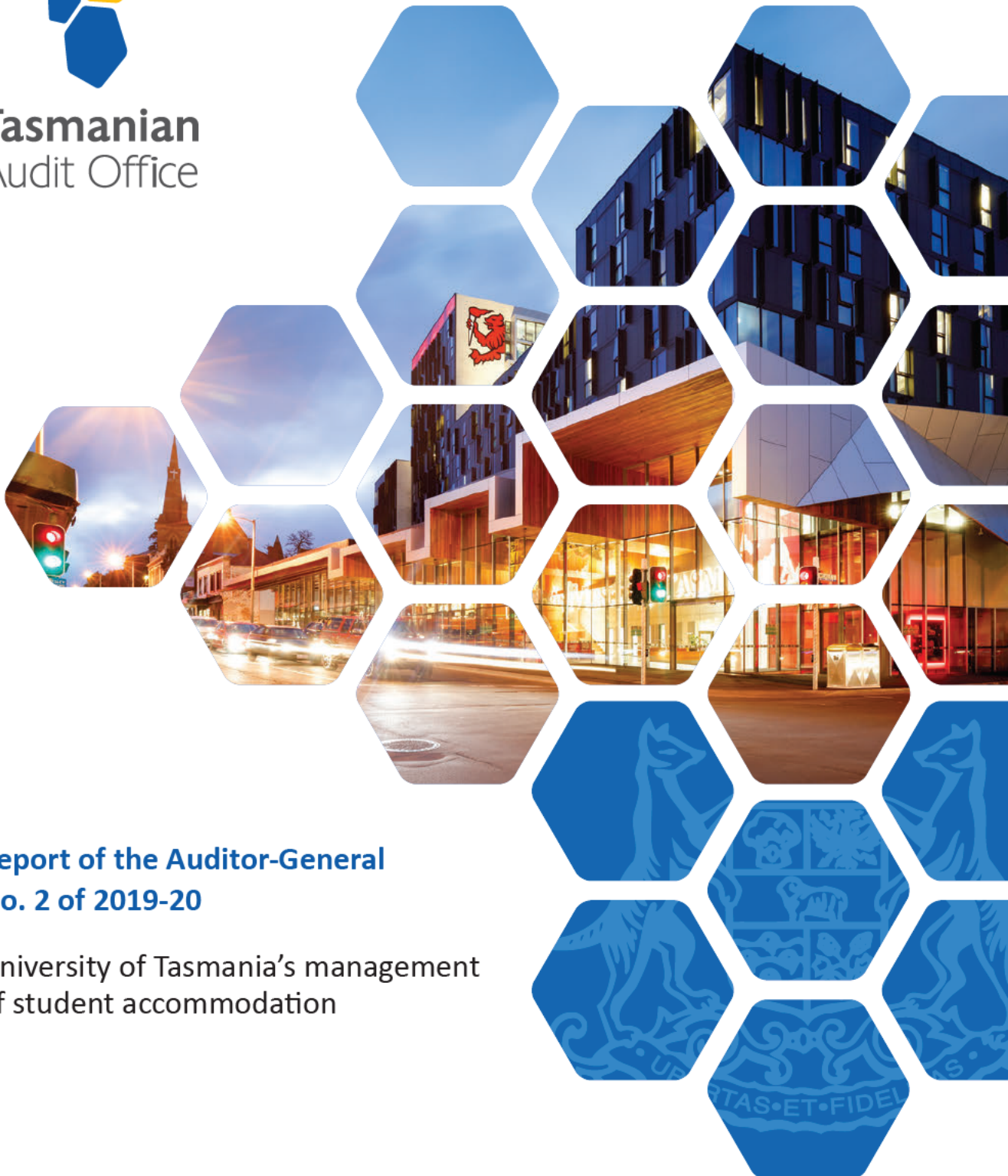




Tasmanian
Audit Office



**Report of the Auditor-General
No. 2 of 2019-20**

University of Tasmania's management
of student accommodation

October 2019

THE ROLE OF THE AUDITOR-GENERAL

The Auditor-General's roles and responsibilities, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008* (Audit Act).

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. State entities are defined in the Interpretation section of the Audit Act. We also audit those elements of the Treasurer's Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing their financial reports, enhancing their value to end users.

Following financial audits, we issue a variety of reports to State entities and we report periodically to the Parliament.

We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number of State entities.

Compliance audits are aimed at ensuring compliance by State entities with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), account balances or projects.

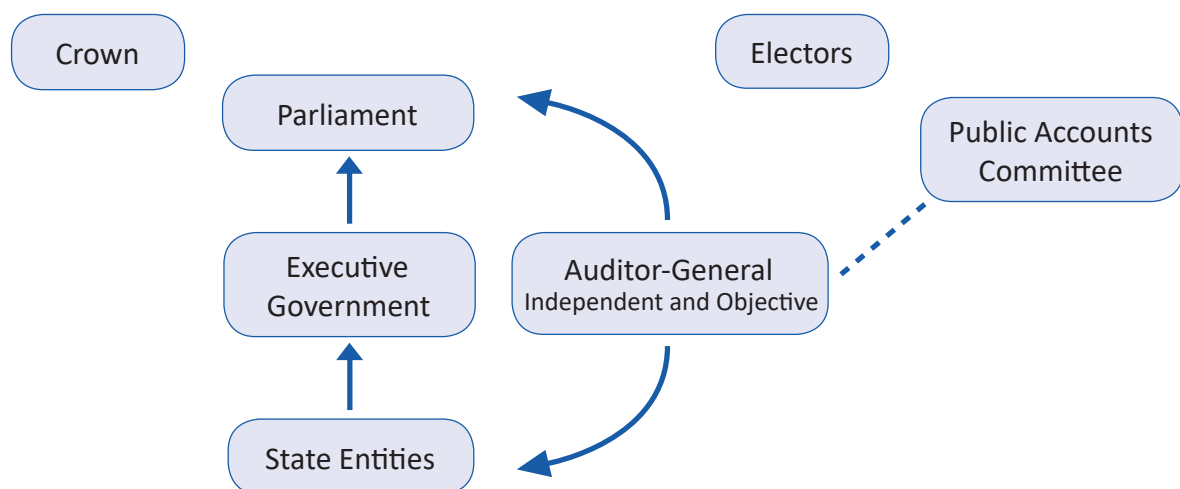
We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

Performance and compliance audits are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General's reports to the Parliament normally tabled in May and November each year.

Where relevant, the Treasurer, a Minister or Ministers, other interested parties and accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses, or summaries thereof, are detailed within the reports.

THE AUDITOR-GENERAL'S RELATIONSHIP WITH THE PARLIAMENT AND STATE ENTITIES

The Auditor-General's role as Parliament's auditor is unique.





TASMANIA

2019
PARLIAMENT OF TASMANIA

Report of the Auditor-General No. 2 of 2019-20

University of Tasmania's management of student accommodation

17 October 2019

Presented to both Houses of Parliament pursuant to
Section 30(1) of the *Audit Act 2008*

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ISBN: 978-0-6485091-5-8



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17 October 2019

Mr President
Legislative Council
HOBART

Madam Speaker
House of Assembly
HOBART

Dear Mr President
Dear Madam Speaker

REPORT OF THE AUDITOR-GENERAL

No. 2 of 2019-20: University of Tasmania's management of student accommodation

This report has been prepared consequent to examinations conducted under section 23 of the *Audit Act 2008*. The objective of the performance audit was to express an opinion on the effectiveness of the University of Tasmania's management of student accommodation.

Yours sincerely

Rod Whitehead
Auditor-General

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AUDITOR-GENERAL'S INDEPENDENT ASSURANCE REPORT

This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my performance audit on the management of student accommodation by the University of Tasmania (the University).

AUDIT OBJECTIVE

The objective of this audit was to express an opinion on the effectiveness of the University's management of student accommodation.

AUDIT SCOPE

The audit scope covered accommodation facilities owned by the University.

The audit examined the University's management of student accommodation from January 2012, being the date the University Council decided to commit to the construction of new Purpose Built Student Accommodation (PBSA) facilities in Hobart, Launceston and Burnie.

The audit scope did not include:

- accommodation that was not owned by the University, such as Homestay¹ and private accommodation arrangements
- University-owned student accommodation properties managed by the College of Health and Medicine
- student accommodation provided in residential properties formerly owned by the University
- student safety and security outside of student accommodation.

AUDIT APPROACH

The audit was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements* issued by the Australian Auditing and Assurance Standards Board, for the purpose of expressing a reasonable assurance conclusion.

The audit evaluated the following criteria and sub-criteria:

1. Does the University have a strategic approach to delivering student accommodation?
 - 1.1 Is the provision of student accommodation aligned to the strategic direction of the University?
 - 1.2 Is the student accommodation strategy supported by student demand forecasts?
 - 1.3 Does the student accommodation strategy incorporate stakeholder input and engagement?
2. Does the accommodation meet student expectations?
 - 2.1 Is the accommodation provided on a fair and equitable basis?
 - 2.2 Is accommodation delivered to an acceptable standard? (Soft facilities management covering services provided to the students occupying the building)
 - 2.3 Is student personal safety and security effectively managed?
3. Are student accommodation facilities effectively managed?
 - 3.1 Does the University manage student accommodation assets on a whole-of-lifecycle basis?

1 Homestay is where students stay with a host family.

- 3.2 Are the student accommodation facilities maintained to an acceptable standard?
(Hard facilities management incorporating the maintenance and replacement of the infrastructure of the buildings)
- 4. Is the financial management of student accommodation effective?
 - 4.1 Does the University have an effective approach to funding new student accommodation?
 - 4.2 Is there clear reporting of financial outcomes from the provision of student accommodation?

MANAGEMENT RESPONSIBILITY

The University was responsible for the effective and efficient management of student accommodation at the facilities it owns.

AUDITOR-GENERAL'S RESPONSIBILITY

In the context of this audit, my responsibility was to express a reasonable assurance conclusion on the effectiveness of the University's management of student accommodation.

INDEPENDENCE AND QUALITY CONTROL

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this audit.

AUDITOR-GENERAL'S CONCLUSION

It is my conclusion that the management of student accommodation by the University as measured against the audit criteria was, in all material respects, performed effectively.



Rod Whitehead
Auditor-General
17 October 2019

EXECUTIVE SUMMARY

SUMMARY OF FINDINGS

Having good quality, well maintained and secure accommodation is an important aspect of a student's experience while attending university. Not only is it important to the students' quality of life and wellbeing, it also contributes towards a university's reputation and ability to attract students.

The provision of an appropriate amount and standard of accommodation to meet fluctuating demand can be a significant challenge. That challenge can be even greater if the local housing market has shortages of affordable rental accommodation. This issue is particularly pertinent for the University in Hobart where the rental market for a number of years has had limited affordable accommodation. This has put pressure on the University to help provide suitable accommodation for students.

The University has also had to contend with changes in demand for accommodation with more international students attending and whose preference is to stay in University managed accommodation. Because of the tight rental market, domestic students are also opting to continue in University managed accommodation rather than entering the private rental market after their first year of study.

Our view is that the University has planned for and dealt with these challenges well. There is a strategic approach to its acquisition, disposal and maintenance of student accommodation that has been articulated in various strategies over the past decade. These strategies are based on well-researched information and help guide the University's approach. There was also an agile approach when less predictable changes to the local property market put more pressure on the need for affordable student accommodation. The University quickly acquired accommodation, ensuring appropriate consideration was given to suitability, location and the need to accommodate students at relatively short notice.

The University has, like several other Australian universities, shifted the management and maintenance of its student accommodation to a private contractor. The University appointed Spark Living Consortium as the private contractor to fulfill this function, which has enabled it to shift the responsibility of being a landlord. The arrangement allows for investment in asset management and maintenance by Spark Living Consortium and importantly also provides an option for them to invest in new purpose-built accommodation. External funding to support investment in student accommodation has also been obtained in the form of Australian Government grants.

The quality of accommodation meets compliance standards while maintenance generally achieves key performance indicator (KPI) targets regarding quality and timeliness.

There is a planned and strategic approach to provide for current and future demand for accommodation. This approach is enhanced by linking other strategies including environment, student wellbeing, diversity and inclusion, and safety ensuring a holistic approach to the provision of suitable accommodation.

Engagement with stakeholders was broadly satisfactory concerning the development of student accommodation but this is an area that could be improved. A more planned approach would ensure all stakeholders are appropriately consulted. This is particularly important when linked to major transformation projects such as the relocation of the University campuses to city centres and its impact on local accommodation.

Information obtained from student surveys highlights a level of dissatisfaction with certain aspects of the accommodation. These include affordability, diversity and inclusion and maintenance. Although the numbers of students responding to these surveys was low, the results were not encouraging. Our discussions with student advocates also suggested

a level of dissatisfaction. While it will be important for the University to understand and act on these responses, it will also be important to gain broader insights. The University should explore improved methods of getting a wider view of student satisfaction concerning accommodation.

With most student accommodation now managed by Spark Living Consortium it will be important the University ensures its accommodation strategies and approach to asset management are clear and aligned. While we found the University has a strategic approach to the provision of student accommodation, this could be more clearly articulated with related strategies to ensure their alignment and to better communicate the University's intentions. While there is a strong approach to asset management, the University's asset management framework had not been updated since 2014. To ensure its strategic intentions are aligned with contracted out asset management it will be important for this to be reviewed and updated.

We conclude that overall, the University has reacted well to changing and challenging circumstances in the Tasmanian accommodation markets, ensuring demand for student accommodation is met. The University has a strategic approach to supporting affordable and suitable accommodation that is appropriately maintained. There are a number of areas where improvements could be made and we have made four recommendations to help the University more clearly articulate and communicate its strategic approach and gain better insights into student satisfaction.

We thank the University and key stakeholders for their assistance in undertaking this audit.

RECOMMENDATIONS

We recommend the University:

1. Continue with the development and implementation of an overarching student accommodation strategy that would better articulate the linkages from supporting strategies in governing student accommodation.
2. Develop and implement an agile engagement and communication framework to improve the University's engagement with internal and external stakeholders regarding acquisition and development of student accommodation facilities.
3. Review and update the *Strategic Asset Management Framework* to ensure the University's change in operating model for its student accommodation facilities is reflected in the Framework, and includes the process for approving the maintenance provider's suite of asset management plans to ensure they align and support the University's existing asset management policies and strategies.
4. Review and improve engagement with students to obtain a broader understanding of student satisfaction levels and drive improvement in the provision of student accommodation.

SUBMISSIONS AND COMMENTS RECEIVED

In accordance with section 30(2) of the *Audit Act 2008* (Audit Act), a copy of this report was provided to the Chancellor and Vice Chancellor of the University. A summary of findings or report extract was provided to the Treasurer, Minister for Education and Training, Spark Living Consortium and any other entities who, in my opinion, had a special interest in the report, with a request for submissions or comments.

Submissions and comments that we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by the University were considered in reaching our conclusions.

Section 30(3) of the Audit Act requires that this Report include any submissions or comments made under section 30(2) or a fair summary of them. Submissions received are included in full below.

University of Tasmania

The University of Tasmania welcomes the findings of the Auditor-General's report into the management of student accommodation.

In particular, we welcome the report's conclusion that the University has reacted well to changing and challenging circumstances in the Tasmanian accommodation markets, ensuring demand for student accommodation is met and that the University has a strategic approach to supporting affordable and suitable accommodation that is appropriately maintained.

The University accepts that there are several areas where improvements could be made and we accept, in principle, the four recommendations to help more clearly articulate and communicate our strategic approach and gain better insights into student satisfaction.

The implementation of a clear strategy over the past 5 years has enabled the University to proactively access capital to support additions to University accommodation that assist students with affordable housing. We will continue to review our strategies regularly to reflect changes in the market place, student needs (and preferences) and the educational and research outcomes of the University. As an example, we reshaped our Student Living Model in 2019 to improve the overall student experience, with a particular focus on student engagement and wellbeing. This has included the provision of three new senior Heads of Student Living to focus on each precinct (Sandy Bay, Hobart and North) and the revision of support roles and rosters within living communities. In line with these strategies, when proposing new student accommodation facilities, we commit to establishing a framework to better communicate and engage with all stakeholders.

The Strategic Asset Management Framework will be updated to reflect recent changes to the operating model for our student accommodation facilities. This will include due consideration of processes to align related University policies and strategies with the asset management plans of our maintenance providers.

The University is committed to responding to the student voice and understands that the continuous improvement of our student accommodation service depends upon current and relevant data, obtained through student surveys and other sources. Notwithstanding the challenges in achieving strong participation rates, in 2019 we introduced a new student survey to provide baseline data for assessing student satisfaction with our delivery model over the next 5 years. This survey together with other forms of student engagement, including broadening of the Student Leader Network to ensure improved engagement between students and staff, will enable the University to address areas of student satisfaction collectively and more responsively.

Thank you for this opportunity to respond to the Auditor-General's report.

Hon Michael Field AC
Chancellor

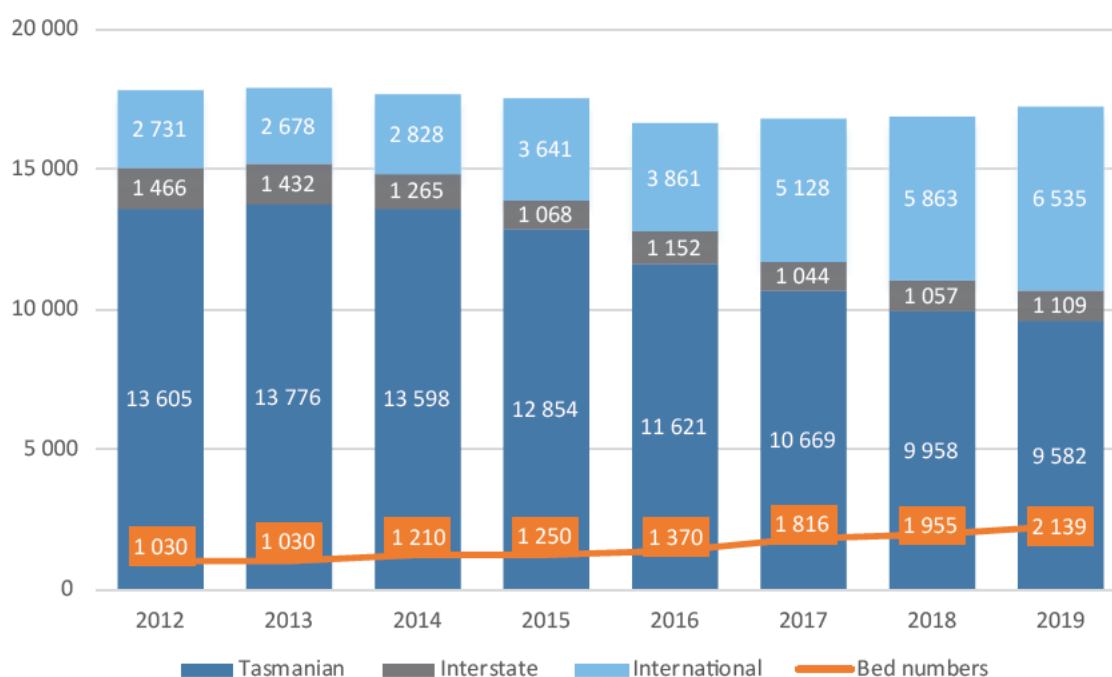
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1. INTRODUCTION

UNIVERSITY OF TASMANIA

- 1.1 The University was founded in 1890 and is Tasmania's only university. The University has campuses within the three main regions of Tasmania – Hobart in the south, Launceston in the north and Burnie in the north-west, together with campuses at Darlinghurst and Rozelle in Sydney.
- 1.2 Figure 1 shows the number of Tasmanian on-campus or mixed (students studying a combination of distance and on-campus courses) enrolments for Tasmanian, interstate and international students from 2012 to 2019. It also shows the number of University-owned student accommodation beds available over this period.²

Figure 1: Student on-campus and mixed enrolments for Tasmanian campuses and student accommodation bed numbers from 2012 to 2019



Source: Tasmanian Audit Office (TAO), University. Note: Figure 1 does not include enrolled students who undertake all their studies off-campus or who are studying on campus at Darlinghurst or Rozelle in Sydney.

- 1.3 Figure 1 shows:
- total on-campus and mixed enrolments dropped from 17 802 in 2012 to 17 226 in 2019, a decrease of 3%
 - Tasmanian student on-campus and mixed enrolments dropped from 13 605 in 2012 to 9 582 in 2019, a decrease of 30%
 - interstate student on-campus and mixed enrolments dropped from 1 466 in 2012 to 1 109 in 2019, a decrease of 24%
 - international student on-campus and mixed enrolments rose from 2 731 in 2012 to 6 535 in 2019, an increase of 139%.

These changes in enrolments have impacted the amount and nature of the required student accommodation. The number of beds in University-operated student accommodation rose from 1 030 in 2012 to 2 139 in 2019, an increase of 108% (see Figure 1).

2 Note: does not include beds from non-University operated student accommodation such as Mount Nelson Villas, Heathfield Apartments, Atrium Apartments and Norfolk Hall.

- 1.4 The continued growth in students residing in Tasmania has attracted public interest, with concern expressed around:
- international student growth placing further demand pressure on the private rental market
 - existing students in PBSAs being displaced by new students with little notice
 - the number of property acquisitions undertaken by the University in the Hobart central business district (CBD), including those for the purpose of increasing student accommodation.

STUDENT ACCOMMODATION

- 1.5 Student accommodation is an important consideration for students who have to relocate in order to attend university. Historically, the University's accommodation strategy relied on the private rental market supplying approximately 80% of student accommodation, with the University's PBSAs providing the remaining 20%.
- 1.6 The University currently operates in a challenging environment with external factors impacting on the availability of student accommodation. Since 2017, the private rental market has become problematic for students, especially in Hobart, due to decreasing vacancy rates and increasing rental prices resulting from high rates of employment, population growth and increasing house prices.³ The scarcity and cost of accommodation has resulted in changing student preferences with more students returning to University accommodation.
- 1.7 Student accommodation provided by the University in Hobart has achieved full occupancy (an occupancy rate of 98% or above) every year since 2014, with an increasing number of students on the waiting list for University accommodation. Similarly, Launceston and Burnie have waiting lists for students wanting to move to more desirable self-contained studio apartments.
- 1.8 The University is focused on improving the student experience by attracting and supporting a diverse cohort of students in the pursuit of their educational outcomes. This includes strengthening the residential culture within student accommodation as it contributes to the vibrancy of living on-campus. This is a key driver for the University to provide suitable student accommodation.
- 1.9 To accommodate the increasing number of students requiring accommodation, the University constructed a number of PBSA facilities or acquired and modified suitable properties, such as existing hotels in Hobart. There are a number of perceived benefits of PBSAs for students with safety and security being a major factor. Newer PBSA facilities are of a better standard than existing student accommodation and include more studio apartments and are in close proximity to the city centres of Hobart, Launceston and Burnie. The University accessed the National Rental Affordability Scheme (NRAS), an Australian Government initiative to encourage large-scale investment in housing by offering financial incentives to provide accommodation to people on low incomes.⁴ Table 1 summarises the University's student accommodation portfolio.

3 Department of Treasury and Finance, *Housing rental market trends in Tasmania – analysis of recent trends and assessment of data quality (Information Paper)*, Tasmanian Government, June 2018, p. ii

4 National Rental Affordability Scheme Act 2008, *An Act to provide for the establishment of the National Rental Affordability Scheme and for related purposes*, No. 121, 2008 (Austl.).

Table 1: The University's student accommodation

Accommodation	Number of beds
Hobart	
Hobart Apartments	446
MidCity Apartments	160
Christ College	201
John Fisher College	110
University Apartments	173
Fountainside	75
31 Campbell (Theatre Royal)	14
Heathfield at the 'Con'	12
<i>In development</i>	
Repurposed Commerce Building	88
Sandy Bay the 'Annexe'	183
PBSA2 (Hobart)	422
Launceston	
Newnham Apartments	180
Investigator Hall	279
Kerslake Hall	109
Leprena	158
Inveresk Apartments	120
Burnie	
West Park Apartments	40

Source: University. Note: The proposed PBSA3 (Hobart) will provide an additional 440 beds. Mt Nelson Villas has been taken off-line and leased privately.

- 1.10 In addition, to the accommodation listed in Table 1 the University also offers:
- off-campus Homestay and under-18 Homestay options for international students
 - access to the non-University operated Jane Franklin Hall in Hobart, which has 180 beds
 - access to Atrium Apartments in Burnie for medical students, which has 30 beds
 - accommodation through the College of Health and Medicine for medical students undertaking placements in rural and regional areas
 - access to the Australian Maritime College's (AMC) operated Norfolk Hall on the Newnham campus, which has 20 beds
 - facilitated access to private rental accommodation for students.
- 1.11 Due to factors, such as an increasing student demand for accommodation and positive rental revenue growth, student accommodation is emerging as an asset class of its own that is attractive to investors. The investment in PBSAs has led to new management and financing models emerging throughout Australia for the provision of student accommodation.

Figure 2: Inveresk Apartments, Launceston



Source: University

PURPOSE BUILT STUDENT ACCOMMODATION AGREEMENT WITH THE SPARK LIVING CONSORTIUM

1.12 In 2016, the University engaged a consultant to assist it monetise its investment in 10 PBSA facilities. At this time, both the Australian National University and the University of Wollongong had entered into similar transactions. The PBSA facilities included:

- Hobart Apartments
- Christ College
- John Fisher College
- University Apartments
- Newnham Apartments
- Investigator Hall
- Kerslake Hall
- Leprena
- Inveresk Apartments
- West Park Apartments.

1.13 The University envisaged such a transaction would:

- provide the University with an upfront payment from an investor
- transfer risk and responsibility to an investor
- provide the University with flexibility to initiate future student accommodation developments
- achieve desired balance sheet gearing outcomes
- fit with the University's wider academic and non-academic strategy.

- 1.14 After completing a tender process, the University announced Spark Living Consortium, a partnership between Dutch Infrastructure Fund and Tetris Capital (a Melbourne-based investor and advisor) as the preferred investor. Spark Living Consortium was awarded a 30-year contract, which gives it the income stream from rents generated by the assets in return for maintaining the properties and paying an upfront payment to the University. Spark Living Consortium was also granted a right of first offer to finance and construct new PBSA facilities and/or receive revenue from any new PBSA facilities, once constructed.
- 1.15 Under the PBSA Agreement, the University retains legal title to the facilities and responsibility for collecting rents on behalf of Spark Living Consortium, marketing, student support services and back-office management activities.

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2. DOES THE UNIVERSITY HAVE A STRATEGIC APPROACH TO STUDENT ACCOMMODATION?

We assessed whether the University had a strategic approach to student accommodation by determining whether the:

- provision of accommodation was aligned to the strategic direction of the University
- strategy was supported by student demand forecasts
- strategy incorporated stakeholder input and engagement.

SECTION SUMMARY

Overall, we found the University had a strategic approach to the provision of student accommodation but this approach could have been more clearly articulated. There were various strategies developed over time that informed the University's approach. These included the construction of new student accommodation in, or near to, the city centres of Hobart, Launceston and Burnie. Furthermore, the approach by the University to student accommodation has been articulated in various whole-of-University strategy documents, risk strategies and internal University Council reports.⁵ This approach enabled the University to be agile and meet changing demands for student accommodation.

However, there is a need for a clearer articulated overarching student accommodation strategy, which aligns with other University strategies, to clearly articulate the University's strategic intentions for student accommodation and to better inform internal and external stakeholders. The University also needs to ensure a strong link between asset management, contract management and other strategies with the approach taken regarding the provision of student accommodation. An improved approach to student engagement regarding the provision of student accommodation is needed. The University recognises the need to better articulate its approach and is developing a statewide student accommodation strategy, which is expected to be completed by the end of 2019.

THE UNIVERSITY'S APPROACH TO STUDENT ACCOMMODATION SUPPORTED ITS VISION TO ENHANCE THE STUDENT EXPERIENCE AND MEET FUTURE ACCOMMODATION NEEDS

- 2.1 It is important the University bases decisions on student accommodation within the context of the broader University strategy, with appropriate planning and business cases to support developments and acquisitions. If student accommodation is not coordinated with the overall strategy, there would be a risk of inappropriate development and siting of accommodation facilities.
- 2.2 In December 2010, the University Council considered the use of Australian Government subsidised NRAS funding to help meet expected future demand for on-campus student accommodation. A bid was subsequently lodged for 770 self-contained studio apartments, with 300 allocated for Launceston and 470 allocated for Hobart. The bid was successful with the apartments initially expected to be constructed in 2012 and 2013.
- 2.3 The accommodation strategy was revised in August 2011 with the release of the *Student Residential Accommodation Strategic Plan 2012-2015*. This plan recognised the availability of quality, secure, affordable and supported residential accommodation was a significant factor in the University's ability to attract and retain students. Diverse and welcoming residential communities would contribute to the student experience at the University and support engagement and retention rates. As well as acting as an important determinant of a student's success, the quality and choices of

⁵ The University Council is the governing body of the University of Tasmania. It is established by the *University of Tasmania Act 1992*.

accommodation impact strongly on the reputation and desirability of the University as a higher education destination.

- 2.4 In 2012, the University's new strategic direction, *Open to Talent Strategic Plan 2012-onwards* (Open to Talent) was released. This plan expressed the University's intent to enhance the vibrancy of its campuses and the vitality of the student experience by consolidating its infrastructure at each of its locations so as to effectively integrate learning and research facilities, student accommodation and social spaces. This approach recognised the social, cultural, economic and intellectual benefits associated with university activity and were a feature of many of the world's most liveable cities. Open to Talent recognised that Tasmanian communities could be invigorated through greater student interaction, especially at the Domain campus in Hobart and the Inveresk campus in Launceston. This ultimately would guide the placement of accommodation, research and teaching facilities at or near these locations. Included in Open to Talent were strategies to attract more Tasmanians to higher education and to work in partnership with key stakeholders to prepare for an anticipated increase in international students. Furthermore, the University envisaged that campus redesign would improve the overall student experience by providing inviting spaces for group study, expanded and improved student accommodation and high quality catering.
- 2.5 In line with the Open to Talent strategy, in December 2012 the University Council sought approval from the Australian Government to construct 40 NRAS apartments in Burnie, 180 in Newnham, 120 in Inveresk and 430 in the Hobart CBD. Approval was received from the Australian Government in January 2013.
- 2.6 Between 2010 and 2017, the University's focus for student accommodation was primarily on the construction of the NRAS funded apartments. The alignment of the placement of this accommodation was in close proximity to learning and research facilities to maximise the student experience and the social, cultural, economic and intellectual benefits associated with University activity. Appendix 1 provides a timeline of University strategies and key events related to student accommodation since 2009.

THE NORTHERN TRANSFORMATION PROGRAM CLARIFIED THE UNIVERSITY'S INTENT OF SITING STUDENT ACCOMMODATION AT WEST PARK AND INVERESK

- 2.7 In May 2015, the University announced the signing of a Memorandum of Understanding (MOU) between the University, Tasmanian Government, Launceston City Council and TasTAFE, paving the way for formal discussions on the establishment of a new University campus in central Launceston at Inveresk. Shortly after this announcement, the Treasurer, announced funding of \$60m for the Northern Cities Major Development Initiative in the 2015-16 State Budget Speech. This initiative included the University's Launceston campus relocation project and enhancing the University's presence in Burnie. Nine months later, in February 2016, the University announced the signing of a MOU between the University, Tasmanian Government, Burnie City Council, Cradle Coast Authority and TasTAFE, committing to discussion on further development of the West Park precinct in Burnie to create an internationally competitive higher educational hub.
- 2.8 Following the signing of the Launceston and Burnie MOUs, in March 2016 the University released *Transforming lives. Transforming cities*, which outlined a stakeholder partnership approach to delivering an education-driven revitalisation of Northern Tasmania (the Northern Transformation Program). A key component of this program, was relocation of the Burnie Cradle Coast campus to West Park and the Launceston teaching and research facilities, except those associated with AMC, from the Newnham to Inveresk campus at a cost of \$300m. The cost was to be funded through contributions from the Tasmanian and Australian Governments, the Launceston and Burnie City councils and the University.

- 2.9 Whilst the Launceston and Burnie MOUs and the Northern Transformation Program were announced after construction of new student accommodation at West Park and Inveresk had commenced, it is evident the University had a clear intent to revisit the location of its northern campuses. Open to Talent clearly articulated the benefits to be realised by constructing new student accommodation in close proximity to new learning and research facilities and social spaces closer to the city centres.

Figure 3: West Park Apartments, Burnie



Source: University

ENHANCING THE POSITIVE IMPACT OF MAJOR UNIVERSITY DEVELOPMENTS IN THE HOBART CENTRAL BUSINESS DISTRICT

- 2.10 Since the mid-1980s, significant parts of the University have moved into Hobart's inner city, including the Medical Science Precinct, Tasmanian College of the Arts and the Institute for Marine and Antarctic Studies. The provision of student accommodation to support this increase in teaching and research activity within the Hobart CBD was an integral part of the University's strategy and business model, as articulated in:
- MOUs entered into with the Hobart City Council in 2009 and 2015, which recognised the benefit of collaborating on the implementation of the University's plans as they related to the Hobart CBD and investigating opportunities for economically and environmentally sustainable developments for education facilities and student amenities.
 - The Open to Talent strategy, which aligned with the University's decision to construct the Hobart Apartments in Melville Street in 2012 and the subsequent purchase of the former Red Cross Building in Melville Street in 2017 and adjoining properties in Elizabeth Street in 2018 for the purpose of constructing an additional 422 unit student accommodation facility (referred to as PBSA2).
 - The University's *Impact Statement 2016-2017*, which envisaged the University being an 'anchor' institution engaged in an ambitious program of inner city infrastructure development, injecting new life, energy and economic stimulus to the CBDs of Tasmania's cities. The vision included enhancing the student experience both academically and socially.

- 2.11 The University's intent with respect to its investment in the Hobart CBD was further clarified in April 2019 when the University announced its intention to relocate from the Sandy Bay campus to embrace a future built around a city-centric model over a 10 to 15 year period. Shortly after this announcement, the University acquired the Kemp and Denning (K&D) Warehouse site in central Hobart, which is earmarked for the development of a third PBSA, expected to commence in 2022.

THERE IS NO OVERARCHING STRATEGY BUT A STRONG ALIGNMENT WITH THE APPROACH TO STUDENT ACCOMMODATION WITH OTHER UNIVERSITY STRATEGIES

- 2.12 There is a strong alignment between the University's strategies and its approach to student accommodation. While the University has not developed an overarching accommodation strategy, we noted student accommodation is a key element in the Open to Talent strategy and the University's MOUs with the three city councils.
- 2.13 From May 2016, the student accommodation strategy was influenced by the University's development of a strategic capital management framework, which included the opportunity to monetise the University's investment in student accommodation facilities. This was progressed further in September 2016 when the University Council appointed a consultant to advise on a possible student accommodation transaction to monetise the University's PBSAs. This strategy was expected to:
- underpin the University's capacity to support student growth targets and future transformation plan
 - enable the University to retain legal ownership and title over the PBSA assets, together with control over the delivery of the accommodation experience for students including student pastoral care, marketing, management and allocation of students to the accommodation assets
 - generate efficiencies by consolidating the existing range of contracts already outsourced by the University for capital repairs and maintenance of student accommodation assets into a single contract with an experienced provider
 - provide an investor with a long-term licence over the PBSA assets to take on responsibility for the maintenance and upgrade of the buildings
 - provide the University with flexibility to implement necessary future student accommodation asset developments, with appropriate first refusal rights granted to the investor
 - fit in with the wider academic and non-academic strategy of the University
 - contemplate a level of flexibility for the University to adjust for strategic decisions that may be made over the coming 30 years, including accommodating for future campus relocations, generating off-peak (summer rental) usage and revenue and increasing rental income post-NRAS expiry.

Since May 2016, the accommodation strategy evolved in accordance with the monetisation strategy with regular updates provided to the University Council.

- 2.14 In November 2018, the University released its *Strategic Direction* document which discussed the importance of the University remaining place-based but globally connected. Post release actions included the development of a five-year strategic planning process which commenced in early 2019. Each College and Division was tasked with developing individual plans consisting of key strategies and measures to implement these strategies. This culminated in the release of the University's *Strategic Plan 2019-2024* in July 2019. The *Strategic Plan 2019-2024* has an action to double student accommodation capacity, with plans to deliver 1 000 new beds in Hobart by 2023 and also increase beds in Launceston and Burnie.

- 2.15 While, as described in this Section of the Report, the University's approach to student accommodation is linked to its other strategies and is built on a well-researched information and analysis, the approach was not brought together in an overarching strategy for student accommodation. The advantage of doing this would be to better communicate the approach and intentions to stakeholders internally and externally. It would ensure contractual arrangements are in line with the University's long-term approach and linked strategies continue to take into consideration this approach to accommodation. An overarching strategy would also ensure changing circumstances and demand for accommodation could be more readily met. Our discussions with the University indicated it recognises the need to develop an overarching approach.

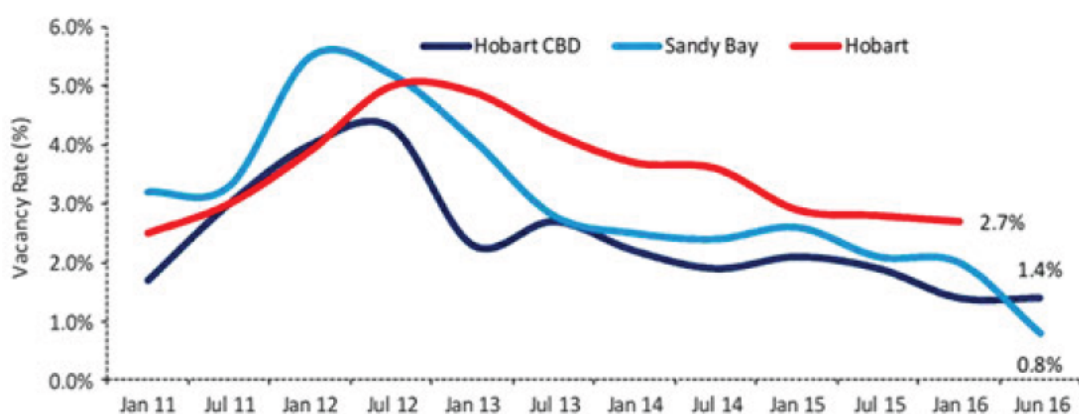
THE UNIVERSITY'S APPROACH TO STUDENT ACCOMMODATION HAS BEEN SUPPORTED BY STUDENT DEMAND FORECASTS

- 2.16 Having an understanding of demand is important as it enables the University to plan for future PBSA developments, including the number of beds and student preferences. Demand forecasting prepared internally by the University and externally by Urbis Pty Ltd (Urbis) has supported the development of student accommodation.
- 2.17 The University's *Student Residential Accommodation Strategic Plan – 2011* projected accommodation demand from 2010 to 2020, based on scenarios developed in 2009 to predict moderate to high growth rates for on-campus students. The strategic plan noted that, based on the projected demand for student accommodation for on-campus students, the University needed to provide more student accommodation, which could be delivered in partnership with public or private providers. There was clear evidence the University had rationally identified the need for more student accommodation based on the projected rise in on-campus students.
- 2.18 To underpin the University's accommodation strategy, in 2016 Urbis was engaged to undertake an assessment of the existing and future demand for student accommodation at the University's Hobart, Launceston and Burnie campuses. This assessment required Urbis to:
- quantify the current and future demand for University student accommodation
 - quantify University student accommodation supply
 - determine the current and projected shortage of supply.

While PBSA supply was easily determined on the basis of total bed numbers, Urbis employed a number of different methodologies to quantify demand. This included:

- analysis of accommodation applications data against total bed numbers
 - estimating the propensity of different student cohorts to seek PBSAs and applying these to student enrolment forecasts for each cohort
 - benchmarking the current provision of PBSA beds at the University to other universities and applying PBSA supply benchmarks to enrolment forecasts in order to determine an indication of the potential supply that could be supported in the market.
- 2.19 In its report, *Student Accommodation Demand Assessment: University of Tasmania* finalised in March 2017, Urbis concluded there was excess demand for student accommodation. For Hobart, private rentals vacancy rates in the Hobart CBD and Sandy Bay, as shown in Figure 4, had dropped from rates between 2.0% and 3.0% over the preceding three years to 1.4% and 0.8% respectively, indicating the market was undersupplied.

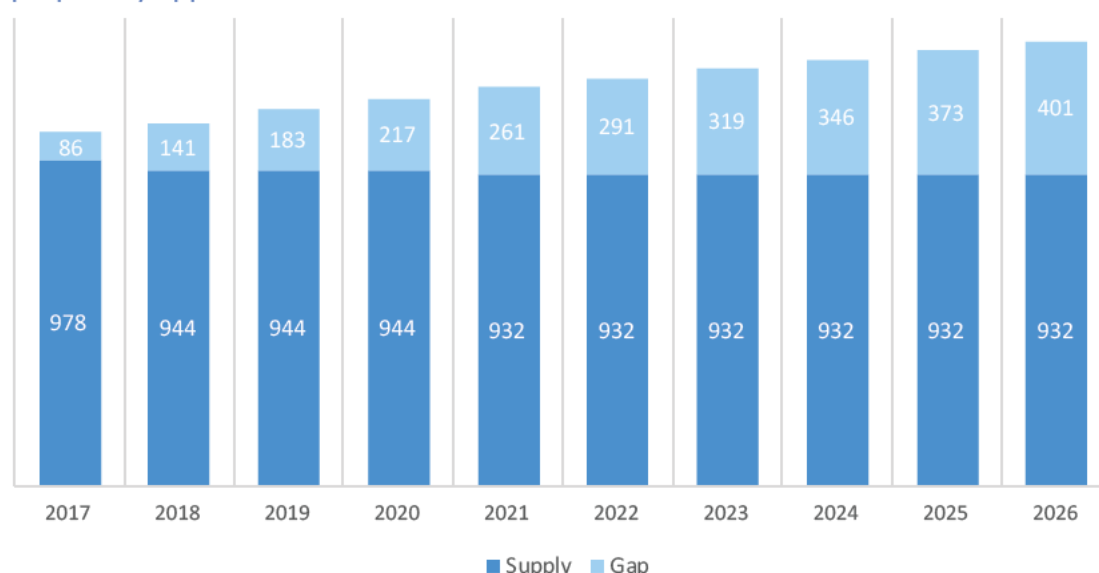
Figure 4: Historical residential vacancy rates in Hobart, Hobart CBD and Sandy Bay



Source: Urbis

- 2.20 Figure 5 shows projected demand of 1 064 beds in 2017 for Hobart which, based on a supply of 978 beds, equated to a gap of 86 beds. The gap between bed demand and University accommodation supply was projected to increase to around 401 beds by 2026.

Figure 5: Projected student accommodation supply gap in Hobart based on the propensity approach⁶



Source: Urbis. Note: The supply figure does not include Jane Franklin Hall.

- 2.21 For Launceston, sufficient accommodation was projected to be available to meet demand over the next five years. Based on the expected closure of Kerslake and Leprena at the end of 2022 and the relocation of students to the Inveresk campus, there was potential demand for an additional 250 to 350 beds at the Inveresk campus. For Burnie, there was sufficient student accommodation in Burnie as evidenced by vacancies within the Atrium Apartments at the existing campus. The significant vacancies in the private rental market were well placed to absorb any future excess demand, which would reduce the need to develop further PBSA accommodation in the short-term.

⁶ The propensity approach recognises that certain student groups will have a propensity towards seeking PBSA (such as first-year international, intrastate or interstate students).

2.22 Shortly after the finalisation of the 2017 Urbis report, the University identified international student numbers had grown faster than the expected rate in the report, effectively understating demand. To address the risks associated with the increased demand for student accommodation two key strategies were identified for implementation:

- ensure all University accommodation was at full capacity, including providing students the opportunity to choose either Launceston or Burnie campus
- engage and activate University affiliated and private-market accommodation providers.

In response to the increased modelling risk arising from the variance in student numbers to the original analysis, more rigorous recording of applications and expressions of interest was also implemented to increase the accuracy of future demand modelling.

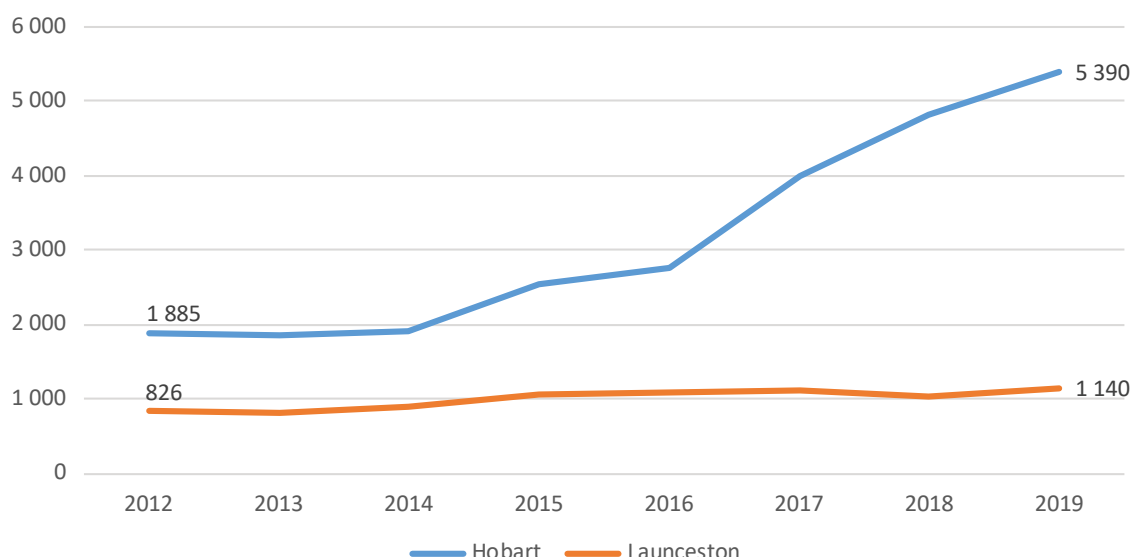
2.23 The University's approach to its accommodation strategy included short-term and longer term planning. Short-term operational plans were implemented based on operational forecasts with longer term planning using more comprehensive demand analysis. Longer term planning was effective but the University recognised the need to better understand international student forecasts feeding into student accommodation demand and other models to support growth opportunities. In response to this, in 2018 the University engaged a consultant to develop a Student Profile Model, which considered the future demographics of the University's student population, including their origin, campus location and course of study. The University is using the consultant's data to develop its own Student Accommodation Model, which will provide an understanding of demand for accommodation to 2035. The model is expected to be delivered ready for Semester 1 enrolments in 2020.

THE UNIVERSITY UNDERSTANDS THAT INCREASING INTERNATIONAL ENROLMENTS HAVE RESULTED IN INCREASED DEMAND FOR STUDENT ACCOMMODATION, PARTICULARLY IN HOBART

2.24 The University's growth in international student enrolments has been driven by its *International Strategy 2016-2020*, which supported the vision set out in Open to Talent to be 'ranked among the top echelon of research-led universities in Australia'. A key objective of the International Strategy was to increase annual net revenue from international student fees by growing the number of on-shore international students to above 22% by 2020 (which is equivalent to the national average).

2.25 Figure 6 shows the significant increase in international student enrolments at the Hobart campus since the adoption of the International Strategy in 2016.

Figure 6: International on-campus enrolments by location from 2012 to 2019



Source: University

- 2.26 Figure 6 shows international on-campus enrolments in Hobart increased sharply since 2016 from 1 885 in 2012 to 5 390 in 2019. International enrolments in Launceston remained relatively flat at around 1 000 since 2015. International enrolments in Burnie were low compared to Hobart and Launceston, declining from a peak of 22 in 2015 to five in 2019. Hobart attracts more international students because it offers more courses and is a larger city with more amenities. The University has strategies to attract more international students to the Launceston campus by offering eligible students with course and accommodation package bursaries.
- 2.27 From late 2017, the University and Spark Living Consortium entered into negotiations to develop PBSA2. As part of the due diligence process to support this development, the University engaged Urbis to deliver an updated assessment of the demand for student accommodation. The report noted the Hobart CBD will be the best place to absorb the excess demand for accommodation. Urbis provided this assessment in March 2018 and found median rents in Hobart were likely to grow resulting in increased demand for University-operated accommodation with students being priced out of most private accommodation. This was also supported by the observed reduction in the vacancy rate for Hobart CBD and Sandy Bay rental accommodation since the release of the 2017 report, with vacancy rates at 0.8% and 0.5% respectively. Urbis provided recommendations on the accommodation mix for the facility and the underlying demand for more self-contained studio apartments, given the popularity of this offering at Hobart Apartments.
- 2.28 In managing identified shortages in the supply of accommodation for students in early 2019, the University demonstrated agility in developing formulating and implementing temporary solutions which included:
- the repurposing of the former Commerce building
 - constructing modular accommodation on the former Commerce building carpark
 - constructing additional accommodation at the top of College Road in Sandy Bay.

THE UNIVERSITY DID NOT HAVE A FORMAL COMMUNICATION PLAN FOR ITS PBSA PROJECTS

- 2.29 In November 2018, an internal audit was completed with a focus on the West Park, Inveresk and Hobart Apartment projects. This audit examined the controls in place to manage the delivery of the projects in compliance with NRAS stipulated requirements. This included community consultation during the planning phase and mechanisms for stakeholder input and engagement. The internal audit found overall that while the University did consult with relevant stakeholders on the student accommodation projects there was no communication plan and stakeholders were not formally identified and documented. The audit recommended the University consider preparing a template communication plan for major capital projects. The University is currently implementing the recommendation. This will strengthen the University's approach ensuring a well-managed plan for engagement with all stakeholders.

THE UNIVERSITY ADEQUATELY ENGAGED WITH STAKEHOLDERS ON ITS STUDENT ACCOMMODATION PROJECTS

- 2.30 Despite not having an overarching engagement plan, the University's approach in constructing student accommodation has incorporated stakeholder input and engagement at different stages of development. This has included entering into strategic partnerships and MOUs with the Tasmanian Government, local government councils and TasTAFE on improving educational outcomes and support for infrastructure projects. We found evidence of the University's engagement with the community for the Northern Transformation project, which includes recently announced additional student accommodation in Inveresk.
- 2.31 The University engaged with various classes of stakeholders depending on the stage of the project, covering planning through to construction and eventual occupancy. Key internal and external stakeholders throughout these stages included:
- students
 - the Tasmanian Government
 - local government councils
 - neighbouring businesses
 - the broader community.
- 2.32 From July to September 2017, the University consulted with the community on the early stages of the Northern Transformation project, which included a feedback and co-design process. The outcomes of this process was presented on the University's website for public viewing. In Burnie, the University consulted with the community on the first stage of the West Park campus development, which included the NRAS apartments. The internal audit found that given the significance of the campus relocation to the Burnie community, communications were led by the former Pro Vice-Chancellor (Community Partnerships and Regional Development).
- 2.33 In Launceston, a community consultation engagement program included:
- discussions with the Launceston City Council, Tasmanian and Australian governments
 - an open community forum at the Albert Hall
 - public information sessions with options to submit feedback online.

- 2.34 In June 2019, the University unveiled its updated Inveresk masterplan and is continuing to consult with regular community sessions on the masterplan, which includes additional accommodation at Inveresk and Willis Street in the Launceston CBD. The University consulted local businesses on the Inveresk masterplan and facilitated detailed information sessions with the Tasmanian Chamber of Commerce and Industry.
- 2.35 Launceston City Council is involved in a working group, which includes representatives from the University. The Council described the working group as collaborative and noted the University's willingness to work with stakeholders. In our discussions with the Launceston City Council, it noted the relationship with the University had improved since the early stages of the project.
- 2.36 Burnie City Council described its relationship with the University as strong as they meet regularly with the Vice-Chancellor and University staff on the West Park campus relocation. However, in hindsight, the Council did note the University's apparent lack of strategy around the masterplan as the development of the West Park Apartments preceded the campus relocation.
- 2.37 In our discussions with Hobart City Council on the Hobart Apartments, the Council noted the University's proactive and early engagement with it in the planning process. Hobart City Council advised there was no voluntary stakeholder engagement from the University with the community on this project, such as consultation with neighbouring businesses, community forums and mail drops with nearby residents. However, there was no requirement to do so. The University also engaged with the Hobart City Council through the Development Application process for new developments.
- 2.38 Hobart City Council highlighted the University's positive approach to community consultation for the modular accommodation under construction in Sandy Bay. This was despite time constraints faced by the University. The University hosted a forum with neighbours who expressed appreciation for the opportunity to provide input. There were some concerns expressed around traffic, parking and potential loss of view, which the University addressed through design alterations.

3. DOES THE ACCOMMODATION MEET STUDENT EXPECTATIONS?

In Section 3, we investigate how the University ensures the accommodation it provides satisfies student expectations.

To assess this we examined whether:

- student accommodation rent was based on median market rent and complied with Australian Tax Office (ATO) and NRAS requirements
- the University was effective in promoting and achieving inclusion, diversity and equality in regard to student accommodation
- the tenant selection process and factors influencing tenancy renewal were fair and equitable
- maintenance requests were dealt with in a timely manner
- the management of students' safety and security in student accommodation was effective.

SECTION SUMMARY

The University implemented an approach to student accommodation that largely balances the need of generating appropriate rental levels while ensuring affordability for students. Inclusion, diversity, security and environmental issues are considered in the development and allocation of accommodation. The University also has policies and systems in place to support the safety and security of students in its accommodation.

There are, however, a number of students who were dissatisfied with their accommodation. We found response rates to student surveys to be statistically robust but only represented a small number of students' views. The responses may therefore be unrepresentative and influenced by a minority of students who use the survey to highlight issues with their accommodation experiences. The University should consider whether it needs to broaden its engagement with students so it can better ascertain students' satisfaction with their accommodation.

RENTS CHARGED BY THE UNIVERSITY TO STUDENTS WERE FAIR AND REASONABLE

- 3.1 We assessed the process the University has in place to set rents and how they compared to market rental rates. We found the rents charged by the University to students were fair and reasonable, compared favourably with the private rental market and provided an incentive for students to seek its accommodation. Rents for the University's student accommodation were also set at levels that met ATO and NRAS requirements.
- 3.2 The University is registered with the Australian Charities and Not-for-Profits Commission as a charity with the purpose of advancing education and is eligible for goods and services tax (GST) concessions and is exempt from income tax. Under section 38.250 of the *A New Tax System (Goods and Services Tax) Act 1999*, the provision of accommodation to students is GST-free if the University charges less than 75% of the GST inclusive market value rent for the accommodation or less than 75% of the cost to the University of providing that accommodation. This has the advantage that GST incurred on expenditure relating to the supply of student accommodation (such as GST on the initial building costs and ongoing maintenance costs) is fully creditable.
- 3.3 The unique nature of the university student accommodation sector makes it both difficult and costly to determine the market value of services and products offered. Consequently, the ATO has been working with the university sector since 2005 to create an acceptable methodology to determine GST inclusive market value rent for

student accommodation. In 2009, the ATO developed The Residential Colleges GST Tool (GST Tool) with the objective of reducing the complexity and compliance costs associated with making a comparison to market value. From evidence provided to us, the University uses a version of the GST Tool which has been endorsed by the ATO and which applies to the 2017 to 2021 calendar years. In 2019, the University engaged an accounting firm to review the University's use of the GST Tool for Hobart student accommodation. The firm concluded the University had undertaken all reasonable steps to ensure the GST Tool had been completed using reasonable assumptions resulting in Hobart student accommodation continuing to be treated as GST Free.

- 3.4 The *National Rental Affordability Scheme Act 2008*⁷ (NRAS) requires rents for NRAS funded accommodation to be set at less than 80% of market value. In meeting the ATO requirements, the University also complies with the NRAS requirement.
- 3.5 We also examined the Real Estate Institute of Tasmania data on the median weekly rents for Hobart, Launceston and Burnie, providing further evidence rents in student accommodation were set at affordable levels. While direct comparisons with the private rental market and student accommodation are difficult, we compared private rented one bedroom apartments as the nearest comparator and found the University rents to be appropriately below market rates.

INCLUSION AND DIVERSITY

- 3.6 The University recently released its *Strategic Plan 2019-2024* with a commitment to be a university that is values-based, relational, diverse and development-focused. Supporting this strategy is the *Our People Strategy 2019-2024* with initiatives and actions to create a values-driven culture focusing on increasing diversity and ensuring that all people are supported in pursuit of their careers.
- 3.7 Whilst the allocation of student accommodation is influenced by the above strategies, the University does not apply specific criteria to influence the diversity of its student community or the allocation of student accommodation. In practice the University allows students to preference location and room type during the application process. Students can also select the option of male or female only floors or wings to allow for consideration of religious beliefs. In addition, consideration is given to the room type and the makeup of new, returning, domestic and international residents, to enable students to collaborate, live and learn from each other. This helps the University to ensure it has a diverse mix of students placed in its accommodation.

THE BASIS FOR ALLOCATING ACCOMMODATION TO STUDENTS WAS FAIR AND EQUITABLE

- 3.8 Using its overall approach to diversity the University has implemented a fair and equitable process to allocate students to accommodation. This process is subject to periodic review and adaptation.
- 3.9 The guideline for application processing, dated April 2017, stated:
 - preference would be given to returning students
 - a limit of 20% of University accommodation would be made to new students
 - accommodation offers would be made in the order in which applications were received.

⁷ *National Rental Affordability Scheme Act 2008*. Sect 7 (2) (b) (ii).

- 3.10 With growing demand for accommodation in late 2018, the University felt it could not guarantee existing returning students their original accommodation from the previous year. This was based on the view new students needed greater support and should be given preference in being placed in University accommodation. Following reports of distress from returning students, the University decided not to proceed with this guideline change.
- 3.11 In August 2019, the University approved updated application processing guidelines for students placed in accommodation. This new guideline required the following factors to be considered in the assessment of applications and precedence of offers of accommodation:
- term of accommodation
 - student place of origin
 - order in which applications were received.
- 3.12 Affordability criteria is also considered to ensure equality and equity. Students applying for NRAS accommodation must meet the affordability criteria as well as be living away from home. In addition to complying with all Commonwealth NRAS criteria, there is an additional Tasmanian Government condition of providing 45 apartments for students from Tasmanian low socio-economic status postcodes. International students can apply for NRAS accommodation, providing they satisfy the low-income criteria.
- 3.13 Overall, in our view the University applies a fair, inclusive and equitable approach to the placement of students in its accommodation.

PERFORMANCE AND MONITORING OF SOFT ASSET SERVICES CONFIRM APPROPRIATE LEVELS OF MAINTENANCE RESPONSE

- 3.14 There were appropriate mechanisms in place for monitoring and reporting of soft facility services including furniture, office equipment, security, waste management, cleaning and car parking. The PBSA Agreement provides for adequate reporting and monitoring of soft facility services to ensure services are provided to the satisfaction of students.
- 3.15 Spark Living Consortium, via its maintenance contractor, Programmed Facilities Management, (Programmed FM), carries the risk and responsibility in relation to soft asset services. This relieves the University of the responsibility for managing maintenance contracts for PBSA assets.
- 3.16 Spark Living Consortium monitors and reports its performance in the delivery of PBSA asset services and maintains information programs, asset services plans, procedures, standards, policies, systems, records and manuals required in accordance with the Asset Services Specification under the PBSA Agreement.
- 3.17 We assessed the monthly and annual reports provided by Programmed FM to the University and concluded the level of monitoring was appropriate. Programmed FM report on performance against response times and also breakdown maintenance request across locations and by type. We noted performance was satisfactory, with 96% of maintenance requests compliant with response times and an improvement over the 2018 reporting year.

THE PERSONAL SAFETY AND SECURITY RELATING TO STUDENT ACCOMMODATION WAS WELL MANAGED

- 3.18 The University's approach to personal safety and security helped to provide a safe and secure environment for accommodated students.
- 3.19 University student accommodation is monitored by electronic security systems and a high physical security presence. The University's control room (operated 24 hours a day) monitors CCTV cameras, intrusion alarms, critical plant alarms, duress alarms and help points. Students are issued with a registered key to access their room, with all student accommodation facilities protected by electronic access controls. Furthermore, University campuses, including student accommodation sites, are regularly patrolled by safety and security officers.
- 3.20 To further support student security we examined the *University Behaviour Policy* noting it clearly articulated 'appropriate' and 'inappropriate' behaviour within the University community. The policy had also been reviewed and updated following the Australian Human Rights Commission (AHRC) report released in August 2017, *Change the course: National Report on Sexual Assault and Sexual Harassment at Australian Universities*. In addition, a further review was undertaken by Rosenthal and Banks, *Initial Review of Sexual Assault and Sexual Harassment Prevention and Response at the University of Tasmania*, which was released June 2018. The Rosenthal and Banks report specifically recommended the University commission an external consultant's report to focus on student accommodation.
- 3.21 In June 2019, the University released the Nous Group prepared report, *Review of sexual assault and sexual harassment in the University of Tasmania's Student Living Communities*, which identified:
- differences between the residential culture of residences and campuses, particularly in relation to community atmosphere, facilities and security, and access to leadership and support
 - the need for concrete policies and guidance related to overall behavioural expectations and options for residents if they are affected by sexual assault and sexual harassment
 - a relatively low ratio of pastoral care staff to residents reduces the effectiveness and consistency of the University's main avenue for reporting and providing support in student living communities
 - the need for strong:
 - alignment between university-wide and residence-specific documentation
 - coordination between the various administrative bodies involved in prevention and response
 - communication of the recent and forthcoming changes to University procedures and systems in response to the AHRC report and related reviews.
- 3.22 The University has formulated an operational plan in response to the report's recommendations. Given the timing of this response, we have not assessed the effectiveness of the University's response.
- 3.23 Students in University accommodation, and members of the wider community, can raise concerns regarding safety and security. Internally, students raise concerns or complaints through a number of avenues. The *University Behaviour Procedure* advises community members to seek advice and guidance from the Safe and Fair Community Unit. The University specifically implemented the Safe and Fair Community Unit to provide clear direction and process for students and staff in relation to seeking support and reporting on student well-being and safety issues including sexual assault and harassment.

- 3.24 We were informed that the University has reshaped the Student Living Model in 2019 to improve overall student experience, levels of engagement and focus on well-being. This includes the appointment of three new senior Heads of Student Living to focus on each precinct (Sandy Bay, Hobart and North) and revised support roles and rosters within living communities in place for 2020 intake.

THERE IS NO CLEAR VIEW OF STUDENT SATISFACTION LEVELS WITH ACCOMMODATION

- 3.25 Student survey response rates for students exiting student accommodation facilities, while statistically robust, only account for small numbers of students' responses. This could prevent the University from obtaining an accurate view of satisfaction levels with student accommodation and provide a disproportionate adverse view of satisfaction.
- 3.26 The surveys had response rates of 27% (468 of 1 734) in 2017 and 25% (455 of 1 842) in 2018. Table 2 summarises the results from the surveys of accommodated students.

Table 2: Student survey results:

	2017	2018
Total students accommodated	1 734	1 842
Total respondents to survey	468	455
Respondents leaving	120	108
Leavers who said accommodation was too expensive	45 (37.5%)	32 (29.6%)
Respondents who do not feel included to some extent	170 (36.3%)	168 (36.9%)
Respondent's maintenance score	58/100	60/100

Source: University

- 3.27 Areas of dissatisfaction include the cost of accommodation, inclusion and diversity and the quality of maintenance services.⁸ The University should seek to better understand the reasons for lower levels of satisfaction. It is important the University finds ways to engage with accommodated students to better understand these significant issues.
- 3.28 For example, while maintenance of student accommodation performs well against KPIs, some students still felt dissatisfied with the service received. The 2017 and 2018 student accommodation exit surveys asked for participant's feedback on maintenance requests and completion times using an arbitrary self-assessed scale of 0-100 to measure the satisfaction of the respondents.⁹ Analysis of the scoring of the survey response to maintenance requests indicated accommodation sites have low average scores. The average scores for all sites were 58 in 2017 and 60 in 2018.

⁸ Of the 120 student survey respondents who indicated they were leaving in 2017, 45 of them stated the main reason was the accommodation was too expensive. Similarly, 32 of the 108 leaving respondents in the 2018 survey left because they felt that it was too expensive.

⁹ No guidance is provided as to what constitutes a score of 0 or 100

- 3.29 In addition to these scores, comments from responding students related to difficulties with lodging maintenance requests on the Student Living online accommodation portal, a University web-based portal for existing students that allows them to maintain their accommodation details, make payments and lodge maintenance requests online. Students also noted slow response rates for maintenance requests and a lack of subsequent follow-up.
- 3.30 The University acknowledges it needs to improve its engagement with students and has introduced a new student survey for 2019. It will be used as a baseline for assessing student satisfaction with aspects of their accommodation over the next five years. The University has also expanded the student leaders' network to ensure more routine levels of engagement between student leaders and staff to address areas of student dissatisfaction.

4. ARE STUDENT ACCOMMODATION FACILITIES EFFECTIVELY MANAGED?

In this Section we evaluate whether the University:

- manages student accommodation assets on a whole-of-lifecycle basis
- maintains student accommodation facilities to an acceptable standard (hard facilities management).

SECTION SUMMARY

The University has a strong approach to asset management on a whole-of-lifecycle basis, including disposal. This approach is strengthened by successfully contracting out the management and maintenance of its student accommodation through the PBSA Agreement. The Agreement provides for PBSA assets to be returned to the University at a pre-determined standard at the end of the contract.

The maintenance of student accommodation complies with all statutory regulations and building codes, is planned and meets agreed performance targets. While contracting out student accommodation management and maintenance successfully, the University will need to update its internal asset management framework to ensure the contracted arrangements continue to meet its current and future needs.

STUDENT ACCOMMODATION ASSETS ARE MANAGED ON A WHOLE-OF-LIFECYCLE BASIS

- 4.1 The University manages its student accommodation assets adequately and recognises their significant value and strategic location near campus infrastructure. The University's student accommodation assets are appropriately managed using a whole-of-lifecycle approach from maintenance to rehabilitation or disposal when the assets reach the end of their useful life. A whole-of-lifecycle approach to asset management includes five phases:
 - concept and planning
 - creation or acquisition
 - operation and maintenance
 - renewal, rehabilitation, replacement
 - disposal.
- 4.2 Under the PBSA Agreement, the University handed responsibility for asset management for ten of its student accommodation facilities to Spark Living Consortium (refer to paragraph 1.12 for a list of these assets). There are currently six University-operated student accommodation assets excluded from the PBSA Agreement. These are Fountainside, MidCity Apartments, 31 Campbell (Theatre Royal), Heathfield at the 'Con', Atrium Apartments and Norfolk Hall.
- 4.3 Spark Living Consortium contracted out the maintenance of student accommodation to Programmed FM. The PBSA Agreement documents the *Maintenance & Asset Replacement & Asset Lifecycle Plan* (MRALC) Plan which ensures the assets will be managed using a whole-of-lifecycle based approach.
- 4.4 Programmed FM's *Asset Management Policy* also notes the importance of managing assets using a whole-of-lifecycle approach. The Asset Management Policy has objectives to guide the delivery of asset management using a whole-of-lifecycle based approach including compliance with relevant standards.

- 4.5 The University has strong contract management in respect to the delivery of asset services. The PBSA Agreement enables the University to focus on student experience considerations for student accommodation, while Programmed FM and its contractors maintain the physical assets. The MRALC plan has a clear approach to maintenance of the PBSAs and includes a draft program of planned maintenance activities for 2019. There are also adequate procedures in place which deal with the handover of PBSA assets and their agreed condition grading at the end of the 30-year contract term. There is also a clear approach to preventative maintenance with works to be completed over 2019. The approach the University has taken in entering into the PBSA Agreement provides asset management using external expertise and resources focused on achieving the best results from the PBSA assets during their lifecycle.

THE UNIVERSITY HAS NOT UPDATED ITS STRATEGIC ASSET MANAGEMENT FRAMEWORK TO REFLECT THE PBSA AGREEMENT

- 4.6 The University has strategies and plans for managing its infrastructure assets, including student accommodation excluded from the PBSA Agreement. However, these strategies and plans have not been updated to reflect the contractual arrangements with Spark Living Consortium. The University's *Strategic Asset Management Framework* (SAMF) details the methodology for managing assets on a whole-of-lifecycle basis. The SAMF is for the period 2014 to 2019 and its purpose is to ensure that:

‘...all asset management activities (acquisition, operations and disposal) are aligned with the University’s strategic objectives to deliver optimal management and deployment of asset resources (in respect of location, condition, performance and cost-effectiveness) to meet operational needs.’¹⁰

- 4.7 The SAMF supports the delivery of a number of objectives under Open to Talent including the provision of expanded and improved student accommodation. The SAMF is supported by six plans and sub-plans:

- *Campus Development Plan*
- *Capital Management Plan*
- *Space Management Strategy*
- *Property Management Strategy*
- *Infrastructure Asset Management Plan*
- *Property Disposals Plan*.

- 4.8 The University recognised the benefits of handing over the responsibility for asset maintenance as it allows it to focus on teaching, research and the student experience. However, the University continues to have responsibility for student support and engagement within student accommodation facilities. Under the PBSA Agreement, Spark Living Consortium's *Asset Services Manual* and plans must be developed, implemented and updated in alignment with the University policies and rules. These include:

- Environmental and Sustainability Policies
- Work Health and Safety Policies.

- 4.9 The University confirmed that Spark Living Consortium and its contractors must adhere to the University policies and rules including specific design requirements for new PBSAs constructed. The University is involved in the design of student accommodation and is able to engage directly with the architects for future projects. Updating the University's internal asset management framework to reflect the PBSA Agreement will ensure its current and future student accommodation needs continue to be met and are agile to support future challenges.

10 Quoted from *Strategic Asset Management Framework*, page 3

THE UNIVERSITY HAS A SOUND METHODOLOGY FOR DISPOSING AND REHABILITATING ASSETS

- 4.10 The University has a good strategic approach to managing student accommodation assets, particularly those reaching the end of their useful life. We see this demonstrated with the campus relocation from Newnham to Inveresk as part of the Northern Transformation Program. The Inveresk campus will include new student accommodation to accommodate students moving from the Newnham campus.
- 4.11 The University has an extensive property portfolio and has been acquiring and rehabilitating properties for student accommodation. The University and Programmed FM have disposal plans that include strategies for buildings reaching the end of their useful life. There are ten properties under the PBSA Agreement with Kerslake and Leprena to be withdrawn in 2022 and returned to the University's control as they are near the end of their lifecycle.
- 4.12 The University has a disposal strategy and plan under its SAMF, which was last updated in September 2014. Properties identified for disposal are subject to certain criteria, including consideration of whether the property has reached the end of its useful life and can no longer be effectively maintained. Furthermore, a property may no longer support strategic objectives or there is insufficient student demand to continue operations at that location. The University's disposal process is managed by its legal office and qualified consultants. The disposal strategy and plan includes a list of properties to be disposed from 2014-2017. The MRALC Plan details Programmed FM's disposal methodology. Programmed FM's plan to dispose of an asset starts before the asset reaches the end of its useful life. This includes consideration to retire, replace, renew or redeploy the asset where possible in order to maximise its benefits.

PLANS ARE IN PLACE FOR THE HANDOVER OF STUDENT ACCOMMODATION ASSETS BACK TO THE UNIVERSITY AT THE END OF THE 30-YEAR TERM

- 4.13 The University knows the management of its student accommodation assets will revert back to its control in 2047. Therefore, it requires these assets to be effectively maintained to their agreed condition grading at the time of handover. The PBSA Agreement includes a clear handover plan, which details the methodology for the handover of student accommodations assets from Spark Living Consortium to the University at the end of the 30-year term. The PBSA Agreement specifies the condition grading of assets at the end of the 30-year term (except for Leprena and Kerslake). Each asset has a maintenance plan for the life of the asset ensuring regulatory compliance. At the time of handover, Programmed FM will audit the licensed areas to ensure each asset meets the agreed condition grading. Programmed FM will commence its independent audit of the licensed areas in 2042 with remediation works to bring these areas to their end of term condition grading by 2047. A Handover Plan will be executed, which details the plan to transfer responsibility for asset services back to the University on the expiration date or asset services delivery termination. This should ensure a smooth and managed transition of control back to the University at the end of the current contract.

- 4.14 It was noted that the PBSA Agreement covers transaction defaults, termination and insolvency. There is also provision for transition to another transaction company if needed. In the event of a sudden withdrawal from the agreement by Spark Living Consortium, the University has resourced a Manager, Risk and Resilience who will provide a refresh of the Student Living business continuity plan by the end of 2019.

STUDENT ACCOMMODATION FACILITIES COMPLY WITH STATUTORY REGULATIONS AND ESSENTIAL BUILDING SERVICES ARE UNDERTAKEN

- 4.15 The University's student accommodation hard facilities are efficiently and effectively maintained and are compliant with statutory requirements. Hard facilities include fire safety and electrical systems, lifts, emergency doors and lighting. The regular maintenance and inspection of these facilities is important for student safety and ensuring statutory and regulatory compliance. For assets under the PBSA Agreement, this is specified within Programmed FM's *Compliance (Statutory & Other) Plan*, which ensures assets comply with appropriate requirements.¹¹
- 4.16 Prior to the PBSA Agreement, the University engaged a consultant to prepare a technical due diligence report (TDDR) for 10 out of its 13 student accommodation assets. The purpose of the TDDR was to identify any potential issues that could materially impact the value of the assets. In support of the TDDR, site visits of the student accommodation buildings were completed in October 2016 to report on compliance with safety provisions under the Building Code of Australia (BCA). A building surveyor assessed the assets and found they satisfied the provisions of the BCA. The University commenced a work programme to address findings of the compliance audit across its assets.
- 4.17 Maintenance services have been undertaken in accordance with Australian Standards with certificates verifying the completion of inspections. We saw evidence of statutory and regulatory maintenance undertaken by contractors for the Hobart Apartments, Sandy Bay campus buildings, Inveresk Apartments, Newnham campus buildings, and West Park Apartments. A maintenance sub-contractor provides the University with a Building Annual Essential Services and Maintenance Compliance Statement (Compliance Statement) for the student accommodation facilities. Each Compliance Statement verifies the completion of statutory maintenance and the maintenance period, dated 9 November 2018. A fire protection company conducted testing of the Hobart Apartment's fire service systems for the period 1 July 2018 to 13 November 2018, and found no outstanding compliance issues.
- 4.18 The University has maintenance and security contracts across its campuses and includes student accommodation excluded from the PBSA Agreement. Under the *Building Act 2016*, building owners are no longer required to undertake an annual check of their facilities. However, the building owner is required to establish and conduct a maintenance plan to deliver essential building services. The University has maintenance plans to undertake building essential services, as required under the *Building Act 2016*, for Atrium Apartments and Norfolk Hall. These services include fire service systems, general and emergency exit lighting.
- 4.19 The University performed a due diligence process for the MidCity and Fountainside hotels purchased in May 2018 and December 2018, respectively. The University Council minutes and Hobart City Council permits detail the modifications and improvements put in place to prepare each property for student occupancy.

11 Appropriate requirements include: all laws, all consents, requirements of relevant authorities, relevant Australian standards, the Building Code of Australia, and University policies and rules

- 4.20 The MidCity required 18 rooms be converted to twin occupancy and work to convert the ground floor bars and dining rooms to student support and study areas. There were also fire suppression and warning improvements required.
- 4.21 Fountainside had recently been refurbished and the rooms were able to be used as is. The laundry had to be extended to provide for student requirements.

STUDENT ACCOMMODATION FACILITIES ARE EFFICIENTLY MAINTAINED

- 4.22 The University efficiently maintains student accommodation facilities and there is evidence of effective contract management with Spark Living Consortium with monthly reporting of asset services and performance. The University has accessible information available for students to report maintenance faults. Programmed FM has procedures to handle these requests and other complaints. Programmed FM's MRALC plan specifies the maintenance services that are to be undertaken at student accommodation under the PBSA Agreement. These services include emergency, reactive, preventative and planned maintenance. In accordance with the PBSA Agreement's Asset Services Specification, Spark Living Consortium must provide the University with, no later than 1 July, a program of planned maintenance for the next year. We found a Preventative Maintenance Annual Plan for each student accommodation facility under the PBSA Agreement for 2019. The plan details maintenance activities by month, trade and location, with 1 088 planned maintenance activities scheduled to occur in 2019.
- 4.23 We analysed the efficiency of repairs and maintenance by Programmed FM and their sub-contractors by reviewing their annual performance report for 2018. Programmed FM aims to achieve greater than 95% schedule compliance in any given reporting period. In 2018, there were 470 preventative work orders scheduled with around 96% of orders compliant with the schedule. All works related to statutory compliance were completed within timeframes specified by applicable legislation, industry best practice and Australian and International standard. In 2018, 4 207 incoming service requests were received from student accommodation under the PBSA Agreement. In accordance with the Asset Services Specification, service requests must be compliant with response and resolution timeframes. Table 3 shows the priority level and response and resolution timeframes for service requests.

Table 3: Response and Resolution Timeframes

Priority Level	Response	Resolution
Priority A (Immediate)	1 hour	4 hours
Priority B (Urgent)	2 hours	4 business days
Priority C (Routine)	5 business days	15 business days

Source: Programmed FM

- 4.24 Of the 4 207 incoming service requests received in 2018, 4 053 or around 96% were compliant with response time requirements, while 4 090 or around 97% were compliant with resolution time requirements. Approximately 21% of incoming service requests received in 2018 originated from Hobart Apartments with 17% coming from Christ College. These two locations have higher student numbers compared to other student accommodation facilities.
- 4.25 Table 4 provides a breakdown of service requests received in 2018 by priority level and compliance with response and resolution timeframes.

Table 4: Incoming service requests received in 2018

Priority Level	Received in 2018	Non-compliant	Percentage (%)
Priority A (Immediate)	19	2	10.5%
Priority B (Urgent)	51	8	15.7%
Priority C (Routine)	4 137	53	1.3%

Source: Programmed FM/Tasmanian Audit Office

- 4.26 As shown in Table 4, only a small proportion of incoming service requests were non-compliant with the KPI, as reported in the 2018 annual performance report. For Routine requests, we found 26 of the 53 service failures were recorded from January to March 2018. We note Programmed FM's performance in responding and rectifying Immediate and Urgent service requests improved in 2018 with only one KPI failure reported from April to December 2018. The annual performance report acknowledged the significant number of KPI failures early in 2018 were attributed to administrative issues and vendors being unfamiliar with processes and procedures.
- 4.27 Under the PBSA Agreement, a KPI regime allows the University to withhold revenue from Spark Living Consortium if assets are not maintained to the agreed standards. Failure or success is determined using a points scoring system and the University undertakes regular property inspections to assess whether assets are maintained to the initial conditions assessed at the start of the contract. The University withheld payments due under the PBSA Agreement on seven occasions during 2018 due to non-performance with established KPIs.
- 4.28 The PBSA Transaction Parties Co-Ordination Group (the PCG) meets regularly to discuss matters under the PBSA Agreement, including the delivery of asset services, facilities management and maintenance issues. The PCG includes representatives from the University and Spark Living Consortium. We identified the University appears to be satisfied overall with Programmed FM's maintenance of the University's student accommodation facilities. Spark Living Consortium responded to feedback to include additional information in the monthly performance reports on matters such as near misses, with safety issues routinely discussed at the PCG meetings.
- 4.29 Programmed FM strives to ensure planned maintenance cause minimal disruption to students. Programmed FM's *Safety Management Plan* provides guidance to sub-contractors delivering maintenance activities. There are also protocols to ensure maintenance activities cause minimal disruption to students during study and examination periods. The *Safety Management Plan* provides sufficient notice to students for planned maintenance for residence-wide inspections (seven days). Adequate notice is provided to students for individual rooms (1-3 days), with reactive and emergency maintenance to be undertaken at the first available opportunity. Programmed FM has effective sub-contractor management. We note Programmed FM conducted a review of sub-contractor performance in November 2018 resulting in service delivery improvements and removal of sub-contractors who did not meet Programmed FM's standards.

THE UNIVERSITY HAS INFORMATION AVAILABLE FOR STUDENTS TO REPORT MAINTENANCE FAULTS

- 4.30 The University's Student Living website has a link to a maintenance guide, which provides options available to students to report a maintenance issue.
- 4.31 Students can contact the helpdesk by telephone (24 hours a day) or log a maintenance request using the Resident Portal. Students can also report urgent maintenance requests with University staff at the front office. Programmed FM has procedures to assist helpdesk operators respond to student enquiries and information on the expected response times to maintenance requests. We did not find information on response and resolution times available on the University website. However, upon request, the helpdesk will provide updates on status of rectification. Helpdesk operators are trained in recording, managing, and escalating issues or complaints.

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5. IS THE FINANCIAL MANAGEMENT OF STUDENT ACCOMMODATION EFFECTIVE?

In evaluating the financial management of student accommodation, we examined if:

- the University had an effective approach to funding new student accommodation
- there is clear reporting of the financial outcomes from the provision of student accommodation.

SECTION SUMMARY

The PBSA Agreement model is an effective way to manage student accommodation, freeing capital from University student accommodation assets and allowing for greater investment in the University's core priorities of research, teaching and the student experience. The PBSA Agreement also provides potential for greater investment in student accommodation.

There is a strong approach to the financial management of student accommodation supported by effective monitoring and reporting. Robust business planning has been undertaken for student accommodation property acquisitions.

THE UNIVERSITY HAS CAPITALISED ON THE OPPORTUNITY TO MONETISE ITS INVESTMENT IN PBSAS, FREEING UP CAPITAL INVESTED AND PROVIDING A FUNDING MECHANISM FOR NEW PBSAS

- 5.1 From May 2016, the student accommodation strategy was influenced by the University's appointment of a consultant to develop a strategic capital management framework report and advise on a possible student accommodation transaction to monetise the University's PBSAs. This was progressed further in September 2016 when the University Council approved the strategy to pursue the monetisation of the University's PBSAs.
- 5.2 We examined documentation relating to the PBSA monetisation process, noting:
 - an Information Memorandum was prepared by an external consultant and approved by the Vice-Chancellor for release to potential investors
 - an evaluation panel was established to examine shortlisted bidders
 - an evaluation committee undertook the review and assessment of binding bids
 - the University's external legal advisers for the transaction, together with external probity advisers, ensured bids met the compliance criteria as set out in the Information Memorandum
 - analysis of bids was provided by an external financial advisor and external asset services advisor
 - the University Council ratified the preferred respondent and delegated authority to the Vice-Chancellor to negotiate and sign the final agreement, including the negotiation and execution of the PBSA Agreement and all related agreements, documents and approvals.
- 5.3 Financial outcomes from the PBSA Agreement included:
 - an amount of \$132.6m received by the University from Spark Living Consortium on 5 September 2017
 - the payment of advisory costs associated with the transaction of approximately \$3.5m or 2.7% of transaction value

- the transfer of risk and financial responsibility for capital expenditure and maintenance to Spark Living Consortium for the 30-year term of the PBSA Agreement
 - the introduction of a student rent mechanism to ensure affordability and compliance with GST and NRAS obligations
 - flexibility to build new PBSAs, with first refusal rights provided to Spark Living Consortium
 - the ability for Spark Living Consortium to provide capital for new PBSA builds whilst retaining flexibility for University to design and construct PBSA assets
 - higher expenditure on asset services and cleaning than previously spent by University and an average investment of \$1.0m each year for asset lifecycle works over 30 years
 - the ability for the University to retain funds owing to Spark Living Consortium if quality standards and University condition grading requirements are not achieved.
- 5.4 The PBSA Agreement supports the University's capacity to fund its strategic initiatives and infrastructure projects whilst retaining ownership and title of the PBSA assets. The PBSA Agreement also provides potential access to funding for new PBSAs, enabling the University to meet the projected demand from international student growth in a timelier manner.

THE UNIVERSITY HAS UNDERTAKEN APPROPRIATE DUE DILIGENCE IN ACQUIRING OTHER PROPERTIES FOR FUTURE STUDENT ACCOMMODATION

- 5.5 Since 2017, the University made a number of property acquisitions with the intent of using them for student accommodation. These acquisitions were subject to appropriate due diligence.
- 5.6 In April 2017, the University was made aware of the Red Cross' interest in completing a mutually beneficial transaction with the University involving a building at 40-42 Melville Street Hobart. The University Council approved the purchase of the property on the basis it represented a strategically significant location for the University, bordering the University's Melville Street property for the proposed STEM¹² building and opposite the University's Hobart City Apartments in Melville Street. The acquisition was funded from the University's investment portfolio.
- 5.7 Shortly after entering into the PBSA Agreement, Spark Living Consortium expressed interest in investing in additional PBSAs in the Hobart CBD with a view to having it available for student occupancy by the commencement of the 2020 academic year. The demand analysis conducted by Spark Living Consortium during the binding bid phase indicated there was sufficient demand to allow for this development to be commercially feasible. In December 2017, the University Council discussed potential sites for a new PBSA build in the Hobart CBD and approved expenditure from the University's investment portfolio for the purchase of selected sites in Melville and Elizabeth Streets. In February 2018, the Council approved the purchase of the property at 44 Melville Street and the properties at 123, 139, 141-143 Elizabeth Street. These sites would be incorporated into a new PBSA, together with the existing University-owned site at 40-42 Melville Street.

12 STEM is used to describe collectively Science, Technology, Engineering and Mathematics.

- 5.8 In May 2018, the University Council endorsed the purchase of the MidCity Hotel, which was funded from the investment portfolio. At that time, University student accommodation in Hobart was at full occupancy with a waiting list in excess of 150 students, which was expected to grow significantly with Semester 2 enrolments. Hobart was also experiencing low private rental availability with a rental vacancy rate of 0.8% (a five-year low). The business case paper submitted to the University Council highlighted a high risk of the University losing students due to a lack of accommodation. Due diligence undertaken by the University in connection with the purchase included the engagement of external quantity surveyors and architects in conjunction with University's Office of Infrastructure and Development. The due diligence included inspection of building systems, legal, planning, building inspection, historic, fire systems and *Disability Discrimination Act 1992* compliance.
- 5.9 The University Council endorsed the purchase of the Fountainside Hotel in December 2018 to help meet the University's immediate demand of student accommodation beds in Hobart and alleviate accommodation concerns of students commencing in Semester 1, 2019. The property is within 250 metres of the Medical Science Precinct buildings, the Domain site and The Hedberg. As the purchase was conducted off-market the transaction was subject to two independent valuations, which were undertaken to guide the purchase price for the property.
- 5.10 In arriving at the final purchase price, the University considered the tight property market and the need to source additional accommodation quickly. The University also took into consideration the property's location and potential resale value, together with income from projected increases in international students, to inform its business case and final purchase price.
- 5.11 To acquire the K&D site the University initially made a non-binding bid under a proxy to mitigate against the sale price being artificially raised. The University also sought and received reassurance from the Integrity Commission on the price and probity of the purchase. The University acknowledged the need to pay a premium above the expected market valuation due to the existence of other known bidders and its location close to the CBD and other University facilities. The K&D site also has significant strategic value to the University, providing opportunities to co-locate student accommodation with teaching and learning facilities, thereby meeting many of the University's needs.
- 5.12 In considering property acquisitions, the University requires reliable and accurate information on which to base its decisions. In examining the decision-making and due diligence process for the property acquisitions entered into since 2017 for the purpose of providing or constructing student accommodation, we found the business plans associated with the purchasing of several properties by the University were clear and detailed. A review of University Council minutes and corresponding reports also confirmed appropriate due diligence processes had been completed for the property acquisitions. While we cannot comment on whether the University achieved value for money with its property acquisitions, it did follow robust processes prior to completing these purchases.
- 5.13 The University effected all of the recent student accommodation property acquisitions utilising funds from its investment portfolio. This has been undertaken on the premise property acquisitions will provide a commercial rate of return to the University either through rental return or realisation of an up-front payment from Spark Living Consortium in accordance with the PBSA Agreement. The availability of student accommodation also enhances the University's ability to attract students which increases the opportunity for the University to generate additional revenue through its teaching and research activities.

THERE IS CLEAR REPORTING OF THE FINANCIAL OUTCOMES FROM THE PROVISION OF STUDENT ACCOMMODATION

- 5.14 We determined there is clear reporting of the financial outcomes for the provision of student accommodation. The University prepares appropriate financial reporting and reconciliations to satisfy its financial reporting obligations under the PBSA Agreement. This includes reporting of revenue generated from PBSAs including student rents, car parking and off-peak use. We also found evidence of clear reporting of activities relating to the provision of asset services.
- 5.15 The PBSA Agreement also includes audit requirements for specified financial information.

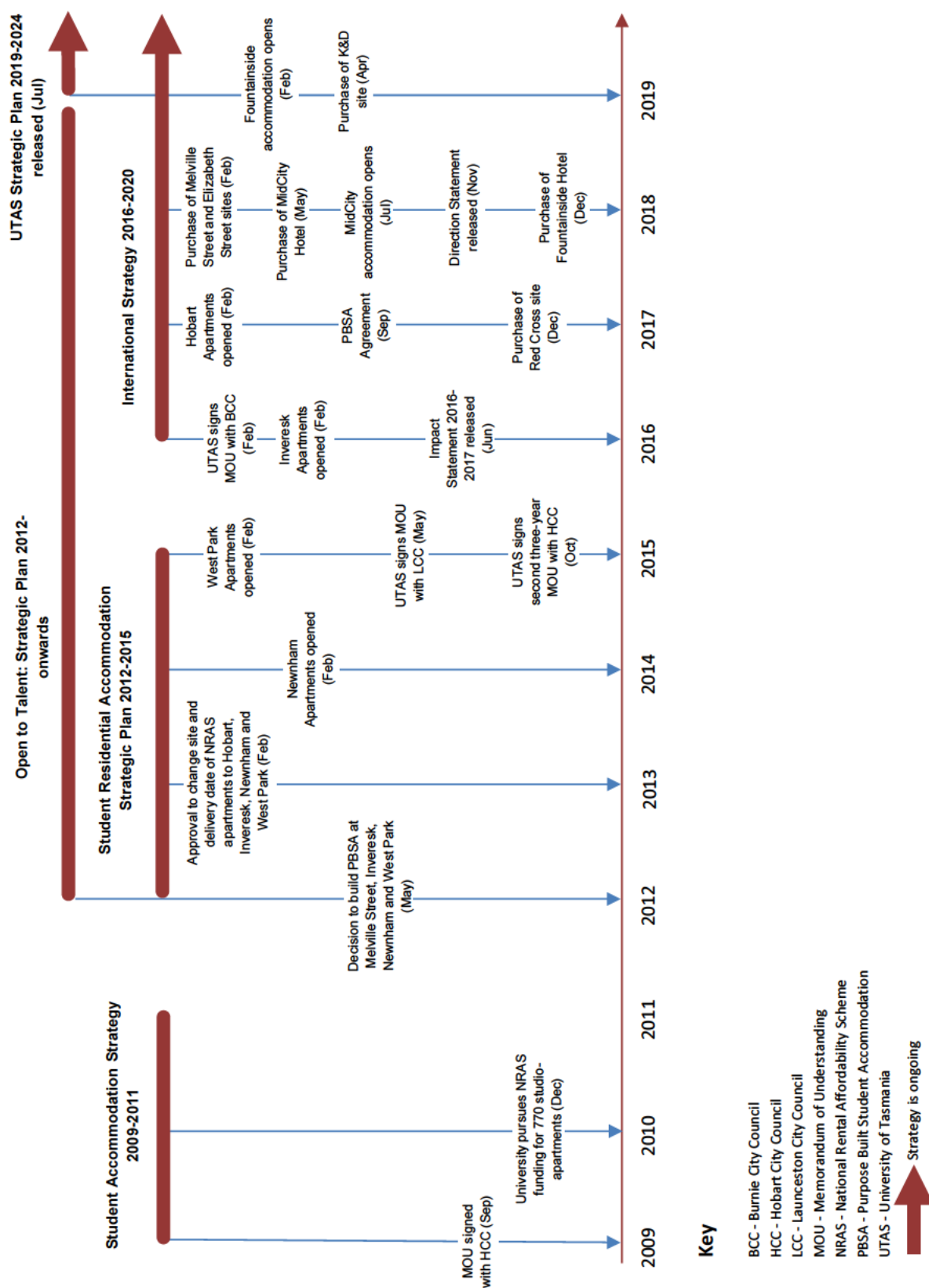
RENT COLLECTION IS EFFECTIVELY MANAGED

- 5.16 The University has an effective approach to collecting student rents. Under the PBSA Agreement, the University retained responsibility for collecting student accommodation rent including chasing up arrears and late payments from students. The University uses a specialised student accommodation computer package called *StarRez*, which is used for all bookings, payments and other related student transactions. *StarRez* automatically deducts rents fortnightly by direct debit, which students agree to as part of their accommodation agreement conditions. We noted University staff undertake daily and monthly bank reconciliations. In addition, the system produces a number of reports including:
- transaction listing reports: incorporating revenue and security deposits received
 - accounts receivable reports: listing all students in rental arrears
 - log reports: records all changes made by individual staff members.
- 5.17 The approach applies to all student accommodation regardless of whether it is or is not part of the Spark Living Consortium arrangement and ensures payments are effectively monitored and managed across all student accommodation facilities.

ACRONYMS AND ABBREVIATIONS

AHRC	Australian Human Rights Commission
AMC	Australian Maritime College
ASAE	Australian Standard on Assurance Engagements
ATO	Australian Taxation Office
BCA	Building Code of Australia
CBD	Central business district
GST	Goods and Services Tax
K&D	Kemp and Denning
KPI	Key Performance Indicator
MRALC Plan	<i>Maintenance and Replacement and Asset Lifecycle Plan</i>
NRAS	National Rental Affordability Scheme
PBSA	Purpose built student accommodation
PCG	PBSA Transaction Parties Co-Ordination Group
Programmed FM	Programmed Facilities Management
SAMF	<i>Strategic Asset Management Framework</i>
STEM	Science, Technology, Engineering and Maths
TDDR	<i>Technical Due Diligence Report</i>
TUU	Tasmanian University Union
University	University of Tasmania

APPENDIX 1: TIMELINE OF UNIVERSITY STRATEGIES AND KEY EVENTS



Source: University, TAO

AUDIT MANDATE AND STANDARDS APPLIED

Mandate

Section 17(1) of the *Audit Act 2008* states that:

‘An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.’

Under the provisions of section 18, the Auditor-General:

‘(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).’

Under the provisions of section 19, the Auditor-General:

- ‘(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards
- (2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity’s appropriate Minister and provide a copy to the relevant accountable authority.’

Standards Applied

Section 31 specifies that:

‘The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to -

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.’

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



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Cover Photo Hobart Apartments