IRISH UNIVERSITIES ASSOCIATION

BUDGET SUBMISSION 2017

September 2016

Irish Universities Association

IUA Submission – Budget / Estimates 2017

Introduction

Since Budget 2016 we have seen another rise in the numbers applying for university places. This reflects increasing numbers of young people coming through the second level system and continuing upward pressure on demand for university courses – a trend which is set to continue and grow over time.

Fortunately, for our graduates, the jobs market continues to improve, with numbers at work having just surpassed two million for the first time since 2009. With the strong positive correlation between higher education qualifications and employability, our graduates are well placed to benefit from this.

Strong employment growth creates a virtuous circle, boosting GDP and exchequer revenues while reducing the cost of social welfare payments.

A high quality system of higher education is a prerequisite for maintaining that virtuous circle. And yet, the picture, when it comes to government investment in our universities, could not be more different. The destructive effects of the extensive cuts to both funding and staffing during the economic crisis have not been reversed. Despite significant progress being made by universities in expanding non-Exchequer income (non-Exchequer income in 2015 represented 55% of total sectoral income as opposed to c.40% in 2007), the financial pressures facing universities are being evidenced in emerging deficits in some universities.

It is imperative, therefore, that Budget and Estimates 2017 should make a clear statement of commitment to begin the process of restoring our higher education system to health and supplying the necessary recurrent and capital funding.

Recurrent Funding

Cassells Report

The Joint Oireachtas Committee on Education and Skills will begin consideration of the Cassells Report on Future Funding of Higher Education. The group's report is a landmark in clearly setting out the reasons for, and benefits of, investing in our universities and colleges. While a decision remains to be made on the shape of a comprehensive solution to the funding crisis, immediate steps need to be taken in the upcoming Estimates. In that regard, the Cassells Group is clear that increased funding from the Exchequer must continue to be a core component of any funding solution.

Investment Urgently Required
That funding is urgently required to reverse the decline in quality and capacity which eight years of cuts has imposed on the sector. The combined unit of resource (i.e. the funding per student including core recurrent grant plus the composite fee incorporating the student contribution) has decreased by 21% over the period from 2007/08 to 2015/16, while the overall state contribution to the unit of resource has decreased by approximately 50%. In monetary terms this amounts to a reduction of €1,838 in the unit of funding per student. Increasing intake for the coming academic year will make the situation worse.

The Cassells Group has scaled the required investment in higher education: €600 million by 2021 in core recurrent funding.

Against this backdrop, we are seeking an injection of €75 million in recurrent funding in 2017 specifically for our universities, to begin to address sustainability and quality concerns. Since similar issues apply across higher education, the total funding for the sector will likely need to be double this amount.

This funding would allow a meaningful start in hiring additional staff to improve the student experience and begin improving student to staff ratios with the aim of reaching more acceptable levels by international standards. This investment in talent is both timely and urgent, given the bottleneck created by the Employment Control Framework's restrictions on recruitment. This, combined with the current concern amongst academics working in the UK caused by BREXIT, creates a window of opportunity to inject new blood into our higher education system benefiting teaching and research.

National Training Fund
In regard to overall budgetary pressures, the Cassells Group has noted the potential of the National Training Fund to contribute to higher education. While the ultimate decision on that matter will fall to be considered after this year's Budget, we would highlight the fact that the National Training Fund is heavily in surplus – with €138 million carried forward as of January 2015, with this sum projected to grow to €176 million by December 2016. University education has better labour market outcomes than many of the schemes of training for employment already supported under the fund. Therefore, a strong case can be made for an immediate application of the surplus arising to meet the cost of programme provision in higher education.

Conclusion
Finally, it should be said that the scale of the funding challenge facing the sector beyond 2017 is such that it is essential that decisions be taken on the Cassells Group proposals as early as possible and well in advance of Budget/Estimates 2018. In summary, an immediate injection of funding in the Estimates needs to be followed by a comprehensive funding solution to guarantee future sustainability.

Recommendation 1

The government should take immediate steps in budget 2017 to commence the process of increasing the investment in Higher Education to meet the unavoidable cost increases facing the sector and to address the current under-investment in HE identified in the Cassells Report. An immediate injection of €75 million recurrent finding for our universities is required to begin the process of rebuilding quality and ensuring sustainability.

Capital Funding Requirements

Capital Infrastructure

During the economic crisis, government investment in new builds in our universities effectively ceased[1]. Such resources as were available were redirected to first and second level to build new schools to cope with increases in the population of school going children. The bulge in that population is already feeding through into third level and will do so at a growing rate over the next decade and a half.

Even as things stand there are serious accommodation concerns both on and off campus, leading to quality concerns. The student staff ratio in higher education overall is now 19:1 and is higher for the universities at some 21:1. This contrasts to the OECD average of 14:1. Unsurprisingly, therefore, the 2010 HEA Space Survey concluded that the higher education sector has stretched itself significantly to accommodate an increasing student population achieving this largely on the strength of highly efficient space utilisation.

Given the significant pressures on space arising from growing student numbers it will be impossible to meet future demand without major capital investment.

In addition to growing demographic pressures, there is an urgent need to repair and replace existing infrastructure. *'A study of space utilisation in the Higher Education sector in 2010 showed that over 41% of the space was more than 25 years old, of which 18% was more than 50 years old. In the universities, almost 130,000 square metres of building space were over 100 years old…..Property requiring 'major repair' and 'replacement' represents in total around 39% of the portfolio…..This is particularly the case in science and engineering where a number of demands arise and where some courses may need to be stopped if facilities are not refurbished and in other cases where the facilities are not fit for purpose there may be an impact on the quality of learning outcomes'. (Delaney and Healy, 2014)*[2]

---

[1] **Capital investment** in Higher Education averaged €111 million per annum in the five years pre the crisis. Capital funding allocated in 2016 (sub-head D.4) had fallen to €21.5 million in 2016, reflecting an effective moratorium on new capital funding.

[2] Delaney and Healy, (2014) 'We Need to Talk about Higher Education' Nevin Economic Research Institute.

The Cassells Report has indicated that '*a capital investment programme of €5.5 billion is needed over the next 15 years to sufficiently cater for increased student numbers, capital upgrades, health and safety issues, equipment renewal and ongoing maintenance*.'

The role of public capital funding in leveraging additional private funding has also been demonstrated in the past. A public capital investment programme could therefore be further supported through the introduction of targeted incentives and measures to support private investment. Such measures might include tax relief schemes aimed at stimulating private investment, drawing on previous experience both nationally and internationally of such measures and/or additional tax relief on philanthropic donations.

While it will take time to bring major new projects on stream, a multi annual budgetary envelope reflecting the Cassells' proposals needs to be put in place quickly. In the interim, urgent investment of €30 million is required by our universities in 2017 for refurbishment, health and safety, infrastructural improvement and upgrade works which are in a position to proceed immediately, with major capital investments to follow in future years.

Recommendation 2

Investment in university capital should be prioritised in the Public Capital Programme, with a multiannual plan to address the shortfall in existing infrastructure investment through a combination of public investment and private funding supported by appropriate incentives.

An immediate injection of €30 million in Capital Funding is required for upgrading and refurbishment works to avoid further deterioration of our university campuses.

Student Accommodation

It should be noted that these requirements are separate from the measures which are needed to address the student accommodation crisis. We will continue to work with the structures established by the Department of Education and Skills and Government to seek solutions to this problem.

IUA September 2016