Exclusive: KPMG's secret university restructure

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News

A leaked report of the KPMG-led restructure plan for UTS is based on a performance metric not permitted by labour contracts. By *Rick Morton*.

Part of the University of Technology Sydney campus.
Credit: AAP / Martin Berry

A $360 million cost-cutting drive at the University of Technology Sydney may have identified roles to terminate based on an unlawful metric that rates academics based on how much research income they produce.

Work plans, contracts and briefing documents produced by the consulting giant KPMG, on a $5 million project commissioned by the leadership at UTS, reveal the firm's focus on identifying "high risk" subjects and courses – those that were losing the university money, and courses where "over 75 per cent of the core subjects have a negative margin". KPMG was also asked to measure "average income generated per FTE [full-time equivalent]" in the different fields of research.

A KPMG status report from February 10 provided to university leadership promised “a full draft of research productivity” would be shared with the deputy vice-chancellor (research) that week.

Staff were told by university leadership earlier this year that the restructure would result in the loss of about 400 professional and academic staff positions. Yet under the UTS enterprise bargaining agreement, management cannot make redundancies based on arbitrary performance metrics such as research income generated by a staff member. In the single biggest contract for the firm, worth $4.8 million and signed by UTS vice-chancellor Professor Andrew Parfitt in March, KPMG was directed to develop a “master Excel spreadsheet that contains the list of proposed … academic staff members that are not meeting research expectations”. They were to be drawn from those ranked between professor and senior lecturer or research fellow.

“This will be the master list and key input” for deciding what the future workforce will look like, the document says.

“[KPMG should provide] insights based on evaluation of research areas of scale and focus along with clear next steps that the university should consider based on the insights generated.”

About the same time, on March 3, the university’s chief operating officer, Glen Babington, presented the 2025-2029 Finance Plan and 2025 budget to the UTS Council with two dire warnings. Without action, the organisation had an “inability to meet financial liabilities/obligations” and an “inability to generate adequate revenue and maintain the profit margins”.

The financial plan, according to the confidential council paper, would deliver the university “net $363m benefit with the reduced workforce and other expenses”.

“It is estimated that the implementation of these initiatives will require $60m in one off costs over 2025 – 2027, and an additional $32m of additional cash for leave entitlements payout.”

The plan envisages steep job cuts over the next year, leaving the full-time equivalent count at UTS at just 3650 positions. In 2029, there will be almost 200 fewer full-time positions than in 2024.

“The FP [financial plan] assumes ongoing stringent cost control measures to achieve and maintain financial sustainability,” the council briefing paper says.

Although no decisions have been made about what subjects and courses will be cut and what roles will be made redundant, UTS has started consultations with staff about the broad outline of its “operational sustainability” mission. What is affected and when will likely be announced by the university in June and July.

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A focus on standard business maxims is not unusual for higher education institutions today – they have increasingly been run as corporations after decades of successive government funding downgrades and policy changes. Universities responded to tightened Commonwealth funding by dramatically expanding international student revenue, which was then used to cross-subsidise research and other university functions.

Since Covid-19, however, that revenue has plunged, and recovered only slowly. It is now at risk of further constraint as the Albanese government has flagged caps on international student numbers.

The work done by KPMG at UTS is similar to a raft of other restructures and cost-cutting drives at higher education institutions across Australia, most notably at Macquarie University and the beleaguered Australian National University. The latter brought in consultants Nous to cut $250 million in costs, but failed to explain this to its own council and misled parliament during Senate estimates about whether it had ever engaged consultants to design a restructure.

At UTS, as plans were drawn to slash the professional and academic workforce, its revenue streams relied on increasing student load. In an early look at the finances for 2025, the underlying earnings before interest, tax, depreciation and amortisation crept up by $8 million, largely due to a 10 per cent jump in student income. Six per cent of that jump came from a boost in equivalent full-time student load (EFTSL) and 4 per cent from an increase in fees charged to students.

One academic at the university tells *The Saturday Paper* the changes will lead to the “further en-shitification of education at UTS”.

“At UTS we are already cheating the students and teaching them as cheaply as possible. ‘Seminars’ have no less than 40 students and we already have far too many online classes.

“Students are very, very unhappy but there are absolutely no management KPIs or bonuses linked to any benchmark that is related to students’ satisfaction with the classes. The idea that UTS plans to make teaching even cheaper is absolutely appalling,” the academic notes in an email.

KPMG team members were acutely aware of the sensitivity of the work they had been asked to perform, especially as the consultancy was charged with devising a way to apportion the academic workload across courses and subjects and “progressing calculations required to determine the teaching hours required to deliver the subjects at UTS”.

Often it was working with incomplete or delayed data. UTS attempted to provide a master list of every subject and course taught at the university but KPMG noted there were discrepancies in both cases between the numbers provided by the executive and those recorded on the industry platform CourseLoop.

The consultants used a machine-learning program to conduct an “assessment of subject similarity based on text algorithm applied over the subject descriptions and learning outcomes from the curriculum management system to identify subjects for further investigation for potential consolidation”.

“There are a significant number of courses being offered in UTS that are not earning a surplus for the university,” KPMG wrote in an initial “diagnostic” document.

“There is an opportunity to grow the enrolment numbers in UTS’ current course offerings which has the potential to provide the university with additional revenue.”

Despite the data delays, KPMG settled on a “viability framework” for assessing subjects and courses offered by the university that could place them on a continuum of low- to high-risk. A high-risk course, they decided, was one where fewer than 30 students were enrolled, any with a “negative direct margin”, a declining headcount trend over three years and those that do not “align” with the university’s strategic direction.

KPMG noted that this metric would “only amount to ~$3 million of direct margin improvements” and offered a potential approach of including subjects or courses that have a positive but low direct margin, possibly of $500,000 or less.

Labor’s bill to cap international student numbers at 270,000 failed to pass the Senate late last year – it was opposed by the Greens and the Coalition, the latter of which took an even harsher policy to the federal election. The Albanese government found a workaround by having Tony Burke issue a ministerial direction to the Department of Home Affairs to go slow on student visa applications after the institution-level ceiling numbers that were to have been legislated have been reached. In other words, a de facto cap.

While some agree that change is needed, many queried whether the university’s leadership was engaged in “reactive” decision-making following the federal government’s plans to throttle international student numbers.

“The explanation does not adequately assess the broader implications of the proposed actions on teaching quality, staff morale, or research productivity,” one staff member wrote in a feedback form.

“Without this, the case for immediate action seems incomplete and potentially short-sighted. While financial constraints are evident, the connection between the outlined challenges and proposed cost-cutting solutions is not always clear. For example, the focus on teaching and research efficiencies may not directly resolve the financial gap caused by international student caps.”

Staff also pointed out that even without intervention, UTS was on track to record an overall profit in 2028. The sustainability drive would simply deliver this two years earlier.

“The middle [finance] scenario achieves a budget surplus by FY28, with a projected surplus of $25m by FY29. The more aggressive savings plan, aiming for $100m with significant associated challenges, only accelerates this timeline by two years,” an academic says.

“Under this scenario, the surplus in FY28 reaches about $80M. This suggests the issue isn’t sustainability but rather surplus generation.

“Universities are very unusual businesses in that their entire business is the knowledge and intellectual property of individual academic staff members, who write courses based on their individual decades of knowledge and individual research expertise, and also do research based on their own individual ideas, that brings the university funding and prestige,” the academic says. “This makes academic staff as individuals absolutely central to university operations.

“This document does not seem to acknowledge that reality anywhere. Academic staff, when referred to at all, appear to be viewed as just another expense, as replaceable as a vehicle or a building, rather than the whole point of a university.”

As part of its planned financial rescue, UTS wants to double external research funding to $200 million each year, a strategy described by the university’s own accounting department as “overly ambitious”.

There is no detail on this or other plans, the accounting department says, and the $43 million spend on external consultants alone in 2023 represents almost half the required structural savings the university says it now needs.

“We urge the university to leverage its strengths – world-class staff, innovative research and financial resilience – to navigate this challenging period,” the department says.

“The Accounting Department boasts world-class academics specialising in financing and cost management strategies, who are willing to share their expertise to support UTS in achieving its operational sustainability.”

A UTS spokesperson said it was “devastated” to be in the financial position where job cuts are considered necessary.

“These are not easy decisions and are not taken lightly. We need to ensure we are setting UTS up for future success through transformation of our curriculum portfolio and our research impact so we can continue to provide outstanding student experience and research that is critical to our communities,” the spokesperson said in a statement.

“This is complex work that we need to get right. The review is not about individual researcher performance. We are considering how our systems, processes and ways of working may be affecting research productivity and we’re looking to increase our internal focus and resources on areas achieving outcomes and to support our researchers to supervise more HDR [higher degree by research] students and pursue more ambitious, larger-scale funding opportunities.”

Unlike the ANU, leadership at UTS disclosed to staff and students that it had engaged KPMG to develop the work on which its operational sustainability project was based, but it has not provided the reports and assumptions. Those have only now become available after staff were forced to apply for access under New South Wales Government Information Public Access (GIPA) laws.

“What these show is that KPMG were conducting analyses on staff from levels C to E who are not performing in terms of research,” one academic tells *The Saturday Paper*. “And the university refuses to explain what they were using this information for. And the reason I think they’re doing that is because, in our enterprise agreement, they can’t make redundancies based on performance.”

UTS argues that without drastic intervention, it will need to forgo at least $40 million in investment over the coming years. Even that is uncertain, however. “The initiatives are contingent upon a specific sequence of execution, creating interdependencies that introduce risks to successful implementation, as well as the risks of other potential disruptions (e.g. industrial action).”

This, from the chief operating officer’s financial plan, shows that the university is concerned about industrial action. Given that UTS staff have now learnt, from that plan, that the compound annual growth rate of employee benefits will halve over the next four years, that is no small risk.

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