UTS Disclosure Log Entry – GIPA2025/02

Provided under s.25 of the NSW Government Information (Public Access) Act 2009.

Date decided:

26/2/2025

Scope of request:

Copy of the university's Operational Sustainability Initiative Initial Consultation Discussion Paper, dated November 2024.

UTS

Operational Sustainability Initiative

Initial Consultation — Discussion Paper

November 2024

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Acknowledgement of Country

UTS acknowledges the Gadigal People of the Eora Nation, the Boorooberongal people of the Dharug Nation, the Bidiagal people and the Gamaygal people upon whose ancestral lands our university stands. We would also like to pay respect to the Elders both past and present, acknowledging them as the traditional custodians of knowledge for these lands.

Foreword

UTS has enjoyed a strong position in both domestic and international education. For over a decade we have been able to grow student numbers (and the associated revenue) at a pace which has allowed us to keep ahead of rising costs and to invest in our strategic priorities. The physical campus that we enjoy, the academic environment, the facilities that support education and research innovation, and our professional staff who enable our academic endeavour are a testament to this capacity.

However, with ongoing restrictions in recruiting additional domestic students ahead of the Commonwealth Government's Universities' Accord and proposed hard limits on the number of international students we can recruit from 2025, we now face a situation where, without continued growth available to us, we need to make savings to sustainably reduce our expenditure.

We have been tested before. During the COVID-19 pandemic we needed to reduce costs as borders closed to our international students. We removed $100 million in costs (from the 2021 budget) under our *Fit for 2027 Blueprint* but, while we achieved the required cost savings with the required urgency, our final operating model was sub-optimal due to the lack of detailed design of some of our core support processes and practices and the realisation that significant future investment in support systems and operating models would be needed.

Earlier in the year we foreshadowed a $45 million gap and commenced thinking about a range of operational sustainability initiatives including an IT Operating Model change to deliver significant systems capability, a People Unit Operating Model change to increase our capacity to support our people, and various other initiatives to improve our processes and practices. More recently, however, the cap on international student numbers required a recalculation of our savings imperative and it is now apparent that $100 million will again need to be found by 2026.

Fortunately, in the current circumstances have the time to invest in detailed design of our future operating environment. The areas under consideration, and the rationale for why these areas are important to tackle, are outlined in this paper for your feedback.

As with *Fit for 2027* UTS remains committed to overarching principles:

- upholding diversity and inclusion principles across all aspects of employment, including workplace discrimination, redundancy and redeployment.

- maintaining existing diversity and inclusion targets and objectives, even in an environment of low recruitment.

- prioritising the safety and wellbeing of all staff, especially vulnerable groups, such as those at increased risk of domestic and family violence, staff with disabilities or health issues, and carers.

As with any change process, we commit to genuine and effective consultation through the instruments of our Enterprise Agreement.

Change is difficult, especially as we continue to teach 50,000 students, engage with hundreds of partners across the globe and support research that has the potential for significant impact on our communities. But our undertaking is to work with staff across UTS to ensure that we can continue to deliver the outcomes in education and research which our stakeholders, and we ourselves, have come to expect and to achieve our vision to be a leading public university of technology with global impact.

Thank you for your commitment to UTS as we embark on this journey together.

Professor Andrew Parfitt

Vice-Chancellor

Purpose

This paper outlines the current external and internal environments, setting our strategic context as we evolve UTS 2027 to build our 2030 Foundations. It also presents options which are under consideration to address the requirement for sustainable expenditure reduction in response to significant limitations on future revenue growth. These options support the return to a sustainable operating state with the ability to invest in our strategic education and research priorities and achieve our vision, to be a leading public university of technology recognised for our global impact.

As outlined in this paper, UTS needs to reduce its operating expenditure by $100 million in 2026 and maintain this reduction in future years. This will enable our future success as a teaching and research university with the scale and impact to deliver benefits to our key stakeholders and community.

There are three major drivers of our current financial sustainability challenges:

1. The ongoing capping of government revenue for teaching undergraduate domestic students, and the overall reduction in revenue per student under the current arrangements, neither of which will be addressed until future managed growth from the Universities Accord recommendations is introduced at an uncertain point in the future.

2. The recent capping of our international student numbers as a result of government immigration limits, removing growth in the most significant discretionary source of revenue and a key enabler of many strategic investments in teaching and research.

3. Escalating costs are restricting UTS's ability to direct sufficient resources to address new and different opportunities for sources of revenue for teaching and research. In addition, there are challenges in managing ongoing deficit budgets that we have chosen to run to manage our recovery from the previous impact on international student enrolments due to COVID-19 travel restrictions.

In this important phase of initial consultation, the options that the University Leadership Team (ULT) believe may achieve the required cost savings are set out. We invite staff to provide feedback, options, ideas or suggestions to help the university achieve its desired outcomes. This is the first stage in prioritising the actions that we will finalise and propose early in 2025.

The paper is not intended to be comprehensive in all aspects, but invites discussion, consideration and engagement with the key financial and operating conditions which now face the university. It is not a proposal for change, but begins the conversation and initial consultation with staff about a potential change that may have a significant effect on them. It outlines the reasons for the possible change and provides details of the university's desired outcomes.

Section 1: Context and background

UTS has achieved remarkable success over the past two decades, and together, we have established a strong position as a research and teaching university with an enviable local and global reputation.

This success has been underpinned by sound strategic decisions, prudent investments and the hard work of many talented staff who value excellence and impact, and who are aligned to the vision and ethos of UTS.

The first decadal strategic plan, prior to the development of UTS 2027, had the foresight to back substantial capital investments in our campuses, which were in part funded by a $300 million bond, creating a vibrant environment for students and staff and the facilities to support world-leading education and research. The vision for success involved attracting an increasing share of local students under the then demand-driven system, where all adequately prepared domestic students were assigned a funded place at university; and growing the number of international students attracted to the proposition of a contemporary and forward-looking university of technology. Strongly linked to this was the creation of a research environment that would contribute to building our reputation.

In 2018, buoyed by our success in the previous strategic period, we embarked on an ambitious, co-designed UTS 2027 strategy to build on these foundations. We looked to a lifetime of learning approach as our anchor and envisaged a future where students would learn differently with us, businesses would engage more closely in our teaching and research, and we would be differentiated from other universities through our collaborative approach—both with each other and with our partners—to achieve mutually beneficial outcomes.

Our ambition under UTS 2027 was to be a leading public university of technology recognised for our global impact. In many regards we have achieved much of what we set out to do:

- More than 50,000 students are enrolled at UTS.
- 25% of our students are international students from over 100 countries.
- We are ranked in the top 100 universities in the world, and much higher in many of our disciplines.
- Graduate success rates are among the highest in Australia.
- We teach 5,000 students overseas, with the SILC Business School in Shanghai celebrating its 30-year anniversary in 2024.
- We have over 280,000 alumni in Australia and around the world with increasing numbers in leadership roles in business, academics and government.
- Our staff continue to win recognition nationally and globally for their teaching and research and for the innovative ways in which we support our community.

It is evident that we have made good progress and will continue to strive to underline our role as leading public university and we must maintain our focus on having global impact.

But it has not all been smooth sailing.

In 2020, UTS, like everyone else, was impacted by the COVID-19 pandemic. While the effects were felt in various ways by staff and students, the most relevant for this discussion was the immediate and long-term financial impact from the sudden reduction in international student enrolments due to border closures in Australia and other countries. The financial impacts of COVID across the sector and at UTS are still being felt, manifesting in two significant ways:

1. The need to reduce expenditure by $100 million (coincidentally the same as the present challenge) and elevate our cash balance by $100 million through asset sales and other measures, leading to the implementation of *Fit for 2027*. Given the degree of uncertainty around the duration and scale of the COVID-19 impact, *Fit for 2027* was executed with some urgency and involved a significant Voluntary Separation Program (VSP) alongside other changes. *Fit for 2027* did respond to our COVID-19 challenge in a way that preserved the fundamental integrity of our financial position, and we retained a Moody's AA1 rating recognising this, but at the same time, the consequences of the VSP resulted in sub-optimal alignment of some of our services in some areas.

2. Recovery from COVID-19, including return to campus, has been a long process and is not yet fully complete. From a financial perspective, we strategically planned deficits since 2020 towards a planned return to surplus by 2026. In 2021, we were fortunate to realise the return on the value of shares we held in IDP (an Australian and international education agent) which contributed $57 million to our cash position but did not fundamentally change our return-to-surplus plan. It is important to note here that due to the outstanding work of people across UTS, we have achieved our financial targets every year across this period. This has been an important consideration to date, since in mid-2027 we are due to repay a $300 million bond that we used to finance the final stage of the campus development plan outlined above, and achieving our financial targets was a critical contributor to our capacity to repay.

Early in 2024, as we contemplated the next three-year strategic period of UTS 2027, further changes and challenges were identified.

Inflationary cost pressures have been making it increasingly difficult to maintain our return-to-surplus plan, irrespective of any changes to revenue. As outlined in various fora, including Faculty and Divisional Visits and Town Halls conducted by the Vice-Chancellor, a gap of $40 to $60 million was becoming evident. Technology investments— including the Enterprise Resource Planning system, Curriculum Management Modernisation and Digital Presence Program, among others—aimed at business transformation and expected to deliver operational efficiencies, were in planning and implementation stages. However, increases in professional staff expenditure and pressures on capital investments are difficult to reconcile with the current finance plan.

Externally, from late 2023, immigration became a focus for government as cost-of-living and housing affordability became significant political and community issues. Regrettably, international student numbers were blamed, and the initial government response was to instruct the Department of Home Affairs to change the way in which they process student visas. While UTS has remained a high-quality provider under the visa processing arrangements, we did note an increase in visa rejections through the early part of 2024 arising from this new processing priority. Legislation was subsequently introduced to cap international student numbers, and while that legislation has not yet passed, it is likely to do so in late 2024 with the support of the Opposition.

Finally, in September 2024, UTS, along with all other higher education providers, received an indicative cap for 2025 new international student visas. With our cap set at 4,800 we will receive 1,000 fewer visas than we had anticipated in our student enrolment and financial planning, and there is no certainty around the allocations for 2026 and beyond. The pipeline effect of this, coupled with an assumption that only modest growth in international commencing students will be permitted in the subsequent years, contributes further financial pressure. With fewer students than planned, there will be an impact on our required teaching capacity, which will then flow through to academic staff numbers.

Accordingly, as outlined later in this Discussion Paper, the expenditure gap of $100 million is now predicted with enough reliability to shape our actions in response.

Given that we now have a future scenario, this Discussion Paper outlines the following:

1. The need for us to reframe our strategy looking to the next 5 years (out to 2030) and sharpen our priorities, particularly where investment is required. This reflects the dramatically changed, and changing, sector and builds on the work of UTS 2027, with an even greater focus on our strengths.

2. The financial parameters under which we expect to operate to remain financially sustainable.

3. The broad options available to us to respond to the $100 million expenditure challenge for discussion and feedback.

Our Strategic Plan: UTS 2027 and 2030 Foundations

An evaluation of UTS's achievements over the past six years, combined with an assessment of the impact of the changes in the external environment, make this an opportune time to consider whether our strategic priorities are aligned with our vision and can be accomplished with the resources available to us.

After examining UTS 2027 and the strategic initiatives that underpin its execution, it is clear many of the fundamental objectives remain as important today as when we collectively developed them back in 2018. In reaffirming these fundamentals, however, a need for increasing our focus on what it will take to remain successful for the next five years is critical. We will need to make decisions about how and in what way we invest our time, resources and energy.

As we navigate the changes ahead, the need to be clear about who we are and what success looks like is even more apparent. In this section, we outline a refreshed articulation of our strategy - retaining the key elements that ground us in our past and present, and reflecting the next stage of our evolution in a changed and changing world, where universities remain a key agent for future prosperity as a society.

It is notable that while the difficulties facing the higher education sector as a whole present challenges to UTS that must be urgently faced, we are arguably better positioned than many to emerge stronger from the current crisis. Our connectedness with industry, our technology leadership, our innovative and entrepreneurial programs, our commitment to social justice and Indigenous issues, and our reputation for strong graduate outcomes are all well aligned with the times. If we can further sharpen our strategic focus and push forward boldly on those things that differentiate us, we will be well placed to flourish into the next decade.

Strategy is important. It identifies the outcomes that are essential to us and provides a guidepost for our priorities and investments. Accordingly, we set out here the core elements of the strategy before addressing the issues of financial sustainability that will determine our capacity to implement the next stage of our strategy and deliver the outcomes we aspire to.

Our vision and strategic commitments

Our vision — To be a leading public university of technology recognised for our global impact

Our commitments — Social Justice and Inclusion
Responsible Leadership of Technology
Excellence in Indigenous Higher Education and Research
Engaged and Open for Partnerships

Figure 1:UTS Vision and Commitments

UTS remains committed to our vision to be a **leading public university of technology recognised for our global impact**.

As an inclusive university, we remain committed to educating the next generation of technologically empowered and socially responsible professionals and to conduct research characterised by impact, innovation and the dissemination of knowledge that holds public value. Whether the impact of what we do has a grounding in our local community, our national economy or globally, we are defined by our commitments and the positive benefit we deliver.

Change must always be built on strong foundations, and these are reflected in our strategic commitments:

- Social Justice and Inclusion remain at the core of UTS, as they have always been.

- Responsible Leadership of Technology, reflecting our specific role as a university of technology and our obligation to shape how technology is adopted in society.

- Excellence in Indigenous Higher Education and Research, respecting and understanding Indigenous knowledges for all Australians and embedding this in our education and research.

- Engaged and Open for Partnership, bringing to the forefront the way in which we work with our stakeholders and deliver value to the wider community.

What will success look like?

Following discussion with UTS Council, leadership and staff more broadly, we have articulated an outline of our future education and research success and the goals we are trying to achieve in the next six years. Distilling those discussions, we look to:

- Maintaining – and enhancing – our **global leadership** in our discipline areas.

- Supporting the organisational and intellectual **agility** and capability to respond to the big, global challenges that confront us.

- Attracting and supporting a diverse range of talented staff committed to **excellence** and delivering **societal impact**.

- Shaping the next generation of graduates through our excellent student **experiences** and industry **connections** to deliver social impact, entrepreneurship and innovation capabilities and shape the next generation of professional leadership.

- Translating our research and education into **positive outcomes** through our focus on partnership with industry, business, government and community.

- Successfully engaging and strengthening our **community** of Alumni and Friends as advocates and supporters.

Strategic pillars to support success

Given the need for enhancing and sharpening our strategic focus, the approach to identifying our priorities has shifted from the broad strategic initiatives in the previous articulation of the plan to target specific strategic pillars. These strategic pillars are not entirely new, although some have emerged more recently as important for success. They bring together our commitments and elements of our work, whether from an education, research or support and enablement focus, providing clarity for all staff.

The seven strategic pillars are:

- Building on our leadership in creativity and innovation through our **Creative Industries** focus, you can find out more about activity in this space here. This is a bold, whole of university initiative that will reimagine the creative disciplines at UTS, shaping our education and research programs and how we partner. Positioning us as a university and precinct with a vibrant ecosystem where technology and creativity converge and where all students and staff benefit from the interdisciplinary opportunities afforded.

- The implementation of a **Knowledge Exchange** framework through a coordinated, approach to drive collaboration and ensure our research and education delivers impact. This will empower interdisciplinary teams to form and tackle more complex, high value, and impactful research challenges with key partners, and integrate how we measure and deliver both economic and societal impact. You can find out more about what this means for UTS here.

- Extending our **Global Partnership** strategy to leverage our reputation for excellence and impact. We will leverage our reputation to scale our education and research reach with strategically beneficial, aligned and respected international partners, enabling us to tackle complex global challenges.

- Implementing the capability for **Global Digital Growth** to reimagine our curriculum and operating model with a digital-first and global mindset. This will build a framework for

future revenue growth, enhance the digital experience of staff and students and leverage new partnership opportunities.

- Creating **Pathways and Participation** opportunities that promote access and inclusion. We will develop a coordinated and sustainable approach to widening participation, celebrating the diversity of students that will characterise our future learning community. This will be underpinned by our focus on ensuring student retention and enabling success.

- Putting **Student Experience** at the heart of our decision-making. At UTS, that means sharpening our focus on the four elements of the Student Experience Framework that support students' success: academic engagement, belonging, wellbeing and student and industry partnerships. Core to this will be students' experience of our campus, our digital ecosystem, our approach to supporting learning and our strong industry connections.

- Enabling all of the above is our commitment to ensuring enhanced **business enablers and improvement** driven in part by a reimagined Operating Model and supported by a contemporary Enterprise Resource Planning system and other digital tools. This, aligned with the UTS People Strategy and our Employee Value Proposition, will empower staff and transform how we work together across UTS to deliver on our teaching and research priorities.

These strategic pillars are informed by our Indigeous Education and Research strategy, Wingara Indigenous Employment Strategy, Social Impact Framework and Sustainability Plan.

The diagram below also demonstrates how these Strategic Pillars build on previous strategic programs and the 2022 – 2024 Strategic Initiatives.

Figure 2: Strategic pillars: linkages and foundations

Discussion points: Do the seven Strategic Pillars sufficiently build on and extend UTS 2027 to provide clear focus and direction as our Foundations for 2030? Do they capture the priorities that will help us achieve our vision?

Our financial outlook

Up to and including the development of the 2024 financial plan and budget, UTS remained on a post-COVID return to surplus trajectory. The key guideposts here were:

- a return-to-surplus strategy based on our cash assets and capacity to sustain (reducing) deficits from 2022 to 2024, with a break-even target in 2025 and a return to pre-COVID surpluses (3 – 5% of operating revenue) thereafter, and

- sufficient cash assets to repay the $300 million bond (used to finance the completion of the campus development plan through the construction of UTS Central) in mid-2027.

Unfortunately, the trajectory has been compromised by unforeseen factors. In this section we look more closely at the factors impacting UTS's finances, outline the evolution of the financial planning response and identify the key financial parameters on which a future sustainable position is based.

Changes in the higher education sector

As outlined previously, UTS, like other universities but to differing degrees, has been adversely impacted by government policy changes. These changes have led to either direct impacts or indirect impacts resulting from unclear or extended implementation timelines for new funding arrangements. These are summarised in more detail in this section as they relate to UTS.

- The **Australian Universities Accord** Final Report, released by the Australian Government in February 2024, contains 47 recommendations to reform the higher education sector, recognising the vital role it plays in ensuring all Australians have the opportunity to acquire the knowledge, skills and understanding to thrive in the jobs and society of the future. The Accord foreshadows future growth in participation in higher education and a revised funding arrangement, particularly fully funding all students enrolled but also providing support for educating a more diverse range of students with different educational and social backgrounds. However, the 2024 Federal Budget indicated that significant Accord growth is now at least several years away, with no resolution to the distortion to the funding of Commonwealth Supported Places arising from the former government's Job Ready Graduates reforms.

- As a result of the **Job Ready Graduate** program we currently have reduced per-student funding for domestic students which averages out at a reduction of just over $1,800 per domestic undergraduate student compared with 2019 funding levels.

- Declining rates of **student visas** granted due to recent ad-hoc changes to international student visa processing, ostensibly to control immigration levels, hindered our ability to fully convert the strong pipeline of prospective international students across 2024. Our performance remains stronger than many competitor universities. However, while enrolment patterns have stabilised, the current ad-hoc visa processing remains in place until the proposed legislation to introduce international student caps is enacted, likely in late 2024. This has likely cost UTS up to $10 million in commencing international student revenue this year alone.

- In September 2024, the Government announced the level of the proposed **caps on international student** numbers for the 2025 academic year, which are similar to pre-pandemic numbers, but fail to recognise the growth most universities had been planning for as part of their post-COVID return-to-surplus plans. For UTS, the proposed cap of 4,800 students in 2025 (with uncertainty beyond) is a significant constraint that adds to our existing financial sustainability challenge. Across the next five years, it is anticipated that we will lose around $200 million in revenue over our previous pre-capped projections.

- The implementation of the Federal Government's **Managed Growth Funding** system for Commonwealth supported places, which is expected to be introduced in 2026, is as

yet unclear. Recent discussion papers have not disclosed the funding model to be used, and canvassed transition plans that may be unfavourable to UTS as we currently enrol above our domestic funding cap. While that partially funded over-enrolment contributes to offset some of the decline in international student numbers, such an arrangement is not sustainable in the long term as it will further deteriorate per-student funding.

- **UTS College** has been allocated half of the number of international student visas that they had forecast for 2025. Given the significance of the undergraduate student pipeline from UTS College, work is underway to determine the strategic response to ensure that we can meet future international student targets.

An evolving scenario

The university plans on a five-year rolling cycle, and each year presents for approval of Council: a five-year financial plan (including capital investments), a one-year budget and an associated Corporate Plan outlining the priorities and KPIs for that year. In order to identify the financial challenge, and hence scope actions and solutions, it is necessary to look at the 2023, 2024 and proposed 2025 financial plans and point to the differences.

- In the 2023 financial plan (and 2023 budget), UTS was on track to meet all of its financial obligations and return to surplus from 2026. Capital expenditure included proposals for transformation projects including the Enterprise Resource Planning (ERP) system and other key investments in technology and campus infrastructure. Forecast growth in international student numbers reflected a return to international students making up around 30% of our student population, similar to pre-COVID levels.

- A 2024 financial plan (and 2024 budget) was prepared and approved in late 2023. This plan recognised that cost escalation was becoming an issue, but international student growth from the then 22% level was able to address at least part of the challenge as had historically been the case. In early 2024 a likely gap of $40 to $60 million became evident as international student visas were rejected at a higher rate and expenditure interventions were planned on that basis. However, in the 2024 financial plan, international student numbers were forecast to grow.

- In planning for 2025 it is now evident that we cannot rely on the previously forecasted international student numbers. To operate sustainably we require a sustained $100 million reduction in expenditure, with significant material benefits realisation in 2026 and ongoing. The investment required to achieve this means we will likely require a further financing of between $100 million and $200 million (either through exercising our existing debt facilities or through other capital market options).

In all evolutions of the financial plan, the fundamentals of UTS's finances remain strong, albeit with increasing cost control necessary. Revenue remains well over $1 billion, growing to $1.6 billion over five years. However, the timing of the $300 million bond repayment, escalating costs and now international student caps restricting revenue growth, requires intervention in two forms – a sustainable cost reduction and the potential for extending our use of debt funding to fund any restructuring and strategic capital priorities.

Comparisons of three scenarios

In considering our options, we have plotted three scenarios in the graph below:

1. The red line illustrates our recent performance and the trajectory if there is no intervention. It clearly illustrates that inaction is not a viable option, as we would be unable to repay our debt, invest in priority areas or have a buffer to withstand any further sector shocks. We must implement changes, as an annual expenditure of nearly $1.3 billion is unsustainable for the university given the constraints on revenue growth. This situation will hinder our ability to fund investments or repay debts.

2. The black line is the prior finance plan overlaid with the impact of international student caps, which equates to a projected revenue reduction of -$196 million over the plan's

duration, with commencing international EFSTL decreasing by 502 (11%) in 2025, and compounding year on year.

3. The blue line represents the revised financial plan, which eliminates $100 million in expenditures in a sustainable manner from 2026 and generates a surplus that allows us to invest in strategic priorities.

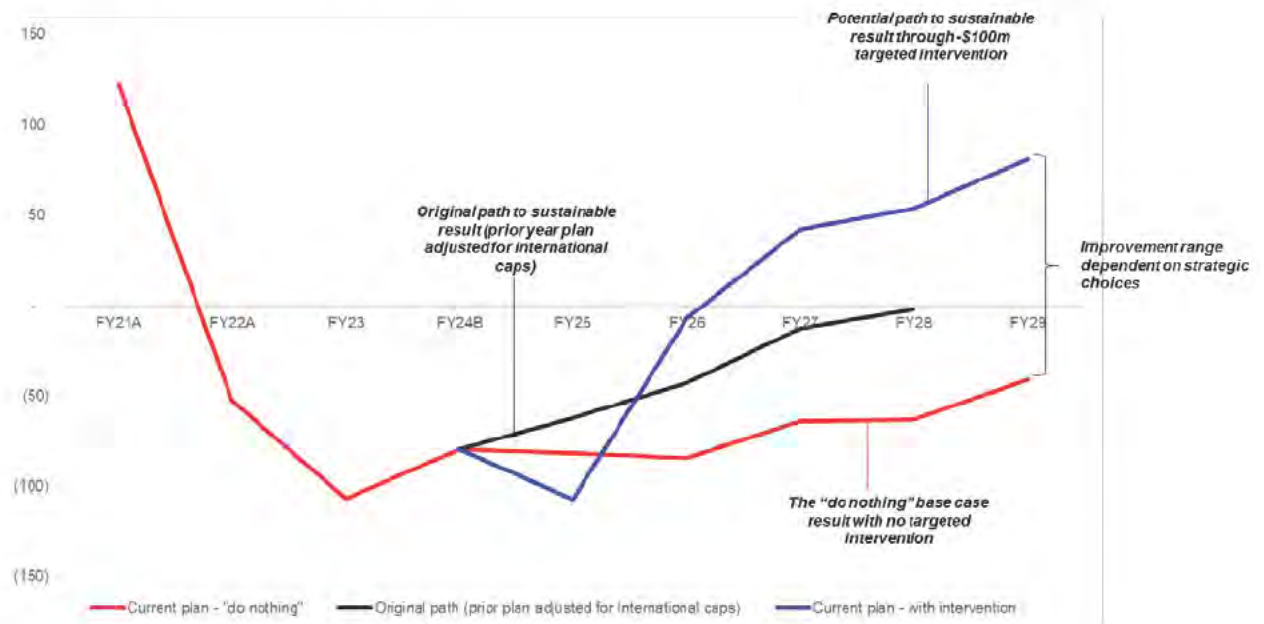**UTS actual and projected net (P&L) result**
($m, FY21-FY28)

Figure 3: Comparison of three financial scenarios

Discussion points: Is our current financial state and outlook clear? Does this explanation make a compelling case to act now to address our financial sustainability challenges?

Transforming UTS – programs that are already underway

Given that any growth in revenue, whether through government policy or through our strategic actions, is some years away, any changes to reduce expenditure must be sustainable. It is important that our policies, processes and systems support this objective. Current work underway in this regard, with the necessary investment to deliver long term benefits, includes:

1. **Changes to the IT Operating Model.** IT staff and the IT leadership team have collaborated on a new operating model that will allow us to more effectively embed technology solutions into our work. This is critical given the importance of the significant technology transformation underway through our Enterprise Resource Planning work and other new systems, the benefits of which will only be realised if we embed them in our work practices as they become available.

2. **Changes to the People Unit Operating Model.** Supporting changes to how we work, developing new capabilities and providing opportunities for people to thrive at work requires a different configuration in how we support our people. The People Unit Operating Model is currently being implemented to support this however there are no savings to be realised from this change.

3. **The Enterprise Resource Planning project** is a significant enabler for new processes and practices and is under design. Its successful implementation will underpin our Finance and HR capability and enable more streamlined and efficient processes to support our work.

4. Systems to support contemporary approaches to our core teaching and research activities are in view, including the significant shift to a new **Curriculum Management Modernisation system** to support better course and subject design and improve the experience of learning, study planning and subject selection via an integrated source-of-truth system for our curriculum and an improved handbook. This system will be implemented from late 2024 and is an important tool supporting how we envisage the extensive education portfolio that we oversee and deliver.

5. Our engagement with prospective students and partners requires a significant uplift, and this is imperative at a time when competition for the best talent and for the attention of key clients and stakeholders is heightened. Modernising our approach to our online resources is being undertaken through our **Digital Presence Program**, which from early 2025 will offer an enhanced experience for those seeking to engage with UTS and an improved capacity for us to tell our stories of success better.

These and other complex and critical enhancements are supported through the University Portfolio Management Office (UPMO) which enables us to manage the delivery of these projects and their integration into our future operations. Among the benefits of this is the prospect of removing significant work, streamlining our processes and maximising the time spent on delivering our core education, research and support priorities.

Section 2: Our approach to operational sustainability

Our approach to tackling the issue of operational sustainability has taken several stages as we become increasingly confident in our understanding of the internal and, importantly, the external factors with which we have to contend. Importantly, unlike during our response to the COVID-19 pandemic, we now have a clearer view of our likely future state and the constraints we will face in the upcoming planning period. This clarity allows us to plan changes more effectively and take the necessary time to design appropriate solutions; however, we cannot afford to delay the implementation. Indeed, some of the precursors for implementing that design are already underway as outlined in the previous section.

Earlier this year, we began developing our Operational Sustainability Initiative, recognising the need for a coordinated and clear plan to achieve sustainable revenue growth in ways that are not impacted by current government policy settings. This initiative aimed to improve our operational effectiveness and provide a pathway to financial and operational sustainability. While we had previously identified new educational opportunities—particularly in short forms of learning and postgraduate education—we recognise that the market has changed in terms of both student demand and competition. This evolution necessitates the need to develop new approaches that can be appropriately resourced through new and innovative delivery models. Therefore, as we consider our Foundations for 2030, our refreshed strategy has this as a priority strategic pillar.

Five operational sustainability programs were identified and remain relevant:

Operating model	This program is focused on reviewing and refining our operating model to ensure we can support and enhance academic endeavour, ensuring our teaching and research activities are supported by efficient and effective support processes and practices. This is a whole of university program that will look to make a range of improvement to how we work through: • reducing duplication of effort • standardising where it makes sense • process improvement • technology enablers • stopping work that does not add value (functional relevance/review) • workforce organisation • governance, policy and delegations review.
Sustainable teaching and learning model	This program of work is focused on reviewing what we currently offer and the delivery approach, including assessment activities, to develop a sustainable and contemporary learning and teaching model and a course and subject portfolio that delivers a high-quality student experience focused on students success.
Revenue growth optimisation	This work focuses on recalibrating current market conditions for fee-paying students (international and domestic), in coursework and short forms of learning, assessing our current capacity and capability, and identifying future growth options. The goal is to ensure strategic alignment in what we offer, how and to whom and manage revenue risk through diversification strategies aligned with our future business models. Additionally, this work will enhance our capacity to develop global and digital learning opportunities beyond our current core coursework-based models.

Research investment	The primary focus of this work is to ensure we can increase the leverage on our internal investment in research by doubling our External Research Income (ERI) to $200 million. This work is already underway through various elements of the Research Strategy.
Cost management program	In this program we consider short and long-term measures aimed at managing costs effectively, including but not limited to, property, maintenance, procurement and utilities. It also included the sale of Blackfriars to build our cash base. This work will be embedded into the 2025 Budget process.

Initially, this work targeted savings of $40 to $60 million per annum. However, as outlined above, with the introduction of the international student caps, the savings target has grown to $100 million. Consequently, the scale and scope of the Operational Sustainability Initiative must also expand.

Section 3: Future state options for consideration

In September, the changed landscape and revised savings target of $100 million made it necessary to validate our five-program approach (outlined in the previous section) and to conduct a deeper and broader investigation of opportunities. To achieve this analysis in a short timeframe, we engaged KPMG who brought their considerable experience in and knowledge of the higher education landscape, to aid benchmarking and assessment of options. Their analysis supplemented our own understanding of opportunity areas, to inform the future state options for consideration presented here.

Based on the analysis, the table below provides a high-level overview of the actions the University Leadership Team believes should be considered to deliver the required savings:

Operational Sustainability - targeting $100M expenditure savings	
Sustainable Teaching and Learning Redesigning the curriculum portfolio with an initial focus on: • Reducing subject portfolio with low numbers or negative margin • Consolidation of duplicate subjects • Streamlining assessment, in line with our approach to Gen AI in the curriculum • Assessing direct and indirect resourcing levels (staffing, other) in line with course and subject requirements **Indicative savings range:** **$26 - $57.9 M**	**Research Productivity and Investment:** • Supporting where research outcomes are being achieved • Evolving the profile of research activity • Evaluate the alignment of research investment with strengths and priorities, including course profile **Indicative savings range:** **$11.5 - $15.3 M**
Operating Model • Service delivery standardisation and reconfiguration • Reducing general administration • Streamlining processes • Reviewing and adjusting spans of management • Reducing casual staff expenditure in line with reductions in work volume **Indicative savings range:** **$33 - $49.6 M**	**Other** • Academic structures • Research centre funding support • Property and Infrastructure spend • Procurement policies • Other local area opportunities **Indicative savings range:** **TBC**

In considering the options above it should be noted that:

- Given the significant savings required, there is no avoiding the need to reduce both professional and academic staffing levels. In early 2024 when we were looking for a lower reduction in expenditure, there was a focus on professional staffing levels, and a recognition that desirably UTS would maintain the level of academic staffing consistent with our student numbers and research aspirations. Now, given the reduction in student numbers under the international student caps and a larger reduction in expenditure required, academic staffing also come into focus.

- Options of scale will require early design to ensure that they are both achievable and sustainable and that all factors are considered in the implementation.

- Small scale changes and quick wins, while contributing to the savings target, will not achieve the level of systematic savings required and may require considerably more effort than the financial return warrants.

- The finance plan allows up to 12 months to implement the chosen options.

Further detail is provided for each of the four key areas and staff input on this is invited through the [feedback form](#).

Sustainable Teaching and Learning

It has become clear that there is considerable scope for refining our teaching and learning efforts to create a sustainable core curriculum at UTS, from which many other operational benefits and efficiencies can flow. Closer analysis has confirmed that we have significant duplication in subjects taught, which has exacerbated issues of under-enrolment and led to inefficient use of resources. An initial high-level analysis has demonstrated that:

1. 66% of all subjects taught at UTS have a negative financial margin. Of those, 67% have less than 10 EFTSL enrolled.

2. Across all subjects, including the subjects that have a positive financial margin, different levels of duplication exist.

3. Based on the current teaching allocation according to workload models (including face-to-face and associated non-timetabled and administrative time) it appears UTS is not fully utilising existing teaching capacity.

Based on these findings, we need to first work together to reduce the size of our subject portfolio. The benefits of reducing subject numbers include:

- improved student experience and learning and teaching quality, driven by curriculum alignment and enhancement against established principles

- resources concentration achieved through reduction in required teaching capacity and professional support activities

- enhanced flexibility for timetabling and teaching space utilisation

- clearer options for students in relation to electives and timetable choices

While reducing the size of our subject portfolio and reducing our teaching allocations to align to need are stand-out options that can be achieved relatively quickly, our approach to sustainable teaching and learning requires more nuance. The Sustainable Teaching and Learning Program will address three main areas:

- **Curriculum transformation** – focused on course architecture, course, subject and assessment design principles, and teaching guidelines, using a digital first approach and prioritising assessment reform in the age of GenAI.

- **Course and subject alignment** – using performance data (enrolment, success, satisfaction and financial margin), design principles and strategic direction to develop clear patterns and trends that inform prioritisation of courses and subjects for curriculum transformation. This stream of work also includes reducing subject portfolio numbers

with low or negative margin and consolidation of duplicate subjects within and across faculties.

- **Portfolio strategy development** – based on our strategic direction and priorities, and enterprise-wide programs, this will create a clear statement that defines the university's desired portfolio of courses: what we teach, in what modality and to whom. Thus, we ensure clear criteria for maintaining the award course portfolio and highlighting where there are opportunities that can enable global growth now, and in the future.

Overall, the Sustainable Teaching and Learning Program would seek to:

- Improve the quality of the student experience by streamlining course and subject options.
- Enhance academic engagement and assurance of learning.
- Boost student progression and completion rates.
- Maintain academic quality and standards.
- Ensure curriculum relevance to increase graduate employment and employer satisfaction.

Research Productivity and Investment

The analysis of our current state also confirmed that there are issues to be addressed in terms of our research productivity (including the shape of the profiles of our research activities) and investment. While UTS as a whole performs well in terms of our academic output and citation rates, there is clearly an opportunity to increase the impact we achieve with an internal research investment of more than $200 million each year, in addition to our external research income and Commonwealth Block Grant.

Initial analysis of our research activities indicates:

1. There are a number of Level D and E academic staff (approximately 5% of our continuing and fixed term academic workforce) with a research workload allocation who have not published, received research income or supervised an HDR student in the last three years.
2. Only 9.5% of revenue is dedicated to research, compared with 15% for the highest performing Australian Technology Network of Universities (ATN) university.
3. Average funding per researcher is $75,000 per FTE compared with the highest performing ATN university, which receives $142,000 per FTE.

The analysis has confirmed that there are opportunities to increase our internal focus on areas achieving outcomes across a range of priority areas and to direct resources to those areas (including research concentrations) based on performance. Additionally, there is also a need to have honest conversations about research productivity disparity across the university, noting that disciplinary norms are always taken into account.

The benefits of better aligning research investment with performance include:

- better incentives to maintain appropriate levels of research performance and to plan research investments (including capital investments) to align with areas of strength.
- more strategic allocation of HDR scholarships and other research enablers.
- better succession planning and support for early and mid-career research careers.
- supporting a larger number of staff to secure external funding and broaden our base of successful research leaders in priority areas.

It is also critical that we build out and grow research activities to better leverage external funding to ensure that we can continue to deliver research impact at a level consistent with our current position. To achieve this, we are looking to double our External Research Income (ERI) to $200 million by:

- prioritising how we can return the greatest value from research-associated investments made by the university.

- making more effective use of resources to secure high-value, high yield and high impact funding, with a focus on Category 3 (non-government) funding, both domestic and international.

- supporting staff to develop larger-scale externally funded opportunities, using the excellence of our different disciplinary bases.

- continuing a program of closely managing research expenditure outside of contractually committed costs.

- developing more Research Translation and Knowledge Exchange opportunities that prioritise external returns to the university.

Operating Model

It is evident that there is work to be done to make our operations more effective, efficient and adaptable to the institution and changes to the broader operating environment, including advances in technology. Analysis has confirmed that our operating model is not fit for purpose, with widespread evidence of manual processes, system workarounds, role duplication to address purportedly bespoke needs, inconsistencies in spans and layers of management, under-resourcing in some functional areas, over-resourcing in others, a lack of data reliability and various other operational shortcomings.

Financial sustainability imperatives aside, there is a clear and increasingly urgent need to ensure UTS has a contemporary operating model that can deliver quality education to students, undertake excellent research with impact and achieve its vision of being a leading public university of technology with global impact.

Some of the core findings of the deep analysis of our operating model include:

1. A large number of duplicate and inefficient processes were identified (by more than 1000 items of feedback received from staff).

2. UTS has the second highest professional services FTE in the ATN, 245 FTE above the average.

3. The professional workforce at UTS makes up 62% of our continuing and fixed term FTE and this has grown by 33% in the last 10 years (significantly larger growth than any other ATN university – the next being at 22% growth over the same period).

4. Two-thirds of professional services supervisors maintain a span of management less than 1:3 people, compared with industry practice of around 1:6.

5. An increase in Senior Staff Group (SSS/SSG) caused in large part by the migration from the top of the HEW levels into the Senior Staff Group

These findings point to a clear need to scale back and reorganise the professional workforce at UTS. However, much of this requires clarity on the size and scale of the academic workforce and the breadth of the academic endeavour. This creates a clear interdependency with the work of the other two programs, most notably Sustainable Teaching and Learning. There are, however, other changes that can be made to the professional workforce that don't have strong interdependencies; rather, they relate to poor processes and unnecessary work. These can be prioritised to improve efficiency and effectiveness.

An overhaul of our operating model can significantly contribute to both the employee experience at UTS and the university's savings target. Designing and creating a fit-for-purpose and contemporary operating model at UTS will require us to consider:

- identifying and removing work that is no longer necessary or manage work differently.

- developing processes and practices that do not need to scale with student or staff numbers.

- simplifying processes for service delivery to both staff and students to enhance their experience.

- aligning processes and practices with those required to enable the introduction of new technology solutions, including the ERP system.

- standardising spans and layers of management.

- consolidating and centralising efforts where it makes sense to do so.

- increasing the use of automation.

- establishing clear service delivery levels and reducing ad hoc support.

- outsourcing when it makes financial and practical sense.

Figure 3 below is an example of typical levers that have been identified across other universities and the typical range of benefits achieved.

Figure 4: Professional service delivery changes

Other areas

There are many other potential initiatives and approaches that could yield savings, some of which can be pursued independently. While the savings may be relatively small and there is potential for significant disruption, we would like your feedback on the examples below:

1. There is the possibility of realising up to $10 million in savings by extending our current work around **procurement practices**. This work will be evaluated for its ongoing contribution.

2. **Faculty structures:** Merging faculties to create larger entities has been considered and is feasible, but analysis shows relatively low direct financial returns ($2.5 to $4 million). Following the principle that structure follows strategy (with Creative Industries being a good example), we currently hold the view that further mergers are not required at this time. However, the analysis has confirmed inconsistencies that, if addressed through a Faculty Architecture prototype, would enable greater standardisation of service delivery from central functions. A similar argument applies for Schools.

3. **Remuneration strategies:** Work has been done on establishing clearer remuneration strategies, in part to ensure greater transparency in the application of remuneration elements, so pay distortions to the professional, academic and senior staff profiles can be managed sustainable and fairly in the longer term. Principles will be established and

introduced progressively in future organisational designs or when the opportunity is afforded through vacancies or other staff movements. Consideration is also being given to discretionary remuneration, such as loadings and allowances (around $10.5 million per year under current arrangements) and performance bonuses and at-risk payments (around $2.5 million per year under current arrangements), noting that performance payments are subject to oversight of Remuneration Committees.

4. **Facilities management:** Backlog maintenance and other facilities management priorities will be under constant review, noting that UTS has a relatively modern campus for the most part. The emphasis on our property spending will be to support new or extended facilities aligned with our strategy (e.g. Creative Industries and facilities-driven research engagement).

5. **Centres:** The cost of maintaining our research and other centres needs to be reviewed, noting that most of the resources are applied either to research or to other strategic activities and would need to be accommodated in other ways if any changes are made.

Share your thoughts and ideas: You can use the feedback form to provide comments or suggestions on any of the options outlined in this paper.

Other opportunities will be considered as they are surfaced through this process, please submit your ideas and suggestions on any other options that could be considered.

Indicative timeline

The following is an indication of timeframes for the design and implementation of the three core programs of work outlined in this paper. This timeline will be refined following initial consultation and as design progresses; however, it provides an overview of the possible sequencing and steps involved.

The detailed design and sequencing for each area (Q4 and Q1 2025) will be informed by the initial consultation feedback as well as involvement and input of our leaders and subject matter experts across our academic and professional teams. It will also include:

- Formalising program governance and sponsors.
- Determining the nature of the proposed changes and impacts on staff.
- Developing the proposed implementation approach.
- Establishing a benefits realisation plan and benefits tracking approach.

No decisions have been made at this point in relation to the final scope and mix of the proposed changes. Detailed Change Proposals will be developed and consulted on with staff and unions prior to any decision to implement change. Section 5 below, "Managing workplace change", outlines these consultation processes.

Q4 2024		Q1 2025			Q2 2025			Q3 2025			Q4 2025	
Nov	Dec	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov
Initial consultation on Discussion Paper and response												
Detailed program design and sequencing for agreed initiatives, including: • Program governance and sponsorship • Develop implementation approach • Establish benefits realisation plan and benefits tracking approach												
Academic programs — Sustainable Teaching and Learning and Research Investment												
DESIGN • Deep dives into course / subject portfolio and research • Design future state					**CONSULT & IMPLEMENT** Development and release of Change Proposal(s), consultation, final decisions and implementation							
Operating Model Program												
DESIGN • Including service delivery model and design of functions, services and accountabilities												
					CONSULT & IMPLEMENT (STAGED APPROACH) Development and release of Change Proposal(s), consultation, final decisions and implementation							
Core business — delivering the ambition of the university												

Figure 5: Indicative timeline

Section 4: Initial consultation engagement activity

The immediate next steps will focus on broad engagement and initial consultation alongside further scoping and validation. We encourage you to connect with and contribute to this important work.

Throughout this initial consultation period and future changes, you can expect:

- The Operational Sustainability SharePoint site to be the single source of truth.
- Clear, timely and transparent communication through regular all-staff updates (in person, via email and via The Anchor)
- Information to be cascaded locally through senior leaders.

Engagement activities

Overview of Discussion Paper at All Staff Town Hall	Wednesday 30 October 2024
Distribution of Discussion Paper	Thursday 7 November
Information/Q&A sessions	Various (see SharePoint)
Discussion Paper feedback closes	Thursday 28 November
Feedback review and analysis	Ongoing
Summary of feedback provided to staff	Late Jan/early Feb 2025

Feedback form

Please provide your feedback using this online form. You will be guided to comment on each of the options outlined in this paper, and you can also share any additional options, ideas or suggestions that you believe will help the university achieve its $100 million savings target. If you have any questions please send them to staffquestions@uts.edu.au

What will happen next?

Once the initial consultation feedback period ends, we will collate and analyse the responses, identifying key themes for consideration. These themes will be reported back to staff.

Section 5: Managing workplace change

Sound management of workplace change includes consultation with and the involvement of staff who will be directly impacted by the change. The university is committed to a transparent workplace change process, in line with our enterprise agreements.

A variety of communication and consultation mechanisms will be used to keep staff informed and ensure they are provided with the opportunity to contribute their views about changes in the workplace that directly affect them.

The change process

Following the initial consultation process described in this document, if the university decides to propose changes that are likely to have a significant impact on staff, Change Proposal(s) will be developed. The Change Proposal(s) will be shared with staff directly affected and unions for consultation and will outline the details of the proposed change, the likely impact of the change on staff, the process for consultation, proposed implementation strategies, and indicative timelines.

The consultation period will provide a reasonable period of time to consider the details set out in the Change Proposal(s). It is an opportunity for staff directly impacted by the proposal to seek clarification, provide feedback on changes that affect their role or the way they work, suggest alternative solutions and raise matters for consideration prior to the final decision being made.

Feedback received during the consultation period will inform decisions made by the University to proceed with implementing the change as proposed, or in a revised form.

Before commencing implementation, the university will advise affected staff in writing of its decision to proceed with the change as proposed or in a revised form. These details will be set out in a Change Implementation Plan, which will confirm the change's impact on staff and anticipated implementation timelines.

The approach to managing change

- This is a whole of university response to ensure ongoing financial and operational sustainability and delivery of our key strategic priorities within UTS 2027.
- Change processes will be managed in a timely manner to avoid the negative impact on staff of long drawn out processes
- The change process, as outlined in the relevant enterprise agreement, will be clearly articulated to staff in order to give a clear view of the process and indicative timelines
- Where the university decides to propose changes that are likely to have a significant impact on staff, these processes will involve:
    - Genuine consultation mechanisms, noting that consultation is an exchange of views and information but does not necessarily mean that agreement can be reached.
    - Clear articulation of information set out in Change Proposals, accompanied by necessary related information, including known timeframes and indicative ones where there may be dependencies.
    - A clear and consistent set of principles aligned to the enterprise agreements that will guide the approach to managing staff impact.
    - Appropriate support for staff who may leave the organisation as a result of changes.
- Consultation mechanisms and processes will be established to provide people with a genuine opportunity to express their views, propose alternative options or seek clarification about a proposed change.

- Staff involvement will be encouraged wherever possible in designing and implementing change.

- Decisions will be made based on sound proposals with a clear rationale for change, articulating desired outcomes and benefits that are achievable and backed by relevant data and context, following a consultation process with staff directly affected by the proposed change, unions and other key stakeholders.

- Strong project governance will be established to support decision making in planning, design, consultation and implementation

- The change program will be coordinated by the University Portfolio Management Office, with a view to ensure alignment across the program of work, to maximise opportunity and minimise disruption as much as possible

- A clear and coordinated communications plan will be developed and implemented to ensure that staff, unions, students and other key partners and stakeholders receive regular updates.

- Support mechanisms will be implemented to assist leaders and staff in navigating the change process and impact, and strategies to mitigate the negative impact of change will be explored.

- As the university transforms, people will be supported to continue to contribute and build the skills and knowledge to succeed in the future state and achieve their career goals.

- Continued commitment to be a diverse and inclusive university, by ensuring diversity and inclusion principles are considered and applied to the UTS change process.

Support for staff

This is a significant time of change, and individuals will be impacted in different ways. Members of the university's Senior Leadership Group are committed to supporting staff during this period, and the university will work to put in place support for people including, but not limited to:

- ensuring that information is accessible to individuals

- training and support for people to work in new ways as we change the way we do things, including systems implementation and streamlining processes

- prioritising work activity to manage individual and team workloads

- commitment to exploring strategies to limit or mitigate negative consequences of any proposed change on staff, and voluntary measures will be implemented where possible

- support to people who may leave UTS as a result of change, relevant to their career stage, including external job search assistance or financial advice from Unisuper.

Individuals may also seek support and advice from their union.
NTEU
For NTEU support, please contact the branch at uts@nteu.org.au

CPSU
For CPSU support, please contact the CPSU NSW Member Service Centre ph: 1800 772 679 or https://cpsunsw.org.au/

If you feel you need further support, please contact the People Unit, and also make full use of the employee assistance provider:

- TELUS Health is a confidential Employee Assistance Program (EAP) and wellbeing resource, available to you 24 hours a day, 7 days a week.

- TELUS Health provides confidential consultations, information and resources, connections to community agencies, as well as referrals to counselling and additional support (both virtually and in-person).

- Contact TELUS Health on 1300 361 008 for a confidential appointment.

Yamurrah EAP provides support to Aboriginal and Torres Strait Islander staff. Yamurrah is a collective of First Nations clinicians, educators, academics, trauma specialists and legal professions who provide wellbeing support.