

Information systems and recordkeeping

The University continues to promote compliance with the *Public Records Act 2002*, *Information Standard 18 (2018)* and the *ISO27001* information security management system.

In 2022, UQ made key system improvements to recordkeeping, information management, and security and information systems to support University objectives and priorities, including:

- The next phase of the Human Capital Management System (human resources) transformation began, focusing on implementing modern, integrated payroll and time and attendance capabilities. This will enhance the consistency and accuracy of key staff and pay-related information, and allow the decommissioning of legacy systems.
- A new customer relationship management platform was implemented, enabling more effective communications with prospective students and the decommissioning of legacy solutions.
- Multi-factor authentication was applied to all student user accounts, adding an important layer of security to key University systems.
- A 5-year Technology Master Plan was developed to ensure UQ's investment in information systems is considered and coordinated at an enterprise level and aligns with and enables UQ's Strategic Plan. The consultative plan will be submitted for approval in 2023.

UQ continued to deliver components of the Information Governance and Management Framework, encapsulating the whole of the University's strategic intent for information governance. Activities included:

- The University's Information Governance and Management Framework and Information Management Policy are undergoing a comprehensive review to ensure legislative alignment, clarify roles and responsibilities, clarify connections with records management, incorporate principles of data ethics and further streamline the framework. These aspects will now enter a consultation phase before being submitted for approval in 2023.
- Data awareness campaigns and staff development training are continuing. These aim to increase the data literacy of all UQ stakeholders
- A structured data scoping process is being implemented as part of the governance of IT projects with data requirements.

- Domain-specific data governance operating models are being finalised, outlining specific data governance and management expectations and decision rights for data within both the research and teaching and learning information domains.
- The data governance program is being transitioned to an ongoing operational team within the Information Technology Services division.
- A new *Keeping Records at UQ* procedure was developed. It focuses on the key systems of record keeping. The procedure has been implemented across the University, including through the delivery of awareness sessions for staff and business areas on the new procedure.

UQ also conducted a comprehensive cyber security improvement program that:

- continued delivering a cyber security awareness campaign, aiming to reduce information security risks through changed behaviour. This included implementation of a new cyber security training platform
- enhanced protections from malicious phishing through implementing a 'report a phish' button in Outlook and a friendly phishing campaign
- extended detection and response (XDR) capability to provide security enhancements across prevention, detection, investigation, and response domains
- commenced implementation of UQ processes to meet requirements under the *Security of Critical Infrastructure Act 2018*, including in relation to registering critical assets, notifying suppliers dealing with UQ's business critical data, and reporting cyber security incidents
- transitioned the cyber security program to an ongoing operational team under a new Director of Cyber Security, combining teams responsible for security architecture, cyber security operations, cyber risk and assurance, cyber culture and security improvements projects.

Human rights

The *Human Rights Act 2019* has been in operation since 1 January 2020, with its main objectives being to:

- protect and promote human rights
- help build a culture in the Queensland public sector that respects and promotes human rights
- help promote a dialogue about the nature, meaning and scope of human rights.

The University is committed to ensuring all decisions and actions taken are compatible with human rights. During 2022, the University continued to embed processes to ensure new or revised policies and procedures were compatible with human rights. Further decision-making training and resources were made available to UQ staff, which included tailored training in making decisions consistent with human rights.

UQ received no human rights complaints in 2022. Of the 2 complaints that raised human rights concerns in 2020, one matter was settled and discontinued in 2021, while the other was dismissed in 2022.

External scrutiny

No significant findings or issues about The University of Queensland were identified by a State entity in 2022.

Summary of

Financial information

As per the financial statements, the University recorded a consolidated deficit of \$310.8 million in 2022. This compares to a consolidated surplus of \$341.9 million in 2021.

The significant difference when comparing the 2 years (a decrease of \$652.7 million) is largely due to:

- A \$430.0 million movement in investment revenue. In 2021, the University recorded investment revenue of \$220.7 million as rising global stock markets created positive returns for the medium and long-term portfolios. In 2022, the University recorded an investment loss of \$209.3 million due to the change in market conditions resulting in global stock markets falling.
- A \$143.9 million timing difference related to the one-off additional Commonwealth Government Research Support Program revenue. In 2021, \$99.5 million in revenue was received and \$16.6 million expended (creating a surplus of \$82.9m). In 2022, no additional revenue was received and \$61.0 million was expended (creating a deficit of \$61.0m). The remaining \$21.9 million will be expended in 2023.

While the financial statements reflect a true and fair view of the financial position of the University and its consolidated entities in accordance with the applicable accounting standards, the more informative financial result is the 'underlying consolidated EBITDA' (earnings before interest, tax, depreciation and amortisation).

The underlying consolidated EBITDA represents the total annual funding available for major capital and infrastructure projects, operational plant and equipment, debt servicing, and contributions to the UQ Future Fund.

A breakdown of the items adjusted for as part of the underlying consolidated EBITDA is contained in the *Reconciliation of Operating Result to Underlying EBITDA* table on this page above right.

Reconciliation of operating result (Income Statement In Published Financials) to underlying EBITDA			
	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Variance \$'000
Net operating result as per University's published financial statements ¹	(310,789)	341,941	(652,730)
Movement in unspent Research Support Program grant revenue ²	60,997	(82,874)	143,871
Fair value gain on TRI Investment	2,098	(329)	2,427
Endowed donations to be held in perpetuity ³	(15,234)	(27,530)	12,296
Unspent investment portfolio losses/(gains) ³	94,132	(76,323)	170,455
UNDERLYING OPERATING RESULT	(168,796)	154,885	(323,681)
Depreciation and amortisation expense	187,003	169,125	17,878
Loss/(gain) on disposal of property, plant and equipment	3,712	17,018	(13,306)
Donated assets	(589)	(545)	(44)
Interest revenue (excluding interest tied to external funding)	(5,987)	(2,165)	(3,822)
Interest expense	18,983	16,930	2,053
Income tax expense	67	(6)	73
UNDERLYING EBITDA	34,393	355,242	(320,849)

¹ This is the net operating result of the consolidated entity as per the University's statutory financial statements.

² In 2021, the University received an additional one-off \$99.5 million in Research Support Program grant revenue. In accordance with Australian Accounting Standards, this was recognised as revenue in full as received in 2021 (as opposed to when it was expended). Of this amount, \$16.6 million was expended in 2021 and \$61.0 million expended in 2022. The remaining \$21.9 million will be spent in 2023. The movement in the unexpended portion of this grant revenue has been excluded from the underlying operating surplus.

³ The majority of funds invested in the long-term managed investment portfolio are restricted funds set aside for endowed donations and bequests earmarked for purposes specified by the giver. Such donations are not available for the general operating expenditure of the University nor is the unspent increase/decrease in the fair value of the portfolio related to these endowments and bequests.

University finances

Underlying consolidated EBITDA

The underlying consolidated EBITDA was a surplus of \$34.4 million in 2022. This compares to a surplus of \$355.2 million in 2021.

Underlying tuition revenue

The University's underlying tuition revenue decreased by \$11.5 million (or 0.9 per cent). This can be attributed to:

- A decrease in the combined funding through the Commonwealth Grant Scheme (CGS), HECS-HELP, and HELP student contributions of \$4.1 million (or 0.8 per cent). The number of Commonwealth-funded students fell by 2.6 per cent from 25,342 EFTSL in 2021 to 24,679 in 2022.
- A decrease in course fees and charges, and FEE-HELP of \$7.4 million (or 1.1 per cent). The number of full-fee-paying domestic and international students fell by 4.9 per cent from 18,506 EFTSL in 2021 to 17,592 EFTSL in 2022. This decline was offset by fee increases and a lower per cent of students receiving a 12.5 per cent rebate provided to those studying offshore (the result of COVID-19-related travel restrictions).

Underlying other revenue (excluding investment revenue)

The University's underlying other revenue (excluding investment revenue) increased by \$115.0 million (or 13.3 per cent). This can be attributed to:

- An increase in research block grant funding of \$47.7 million (or 23.3 per cent). The increase is largely due to an additional \$44.4 million in expenditure related to the one-off additional Commonwealth Government Research Support Program revenue received in 2021.
- An increase in tied research, scholarship and other major project revenue of \$14.3m (or 3.2 per cent). As the result does not recognise such revenue until expended, this increase is due to a related increase in expenditure.
- An increase in royalty and licence fee revenue of \$11.0 million (or 30.2 per cent) due to an increase in Gardasil royalties.
- An increase in student residential fee revenue of \$10.8 million due to the opening of the 610-bed Kev Carmody House on the St Lucia campus in 2022.

- An increase in Warwick Solar Farm electricity revenue of \$5.7 million due to higher generation and power prices.
- An increase in insurance proceeds revenue of \$5.3 million due to claims relating to floods in February 2022.
- An increase in the remaining revenue categories of \$20.2 million (or 11.5 per cent). With fewer COVID-19 related restrictions in 2022, revenue increased in areas including consultancy fees, contract work, conference registrations, rental charges, and Patina dining.

Underlying consolidated investment revenue

The University's underlying investment revenue decreased by \$262.5 million – a loss of \$121.3 million in 2022 compared to a gain of \$141.2 million in 2021. This can be attributed to:

- A decrease in the unrealised returns on the long-term investment portfolio (excluding unspent endowment earnings) of \$195.7 million. The annual return of the UQ Investment Fund was a loss of 19.14 per cent in 2022 compared to a gain of 23.74 per cent in 2021.
- A decrease in the unrealised returns on the medium-term investment portfolio of \$34.0 million. The annual return was a loss of 6.40 per cent in 2022 compared to a gain of 11.69 per cent in 2021.
- A decrease in the returns on investments in commercialisation entities of \$8.5 million.
- A decrease in remaining investment revenue of \$24.3 million. This was largely due to a decline in value of the investment in IDP Education, which was sold in 2022.

Underlying employee expenditure

The University's underlying employee expenditure increased by \$55.1 million (or 4.6 per cent). This can be attributed to:

- A 5.5 per cent increase in the average number of full-time equivalent (FTE) permanent staff. Half of the increase was related to staff funded by the extra research block grant funding (received in 2021).
- Salary rate increases of 2.0 per cent in January 2022, and 3.0 per cent in December 2022.
- The above increases were slightly offset by a reduction in employee provisions with staff, in addition to their current year entitlements, using annual leave and long service leave accrued in prior years.

Underlying other expenditure

The University's underlying other expenditure increased by \$106.7 million (or 15.3 per cent). This can be attributed to:

- An increase in non-employee expenditure on tied research, scholarship and other major project revenue, and the one-off additional Commonwealth Government Research Support Program revenue of \$19.8 million (or 10.4 per cent).
- An increase in utilities and insurance expenses of \$23.4 million (or 60.3 per cent) largely due to an increase in electricity costs.
- An increase in travel and hospitality expenses (excluding the portion covered by tied funding) of \$14.8 million (or 208.5 per cent) largely due to the opening of state and international borders following the COVID-19 pandemic.
- An increase in commercialisation supply and services expenses of \$11.0 million (or 163.2 per cent) due to increased royalty and licence fee revenue, and increased commercialisation and consultancy work.
- An increase in repairs and maintenance expenses of \$5.3 million (or 6.9 per cent), largely due to works associated with the University's facade replacement program.
- An increase in scholarship expenses (excluding the portion covered by tied funding) of \$5.2 million (or 6.4 per cent) largely due to an increase in research stipends.
- An increase in the remaining expenditure categories of \$27.2 million (or 9.2 per cent). Categories with an increase in expenditure included computing software and licences, digital library collections, student support, teaching/research consumables, trading purchases, and operating costs for the new Kev Carmody House.

Capital expenditure

The University continued to invest in major infrastructure. The total amount capitalised on property, plant and equipment, and intangibles during 2022 was \$138.3 million (2021: \$239.5 million).

Major capital projects in 2022 included the refurbishment of 308 Queen Street (The Atrium), the construction of the new Plant Growth Facility, and the renewal of the UQ lake.

Investment Portfolio

Background

The University maintains 2 long-term managed investment portfolios – the UQ Investment Fund and the UQ Socially Responsible Investment (SRI) Green Fund. These portfolios serve 2 purposes.

First, they hold endowments received by the University over the past century. The principal amount of the endowment is invested in perpetuity and the investment earnings are used to support a particular purpose (e.g. scholarships, prizes, chairs) consistent with the donor's intent.

Second, they hold a portion of annual operating surpluses generated by the University in recent years. This is known as the UQ Future Fund and the funds are invested in the long-term to provide for (1) a stream of investment earnings that can be used for innovative or strategically important teaching and learning activities, and/or (2) a reserve to draw upon to absorb a large financial shock.

UQ Investment Fund Performance			
	Return Of Portfolio	Average CPI plus 6%	Above/(Below) Target
Return over past year	(19.14%)	13.80%	(32.94%)
Return over past 3 years	5.03%	8.29%	(3.26%)
Return over past 5 years	7.65%	7.74%	(0.09%)
Return over past 7 years	8.03%	7.53%	0.50%

UQ Socially Responsible Investment Green Fund Performance			
	Return Of Portfolio	Average CPI plus 6%	Above/(Below) Target
Return over past year	(2.37%)	13.80%	(16.17%)
Return over past 3 years	9.45%	8.29%	1.16%
Return over past 5 years	9.45%	7.74%	1.71%

UQ Investment Fund

The UQ Investment Fund is managed by external fund managers, who are required to operate within designated asset allocation benchmarks. Each has responsibilities for investments in cash and fixed interest, listed property, Australian shares, overseas shares, tactical asset allocation, and private equity. The balance at 31 December 2022 was \$803.2 million. Of this total, \$342.7 million relates to endowments and \$460.5 million relates to the UQ Future Fund.

The investment strategy of the UQ Investment Fund is to achieve a long-term return (net of all fund manager fees) of the Consumer Price Index plus an additional 6 per cent over rolling 7-year periods. As at 31 December 2022, the fund had produced a one-year loss of 19.14 per cent and a 7-year return of 8.03 per cent per annum.

The UQ Investment Fund has no direct investments in fossil fuel companies. The University regularly monitors the composition of investments managed by external fund managers and ensures fossil fuel companies do not form a material part of the total investment.

UQ Socially Responsible Investment (SRI) Green Fund

The UQ SRI Green Fund offers an alternative to donors providing endowments who are looking for socially responsible investments. The fund will not invest in companies involved with tobacco, armaments, gaming or pornography as they are not deemed socially responsible investments. Further, the fund will not invest in companies excluded from the FTSE All-World ex Fossil Fuels Index.

The fund managers are required to operate within designated asset allocation benchmarks and each has responsibilities for investments in cash and fixed-interest and Australian shares. The balance at 31 December 2022 was \$5.6 million.

The investment strategy of the UQ SRI Green Fund is to achieve a long-term return (net of all fund manager fees) of the Consumer Price Index plus an additional 6 per cent over rolling 7-year periods. As at 31 December 2022, the fund had produced a one-year loss of 2.37 per cent. A 7-year return is not yet available as the fund was first established in 2016.

CFO Statement

In preparing the financial statements, the UQ Chief Financial Officer (CFO) has fulfilled the reporting responsibilities as required by the *Financial Accountability Act 2009*. They have provided the accountable officer with a statement that the financial internal controls of the University were operating efficiently, effectively and economically in accordance with section 57 of the *Financial and Performance Management Standard 2019*.