



Funding Irish Universities to Fuel the Knowledge Economy

July 2018

Budget 2019
Submission

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Investing in National Ambition

Budget 2019 must be used to make a decisive step to invest in the future key talent for the knowledge economy by providing a step-change in funding for Irish universities. The government must urgently address the underlying quality issues arising from a decade of underfunding as well as building capacity to absorb the significant growth in student numbers.

Without significant investment, universities cannot enhance their efforts to improve access and better respond to the skills, research and innovation needs of the economy. The Irish Universities Association (IUA) is calling on the government to take specific measures to close the funding deficit in order to raise funding per student and provide essential capital spending to address serious deficiencies in infrastructure and facilities.

- An **increase of €130 million in core current funding for universities** is required as part of an overall package for the higher education sector. This must be specifically targeted at increasing the State core recurrent funding per student which has fallen by 50% since 2008 if the quality issues in our university education system are to be addressed. This €130 million package includes €40 million for known, unavoidable cost increases in 2019 arising from national pay awards and other centrally imposed cost increases.
- **Essential capital spending of €104 million** is urgently required as part of a **5-year University Capital Refurbishment Fund**, to address serious deficiencies in infrastructure and facilities arising from a decade of neglect. This includes €7.7 m in emergency health and safety-related works, monies to address backlog maintenance and investment in reconfiguration and upgrade work to make facilities fit-for-purpose. This investment is essential to enable universities to educate key talent and develop the research and innovation capacity of the knowledge economy for the future.

The IUA also proposes that the government uses the opportunity in Budget 2019 to take the first steps in restoring a greater level of independence to universities in order to enhance their capacity to respond to the needs of the country and the economy. Rigid, centrally controlled measures such as the Employment Control Framework, introduced in recessionary years, stifle the capacity of universities to respond flexibly to the needs of the economy and the workforce and compete effectively in the international higher education market. Universities will deliver best for the country when given the capacity to manage their own affairs especially when it comes to hiring and managing their staff.

Core Recurrent Funding Requirements 2019

The gap in core funding in Irish higher education to 2021, based on the Cassells Expert Group analysis, remains at in excess of €550 million. It is essential that this funding gap to the initial key Cassells milestone is bridged if there is to be any meaningful progress on achieving the ‘best in Europe’ government ambition.

The Cassells investment would allow universities to absorb the significant growth in student numbers and also to begin the process of addressing the underlying quality issues which have arisen from years of underfunding that are beginning to become evident in international ranking systems. Additional investment will also allow universities to enhance their efforts to improve access and better respond to skills needs.

There has been a calamitous drop in State funding per student to Irish universities over the last decade. As shown in the table below, the average State funding per student in 2017 at €4,397 was just half what it was in 2008. These figures include the 7 universities as well as the teacher training colleges and the NCAD and RCSI but do not include the institutes of technology. The funding figures refer to total recurrent core funding direct to the institutions as per the annual Estimates process.

State Funding per Student

	2008	2017
Total State Funding to universities & colleges (per Estimates)	€831m	€537m
Total student (FTE's) universities & colleges	95,292	122,121
Average State funding per student	€8,720	€4,397
Change 2008-2017		-49.6%

Sources: Department of Public Expenditure & Reform; Higher Education Authority

- Notes:
1. State funding figures refer to General current grants to universities as per subhead C4 of the Revised Estimates for Public Services (excluding IoT's);
 2. Student numbers for universities and colleges – not including institutes of technology.

The impact of the budget cuts is now beginning to be seen by a falling trend in university rankings. In the absence of a decision by government to consider alternative funding options, the only potential source of funding for higher education in the short-term is from exchequer funds.

- The Irish Universities Association proposes that **additional core funding of €130m** must be provided for the university sector in 2019 within the overall higher education sector budget. This includes €40 million to cover known cost increases for national pay rounds and other centrally controlled costs. The remaining €90 million will **begin the process of securing a quality university system** by reversing the decline in State funding per student which has fallen by half in just over ten years.

Based on the existing split in funding between the university and institutes of technology sector, the overall additional core funding requirement for the higher education system in 2019 is circa €220 million. Additional core funding increments of €180 million and €230 million (not including pay awards) for the higher education sector overall are required in each of 2020 and 2021 in order to bridge the funding gap to 2021 as outlined by Cassells.

Essential Capital Expenditure Requirements 2019

Project Ireland 2040 has provided for exchequer-funded capital expenditure on third level of €2.2 billion over 22 years. This is an important and welcome commitment to the needs of the sector. However, it needs to be considered in view of the overall capital expenditure needs.

The Cassells Report, however, concluded that €5.5 billion in capital expenditure is needed by the sector up to 2030, a timeframe that is ten years shorter than that in Project Ireland 2040. The Cassells projection is based on the need to cater for “increased student numbers, capital upgrades, health and safety issues, equipment renewal and ongoing maintenance”.

Given the understandable paucity of state contributions for capital investment over the recession decade, universities were forced to borrow to fund essential capital needs. Borrowings among the seven universities are now approaching €700 million. This represents a gearing level of more than 25% of net assets. For some individual universities, gearing is heading towards 40%. These universities are, therefore, at or close to their borrowing limits, based on accepted prudent fiscal management.

There is an urgent need to address critical upgrades of essential equipment and infrastructure in order to provide facilities appropriate to future needs of students and the research and innovation infrastructure. The legacy of a decade-long neglect of essential repair and maintenance due to lack of money has resulted in a catalogue of ‘red-letter’ health and safety-related issues to be dealt with in university facilities. These cannot be funded through borrowings.

In line with the government’s position as outlined in Project Ireland 2040, the universities propose that capital refurbishment requirements should be prioritised in Budget 2019. Failure to address the extensive refurbishment requirements at this point will inevitably lead to far greater costs in the medium term as capital stock may deteriorate beyond repair and may ultimately require complete replacement.

The Irish Universities Association has collated the essential, prioritised capital refurbishment requirement cost estimates from its member universities for the budget year 2019. This covers backlog maintenance and refurbishment, health and safety-related works,

equipment renewal and essential IT upgrades as well as other refurbishment works to provide fit-for-purpose facilities.

The total cost estimate for 2019 across the seven universities is €104 million and represents an initial phase of an overall requirement of €530 million over the 5-year period to 2023.

Further detail of the requirements can be seen in the table below: -

5-year Capital Refurbishment Requirements for Irish Universities

	2019 €m	2020 €m	2021 €m	2022 €m	2023 €m
Health & safety-related works	7.7	6.3	5.3	5.2	5.2
Building refurbishment & backlog maintenance	37.7	38.3	35.2	34.7	31.7
Reconfiguration & modernisation of capital stock	35.0	43.5	47.2	40.9	33.7
Equipment & IT/AV upgrades & renewal	15.9	16.4	15.8	14.8	14.5
Other refurbishment works	8.1	10.3	9.6	8.2	8.2
TOTAL	104.4	114.8	113.2	103.8	93.2

Source: Refurbishment estimates June 2018 by UCD, UCC, NUIG, UL, MU, TCD, DCU

The provision of funding for these upgrade costs is an essential enabling measure for universities to respond to growing demand and to provide facilities capable of educating key talent and seeding the research and innovation needs of the knowledge economy.

In accordance with the recommendations of the Expert Group on the Review of the Funding Allocation Model, the on-going cost of maintaining capital stock in the future should be provided for within current funding.

Medium Term Requirements – The Cassells Analysis

The government has an ambition to have a ‘best in Europe’ higher education system by 2026. The Irish universities share that ambition. Budget 2019 presents an opportunity to take a critical step in providing the essential resources necessary to deliver on that ambitious goal.

Universities have a crucial role in producing the talent pool for the growing knowledge economy. This, not only includes satisfying the skills needs of the workforce, but also seeding the creativity and innovation of the economy through an expanding world class research system.

It is now more than two years (March 2016) since the Cassells report, *Investing in National Ambition*, set out a clear strategy for the future funding of higher education and a choice of

options to achieve that. The funding requirements for the sector, as laid out by Cassells, includes the following key elements:

- An additional €600 million per annum in core funding by 2021 as compared with 2015.
- An additional €1 billion per annum in core funding by 2030 as compared with 2015.
- A capital investment programme of €5.5 billion by 2030
- An additional €100 million per annum in student support and maintenance grants.

We are now midway between the Cassells base year of 2015 and the first key milestone in 2021. While a decision on the options for a new funding model has been put on the long finger, the analysis of funding needs as laid down by Cassells has not been disputed. Indeed, it is likely that the projections for a growth in student numbers may prove to be higher than the Cassells estimate based on the population growth surge shown in Census 2016.

In summary, the funding crisis in higher education has deepened even further since the Cassells Group reported. Further delays in addressing the situation risks jeopardising the production of the talent base that is widely agreed to be the engine of future economic growth.

Restoring a More Flexible and Responsive Structure for University Education

In his inaugural speech to Dail Eireann as Taoiseach, Leo Varadkar, TD said:

“We need to drive the higher education sector forward, give it autonomy and resource it adequately.”

An Taoiseach’s comments are entirely consistent with the National Strategy on Higher Education to 2030 which stipulates that *“higher education institutions will progressively take on greater responsibility for key human resources functions”* over the lifetime of the strategy.

Since this strategy was published in 2011 however, the level of autonomy of universities has been progressively eroded, particularly in relation to staffing, with centralised control through the Employment Control Framework. While this measure may have been appropriate in recessionary times, its continuation is stifling the capacity of universities to respond to the rapidly changing needs of the economy and to compete effectively in an internationalised higher education environment.

The Irish Universities Association now calls on the government to re-balance university autonomy in accordance with the National Strategy and the views of the government as represented by An Taoiseach.

In tandem with increased funding, the existing Employment Control Framework should be set aside with universities given far greater flexibility to run their own affairs. All international evidence shows that universities with the highest levels of independence perform best and have the ability to be responsive to the changing needs of the economy and society.

The government should take the first step in Budget 2019 to restore greater autonomy to universities in line with national higher education policy, especially in relation to human resource functions. The current practice that has evolved of highly concentrated, centralised control of key aspects of the day-to-day operational functions of universities is not consistent with agreed policy and reduces the capacity of universities to respond flexibly to the needs of the economy and the workforce.

Irish Universities Association

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