

Funding the Future

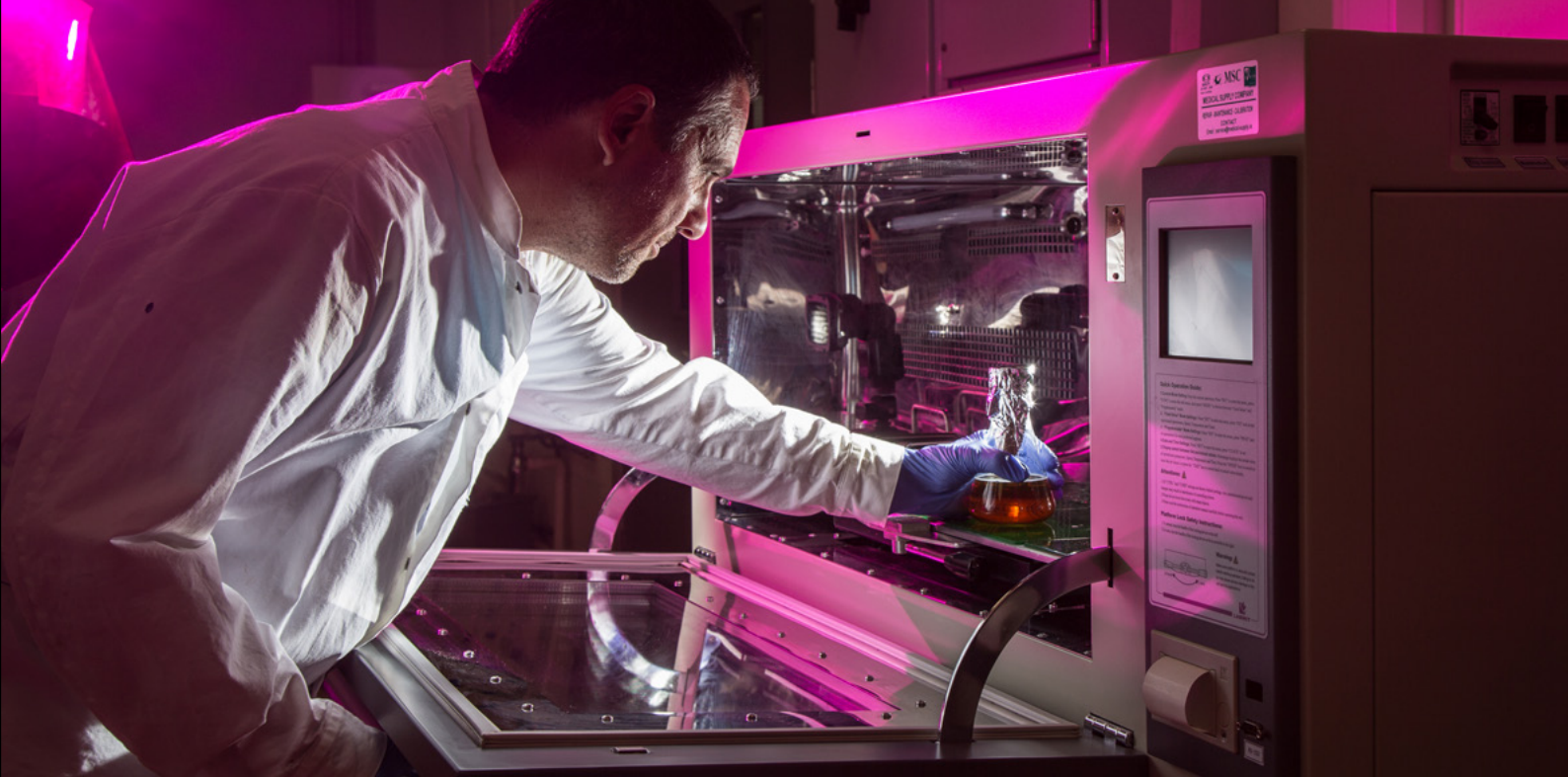
Phase 1

Budget 2023
Submission

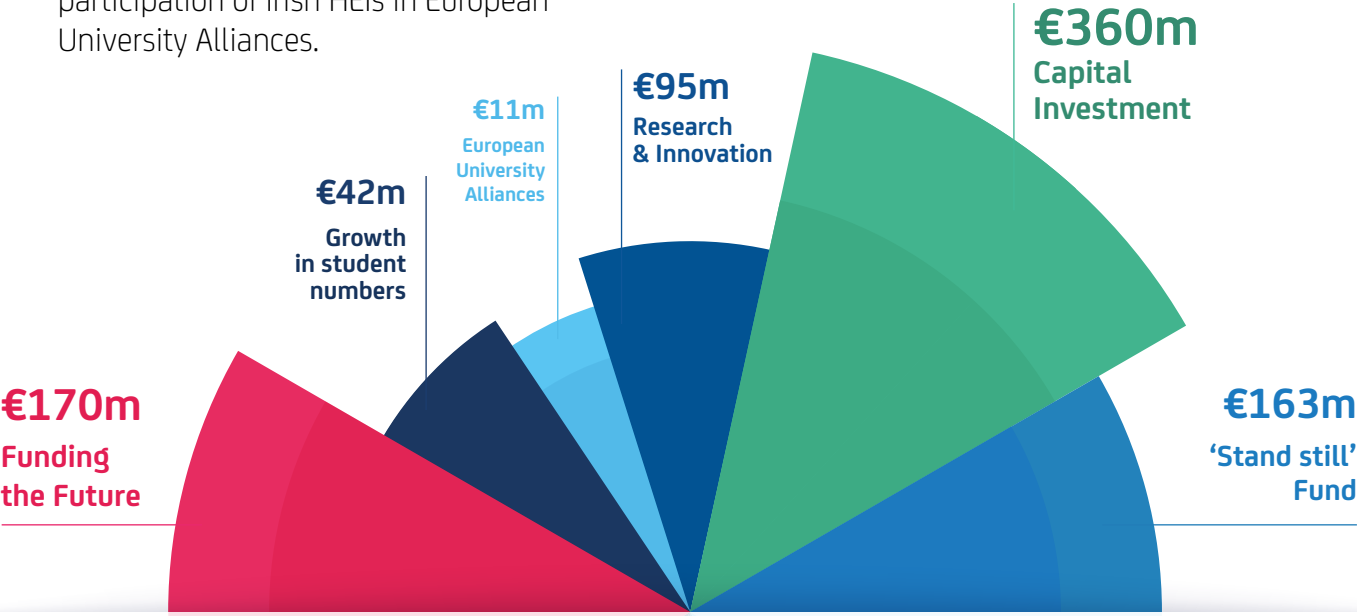


Summary Proposals

Budget 2023 provides the first opportunity for government to deliver on its pledge to provide a sustainable funding model for Irish higher education. In this submission, we set out what is required for Phase 1 of Funding the Future, the first in a three-budget adjustment of the funding model.



- It is essential that a front-loaded core funding package is provided to deliver on the government commitments in Funding the Future. The IUA proposes a **€170m** package that will enable universities to make meaningful progress in improving student-staff ratios and accordingly improve retention, quality and student services.
- An additional **€42m** is required to cover the growth in student numbers in 2022/23 in order to secure the pipeline of talent and skills required by government.
- Investment of **€11m** to co-fund the participation of Irish HEIs in European University Alliances.
- An extra **€95m** investment is required in research and innovation to deliver on the agenda set out in Impact 2030.
- A **€360m** capital package is required to provide capacity for the growing numbers, substantial digital investment and to provide a Green Campus Fund to reduce the carbon footprint of the many university campuses across the country.
- A 'stand still' fund of **€163m** is also required to cover national pay awards, increments and non-pay inflation-related costs.





Introduction

Funding the Future, the government's Funding and Reform Framework for Higher Education, recognises Ireland's higher education system as a core element of strategic national infrastructure. It is central to producing the talent pipeline for our economy, driving innovation, producing research to help meet grand challenges, driving social mobility and fostering our shared civic values as a society. It also provides welcome clarity on the future funding model for higher education to address the recognised shortfall in funding and on the scale of the investment required to deliver enhanced performance, strategic reforms and strengthened quality of outcomes.

The university sector stands ready to work in partnership with government to deliver the ambitious reform agenda and a fit-for-purpose, unified and high performing education, research and training system. Sustainability must be at the heart of higher education, be it in terms of the funding model or the physical sustainability of our campuses. Government has demonstrated its ambition for our higher education system and underpinned this ambition with a funding commitment. We now look forward to government delivering on that ambition and plan in Budget 2023 by committing to the following funding package.

Core Funding

Investing in people

In *Funding the Future*, the government has approved an additional funding allocation of €307m to the higher education sector to address the core funding deficit, based on the 2022 baseline. It is very much welcomed that government has recognised the importance of providing this as additional core funding and departing from the practice of top sliced and/or competitive funding in recent years. It is also very much welcomed that government has acknowledged that other significant funding needs such as those relating to demographic growth, inflation and pay and pensions are additional to the €307m core funding provision.

It is essential that this significant funding requirement is front-loaded and delivered in full over the next 3 budgets. It is also critical that the €307m fund is clearly differentiated from other funding requirements including the cost of supporting the expected growth in student numbers and the 'stand still' costs arising from pay awards and inflation pressures.

We are, as a first step in addressing that deficit, seeking additional core funding of €170m to be provided in Budget 2023. Given the ambitious reform agenda set by government, it important that funding at this scale is provided to deliver meaningful impact in higher education and research. *Funding the Future* identifies staffing shortages as a key barrier to quality and growth.

“The ratio of students to academic staff in Irish higher education institutions is now an outlier relative to European peers...the current student-staff ratios challenge quality and have contributed to deterioration in the position of Irish institutions in international rankings.”

The additional core funding in 2023 will be invested primarily in staff resources where meaningful and significant impact can be achieved in the short-term.

An investment of €170m would support the employment of an additional c. 730 academic posts together with the necessary related investment in support staff and non-pay costs. That would have the effect of reducing the student-staff ratio by over one full point from the current rate of almost 20:1 to under 19:1 which would provide a very visible signal internationally about Ireland's investment in higher education and the government's commitment to underpin quality.

Removal of ECF limits

Investment in additional core staffing would also help to reduce the over-reliance on more precarious forms of employment in the sector and would increase the capacity of academic staff to engage in research activity. Investment is required for additional academic staff as well as professional and support staff to underpin and enhance quality and to cater for student needs.

In addition to investment, it is essential that the restrictive ceilings imposed by the Employment Control Framework on staff numbers in third level are relaxed or removed. The ECF may have served a purpose more than decade ago as an austerity measure, but it is now limiting the capacity of the sector to adequately cater for student needs and resulting in an increase in casual or part-time staffing.

The additional investment in staff will:

- Have a real impact on educational quality;
- Enhance the student experience;
- Enable universities to greatly improve direct student engagement and thereby improve retention rates and student success;
- Develop the capacity of universities to deliver small-group teaching;
- Provide the resources for universities to improve student-facing support services, particularly for vulnerable and disadvantaged students;
- Improve the capacity of universities to invest in attracting students from under-represented groups and supporting them in their progression through their education;

Increasing participation and progression

Enhancing student participation from under-represented groups is a key strategic priority for government and the university sector. With the additional investment in staff resources, IUA universities commit to providing an increase in the percentage of places set aside for priority target groups applying through the DARE, HEAR and other access routes for academic year 2023/24, as a first step towards reaching the ambitious new targets of the next National Access Plan (to be published in summer 2022).

The investment in resources will also begin to address the current capacity issues in the sector and enable our universities to focus more staff time and resources to small-group teaching and thereby have a positive effect on progression rates across the sector.

Improving educational pathways and supporting lifelong learning

A significant additional investment in staffing would also create the capacity for universities to provide resources to accelerate the broader reform agenda and the long-term strategic transformation of the sector. This includes significant expansion in lifelong learning, part-time/ flexible higher education, micro-credentials and digital transformation. It will also provide the essential resources to enhance pathways between further and higher education.

With additional staffing resources of the scale outlined above, the IUA universities could commit to increasing the numbers of places specifically reserved for those transitioning from FE in academic year 2023/24, as one of the National Access Plan priority target groups mentioned above.

Improved student supports

The bulging student population has stretched the student support structures in our universities to its limits. Student surveys and direct feedback from our professional staff clearly shows the need for enhanced supports in counselling, mental health supports and improved services to deal with sexual harassment and bullying. **The investment in additional professional staff to bolster these services is critical and the investment must be front-loaded** in order to enable recruitment of staff and to deliver an early impact on service quality to students, as per the National Student Mental Health Framework.

Staff development and training

In addition to providing greater autonomy to universities to hire the requisite numbers of staff in accordance with their needs, it is essential that adequate resources are provided for staff training and development. As the pace of change in teaching and learning, including digitalisation and blended learning, accelerates, it is imperative that the requisite funds are provided to upskill the academy and provide ongoing investment to enable the Irish higher education system compete with the best internationally. The Digital Investment Programme outlined below, includes a proposed staff development component as well as software and infrastructure investment.



Workforce Planning and Demographic Growth

Expanding numbers

Ireland's high levels of third-level attainment has been a particular success story with the proportion of 25-34-year-olds with a third level qualification in 2020 at 62% for women and 54% for men, well above EU and OECD averages. Full-time equivalent (FTE) student numbers in HE increased by 42% between 2008 and 2021, a rise of 65,000 students. Ireland's demographic profile means that this trend is projected to continue until 2030 and projections prepared by the Department of Education predict that student enrolments could increase by up to 32% over 2017 levels.

Much of the growth in student numbers over the past decade has been unfunded, with state funding per student significantly reducing year-on-year for the first half of the last decade. There has been some welcome investment provided for demographic growth since 2017 and the government's commitment to address the core funding deficit of €307m will be hugely important in addressing the decline in student-staff ratios over the last decade and in underpinning the quality and international standing of our universities.

It is essential, however, that **the on-going demographic growth is now fully funded or the benefits of addressing the core funding deficit will be completely eroded** over the coming years. Funding the Future sets a new and more sustainable benchmark for funding per student and future demographic growth must, at a minimum, be funded at that rate.

Supporting Workforce and Skills Planning

Planning to support the skills and talent needs of society and the economy is clearly outlined as a priority in *Funding the Future*. In particular, the importance of underpinning the workforce needs of essential public services is highlighted. Our universities are wholly committed to responding to the workforce needs within a sustainable funding model for higher education.

The recent constructive engagement with DFHERIS and the HEA in relation to the plan and funding for provision of additional EU undergraduate medical places to meet workforce planning requirements up to 2030 is a clear example of the benefits of a partnership approach to workforce planning.

The universities note that making part-time/ flexible opportunities, as well as full-time, more accessible will be of significant benefit to workforce and skills planning. It would provide transformative opportunities for a diverse range of students who have commitments that mean they cannot participate in full-time education, including people working full-/ part-time or actively searching for work who have up-/ re-skilling needs and people with disabilities or caring duties. In order for this to become a reality, the funding models must support both universities and students to take these opportunities up, where the current core funding model and provision of student fees, grants, capitation and other financial supports effectively disincentivises this.

The **IUA universities are willing partners for the provision of graduates to support workforce planning** in a range of other disciplines including health, education, social care, architecture and ICT. It is essential that the requisite funds are provided to resource such workforce planning and a commitment is made on a multi-annual basis to enable delivery of the required output of graduates.

The sector is seeking an additional **€42m** in Budget 2023 to cater for demographic growth and additional EU UG places provided across the agreed workforce priorities and high demand areas. This funding of additional places is outside of the €307m envelope pledged by government.



Investing in International

The European Universities Initiative is a flagship EU programme to strengthen cooperation in teaching and research across networks of leading European universities. Eight Irish universities have successfully obtained competitive European funding for these, as part of seven such European University Alliances. It is likely that more Irish HEIs will participate through upcoming and later rounds. It is critically important that this significant Irish participation in the EUI be facilitated with adequate resourcing in order to play leading roles in these Alliances.

The Council of the EU has invited national governments to co-fund their participating HEIs to enable their universities strengthen and deepen this cooperation, leading to joint study programmes, greater cooperation in research and enhanced international competitiveness. Many competitor countries are already providing this, with France the 'gold standard' by matching national funding with European funding each year. Member States including Finland and the Netherlands have designed sustainable national funding for HEIs participating in Alliances as part of their ongoing recognition of 'high performance'.

We propose a **total investment of €11m to co-fund the participation of Irish HEIs who have successfully obtained competitive European funding as part of European University Alliances**. This relatively small investment will enable Irish HEIs to play leading roles in these flagship European Alliances, paving the way for significant innovation in European higher education and raising Ireland's profile and attractiveness as a European leader in higher education, research and innovation.

We also propose that additional investment is made to promote Irish higher education and research abroad through Education in Ireland and the Global Ireland initiative supported by government.

Research

Investing in research capacity

The first pillar of *Impact 2030*, the new National Strategy for Research & Innovation, states that research and innovation make a real and positive impact across society, the economy and the environment, improving social wellbeing, our economic prosperity and sustainability. The accompanying work programme for 2022-2024 pledges to ensure higher education institutions' research mission requirements are appropriately reflected in a future sustainable funding model for higher education.

To deliver on this pledge within the planned timeframe, increasing the capacity of academic staff to engage in research activity through investment in additional core staffing is critical. This requirement to invest in academic and support staff is also linked to Priority Strand 1 of *Funding the Future* as it is only through this that the reputation of Ireland's higher education system, including in international rankings, will be enhanced. The additional core funding of **€170m** sought in Budget 2023 is central to maximising the impact of research & innovation through improvement of the "foundations of our public R&I system" as explicitly set out in *Impact 2030*. The delivery of key policy agendas across climate action, digital transformation, economic competitiveness, health & wellbeing and agriculture, food & the marine needs to be anchored in the research missions of universities through investment in core funding.

Indirect costs of research

The OECD report to the HEA on Resourcing Higher Education in Ireland clearly states that research in the Irish higher education system is under-funded. It states that:

“Ireland's core funding model, with its relatively small research component, provides more limited recognition of the underlying cost of university research than models in comparable jurisdictions ... current levels of institutional funding for research are likely to lead to resources being diverted from learning and teaching to support costs associated primarily with research.”

Based on Full Economic Cost data, the actual sectoral average indirect cost rate of research is c. 65%. Currently the maximum funding rate for the indirect costs of research paid by funders is 30%, resulting in research activity being underfunded to the scale of €180m per annum across IUA member universities. This underfunding of research costs by national research funders

erodes the core funding for teaching and learning. It is essential that this is addressed if the objectives and ambitions of *Funding the Future* and *Impact 2030* are to be achieved.

Furthermore, this under-payment by national funders further exacerbates State Aid issues as it makes the charging of full economic costs to industry, a requirement under State Aid rules, extremely difficult to justify when the state funders don't acknowledge the validity of the costing model, commended by the OECD.

The OECD recommends a "shift" in national policy on indirect costs of research and this policy shift needs to be reflected in a gradual increase in indirect costs covered by national research funders. The IUA proposes that over time the indirect cost rate for laboratory-based research should increase to 50% of total modified direct costs and to 40% for desk-based research. As a first step in Budget 2023, the IUA proposes that national funders increase their indirect cost funding rate to 35%, equating to an additional allocation of **€20m** in Budget 2023.

Delivering a pipeline of talent and knowledge

Sustained investment in discovery research is needed to support the development of talent and ideas that underpin our public and private sectors and to futureproof our research and innovation system. This is what has carried our country through the financial crisis and the current public health crisis. Directing investment at the Irish Research Council's Laureates programme, modelled on those of the prestigious European Research Council (ERC), will prepare us to respond to the needs of a knowledge-based society and meet global challenges. Talent can only be attracted and retained if individuals can see a national commitment to support researchers on their career pathway, whether that path takes them into academia, enterprise or the public service. Additional funding of **€25m p.a. is sought to enhance and expand the talent pipeline via discovery research** schemes that will grow, for example, future ERC winners, from early career "Starter" awards through to established researcher "Advanced" awards, building Ireland's international reputation.

Research Infrastructure to support the ambitions of Impact 2030

There is a fundamental and urgent need for investment in research infrastructure in the form of a renewed Programme for Research in Third-Level Institutions (PRTLII). Providing adequate levels of up-to-date and well-resourced research infrastructure, supported by full time suitably qualified technical staff, is essential to enable researchers accomplish high quality, high

impact and innovative research that delivers our national strategic objectives. Such investment will demonstrably enhance enterprise competitiveness and support societal development.

The continuous support and maintenance of this infrastructure requires sustainable funding models over the coming decade to remain current and effective. In Budget 2023, a **kick-start "Maintenance and Upgrade" programme of investment of €50m** is required for existing facilities and equipment to provide the capacity to attract, train and retain top talent and provide skilled people to meet industry's current and future needs. A high-quality national research infrastructure enables Irish researchers to compete for, and deliver on, project funding under Horizon Europe. It also promotes effective research partnership with industry, helping to increase the research intensity of both indigenous and FDI enterprises.

These targeted investments in research in higher education are proposed as additional to the existing budget lines of SFI. In addition, it is important the government provides additional research funding across other relevant government departments in accordance with the framework laid out in *Impact 2030*.





Capital Funding

We have seen a sustained period of inflation in the construction sector since the publication of the National Development Plan last year. In the year to April 2022, the annual rate of inflation in the Wholesale Price Index for Building and Construction Materials was in excess of 18%. The government's Inflation/Supply Chain Delay Co-operation Framework Agreement has also effectively transferred the uncertainty and risk associated with projects in the higher education sector from the contractor to the university which will inevitably lead to significant further cost claims and cost increases.

The NDP funding allocations for third level infrastructure needs to be reassessed in the context of the significant increases in the cost of construction and a significant acceleration of capital funding must be provided. It is also essential that additional Exchequer funding is provided to meet the additional costs associated with the Co-operation Framework Agreement.

Capital Growth Fund

Significant capital funding is required to meet the infrastructure needs arising from the rapid growth in student numbers over the last decade and the projected growth over the coming decade. Investment in the redevelopment or repurposing of existing facilities is also needed to reflect the requirements of modern world-class universities and the needs of 21st century students. In addition, investment is required in support infrastructure and student accommodation which are fundamental to student welfare and well-being and the student experience.

The current scale of capital investment provided under the HE Strategic Infrastructure Fund is grossly inadequate to meet the infrastructure needs of the sector and a step-change in funding is required in 2023 in this regard. We are proposing **an investment of €200m in 2023** as part of a multi-annual capital investment programme to meet the infrastructure needs arising from demographic growth. This is essential to provide the basis for a quality education for the next generation of students.

Green Campus Investment Fund

The climate crisis continues to escalate with key climate indicators continuing to deteriorate. There is a real and pressing need to address the sustainability and energy efficiency of university campuses. Much of the building infrastructure on university campuses is old and outdated and suffering as a result of underinvestment due to funding constraints. There is an urgent need to update and retro-fit university campuses based on sustainable principles. A green campus investment fund should be targeted at a sector-wide green energy, insulation and conservation programme with the aim of creating carbon-neutral campuses by 2030. Universities should be prioritised as exemplars of sustainable public buildings sending their graduates into the workplace as advocates for what can be achieved.

We are seeking an **investment of €75m in 2023 as a first step in a multi-annual green campus investment programme.**

Digital Investment Programme

Ireland's universities are central to the national ambition for technological change and digital transformation, with responsibility for developing talent and preparing tomorrow's entrepreneurs and innovators to underpin the smart economy. This can only be achieved if the necessary enabling digital infrastructure is in place to exploit the possibilities that technology presents. It is untenable to expect universities to adequately prepare students for the workforce in the 2020's and to flexibly deliver blended and online higher education in line with today's expectations without the requisite digital facilities.

Digitalisation has the potential to radically transform higher education. Significant investment is required across a range of areas including student systems, data and analytics, digital learning platforms, flexible learning and collaboration spaces, and the incorporation of Universal Design for Learning principles, while also providing an improved evidence base for working towards the national ambitions of more flexible and work-based learning. We believe that a collaborative and co-ordinated approach to digitalisation across the HE sector can provide real impact and value for money.

A specific digital investment programme, allowing also for sector-wide systems interoperability and personalised learning pathways for students, can be a key enabler in that regard. This will enable the reimagining of how mainstream HE can be effectively delivered to more diverse learners in more flexible ways, irrespective of the mode or volume of ECTS being undertaken. This is consistent with the DFHERIS tertiary education policy platform proposals and support the sector to move away from the outdated approach of 'othering' students who are not 'traditional' full-time students, guided by the fundamental idea that 'a student is a student is a student'.



We are **seeking a multi-annual digital investment programme of at least €50m per annum to support the strategic digital transformation of the higher education sector.** This investment, which must be sustained over a period of years, should also include the necessary resources for staff development and training associated with digitalisation.

Digital devolved capital grant – Cyber Security

The vulnerability of the sector was exposed in 2021 when one of our universities was the subject of a cyber-attack. Universities are, by their nature, readymade targets for such attacks given their open nature and the volume and diversity of users of their IT systems.

A decade of inadequate ICT investment has resulted in aging and frail infrastructure which is vulnerable to attack. Mitigating the risk of cyber-attack requires significant multi-year commitments.

The reinstatement of devolved grant funding in the university sector in recent years has been very welcome and has been important in addressing urgent minor work needs in universities. **An expansion of devolved grant funding to include a specific digital devolved grant funding stream of €35m p.a. is now being sought.** The primary focus of this investment would be to address cyber security risks but would also facilitate critical investment in maintaining and supporting the existing essential IT infrastructure within universities.

Unavoidable / 'Stand-still' Cost Increases

Pay awards

Pay costs account for c. 70% of the cost base in universities. Pay rates and policy are set centrally by government and are outside of the control of universities. **It is essential that the cost of centrally controlled pay increases for staff arising from nationally agreed pay awards are fully funded.** In recent years, the funding provided for pay awards under national pay agreements has been c. 25% short of the actual cost of those pay increases for core staff in the university sector and no funding has been provided to date in respect of the cost of non-core staff. This shortfall in funding cannot continue and the cost of pay awards and other centrally controlled pay costs such as increments must be funded in full.

The cost of the Building Momentum pay awards in 2023 in the IUA universities is €12.9m and the overall shortfall to date in the costs associated with Building Momentum has been €12.3m. In addition, no funding has been provided to date in respect of the FEMPI-related pay restoration costs provided for within Building Momentum which amount to €16.4m since 2021.

We are, therefore, seeking an additional **€90m¹** in 2023 in relation to pay increases associated with annual increments and known pay awards together with arrears in respect of unfunded pay costs to date under the Building Momentum pay agreement. Any additional pay cost increases in 2023 arising from a new national pay agreement will be additional to this and will also have to be funded in full.

Inflation

Inflation in Ireland hit a 37-year high of 7.5% in April 2022. The impact of inflation on the cost base of universities has the potential to cause significant financial challenges for the sector and the scale of this could be so significant that it runs the risk of completely eroding the €307m core funding commitment.

Energy costs have doubled over the past year in many universities and some consumables have increased by 35%. Despite successful steps already taken and underway to reduce energy consumption across all areas of use, university campuses remain large consumers of energy with c. €25m spent on utilities across the 8 IUA member universities in 2021.

Based on projections of the impact of inflation and cost increases on universities, we estimate that the core non-pay cost base of the 8 IUA member universities in 2021/22 will have increased by €29m as a direct result of inflation and will increase by a further €20m in 2022/23. Increases in non-pay costs related to non-core activity will also be significant at c. €19m in 2021/22 and €14m in 2022/23.

The ability of universities to absorb such significant increases in costs is highly constrained as there is very limited capacity to increase revenue sources and/or increase fees as the affordability of higher education for students and families is becoming increasingly challenging.

It is essential, therefore, that additional funding is provided to meet unavoidable cost increases, at a minimum in respect of core activities, or that fee rates are increased to reflect the impact of inflation.

We are, therefore, seeking an increase in core funding of **€73m²** in 2023 to meet the impact of inflation-related cost increases over 2021/22 and 2022/23 on core non-pay costs.

We note that *Funding the Future* explicitly states that future demographic costs, pension costs and pay awards are 'not included in the €307m figure'. **It is critical that the full costs of these 'stand-still' costs, amounting to €108m for the IUA universities and c. €163m for the entire HE sector are provided in 2022/23** and each year thereafter so that investment in the core funding deficit and for agreed reform measures is not diluted.

1 Based on a cost of **€59m** for IUA universities.

2 Based on a cost of **€49m** for IUA universities.

Summary of Budget 2023 Funding Requirements

	€'m
Core Funding	
Investing in people (first tranche of Funding the Future deficit)	170
Workforce & skills planning & demographics	42
International - European University Alliances	11
Unavoidable cost increases	
Pay	90
Non-pay	73
Total Core	386
Research Funding	
Indirect research costs deficit	20
Discovery research programme	25
Research Infrastructure funding	50
Total Research	95
Capital Funding	
Capital growth fund	200
Green campus investment fund	75
Digital investment programme	50
Digital devolved capital grant	35
Total Capital	360
Total Funding requirement 2023	841



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