

**MEDIA RELEASE****12 June 2015**

## **ACT Government support to the University of Canberra for affordable student accommodation**

The ACT Auditor-General, Dr Maxine Cooper, today presented the report on the **ACT Government support to the University of Canberra for affordable student accommodation** to the Speaker for tabling in the ACT Legislative Assembly.

Dr Cooper says ‘the audit on the ACT Government’s support to the University of Canberra for affordable housing found that the Government’s administrative and decision-making processes were effectively undertaken. Importantly, this included Cabinet being provided with frank advice. Furthermore, a due diligence process guided the management of risks to the Territory’.

The University sought significantly more support than that which was subsequently agreed. It sought approval to borrow up to \$220 million, which included a \$150 million loan from the Territory that would be subordinated to other lenders. The ACT Government only agreed to a borrowing limit of \$144 million and non-subordinated ACT Government loans up to \$97.4 million.

Dr Cooper says ‘the University, with the support of the ACT Government, took the opportunity to use the National Rental Affordability Scheme to provide affordable accommodation. Under this scheme, the University was to supply 1,000 new dwellings. Six hundred and five of its planned 648 dwellings have been completed; the remaining 352 dwellings (35 percent) are at risk of not being completed by July 2016. The University has advised that it has been considering a number of options for meeting the target but it has not been satisfied with any proposed commercial arrangements’.

The University has repaid most of its debt to the ACT Government using funds from the sale of its future National Rental Affordability Scheme entitlements to Westpac. It now only has one loan with the ACT Government, the outstanding balance of which was \$31.4 million as at 31 December 2014. The arrangement with Westpac has given rise to an ongoing financial liability for the University and an obligation to Westpac for ensuring that National Rental Affordability Scheme dwellings are effectively managed so that Westpac receives the entitlements payments from the Australian Government. While future payments from the Australian Government for entitlements were always contingent on the University’s effective management of its National Rental Affordability Scheme eligible properties, there is now a commercial remedy available to Westpac should it not do so.

Dr Cooper says ‘while in the last six years, particularly since 2010, the University has significantly increased its debt to ACT Government and non-Government lenders, it has advised that this is primarily due to its investment in accommodation for students and an overall growth and asset renewal strategy, which it regards as essential for its future growth and continued viability.

However, given the additional debt, the UC's capacity to sustain unexpected future financial shocks is at risk'.

Modelling undertaken by the University indicates that it has the capacity to repay its debts to the ACT Government. This is based on its ability to generate operating surpluses, primarily through revenue from the growth of students.

Dr Cooper says 'not achieving growth targets for student enrolments, or experiencing a reduction in growth, presents a financial risk to the University. Nevertheless, the University has advised that, should student growth targets not be achieved, it has a range of options open to it to ensure that its debt is repaid'.

Copies of the **ACT Government support to the University of Canberra for affordable student accommodation** Report No. 4/2015, are available from the ACT Audit Office website [www.audit.act.gov.au](http://www.audit.act.gov.au) . If you need assistance accessing the report please phone 6207 0833 or go to 11 Moore Street, Canberra City.