C·H·I·U

Conference of Heads of Irish Universities

C.H.I.U. Views on the Report
"Review and Prioritisation of Capital Projects in the HE Sector"

1. General Welcome with Reservations

C.H.I.U gives a broad welcome to the Kelly Report. The report acknowledges that Ireland needs significant infrastructural investment in higher education, even if we want to maintain current output of graduates.

A ring-fenced five-year investment fund programme would be a positive development provided it was large enough to meet development needs.

The recognition by the Group of the need for annual programmes to provide capital minor works and renewal of equipment in addition to major capital projects is welcomed. Implementation of the relevant recommendations would be a significant step forward.

C.H.I.U. agrees with the need to look well beyond 2007/08 if proper planning of infrastructural provision for higher education is to be achieved but the Group fails to deal with impending expansion needs.

It is imperative that approved projects for universities proceed as soon as possible but there is also an urgent need to address serious deficiencies in the Report. Advantage must be taken of the current positive state of the Exchequer finances to accelerate the funding of projects which the report strung out on the basis of a gloomy view of government finances.

2. C.H.I.U. Initial Concerns Well-founded

C.H.I.U. advised the HEA prior to the establishment of the Kelly Group, and subsequently the Kelly Group itself, that the proper and effective planning and prioritisation of higher education infrastructure projects would not be possible in the absence of a clear strategic objective and comprehensive policy on the future development of higher education. The basis for such a policy, designed to achieve an ambitious government strategic objective, has now been provided by the OECD Report on Higher Education in Ireland.

Unfortunately, the findings of the Kelly Group are completely out of line with the OECD recommendations and the levels of investment proposed are such that it will be impossible for the university sector to attain the top OECD ranking required for it to successfully drive Ireland's development as an internationally competitive knowledge economy and society.

At the Plenary Meeting held by the Kelly Group on 18th October, 2004 the Chairman of the Group was at pains to point out that the Group adopted a strategic approach to its work. However, the explanation given of the methodology and process of review adopted by the

Group clearly revealed a "nuts and bolts" approach that was divorced from the HEA's and the Government's strategic objective of insuring that the higher education sector was in the top decile of OECD countries. The Group failed to benchmark the quantity and quality of university infrastructure against universities in the top rank of OECD countries and to state how implementation of the Report's recommendations would affect such ranking.

The Group's cautious, pragmatic, modest and conservative approach concerned primarily with "catch-up" investment was informed more by a view of what the Department of Finance might tolerate rather than the Government's strategic objective for higher education. The approach has sold short the university sector and failed to identify the extent of the investment required to underpin the country's future economic and social development. Individual universities will, no doubt, make known to the Kelly Group and the HEA their serious concerns about perceived inconsistencies in the levels of rigour applied in assessing institutions' proposals.

C.H.I.U. is still at a loss to know how in building from the bottom up, i.e. from individual projects, what basis the Group could have for deciding that the sum of the individual approved projects constituted an integrated plan to meet the development needs of the HE sector

3. Benchmarks for Proposed Levels of Investment

There is confusion in the report as to the target being set for the third level sector. The HEA foreword suggests that the investment recommended by the Group will be essential in meeting the government target that Irish higher education should perform at or above the top quartile of OECD countries and the more ambitious HEA goal of performance in the top decile which coincides with the Enterprise Strategy Group objective.

Based on the population projections, the money allocated is extremely modest. It is acknowledged that even after Phase 1 of the Group's recommendations is implemented, Ireland will continue to lag well behind international norms in the area per student - 9 m^2 compared with international figures of 10 – 11.3 m^2 per student. The current usable space norm of 8m^2 is equal to 71% of UK/Australia top standard.

An international benchmark figure for minor capital works programmes in the range 1.25% - 2.5% of capital value is quoted. The Group recommends a figure of 1.5%, which while is it a welcome development, will not enable Irish universities to be in the top decile of OECD countries.

The Group also acknowledge (page 3 of the Report) that the value of the higher education equipment stock of €680 m in round terms (or 17% of the insurance replacement value of the building stock) is low by international standards. Given that the overall stock of buildings is down by approximately 20% on top international standard (11.3 m^2), this would mean that the equipment renewal figure is far below best international standards.

One might have expected some effort to redress this problem, but the Group recommendation that a 9-year average cycle should be used (even when the institutions themselves rather modestly quote an average life cycle of 6 years) as the basis for calculating the annual funding for equipment renewal can only lead to a worsening of that position. Given the recognition in the report of the importance of an adequate stock of equipment, a 9-year average cycle (€75m per annum) is completely inconsistent with a stated target of putting Ireland in the top decile of OECD countries, in terms of equipment provision in higher education.

In the end, the report does not provide an infrastructure investment strategy for bringing the Irish Universities into the top decile of OECD countries. Where international benchmarks are mentioned, the report opts for the low end of the international standards cited thus ensuring that Irish Universities would continue to be at a competitive disadvantage. This is at complete odds with the HEA statement *"that a vigorous and internationally competitive higher education system is essential if this country is to secure a place as a leading knowledge-based society"*.

4. Private Funding

The additional reduction in the figure for equipment from €75m per annum to €50m on the basis that the remaining €25 million could be raised on a matching funding basis magnifies the problem.

The Report [page 40] lauds the fact that between 1997/98 and 2001/02, the university sector raised €450m (60% of total capital expenditure) in capital funding from private sources. However, the Group and the HEA will be well aware that the majority of that money came from The Atlantic Philanthropies, which has announced its decision not to invest further in higher education provision in Ireland. The possibility of institutions raising matching funding for capital equipment renewal is extremely low.

The presumption that private donors would be willing to fund essential capital projects which are declared by the state to be a priority is unfounded. The Report expects the university sector to raise €185m over Phase 1 from 2004-2008 from own resources. Without TAP in the frame this goal seems dangerously optimistic. The universities may have contributed to the high expectations by being ambitious in their submissions but the seven universities are all fishing in the same small pool of donors.

5. HE Expenditure as an Investment in the Future

In making its recommendations for expenditure, the Group appear to have forgotten that this money is an investment to secure Ireland's economic, prosperity in the future and not a social services expenditure. The Group also appear to have been unduly influenced by the past in making their recommendations (page 38 middle of the page "this would be high by historical patterns of Exchequer capital funding in equipment"). The allocations of the past should be irrelevant if we are talking about benchmarking ourselves against the top decile of OECD countries.

The Group has emphasised VFM and cost effectiveness as a key factor in their deliberations. Their approach to this important issue seems to be informed by the short-sighted and parsimonious approach to project approvals carried forward from a time when the DES emphasis was on the most basic of minimum standards rather than what now must be the case of matching the modern, cutting-edge facilities of institutions in our competitor countries.

For example

- No provision made for future inflation or for possible future changes in market conditions which could influence construction industry pricing,
- Cutting back student unit costs where they “appeared” excessive,
- With costs cut to the bone the Group proposed that implementation of projects should be on a devolved basis with universities taking on management of the risk in cost fluctuations with provision to allow institutions to adjust cash flow for undivided projects within a 5 year funding envelope.

6. Financial Context for Review

The political and financial context for the Review Group was that it was announced by the Minister in his Estimates speech in November 2002 and provided cover for slashing the capital budget for universities to only €12.5m in 2003 and €20m in 2004. It was essentially a long-fingering exercise. The view of the state of Exchequer resources taken by the Review Group was crucial and in this regard events have overtaken the stringent view of Exchequer finances articulated in the Terms of Reference. While this is not made explicit in the Report, the Group in its presentation at the Plenary meeting made it is abundantly clear that the recommendations were driven by perceptions of what the Department of Finance might be prepared to approve rather than by the actual level of investment required to deliver on the government’s strategic objective or the current buoyancy in state finances.

7. Catch-up -v- Meeting Future Needs

HEA Foreword states that the Report sets out a strategy to meet the future capital needs of the third level sector. However, the Group found that “there are serious infrastructural deficits in the sector requiring significant catch-up investment.” In fact the Report states that the underpinning strategy must be the consolidation of existing third level capital stock to provide modern and appropriate facilities for science training for students into the future. There is, therefore, confusion in the report between meeting the need for catch-up investment and the object of providing the investment necessary to bring a generally expanded sector into the top decile of OECD countries in terms of buildings facilities and equipment.

8. Enrolment Projections

The Full-Time Student Population projections prepared by the HEA are lower than DES projections leaked in the media. Indeed the Group acknowledges that previous projections of student enrolments (page 13 of the Report), which initially appeared ambitious were under-estimates, even though they were dismissed at the time. A participation rate of 58% by 2007/08 is not unrealistic, but it is the minimum required to put Ireland in the top quartile (never mind the top decile sought in the HEA Strategic Plan – top of page 4 of the Report) of OECD countries particularly given that other countries are not standing still and are already investing heavily in higher education.

The fact that the Report makes no provision for part-time students is a major weakness from a planning perspective, particularly in light of the fact that part-time provision is expected to form a large part of the upskilling of the work force.

The statement that non-EU international students pay full-economic fees and should be excluded from the calculation of the provision is simplistic and short sighted. If we are to double the number of PhD students as recommended by the OECD a fair proportion of the increase will be students from abroad and may have to be attracted by scholarships and high standard living accommodation and facilities which will require state funding.

It is not clear what target levels are set for increased participation and the consequent additional accommodation required. The Group admits that only 3% approx of projects would bring additional capacity to the sector over skills needs. The HEA acknowledges that more ambitious targets would have implications for capital infrastructure.

Post graduate students

The report admonishes universities for under-projecting enrolments for postgraduates without acknowledging that the HEA core funding is heavily biased in favour of undergraduates, that the support for postgraduates, particularly research students, is grossly inadequate, and that radical funding change will be required in order to increase the number of postgraduates to the levels required.

If the Group/HEA felt that insufficient attention was given by universities to the need to expand postgraduate students, then the Group had the responsibility to seek supplementary submissions to address this gap. Instead the HEA is left to state that it considers that universities should urgently review plans and targets for postgraduate education with a view to significantly increasing the numbers of postgraduates [p.4].

The need to increase enrolment of postgraduate students was not highlighted as a national priority by DES/HEA for funding or capital purposes. It is somewhat unfair to assign priority and expect the universities to have anticipated it.

Accommodation requirements for postgraduates are more demanding in terms of quantity and quality of space and equipment and there is no indication that the Report has made allowance for this cost factor in its recommendations.

Questions
What provision did the group make for postgraduate research students in IoTs and universities? How does the Kelly Report answer the investment questions posed by the OECD recommendations to double the number of PhDs and concentrate training of PhDs in universities?

9. Universities within the Higher Education Sector

The respective enrolment projections for universities and Institutes of Technology [IoTs] used by the Group are not clear. C.H.I.U. would question the higher increase projected by HEA for IoTs which may have influenced the Group's findings. HEA projections are:

	2004	**2008**	**2015**
IoTs	71012	74511	89403
Universities	57353	64340	86183

The capital budget for universities of €12.5m in 2003 and €20m in 2004. compares very unfavourably with the IoTs' capital provision of €41.75m in 2003 and €41m in 2004. These allocations were part of a pattern in state funding of HE capital projects which from 1997 through to 2003 resulted in 86% more state funding per annum being made available to IoTs over universities.

C.H.I.U. supports the higher level of state capital investment in IoTs and has done so since 1997 following discussions with the then Minister on the matter. However, C.H.I.U. would argue that should not be at the expense of reduced or inadequate state investment in universities. Capital investments at levels comparable to investment in the IoTs is required if universities are to have the standard of buildings and facilities necessary to be in the top rank of OECD university systems.

While the Kelly Report recognises the need for increased state investment in infrastructure and equipment in the higher education sector, of the 10 year programme of €913m only €217m is designated for universities. Using 2007/08 [Fig.4] enrolment figures the investment proposed by the Report translates as €11,470 per student in IoTs compared to €2,932 per university student.

An infrastructural investment provision of €850m would be required to fund universities on an equitable basis with IoTs and would enable universities to begin to improve their facilities to best international standards.

10. The Kelly and OECD Reports

Discussions on the implementation of the OECD Report must urgently address the infrastructural demands on universities arising from the OECD Report which will not be met by the Kelly Report recommendations.