellor, Student Services and Operations	Chief Financial Officer	4 August 2024



UNIVERSITY of
TASMANIA

Office of the Chief Operating Officer

Legal Services

28 February 2022

Private and confidential

Commonwealth Bank of Australia
Level 21
Darling Park Tower 1
201 Sussex Street
Sydney NSW 2000
Australia

National Australia Bank Limited
Level 6
2 Carrington Street
Sydney NSW 2000
Australia

(each an “**Arranger**” and a “**Dealer**”, and together, the “**Arrangers**” and the “**Dealers**”)

Dear Sirs,

University of Tasmania (ABN 30 764 374 782) (“Issuer”)
A\$ Debt Issuance Programme (“Programme”)

I have been requested by the Issuer, as General Counsel and Executive Director Legal and Risk of the Issuer, to provide you with my opinion pursuant to clause 3.1(a) of the Dealer Agreement (as defined below) in relation to the establishment of the Programme in respect of which I have acted as legal adviser to the Issuer in Tasmania and the Commonwealth of Australia (“**Australia**”) (together, the “**Relevant Jurisdictions**”).

This opinion relates only to the laws of the Relevant Jurisdictions and is given on the basis that it will be construed in accordance with the laws of Tasmania. I express no opinion about the laws of another jurisdiction or (except as expressly provided in paragraph 3) factual matters.

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[REDACTED]

Yours faithfully,



Jane Beaumont
General Counsel and Executive Director Legal and Risk
University of Tasmania

[UTas Letterhead]

[•] 2022

Private and confidential

To Commonwealth Bank of Australia
Level 21
Darling Park Tower 1
201 Sussex Street
Sydney NSW 2000
Australia

National Australia Bank Limited
Level 6
2 Carrington Street
Sydney NSW 2000
Australia

(each an “**Arranger**” and a “**Dealer**”, and together, the “**Arrangers**” and the “**Dealers**”)

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Page 4

Council and SRC Resolution relating to the Debt Facility 202/2021

Council meeting of 30 April 2021

Resolution 30-04-2021_UC_14626-9421

Council endorsed the potential sourcing of the additional [REDACTED] million term debt facility and refinancing existing \$125 million debt facility from a lending source other than Tascorp. (Note: Council has already approved Tascorp as a lender for the forementioned facilities).

Resolution 30-04-2021_UC_14626-9422

That Council delegation authority to the Vice-Chancellor to execute the associated loan agreement(s).

Resolution 30-04-2021_UC_14626-9423

That Council delegates authority to the Vice-Chancellor to transact with Tascorp or an alternate lender within the revised weighted average cost of debt and tenor as defined in the paper provided.

SRC meeting 7 June 2021

Resolution: 07-06-2021_SRC_18714-9655

That Committee endorsed and recommended that Council:

1. Approves the sourcing of an additional [REDACTED] million from Tascorp and refinancing of existing debt facilities conditional upon commercially viable covenants and security requirements
2. Approves the option of sourcing the additional [REDACTED] million from the debt capital market and refinancing of existing debt facilities from a lending source other than Tascorp if this can deliver:
 - a comparable tenor
 - more favourable security terms
 - a reasonable differential in cost
3. Delegates authority to the Vice-Chancellor to transact with Tascorp or an alternate lender within the updated weighted average cost of debt and tenor as defined in Attachment 1, and to execute any associated agreement(s) relating to the debt transactions.

Council meeting 25 June 2021

Resolution 25-06-2021_UC_11223-9780

Council approved the sourcing of an additional [REDACTED] million from Tascorp and refinancing of existing debt facilities conditional upon commercially viable covenants and security requirements.

Resolution 25-06-2021_UC_11223-9781

Council approved the option of sourcing the additional [REDACTED] million from the debt capital market and refinancing of existing debt facilities from a lending source other than [REDACTED] if this can deliver:

- a comparable tenor
- more favourable security terms
- a reasonable differential in cost.

Resolution 25-06-2021_UC_11223-9782

Council approved delegation of authority to the Vice-Chancellor to transact with Tascorp or an alternate lender within the updated weighted average cost of debt and tenor as defined below, and to execute any associated agreement(s) relating to the debt transactions:

- Weighted average cost of debt between [REDACTED]
- Weighted average tenor of debt between [REDACTED] for any term debt.
- Refinancing costs on existing debt between [REDACTED]

SRC meeting 15 October 2021

Resolution 15-10-2021_SRC_12045-10240:

The Committee received and noted the update on status of negotiations with [REDACTED] to source an additional \$200m term debt facility and refinance the existing [REDACTED] debt facility.

Council meeting 28 October 2021

Resolution 28-10-2021_UC_10539-10305

Council noted:

- [REDACTED]
- following constructive discussions with TasCorp and the Tasmanian Government, it is likely the commercial market will best fit the University's funding needs and management will now proceed to a detailed assessment of these options.

Council meeting 23 February 2022

Resolution 23-02-2022_UC_15052-10692

Council delegated authority to the Vice-Chancellor to execute a corporate debt facility for working capital purposes for [REDACTED] with [REDACTED] at a margin rate of [REDACTED] plus floating for [REDACTED] years.

Resolution 23-02-2022_UC_15052-10707

Council established a sub-committee of Council comprised of the Chancellor and two Deputy-Chancellors, and delegated to the sub-committee the authority to approve the recommendation of the Vice-Chancellor and for the Vice-Chancellor to execute a Green Bond up to [REDACTED] (detailing tenor, amount and rate), subject to appropriate financial and legal advice, reflecting market outcomes.

Resolution 23-02-2022_UC_15052-10709

Council delegated authority to the Vice-Chancellor to execute a range of documents in accordance with standard commercial terms, which exclude specific securities and enabling exclusion of the Sandy Bay Campus from any negative pledge to enable the UPPL (UTAS Properties Pty Ltd) strategy.



PREMIER OF TASMANIA

- 3 MAR 2021

Professor Rufus Black
Vice-Chancellor
University of Tasmania
Private Bag 51
HOBART TAS 7001

Dear Professor Black

Southern Infrastructure Project Borrowing Limit Increase

I refer to your letter dated 6 October 2020 seeking approval for a \$200 million increase in the University's borrowing facility limit.

I understand that this increased funding facility is needed in order to progress work as part of the Southern Infrastructure Project, a key component of the University's forward Strategic Plan.

On the basis of the supporting information provided to Treasury by the University, I approve the request to increase the University's borrowing facility limit, as required under section 7(2) of the *University of Tasmania Act 1992*. This approval is subject to the following conditions:

- the University obtains and maintains a stand-alone, investment grade credit rating from an approved rating agency;
- the increase of \$200 million to the existing borrowing facility limit is approved solely for the purposes of the construction of the Southern Infrastructure Project; and
- the \$200 million borrowing facility limit will reduce over time consistent with the maturity profile detailed in the University's request.

I am of the view that the University should obtain borrowings on a stand-alone basis. Therefore, the current Government guarantee provided to the Tasmanian Public Finance Corporation to support COVID-19 related funding will not be increased to cover any additional borrowings by the University.

If you have any questions in relation to this matter, please contact David Bailey at the Department of Treasury and Finance on (03) 6166 4413 or at david.bailey@treasury.tas.gov.au.

Yours sincerely

Peter Gutwein MP
Premier
Treasurer