

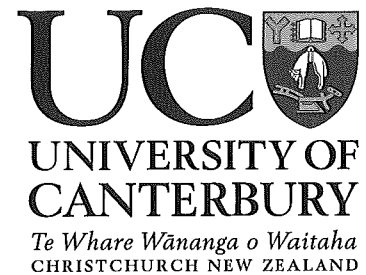
## Office of the Registrar

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Joshua Grainger  
via e-mail: [requests@fyi.org.nz](mailto:requests@fyi.org.nz)  
3 September 2012

Our Ref 12/33

Dear Joshua

I refer to your request, under the Official Information Act 1982 (OIA), for information concerning the University of Canterbury's finances and budgets.

The 2011 Annual Report is available online, together with a range of other key strategic reporting and planning documentation produced by UC. The Annual Report is the final, public statement of the University's financial position at the end of the 2011 financial year. You will see that the accounts have been audited and signed off as accurate by relevant UC and external officers. The report can be accessed from:

<http://www.canterbury.ac.nz/theuni/plans/annualreport.shtml>

Other UC planning documents (some of which are referenced below) are available at:

<http://www.canterbury.ac.nz/theuni/plans>

The 2012 half year financial statements, through to June 2012, were tabled at the most recent meeting of the University Council. The papers are currently being prepared for loading onto the Council website. The site can be found at:

<http://www.canterbury.ac.nz/theuni/council/minutes.shtml>

Under s18(d) of the OIA, the papers are not enclosed with this reply due to their forthcoming publication.

The University has a budget of around \$300m per annum. In total, the HR and Communications and Marketing budgets represent around 2.6% of that figure. With respect to your request for HR and Communications and External Relations budgets more specifically:

- Human Resources spend is approximately \$5.6m. The Press recently ran a story on human resources at the University of Canterbury, which can be accessed here:

<http://www.stuff.co.nz/the-press/news/7577175/University-to-cut-HR-numbers>

- In terms of marketing expenditure, the University of Canterbury has found itself in a unique and unprecedented situation following the earthquakes in Canterbury. Given the need to reposition UC and recruit more students \$1.98m was spent on television placement, newspaper advertising space, online advertising and on outdoor space such as billboards. Also \$0.56m was spent on creative production and design bringing the total to \$2.54m. This figure is comparable to the marketing budgets of other universities. Marketing activity focused on gaining national profile and publicising scholarships and accommodation options for prospective students.

As you note, it has been reported in the media that 150 staff positions could be lost over the next three years. This is consistent with the University's current expectations but it needs to be noted that our financial modelling does not make any assumptions on matters such as the potential for Government support, the UC Futures initiatives, cash-flows from insurance and the costs of remediation and betterment arising from earthquake damage. Therefore it cannot be considered a definitive statement on the University's long-term prospects.

Further, the Vice Chancellor has said publicly that reductions in staff numbers will be achieved through a variety of means, including attrition. He has requested that all Senior Management Team members continue to carefully scrutinise the staff numbers in their respective areas. As part of that on-going analysis, the Pro-Vice-Chancellors have been asked to ensure that each College has a detailed academic workload framework that sets out teaching, research and university service responsibilities for all academic staff.

In the meantime, the University has announced its intention to initiate a voluntary redundancy programme for continuing staff to try and minimise the extent of possible compulsory redundancies. Any additional support will come through a variety of means. The current UC Futures project, which has involved significant consultation and expert input, is being undertaken to ensure the development of a compelling business case for capital support from Government. With special funding from the UC Foundation the University will, over the next two years, also be increasing its capacity to secure philanthropic support from alumni and other stakeholders.

Taking all this into account, and reflecting the uncertain, fluid and contingent nature of the University's operating environment at present, the University anticipates upwards of 50 positions could be lost year on year for three years, but

- they do not necessarily represent across the board forced cuts (as they may be filled by attrition/non-replacement of vacancies)
- the reduction in numbers may be made via voluntary redundancies
- some compulsory redundancies may be required at some point
- final numbers, costs, liabilities etc... will be determined by the outcomes of the UC Futures Project and subsequent government support, proceeds from insurance, 2013 and beyond student enrolments (both local and international) and/or additional philanthropic support from the wider UC alumni and stakeholder communities.

As a result, the University does not have the specific information you have requested, and therefore cannot supply this information.

The objective of the PricewaterhouseCoopers report that you refer to was provide UC decision makers with an independent view of the process that was undertaken to cost the Change

Proposals relating to the Colleges of Arts and Business and Economics. The document's focus is on the financials specifically associated with the Change Proposals, and not those of the University as a whole. The report is enclosed for your reference.

UC's staff:student ratio as recorded in the 2011 annual report is 1:18.4. Generating the more granular ratios that you requested will require additional staff time/resources, and UC will need to charge for the time involved in generating this under section 18A(1)(a) of the Official Information Act. The University's hourly rate for research of this nature is \$76.00. If you are still interested in this data please let us know and we can provide a time/cost estimate for this work.

Please be advised that you have the right to request the Office of the Ombudsmen to review this decision.

Regards

A handwritten signature in black ink, appearing to read 'Tom Norcliffe', with a long horizontal line extending to the right.

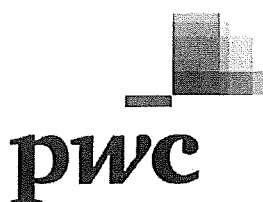
Tom Norcliffe  
Information and Records Manager

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***University of  
Canterbury***  
Internal Audit  
Report – Change  
Proposals review

*FINAL*

*May 2012*



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# *Executive Summary*

In accordance with the Change Proposals Review Terms of References dated 09 May 2012 and 14 May 2012, we report on our review of the Change Proposals prepared by the College Managers of Business and Economics and Arts.

## *Objective and scope*

The objective of this review is to provide members of the Academic Board and University Council with an independent view of the process that has been undertaken to produce the Change Proposals. This will assist in providing an independent overview on the accuracy and reliability of the financial analysis that has been undertaken. The secondary objective was to provide assistance to the College Managers in the development of a Change Proposals Framework. This framework will support College Managers in preparing robust financial information to be used in the decision criteria presented to the Academic Board and University Council.

The review focused on the following areas:


- Review of the Change Proposals submitted by each College
- Through inquiry of management personnel, we obtained an understanding of the processes and procedures in place to ensure the reliability of the data used to support the Change Proposals
- Review of the EFTS comparison data and financial viability of the Change Proposals
- Input to Management on the development of a high level methodology
- Reviewed the input of various scenarios, with assumptions, into the methodology

Based upon the limited review procedures we have performed, the information within the Change Proposals has been verified to supporting information. Our work is not an audit and we relied on the accuracy of source data.

## *High level observations*

- We have reviewed the financial and EFTS information within the Change Proposals
- A number of limitations and assumptions have been made and these are noted within this report
- In our view, the financial and EFTS information within the Change Proposals is reliable
- A high level methodology has been developed in order for Management to make decisions
- The methodology allows for a range of assumptions and scenarios to be considered in relation to EFTS and revenue changes
- The scenarios and high level assumptions are outlined in our report
- The analysis shows that under each of the various scenarios reviewed, there is a potential financial benefit to the University from adopting the Change Proposals.

We would like to extend our appreciation for the assistance provided by staff and management in the completion of this review.



Murray Harrington  
Partner  
Christchurch  
May 2012

# *Background*

## *Approach*

We met with the College Managers to understand the processes used to produce the Business Cases, Decision Making Framework Criteria and Change Proposals. Both College Managers used the recommended templates and the documentation was populated with information sourced from the relevant systems / departments within the University. Our understanding is that the appropriate academic and management personnel, such as Management Accountant, HR Advisor and Pro-Vice-Chancellor (PVC), have been consulted throughout the process.

We have liaised closely with Management around the development of a high level methodology. A number of high level scenarios and assumptions have then been considered using that methodology.

## *People interviewed*

Discussions were held with the following key University staff during this review:

- Keith Longden (Director of Finance)
- Dr Rod Carr (Vice-Chancellor)
- Ann Kilgour (College of Business and Economics Manager)
- Kate Rawlings (College of Arts Manager)
- Andrew Burfield (Senior Human Resources Advisor College of Business and Economics & School of Law)
- Jan Evans-Freeman (Pro Vice Chancellor of Engineering)

## *Documents reviewed*

The following information was provided by the University during this review:

- College of Arts Change Proposal
- College of Business and Economics Change Proposal
- Associated Business Cases
- Associated Decision Making Frameworks
- Associated student and staff data
- Associated revenue and expenditure data

# ***Observations – Change Proposals Methodology***

The high level methodology provides a consistent approach and use of data sources across the respective Colleges in order to provide comparability. The results assist Management to make informed decisions.

## ***High level limitations and assumptions observed within the Change Proposals***

1. All information relating to EFTS has been provided to PwC by University Management, in excel spreadsheet format. We understand that this information has been directly downloaded from “the Cube”. PwC has not done any work on the integrity of “the Cube” or the excel spreadsheets.
2. Staffing data has been provided by HR representatives to individual Colleges. Similarly PwC has not done any verification work on this information.
3. For the purposes of this review PwC has used the Contribution Margin percentages as provided by Management.
4. Within the MSCI Change Proposal there is a proposed salary saving of \$586,356. Our understanding is that this represents the saving of five full time salaries. However, we also understand that two members of staff have chosen voluntary redundancy, meaning these savings would have been realised in any case. The input into the high level methodology represents the saving of three full time salaries.
5. For the purposes of this review PwC has used the severance costs that Management have used in the Colleges Business Cases.
6. In performing our review, we have only reviewed financial information.



## ***1.1 College of Business and Economics – Department of Management – Management Science (MSCI) Group***

High level overview of Change Proposal: Disestablish three FTE academic roles in the Operations Research stream of the Management Science Group. As a result of this five papers would no longer be offered, and the Operations Research Major would be discontinued.

### **Scenarios and result**

Based on the revenue, salary and severance data included within the Change Proposal and Business Case documentation, we have reviewed the three scenarios as below. These scenarios calculate the potential financial benefit to the University as a result of changes to variables highlighted below.

1. Stream discontinued and EFTS leave the University.
2. Stream discontinued and 100% of EFTS Retained within the University.
3. Stream discontinued and 50% of EFTS Retained within the University.

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
Benefit year 1	65,255	508,431	286,843
Benefit year 2	355,939	799,115	577,527

There is a potential overall financial benefit to the University under all three scenarios as a result of disestablishing the stream. The benefit ranges from \$65,255 - \$508,431 in year 1 and \$355,939 - \$799,115 in year 2.

### **High level assumptions**

1. There is no change to the general and overhead related expenses as a result of the discontinuation.
2. Amounts reflected are based on 2011 actual data.
3. EFTS retained will be absorbed into existing infrastructure with no impact on salary or general/overhead costs.
4. EFTS revenue is assumed to remain consistent across the College.
5. The disestablishment of the Operations Research stream excludes MSC101.
6. Severance costs as provided in the original Business Case.

## 1.2 College of Arts – Theatre and Film Studies

High level overview of the Change Proposal: Disestablishment of the Theatre and Film Studies programme including the disestablishment of 5,212 FTE in academic, technical, administration and tutor positions attached to the programme.

### Scenarios and result

Based on the revenue, salary and severance data included within the Change Proposal and Business Case documentation, we have reviewed the four scenarios as below. These scenarios calculate the potential financial benefit to the University as a result of changes to variables highlighted below.

1. Programme discontinued and EFTS leave the University.
2. Programme discontinued and 100% of EFTS & PBRF revenue retained within the University.
3. Programme discontinued and 50% of Undergraduate EFTS not majoring in TAFS revenue retained within the University. Loss of 300 level, postgraduate and PBRF revenue due to students leaving the University.
4. Programme discontinued and all undergraduate EFTS revenue retained. Loss of postgraduate and PBRF revenue due to students leaving the University.

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 4</b>
Benefit year 1	300,210	913,137	477,127	712,805
Benefit year 2	599,110	1,172,037	736,027	971,705

There is a potential overall financial benefit to the University under all four scenarios as a result of disestablishing the programme. The benefit ranges from \$300,210 - \$913,137 in year 1 and \$599,110 - \$1,172,037 in year 2.

### High level assumptions

1. General and overhead related expenses are calculated as a proportion of the programme within the Centre for Fine Arts, Music and Theatre.
2. Amounts reflected are based on 2011 actual data with the exception of personnel expense as per (4) below.
3. EFTS revenue is assumed to remain consistent across the University.
4. Personnel costs only relate to the current years annualised salaries due to a change in the mix of academic and general positions in 2012 (to reflect the Change Proposal positions).
5. Severance costs are as per the Theatre and Film Business Case.
6. 300 level revenue represents students majoring in TAFS. Students taking 100 & 200 level papers currently assumed to not be majoring in TAFS.

### 1.3 College of Arts – American Studies

High level overview of the Change Proposal: Disestablishment of the American Studies Programme which includes five positions (4.0 FTE).

#### Scenarios and result

Based on the revenue, salary and severance data included within the Change Proposal and Business Case documentation, we have reviewed the three scenarios as below. These scenarios calculate the potential financial benefit to the University as a result of changes to variables highlighted below.

1. Programme discontinued and EFTS leave the University.
2. Programme discontinued and 100% of EFTS revenue retained within the University.
3. Programme discontinued and 50% of EFTS revenue retained within the University. Loss of all PBRF revenue due to postgraduate students leaving the University.

	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
Benefit year 1	160,160	1,259,913	671,424
Benefit year 2	524,660	1,624,413	1,035,924

There is a potential overall financial benefit to the University under all three scenarios as a result of disestablishing the programme. The benefit ranges from \$160,160 - \$1,259,913 in year 1 and \$524,660 - \$1,624,413 in year 2.

#### High level assumptions

1. General and overhead related expenses are calculated as a proportion of the programme within the School of Humanities.
2. Amounts reflected are based on 2011 actual data.
3. EFTS revenue is assumed to remain consistent across the University.
4. Severance costs are as per the American Studies Business Case.
5. EFTS revenue materially relates to undergraduate programmes.