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THE LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

Government Response to the Auditor General Report No 4 of 2015 - ACT Government Support to the University of Canberra for affordable student accommodation

Presented by
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Chief Minister

INTRODUCTION

As part of the 2014-15 Performance Audit Program, the Auditor-General undertook a review of ACT Government support to the University of Canberra for affordable student accommodation.

The Audit looked to examine whether:

- ACT Government administrative and decision-making processes associated with the provision of the support were appropriate, including due diligence activities prior to the provision of loans and a credit card facility; and
- The ACT Government's support for the University of Canberra, for the provision of affordable accommodation to students, has achieved intended ACT Government outcomes.

In examining the ACT Government's due diligence activities prior to the provision of loans and a credit card facility, the audit gave due consideration to the University of Canberra's capacity to repay any debts owed to the ACT Government.

The Auditor-General's Performance Audit Report No. 4/2015 – *ACT Government Support to the University of Canberra for Affordable Student Accommodation* (the audit report) at Attachment B was tabled on 12 June 2015.

GOVERNMENT RESPONSE:

Recommendation 1: *The ACT Government should require the UC to provide an independent credit rating from a recognised credit rating agency before considering any further financial or other support for the UC.*

Response: AGREED-IN-PRINCIPLE
Any future loans or credit facilities offered by the ACT Government would be dependent on UC's future financial plans, and associated extent of the potential increase in financial liabilities.

A credit rating is one tool available in the overall due diligence/risk assessment process, and attainment by UC of a high credit rating would not necessarily be the sole basis for support of a new borrowing or borrowing limit. Any future assessment by the ACT Government (subject to the specific details) will likely warrant the utilisation of specialist external advice.

Recommendation 2: *The ACT Government should review the UC's performance in providing affordable accommodation to students against objectives and outcomes sought by the provision of ACT Government funding.*

Response: AGREED-IN-PRINCIPLE
Noting the short period that much of the accommodation has been operating for, it is considered premature to review the projects at such an early stage. Nonetheless, the Government will continue to monitor performance and undertake reviews at an appropriate time.

Recommendation 3: *The Chief Minister, Treasury and Economic Development Directorate should monitor risks to the Territory associated with the UC's debts and its capacity to repay its debts and brief the Chief Minister and Treasurer on the effectiveness of the UC's strategies to address the potential risks.*

Response: AGREED
The current remaining loan agreement with the ACT Government imposes a range of reporting obligations on UC for the objective of assessing financial risks and capacity to repay debt.

Recommendation 4: *The ACT Government and the University of Canberra should assess the level of ACT Government support that has been provided for the purpose of the NRAS and make any necessary adjustments should a shortfall occur in the provision of student accommodation against the target.*

Response: AGREED

Given NRAS is a 10 year scheme with contributions determined by a number of variables over time, the ACT Government will assess the level of support that has been provided and whether adjustments are required, at the end of the NRAS period.

Recommendation 5: *The University of Canberra should determine the future use for Arscott House. If it is not to be used for student accommodation or educational purposes as planned and changes to the use require a change in lease whereby the property value exceeds that provided by it in support NRAS ($9.0 million) it would be equitable for an appropriate adjustment to be made to the ACT Government.*

Response: NOTED
The future use of Arscott House is a matter for UC to determine. However any change of use of the facility would be subject to standard lease variation charges and/or lease deconcessionalisation charges.