Grant Thornton

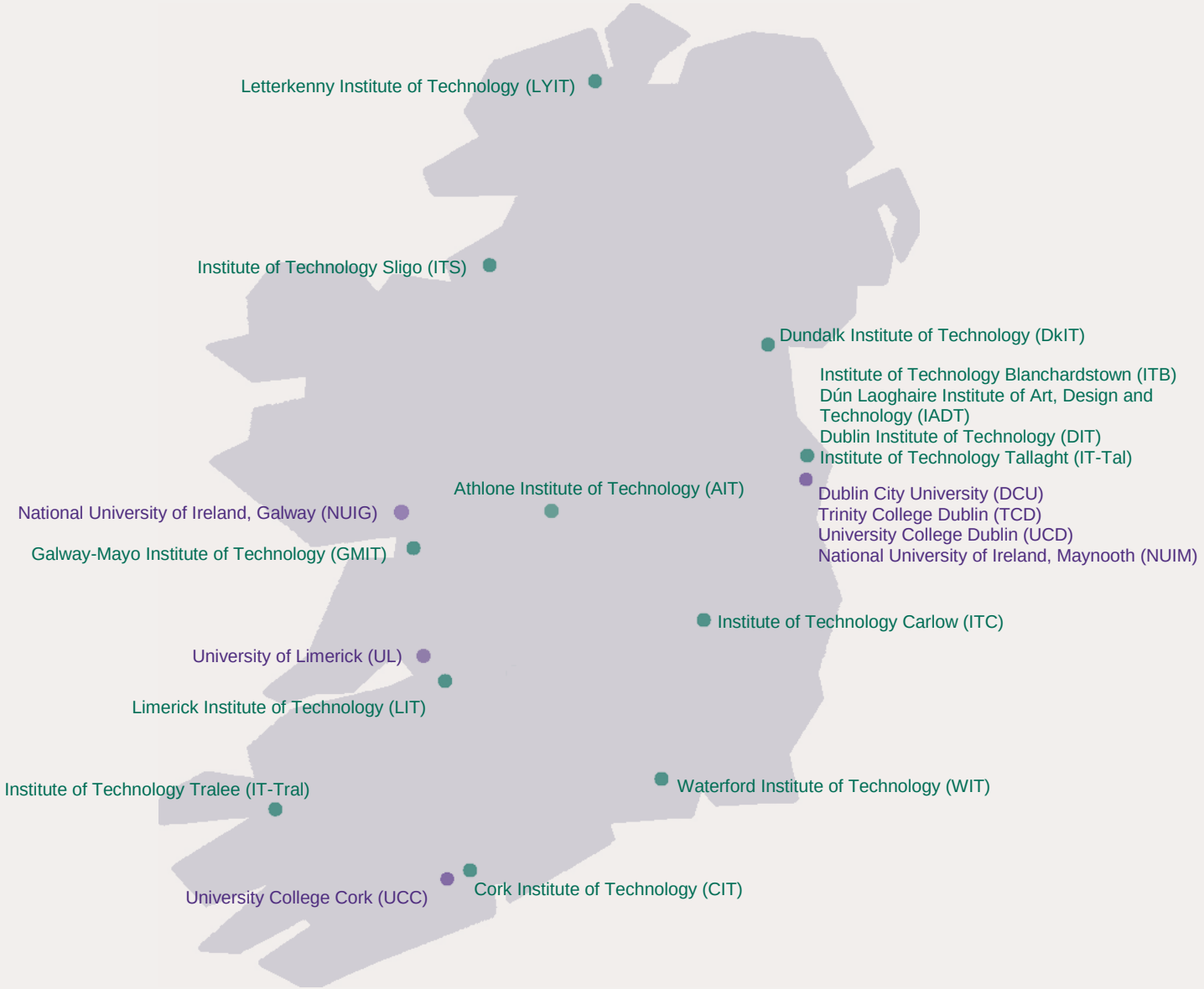
An instinct for growth™

A changing landscape

Review of the financial health of the Irish higher education sector

Irish Higher Education Institutions (HEI)

Universities
Dublin City University (DCU)
National University of Ireland, Galway (NUIG)
National University of Ireland, Maynooth (NUIM)
Trinity College Dublin (TCD)
University College Cork (UCC)
University College Dublin (UCD)
University of Limerick (UL)
IoTs
Athlone Institute of Technology (AIT)
Institute of Technology, Blanchardstown (ITB)
Institute of Technology, Carlow (ITC)
Cork Institute of Technology (CIT)
Dún Laoghaire Institute of Art, Design and Technology (IADT)
Dundalk Institute of Technology (DkIT)
Dublin Institute of Technology (DIT)
Galway-Mayo Institute of Technology (GMIT)
Letterkenny Institute of Technology (LYIT)
Limerick Institute of Technology (LIT)
Institute of Technology, Sligo (ITS)
Institute of Technology, Tallaght (IT-Tal)
Institute of Technology, Tralee (IT-Tral)
Waterford Institute of Technology (WIT)



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Foreword

This is the first of a series of reports planned by Grant Thornton to build a picture of the financial health of Ireland's higher education sector, drawing on a similar research methodology used by Grant Thornton in the UK each year. Through the report we aim to provide an independent analysis of the financial performance of universities and institutes of technology (IoTs) in Ireland by analysing their accounts for the financial years 2007 to 2011. The report is based on published financial data only. It is not intended to provide a complete picture of the performance of the institutions from an operational perspective.

The higher education sector in Ireland is in a state of major change. The National Strategy for Higher Education to 2030 proposes the transformation of the sector over the next two decades. Changes as part of this strategy are now underway and will result in comprehensive reform of the sector from a governance, structures and funding perspective.

Understanding the financial health of individual institutions making up the sector will, in our view, be critical in decision making as part of this process.

Doing more with less

We believe that the sector is now at an inflection point. Student numbers have increased by 26%[1] in the five year period to 2011 and numbers are forecasted to grow by greater than 25% by 2029/2030[2]. In parallel, state grant income[3] to the sector has dropped by 25% in the five years to 2011 with tuition fees[4] now overtaking state grants as the highest source of income. Expenditure, while decreasing in recent years, has increased overall by 6.5% since 2007.

In summary, the analysis shows that operating surplus[5] dropped in the period, from €100.6 million in 2007 to €41.9 million in 2011, a decline of €58.7 million in total between 2007 and 2011. This presents the sector with the overall challenge of meeting significantly increased demand, while managing concerns about quality as surpluses decrease.

A way forward

There are a range of possible options to increase revenue and control costs in the sector, many of which institutions have or are actively considering.

These include increased income from international students and research activities, alumni fundraising, asset optimisation, academic programme review and finding alternative funding sources. Achieving sustainability will also involve fundamental changes in how existing funding is being used. This includes the consideration of process improvement and simplification, sharing of services, outsourcing opportunities and a review of current procurement policies and processes. Given the widening funding gap, it is clear however, that these initiatives can only go so far. Additional exchequer funding or increased tuition fees may therefore also be needed. In any case it is likely that a range of actions to both boost revenue and control costs will be required rather than one simple approach. Ultimately, if resources are not found, quality may suffer which could result in Ireland's standing in the higher education sector in Europe and internationally falling.

I hope that you will find this report interesting and informative and that it is helpful in meeting the challenges faced by your institution.

Elaine Daly
Director and Head of Higher Education
Grant Thornton

[1] Higher Education Authority (HEA). Higher Education – Key Facts and Figures. 2010/11. This figure relates to all HEA funding institutions.
[2] A Study of Future Demand for Higher Education in Ireland, SMcGuinness, ABergin, EKelly, SMcCoy, ESmyth, KTimoney. December 2012. Occupational Employment Projections 2020. J Behan. Skills and Labour Market Research Unit SOLAS. January 2014
[3] State grant income relates to recurrent grants from the Higher Education Authority (HEA) and other semi-state agencies.
[4] Tuition fee income includes both tuition fees arising from private funds and also tuition fees arising from public funding paid directly from the Higher Education Authority (HEA) and other semi-state agencies.
[5] An operating surplus in the higher education context is generally income after expenses but before transfers to reserves and exceptional items such as the disposal of land and buildings.

1. Introduction

A sector in transition

The National Strategy for Higher Education to 2030 ("National Strategy"), which was launched in 2011, proposes the transformation of Ireland's higher education sector over the next two decades.[6]

Endorsed by the Government as the future blueprint for the sector, it also highlights the fact that, for a variety of reasons, Irish higher education is now at a point of transition. This is due in part to the fact that:

- the number of people entering the system is growing and the profile of students is changing;
- changing patterns of work and unemployment are bringing new urgency and a greater emphasis on lifelong learning and up-skilling and the need for knowledge-based skills; and
- the importance of high quality research has, and will, continue to grow.

In April 2013, the Higher Education Authority (HEA) submitted a "Report to the Minister" to the Minister for Education and Skills setting out how it believes key elements of the National Strategy can become a reality.[7]

This report builds on a long process of research, analysis and engagement by the HEA, drawing together various inputs and submissions by higher education institutions.

The changing landscape

The reconfiguration of the higher education sector is aimed at creating a reduced number of higher education institutions of more significant scale and critical mass in the best interests of students.

In summary, the envisaged changes include:

- a system comprising a **smaller number of larger autonomous institutions** with diverse but complementary missions. This will be achieved through:
  - **regional clusters** – bringing together higher education institutions in a region so that education for that region can be provided in a coordinated way;
  - **strategic alliances** – developing alliances between institutions with complimentary missions;
  - **thematic clusters** – encouraging greater collaboration by cross-cutting thematic areas of national and international importance;
  - **technological university proposals** – merging IoTs to enhance their performance and/or improve their sustainability, with some progressing to technological university status; and
  - **consolidation and merger** – leading to greater institutional quality and a broader range of complementary offerings.
- **better use of public funding** through a proposed strategic dialogue process with institutions to enhance diversity and match performance to national objectives;

[6] National Strategy for Higher Education to 2030. Report of the Strategy Group. January 2011

[7] Higher Education Authority (HEA). Report to the Minister for Education and Skills on system reconfiguration, inter-institutional collaboration and system governance in Irish higher education. April 2013

- **research-led higher education institutions** to enhance Ireland's European and global research reputation; and
- **taking advantage of opportunities** afforded by an increasingly **global higher education system**.

Sustainability of the system

The National Strategy recommended a new system of individual financial contribution to complement exchequer funding based potentially on an upfront fee with a deferred payment facility. This proposal is still under consideration.

Before the introduction of such a model, the HEA believe it is important to ensure the overall sustainability of the system and to manage growth in such a way that the quality is maintained in the educational and research outcomes and in the student experience.

To this end, the HEA is currently developing a strategy for the Minister for ensuring sustainability of the system, and, in particular, ensuring that there is an appropriate balance, from year-to-year, between the intake to the system and the funding available.

Successful implementation

The number of institutions involved, and the diversity of existing and proposed relationships between them, means that any proposed reconfiguration of the higher education sector in Ireland will be complex.

There are also significant risks and challenges which have the potential to impede the implementation of the changes. These include perceived threats to individual institutional identity, mismatches in the case of regional collaboration and the threat of significant upfront costs.

At the same time, these challenges create a unique opportunity for individual institutions. Those prepared to adapt and act proactively can position themselves to improve their performance into the future.

2. Profile of the sector

Profile of the sector

Higher education sector

There are a total of seven universities and fourteen IoTs making up a major part of the higher education sector in Ireland.[8] Overall student numbers (undergraduate and postgraduate full and part time) for these institutions were 180,493 in 2011 (see table 1 opposite and 3 overleaf).

The university sector

In round terms, the seven universities had a combined annual income of €1.82 billion in 2011 of which €376 million related to research income. They provided teaching and support to 103,158 students (undergraduate and postgraduate) and managed a €2.77 billion net asset base.

Table 1 provides some comparative statistics on the seven universities for academic year ended 2011.

Table 1 – Summary statistics on Irish universities 2011

	Total income €'m	Research income €'m	Student no's undergrad, full and part time	Student no's postgraduate, full and part time	Fixed assets €'m	Net assets €'m
DCU	175	42	7,186	3,013	342	269
NUIG	234	61	12,921	3,558	312	323
NUIM	128	20	6,469	1,853	144	143
TCD	321	78	11,462	4,776	830	803
UCC	348	76	13,400	3,817	574	471
UCD	411	77	16,597	7,003	634	487
UL	204	22	8,847	2,256	347	282
Total	**1,821**	**376**	**76,882**	**26,276**	**3,183**	**2,778**

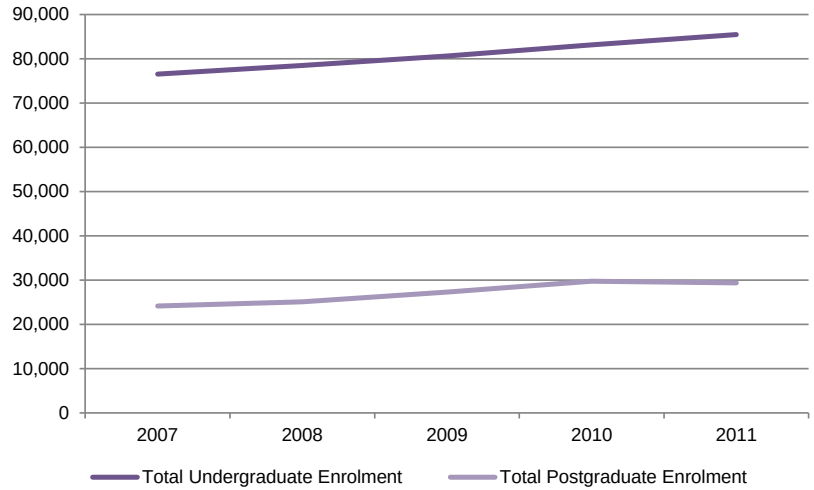
The growth in participation in higher education has been dramatic over a relatively short period increasing by 26% between 2007 and 2011

[8] While there are a range of other Department of Education and Skills aided and privately funded institutions in Ireland, the focus of this analysis is purely on the Universities and Institutes of Technology operating in the sector.

As illustrated in figure 1 below, total enrolment (undergraduate and postgraduate) in the university sector increased by 14% from 2007 to 2011.

In the five year period 2007 to 2011, undergraduate enrolments in the university sector increased by 11.6% while postgraduate enrolments increased by 21.5%.

Figure 1 – Total enrolment trends 2007 to 2011 for universities



There are 9,542 whole-time equivalents (WTE) core staff employed in the university sector, of which 4,287 are academic and 5,255 are non-academic. There are also 4,158 research/specialist staff employed. Of these, 2,340 are funded by the state.[9] Core staff numbers in the university sector have decreased by 7% since 2007 and the introduction of the Employment Control Framework (ECF) in 2009.[10]

[9] Higher Education Authority (HEA). Higher Education – Key facts and figures 2011/12
[10] As part of the National Recover Plan, the Government committed to reducing the cost of the public sector paybill, which includes employees of the Higher Education Institutions. The Employment Control Framework supported this plan by setting specific ceilings for core-funded posts.

Table 2 – Staffing levels for universities at December 2011

	Academic staff	Non-academic staff	Total core staff	Exchequer funded research staff	Non-exchequer funded research/ other specialist staff	Total
DCU	472	404	876	268	66	1,210
NUIG	732	818	1,550	304	148	2,002
NUIM	260	287	547	133	69	749
TCD	680	1,072	1,752	444	623	2,819
UCC	701	1,013	1,714	438	355	2,507
UCD	944	1,140	2,084	577	317	2,978
UL	498	521	1,019	176	240	1,435
Total	4,287	5,255	9,542	2,340	1,818	13,700

Institutes of Technology sector

The fourteen IoTs in Ireland had a combined annual income of €794 million in 2011 of which €76 million related to research income. They provided teaching and support to 77,335 students (undergraduate and postgraduate) and they managed a €1.2 billion net asset base.

Table 3 provides some comparative statistics in relation to the 14 IoTs.

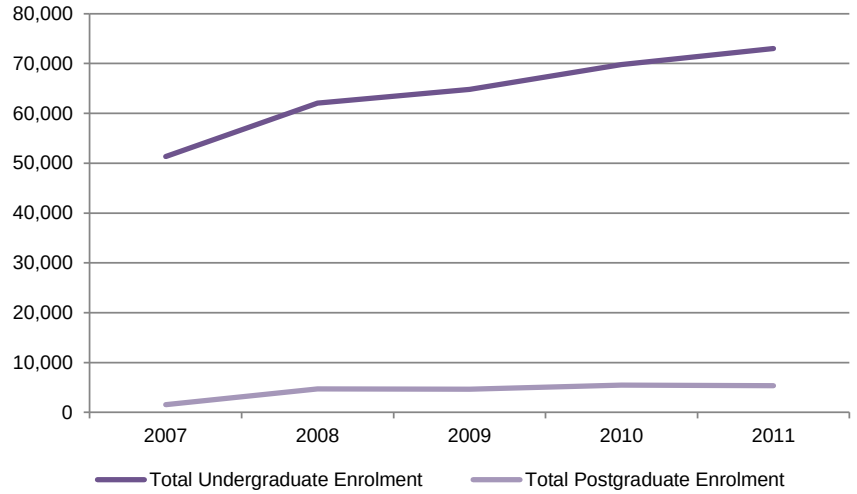
Table 3 – Summary statistics on IoTs 2011

	Total income €'m	Research income €'m	Student no's undergrad, full and part time	Student no's postgraduate full and part time	Fixed assets €'m	Net assets €'m
AIT	47.55	3.5	4,439	446	85	93
ITB	20.91	0.56	2,398	47	58	63
ITC	34.56	1.3	4,701	168	44.5	56
CIT	92.14	14	8,771	418	108	113
IADT	22.68	1.1	2,061	144	36	45
DkIT	50.77	5.8	4,496	164	105.5	110
DIT	185.39	15.2	13,023	2,381	129.7	154
GMIT	60.40	2.5	6,323	167	73	88
LYIT	30.65	1.2	2,833	136	71	81
LIT	46.97	3.4	4,816	168	66	75
ITS	43.34	2.2	4,209	133	65.6	88
IT-Tal	36.61	2	3,964	144	46	56
IT-Tral	32.77	1.9	2,642	69	51	58
WIT	89.65	21.1	7,283	791	124.4	122
Total	794.40	75.7	71,959	5,376	1,063.7	1,201

Total full-time enrolments (undergraduate and postgraduate) in the IoT sector in 2011 showed a 48.2% increase over the 2007 figures as set out in figure 2 below.

In the 5 year period 2007 to 2011, undergraduate enrolments in IoTs increased by 42%, while postgraduate enrolments more than doubled, increasing by 243.5%.

Figure 2 – Total enrolment trends 2007 to 2011 for IoTs



There are 7,401 WTE core staff employed in IoTs, of which 4,518 are academic and 2,833 are non-academic. There are 708 research/specialist staff employed, of which 310 are funded by the state. This is outlined in greater detail in table 4 opposite.

Core staff numbers in the IoT sector have decreased by 10% since 2007.

Table 4 – Staffing levels for IoTs at December 2011

	Academic staff	Non-academic staff	Total core staff	Exchequer funded research staff	Non-exchequer funded research/ other specialist staff	Total
AIT	248	196	444	34	31	509
ITB	115	76	191	0	19	210
ITC	194	125	319	4	37	359
CIT	578	307	885	68	9	962
IADT	117	73	190	3	9	202
DkIT	268	159	427	13	58	498
DIT	1,020	739	1,759	95	33	1,888
GMIT	352	272	624	10	13	647
LYIT	179	140	319	9	7	335
LIT	293	164	457	3	34	494
ITS	262	158	420	1	40	461
IT-Tal	190	114	304	7	24	335
IT-Tral	201	105	306	13	0	319
WIT	501	255	756	50	84	890
Total	4,518	2,883	7,401	310	398	8,109

Core staff numbers have decreased by 7% in the university sector and 10 % in the IoT sector since 2007.

Some headline statistics

	Statistic	2007 € million	2008 € million	2009 € million	2010 € million	2011 € million	% change 2007 compared to 2011
1	**Total income**	2,452	2,652	2,781	2,737	2,615	7%
2	**Operating surplus**	101	29	38	159	42	-58%
3	**Total Surplus (after transfers to reserves in IoTs only)**	90	18	24	116	17	-81%
4	**State grants**	956	996	998	830	719	-25%
5	**Tuition fees**	604	662	720	810	817	35%
6	**Research grants**	391	438	508	497	453	16%
7	**Overall staff costs**	1,553	1,698	1,809	1,724	1,669	7.5%
8	**Total expenditure**	2,416	2,652	2,743	2,612	2,573	6.5%
9	**Net assets (total reserves)**	3,217	3,458	3,641	3,825	3,980	24%
10	**Pension liability (universities only)**	1,737	2,213	2,243	4,539	4,261	145%

3. Financial analysis

Profitability

Profitability

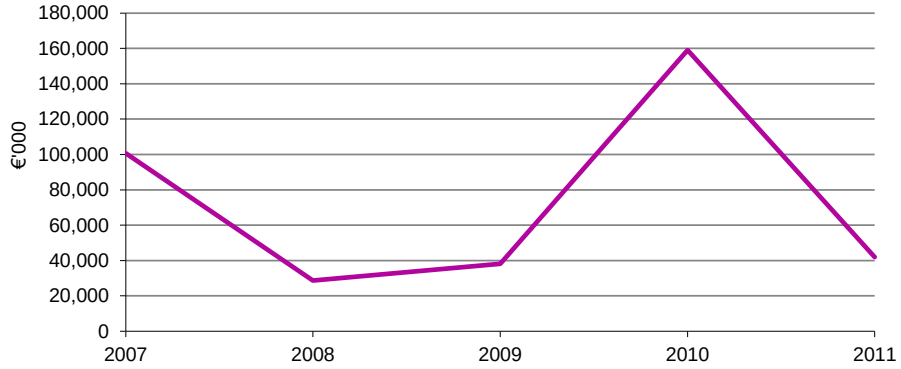
Main points

- the operating surplus declined by €60 million for the period between 2007 and 2011.
- overall, the sector experienced a decline of €73 million in total surplus in that period
- in 2011, three HEIs had an operating deficit and four HEIs recorded an operating surplus greater than 5%. Eight HEIs recorded an operating surplus between 2% and 5% and six recorded an operating surplus between 0% and 2%.

The total surplus[11] dropped between 2007 and 2008 from €90 million to €17.5 million, increasing to a peak of €116 million in 2010, and declining thereafter to €17 million in 2011. Overall, this represents a decline of €73 million in the surplus between 2007 and 2011.

Operating surpluses which give a more accurate reflection of performance show a decline between 2007 and 2011 of €58.7 million. Figure 3 below shows the operating surplus for the sector from 2007 to 2011.

Figure 3 – Surplus for the sector 2007-2011

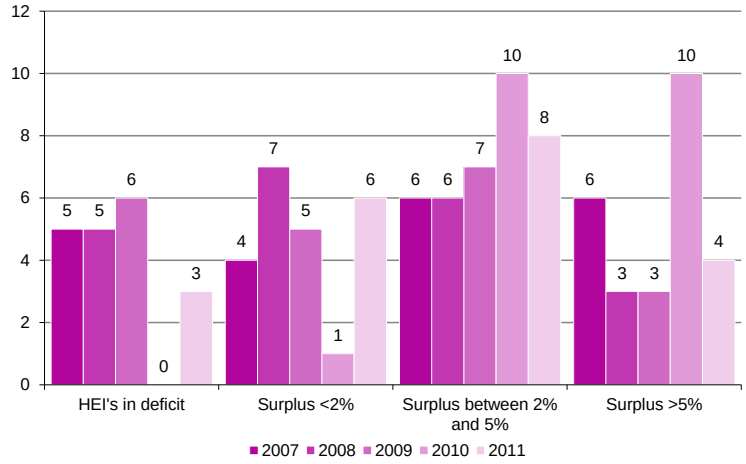


The greatest impact on surpluses within the university sector was the release of provisions associated with fixed term worker arrangements ("pension arrangements"). This release, which occurred in 2010, was an exceptional item and resulted in significant surpluses across the sector (this is discussed in more detail in the expenditure section of this report).

Our analysis indicates that, on average, institutions' operating surpluses as a percentage of income remained relatively stable falling by 0.1%, from 2.6% in 2007 to 2.5% in 2011. The HEA recommends that universities maintain a surplus of at least 3% to cope with financial demands, including servicing debt to support working capital requirements, as well as capital expenditure as required.[12] Nine of the twenty one HEIs were, therefore, below the defined threshold.

The distribution of the surplus/deficit by institution across the sector for the five years 2007 to 2011 is shown in figure 4 below.

Figure 4 – Distribution of surplus by institution 2007-2011



[11] This refers to surplus after transfers to reserves for IoTs only.

[12] Higher Education Authority (HEA). The Financial Position of Irish Universities at 30th September 2003. Report of the Working Group. July 2004. p 5

As can be seen from the graph:

- in 2011, **three HEIs recorded a deficit**. This is a decrease from zero HEIs recording a deficit in 2010. Only six HEIs recorded a deficit in 2009 while five recorded a deficit in 2008 and 2007.
- in 2011, **six HEIs recorded a surplus between 0% and 2%**. This is a significant increase from one HEI in 2010. Five HEIs recorded a similar surplus in 2009, seven HEIs in 2008 and four in 2007.
- in 2011, **eight HEIs recorded a surplus between 2% and 5%**. This was a decrease from ten HEIs in 2010 but was an increase on 2007 and 2008 figures however when six HEIs recorded this level of surplus.
- in 2011, **only four HEI recorded a surplus greater than 5%.** This was a significant drop from ten HEIs in 2010. In 2009 and 2008 three HEIs recorded a similar surplus. In 2007, six HEIs recorded this level of surplus.

In the majority of the institutions, the difference between operating surplus and total surplus is transfers to reserves. One key cause of the declining operating surpluses was falling income (mainly from state grants) which failed to be offset by equivalent expenditure reductions.

The fact that an institution is in deficit may not mean that it is in poor financial health; only sustained, recurrent deficits should give cause for worry. Similarly, large reserves are not necessarily an indication of wealth as many institutions that find themselves in profit may prefer to spend the excess immediately, which keeps the figure for annual surpluses small.

Profitability – by institution

Profitability by university

In the financial year 2011, the university sector generated a total operating surplus of €20.2 million in comparison with a total surplus of €83.3 million in 2007. This represents a decline of €63 million between 2007 and 2011.

As can be seen from figure 5 below, the university sector peaked in terms of surplus in 2007 and 2010. However, in 2008 there was a dramatic decrease before a resurgence and a further drop off in 2011.

Profitability by IoTs

The IoT sector experienced an increase in operating surplus in the period 2007 to 2011.

In 2011, the IoT sector generated a total operating surplus of €21.7 million, increasing from a surplus of €17.4 million in 2007. This represented an increase in surplus of €4.4 million during the period.

Figure 5 – Net surplus/deficit – by university

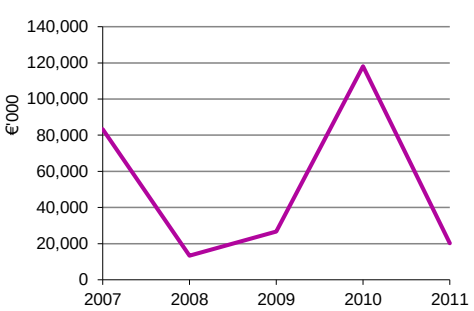
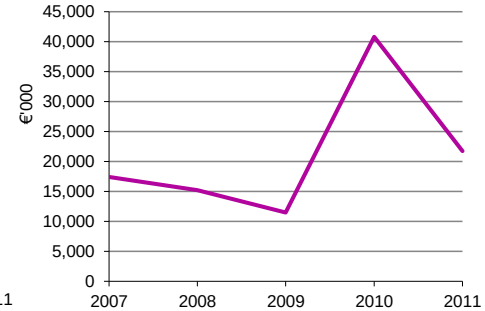


Figure 6 – Net surplus/deficit – by IoT



Income

Income

Main points

- the sector experienced a 6.7% overall increase in income during the period 2007 to 2011.
- tuition fees have overtaken state grants as the highest source of income in recent years.
- research grants and contracts increased significantly in both the university and IoT sector during the period 2007 to 2011. The increase for IoTs was substantial at 65% compared to 9.3% in the university sector.

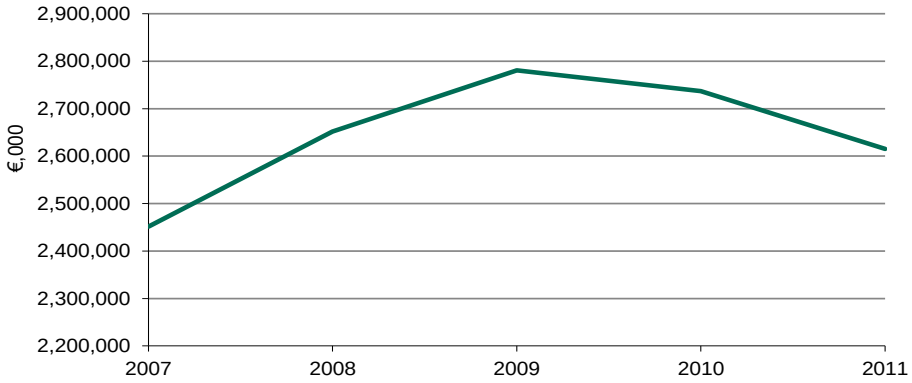
As set out in table 5 below, the higher education sector generated income of €2.6 billion in the 2011 financial year, compared to €2.45 billion in 2007.[13] This represents a 6.7% overall increase in income during this period.

Table 5 – Total income for universities and IoTs – 2007 to 2011 (€'000)

	2007	2008	2009	2010	2011
Universities	€1,686,785	€1,835,714	€1,940,261	€1,914,393	€1,820,873
Institutes of Technology	€764,722	€816,368	€840,474	€822,643	€794,398
Total	**€2,451,507**	**€2,652,082**	**€2,780,735**	**€2,737,036**	**€2,615,271**

Figure 7 below shows total income for the period 2007 to 2011. As illustrated, total income peaked in 2009 at €2.78 billion and declined thereafter to 2011.

Figure 7 – Overall analysis of total income 2007 to 2011



Income sources

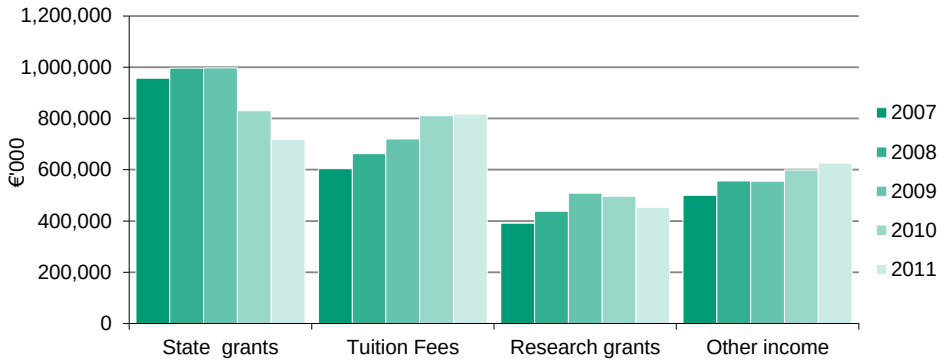
In 2011, the primary source of income for HEIs was tuition fees. This is a change from 2007 when HEI's relied on state grant income and research grants and contracts[14] as their key source of revenue.

Figure 8 on the next page shows a detailed analysis of the sources of income for both universities and IoTs for the financial years 2007 to 2011.

[13] Income figures include Amortisation of Deferred Capital Grants and Deferred Funding for Pensions as per the financial statements.

[14] Research grants and contracts income relates to both research grants from private and other sources (European Union, Industry and other) and also research grants arising from the state and semi-state.

Figure 8 – Analysis of sources of income



As can been seen from this data, both universities and IoTs are highly dependent on three key sources of income including:

- **state grant income** – the higher education sector has seen an overall decrease in state grant income of 25% from 2007. As a percentage of income, state grants represented 28% of total income generated in 2011 in comparison to 39% in 2007.
- **tuition fees** have overtaken state grants as the highest source of income in recent years. Tuition fees (domestic and overseas) were €817 million in the financial year 2011, which accounted for 31% of total income in 2011. It should be noted however, that income from overseas tuition is relatively underdeveloped, in the IoT sector in particular, representing only 1% of total income.
- **research grants and contract income** have increased by 16% in total during the period 2007 to 2011. The increase for IoTs was substantial at 65%, however the volumes are quite low at only 9.5% of overall income. In the university sector, the increase is 9.3% in the period and it represents 21% of overall income in 2011.
- **other income**, which includes a general category titled "other income", interest income, amortisation of state grants and student registration charges, has increased overall across the sector by 25%. The increase in the university sector is 24.3% while for IoTs it is 27% for the period.

Identifying the sources of income unmasks the real vulnerability of some higher education institutions to the uncertainties of the future.

State grants

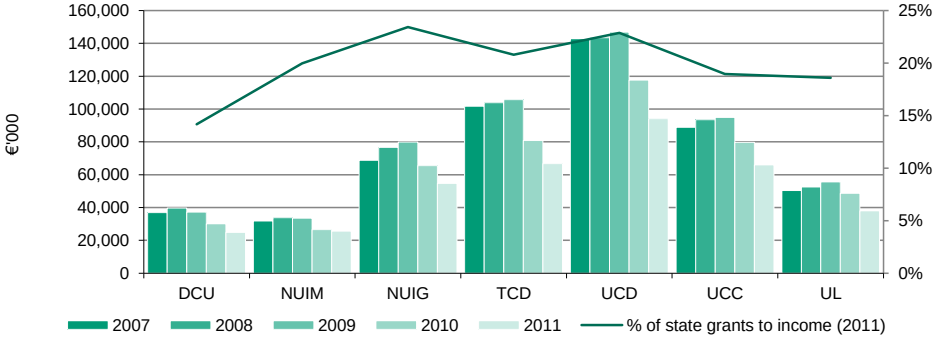
State grants for universities

Total state grants accounted for approximately 20% of total income for universities in 2011, a decrease of over 11% from 2007 figures.

As can be seen from figure 9 below, UCD receives the greatest monetary amount of income from state grants. When examined as a percentage of total income however, UCD's income from state grant funding is largely in line with many of the other institutions.

DCU receives the lowest amount of state grant funding as a percentage of total income at 14%, followed by UCC and UL (19%) and NUIM (20%).

Figure 9 –Total state grants - by university



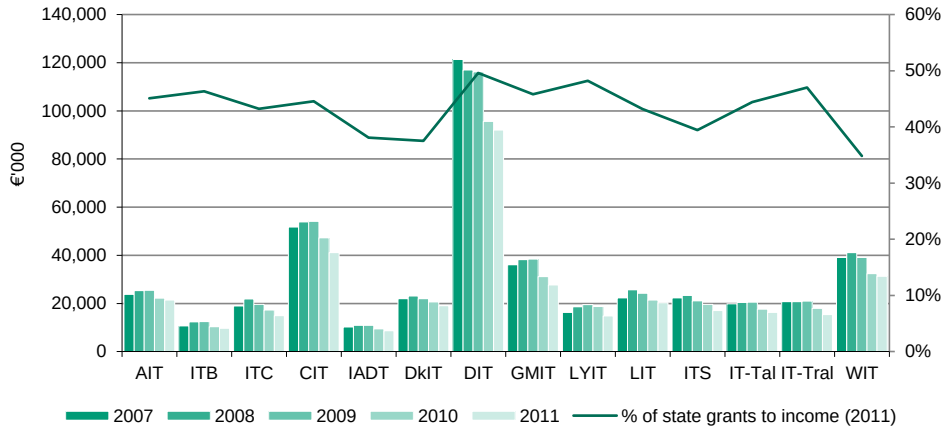
State grants for IoTs

Total state grants, accounted for approximately 44% of total income for IoTs in 2011, a decrease of almost 13% from 2007 figures.

DIT receives the greatest amount of income from state grants. Similar to UCD however, as a percentage of total income, DIT is largely in line with state grant funding in many of the other IoTs.

WIT receives the lowest amount of state grant funding as a percentage of total income at 35%, followed by DkIT (37.5%), IADT (38%) and ITS (39%).

Figure 10–Total state grants - by IoT



Tuition fees

Tuition fees (domestic and overseas) accounted for 31% of total income in the 2011 academic year for the HEI sector, an increase of over 6% from 2007 figures when it was 25% of total income.

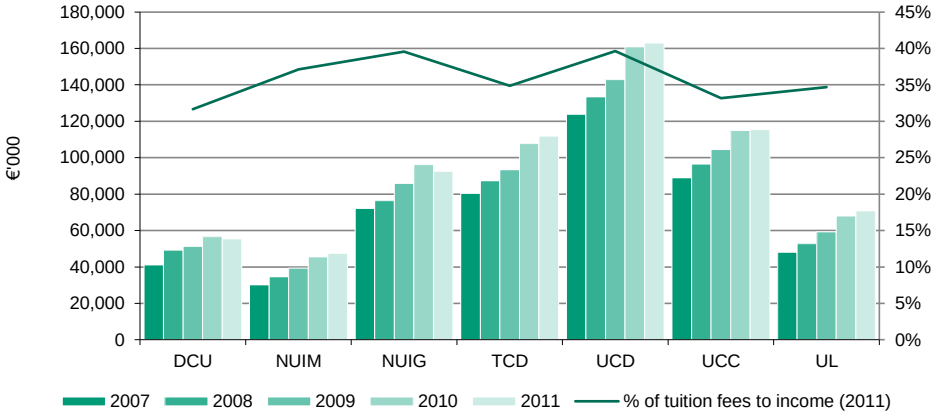
Between 2007 and 2011, state funding for tuition fees for both universities and IoTs increased by 25% while other sources of funding for tuition fees increased by 43%. In 2011, 46% of total tuition fees to the HEI sector were funded by the state, a decrease of 3% from 49% in 2007.

Tuition fees have now become the main source of income for both universities and IoTs, overtaking state grants as the primary source of income.

Tuition fees for universities

In the university sector, total tuition fees (domestic and overseas) accounted for approximately 36% of total income in the 2011 academic year, an increase of over 7.3% from 2007 figures.

Figure 11 –Tuition fees – by university



UCD receives the greatest monetary amount of income from tuition fees, which would be expected given its high number of students.

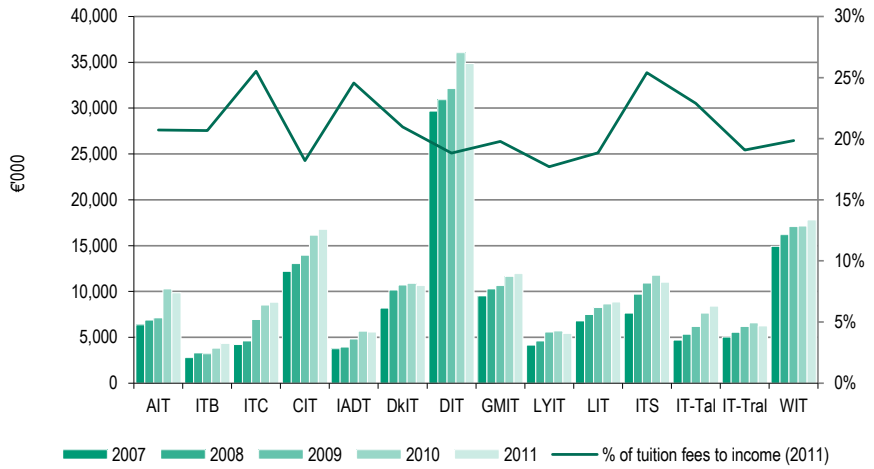
When viewed as a percentage of total income however, there is no significant difference between the universities, with all institutions receiving a similar amount of income from tuition fees (between 32% and 40%) as a percentage of income.

For the period under consideration, the split between private and public tuition fees was 44% public funded versus to 56% private funded on average for the university sector.

Tuition fees for IoTs

Total tuition fees (domestic and overseas) in the IoT sector accounted for approximately 20% of total income in the 2011 academic year, an increase of over 4% from 2007 figures.

Figure 12 –Tuition fees – by IoT



A comparison of total tuition fees across the IoTs shows that DIT received by far the largest monetary amount of income from tuition fees in the period. When viewed as a percentage of total income however, DIT actually earns less than the average at only 19% of total income in 2011.

By comparison IADT (24.5%), ITC (25.5%) and ITS (25%) receive the greatest amount of tuition fees as a percentage of total income in 2011, while LYIT (18%) and CIT (18%) receive the lowest amount.

For the period under consideration the split between private and public tuition fees was 64% public funded versus 36% private funded on average for the IoT sector.

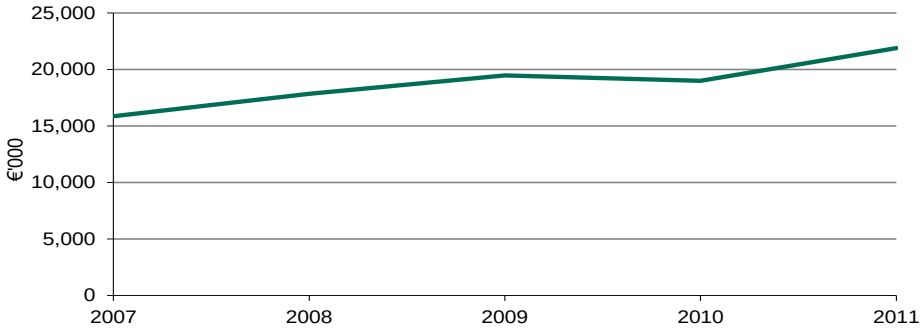
Overseas tuition fees

Overseas tuition fees for universities

It was not possible to complete an analysis of overseas tuition fees for the university sector as universities, with the exception of TCD, currently do not record this income item separately in their financial statements.

Figure 13 shows an analysis of overseas tuition fees for TCD. This highlights an increase year-on-year from €15.8 million in 2007 to €21.9 million in 2011. This increase may indicate a similar trend across other universities.

Figure 13 – Overseas tuition fees for TCD



Overseas tuition fees for IoTs

Overseas income represents a relatively new source of income for IoTs. DIT was the only IoT to record overseas tuition fees separately in 2007. Other institutes have subsequently developed their overseas tuition fee income.

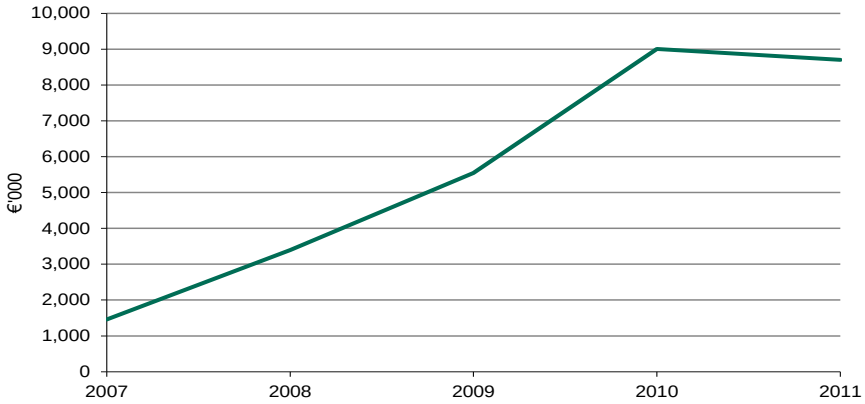
This development has led to a significant increase in income from overseas tuition over the period under review, rising from €1.5 million in 2007 to €8.7 million in 2011.

It should be noted however that despite this increase, income from this source is relatively underdeveloped representing only 1% total income in the IoT sector in

2011. This figure is in contrast to the amount received by TCD which represents 7% of total income in 2011.

Figure 14 sets out total overseas tuition fees for IoTs.

Figure 14 – Total overseas tuition fees for IoTs



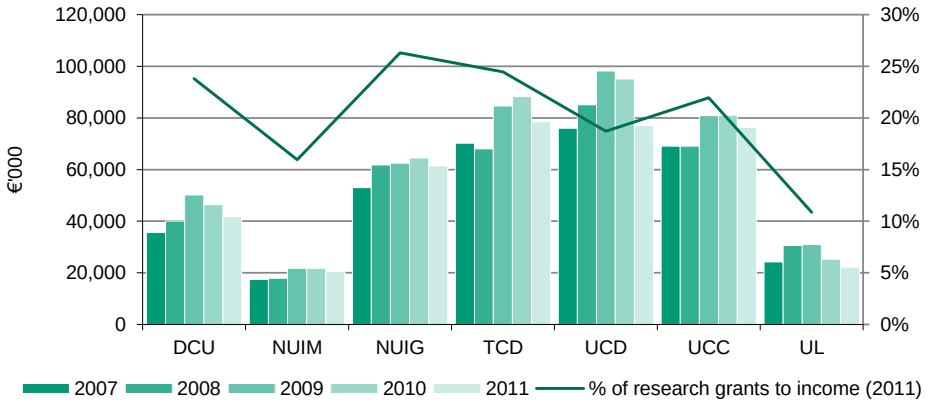
Research grants and contracts

Research grants and contracts for universities

Research grants and contracts for universities have increased by 9.3% from 2007 and 2011.

As set out in figure 15 opposite, research grants as a percentage of income accounted for approximately 21% of total income in the 2011 academic year for universities. This represents an increase of 0.5% as a percentage of income in 2007.

Figure 15 –Total research grants and contracts – by university



In 2011, TCD, UCD and UCC received similar amounts of income from research of between €76 and €78.5 million. Represented as a percentage of income however, it is NUIG that has performed the strongest, with research grants of 26% of total income. TCD and DCU have 24% of total income respectively.

UL received the lowest amount of funding from research as a percentage of total income (11%).

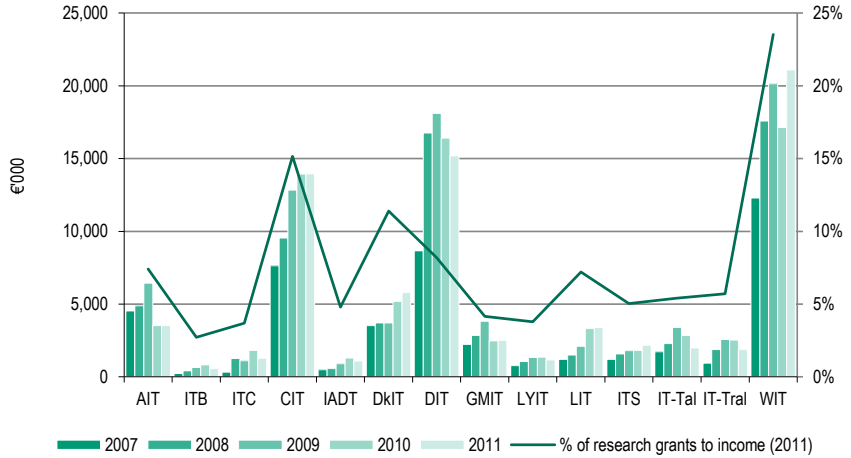
For the period under consideration the split between private and other research grants and contracts was 72% public funding versus 28% private funding on average for the university sector. Public funding of research grants and contracts for universities has increased by 10% between 2007 and 2011, while other sources of funding for research grants has increased by 6% during the same period.

Research grants and contracts for IoTs

Research grants and contracts for IoTs have increased by 65% between 2007 and 2011.

Total research grants and contracts as a percentage of income were 9.5% in the 2011 academic year for IoTs. This is an increase of 3% as a percentage of income in 2007.

Figure 16 –Total research grants and contracts – by IoT



In terms of IoTs, WIT receives the largest amount of income from research grants and contracts, both in monetary terms and as a percentage of total income. At nearly 25% of total income, this is significantly greater than in any other institute.

CIT and DkIT also have high levels of research income when compared to other IoTs.

Public funding for research grants for IoT's could not be analysed as the financial statements of IoTs do not record a split between public and other sources of funding for research grants.

Other income

Other income in the higher education sector includes interest income, amortisation of state grants, student registration charges and a general category titled "other income" which includes revenue from exam fees, student support funding and miscellaneous income.[15]

Table 6 sets out a summary of changes in other income for the university and IoT sectors from 2007 to 2011.

As can be seen from this data, student registration charges have seen the highest increase at 110% during the period, followed by "other income" at 20% and amortisation of state grants of 14%.

Interest income has reduced by 15% since 2007 from €23.0 million in 2007 to €19.0 million in 2011.

Table 6 – Changes in other income for universities and IoTs – 2007 to 2011 (€'000)

	2007	2011	Change	% Change
Other income	€316,967	€382,274	€65,307	20.60%
Amortisation of state grants	€115,898	€132,144	€16,246	14.02%
Student registration charge	€43,545	€91,754	€48,209	110.71%
Interest income	€23,147	€19,676	-€3,471	-15.00%
Total	**€499,557**	**€625,848**	**€126,291**	**25.28%**

[15] It should be noted that an estimated 50% of student contribution fees are also publically funded

Expenditure

Expenditure

Main points

- expenditure in the higher education sector increased by 6.5% from the financial year 2007.
- this is in line however with revenue growth overall, with expenditure as a percentage of income remaining the same over the period at 99%.
- staff costs have increased by a greater amount in the university sector over the period 2007-2011 (8.4%) compared to the IoT sector (5.5%).
- as a percentage of income however, staff costs in IoTs are marginally higher on average than in universities.
- other expenses accounted for approximately 37% of total income for universities in the 2011 academic year, a similar level to 2007 and 29% of total income for IoTs, a decrease of 2% from 2007 figures.
- pension liabilities in the university sector have increased significantly over the two year period to 2011 as a result of changes in the actuarial assumptions used to calculate the pension liability.

Expenditure in the higher education sector was €2.57 billion in the 2011 financial year. This is an increase of 6.5% from the financial year 2007 when expenditure was €2.42 billion.

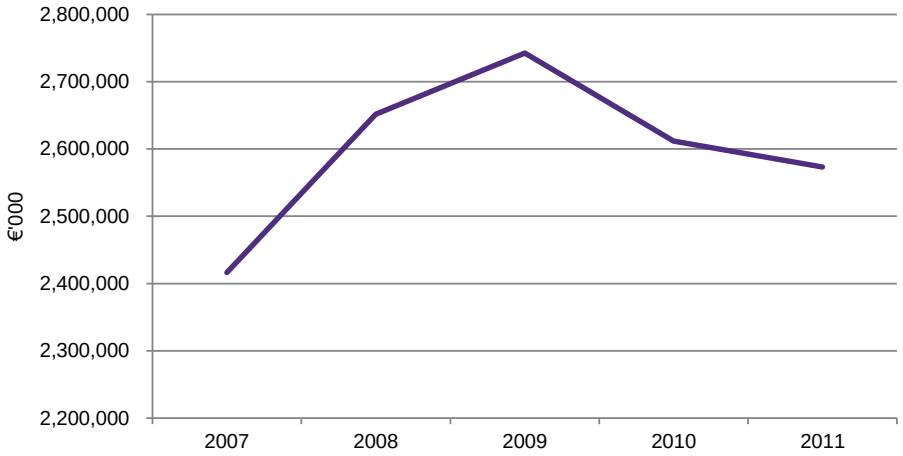
This is in line however with revenue growth overall, with expenditure as a percentage of income remaining the same over the period at 99%.

Table 7 – Total expenditure for universities and IoTs – 2007 to 2011 (€'000)

	2007	2008	2009	2010	2011	Total
University	€1,669,007	€1,850,540	€1,913,608	€1,829,947	€1,800,580	€9,063,682
Institutes of Technology	€747,324	€801,167	€829,018	€781,817	€772,663	€3,931,989
Total	€2,416,331	€2,651,707	€2,742,626	€2,611,764	€2,573,243	€12,995,671

Figure 17 below shows total expenditure for the period 2007 to 2011. As illustrated by the graph, total expenditure increased to its highest levels in 2009 when it reached €2.74 billion and has declined since that time.

Figure 17 – Overall analysis of total expenditure 2007 to 2011



Expenditure - by type

Staff costs are the largest category of expenditure for all HEIs. The total cost of salaries and wages amounted to €1.67 billion in 2011, an increase of 7.5% from €1.55 billion in 2007, as set out in table 8 on the following page.

In 2011, staff costs in universities were €1.13 billion, an increase of 8.4% from 2007 when they were €1.04 billion. Similarly, IoTs staff costs in 2011 were €540 million compared to €512 million in 2007, a 5.5% increase overall for the period.

Table 8 – Staff costs for universities and IoTs – 2007 to 2011 (€'000)

	2007	2008	2009	2010	2011	Total
University	€1,041,360	€1,143,535	€1,231,206	€1,169,083	€1,129,287	€5,714,471
Institutes of Technology	€511,827	€554,594	€577,987	€555,065	€539,735	€2,739,208
Total	€1,553,187	€1,698,129	€1,809,193	€1,724,148	€1,669,022	€8,453,679

Other expenses for all HEIs were €904 million in 2011, an increase of 4.8% or €863 million from 2007.

In 2011, other expenses for universities were €671 million, an increase of 6.9%, compared to 2007 when they were €628 million. Other expenses for IoTs were €233 million in 2011, compared to €235 million in 2007, a decrease of 1.1%.

Table 9 – Other expenses for universities and IoTs – 2007 to 2011 (€'000)

	2007	2008	2009	2010	2011	Total
University	€627,647	€707,005	€682,402	€660,864	€671,293	€3,349,211
Institutes of Technology	€235,497	€246,573	€251,031	€226,752	€232,928	€1,192,781
Total	€863,144	€953,578	€933,433	€887,616	€904,221	€4,541,992

Staff costs

Staff costs for universities

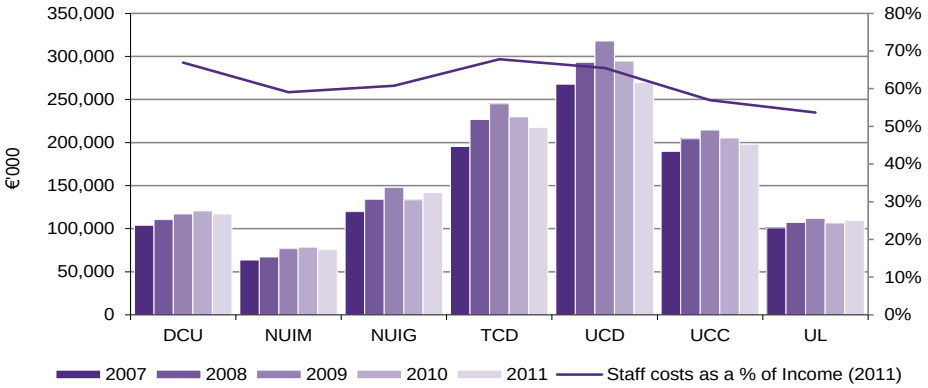
Staff costs in universities accounted for approximately 62% of total income in the 2011 academic year. This is largely in line with 2007 figures.[16]

As can be seen from figure 18, UCD has the highest monetary level of staff costs with an outlay of €269 million in 2011. As a percentage of income, this represents 66% of costs, with only DCU (67%) and TCD (68%) showing higher levels of expenditure as a percentage of income.

UL at 54% has the lowest level of staff costs as a percentage of income in 2011.

[16] It should be noted that the majority of staff in both DCU and UL are included in the "Pay As You Go" pension scheme as set out overleaf in the section on pensions. These institutions do not pay employer pension contributions for these staff which positively impacts their staff costs.

Figure 18 – Total staff costs – by university



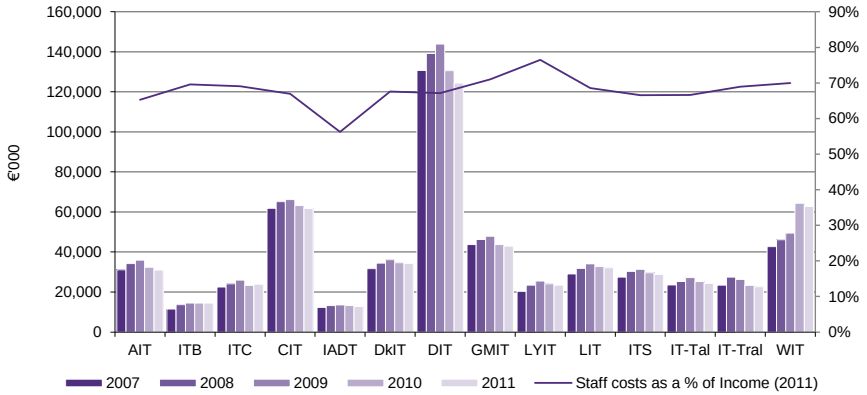
Over the period 2007 to 2011, staff costs in the university sector have remained steady at 62% as a percentage of total income. Only NUIM and UCC recorded a proportionate decrease in staff costs as a percentage of income.

Staff costs for IoTs

As a percentage of income, staff costs in IoTs are marginally higher on average than in universities.

Staff costs accounted for approximately 68% of total income for IoTs in the 2011 academic year. This is an increase of only 1% from 2007 figures and has as such remained relatively stable during the period.

Figure 19 – Total staff costs – by IoT



DIT has by far the highest level of expenditure, however, when considered as a percentage of income, it is fairly consistent with the majority of IoTs at around 70%.

IADT has the lowest level of expenditure as a percentage of total income at 56%, while LYIT has the highest level at 77%.

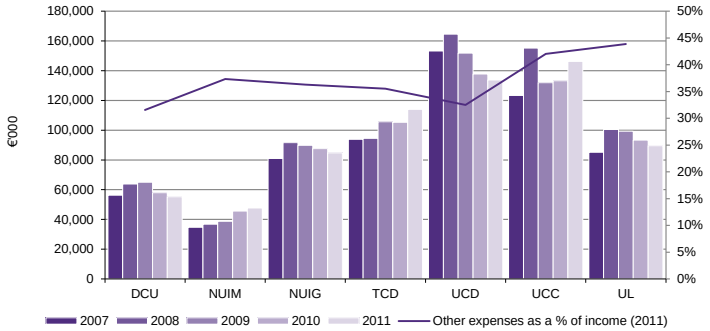
Other expenses[17]

Other expenses for universities

Other expenses accounted for approximately 37% of total income for universities in the 2011 academic year, a similar level when compared to 2007. Other expenses include:

- maintenance
- light and heat
- advertising and promotion
- training and development
- travel and subsistence
- professional fees
- auditor's remuneration
- finance costs
- consumables
- motor expenses
- books and periodicals
- laboratory consumables
- equipment
- rent, rates and insurance
- maintenance and security
- research (non-pay)
- computer supplies

Figure 20 – Total other expenses – by university



17 Other (non-pay) expenditure includes other operating expenses, depreciation, interest payable and FRS 17 pension impacts.

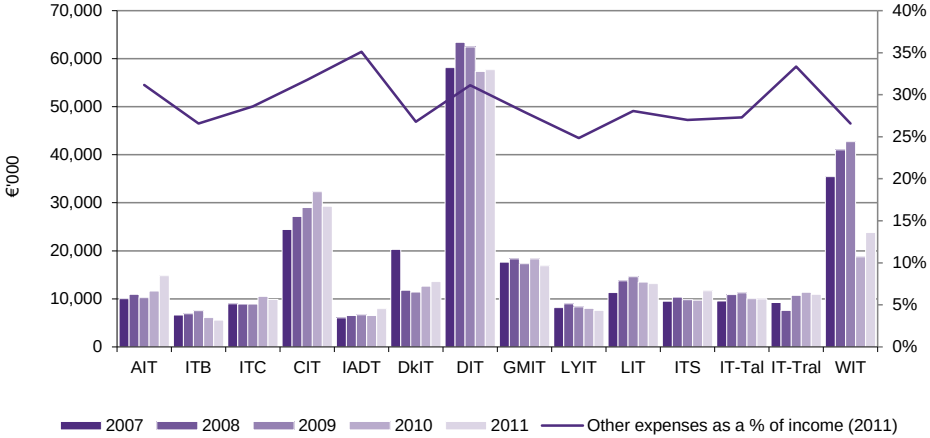
UCC has the highest level of expenditure of universities on other expenses, both in terms of actual monetary value and as a percentage of total income in 2011.

UCD, on the other hand, while having the second highest expenditure on other expenses, has one of the lowest levels at 33% as a percentage of income in 2011.

Other expenses for IoTs

Other expenses accounted for approximately 29% of total income in 2011 for IoTs, a decrease of 2% from 2007 figures.

Figure 21 – Total other expenses – by IoT



As illustrated above, DIT spends the greatest monetary amount on non-staff related expenses, with total expenditure in this area at almost €58 million. When examined at as a percentage of total income however, this is in line with the sector average.

IADT and IT-Tralee have the highest proportion of expenditure on non-pay related expenses at 35% and 33% respectively.

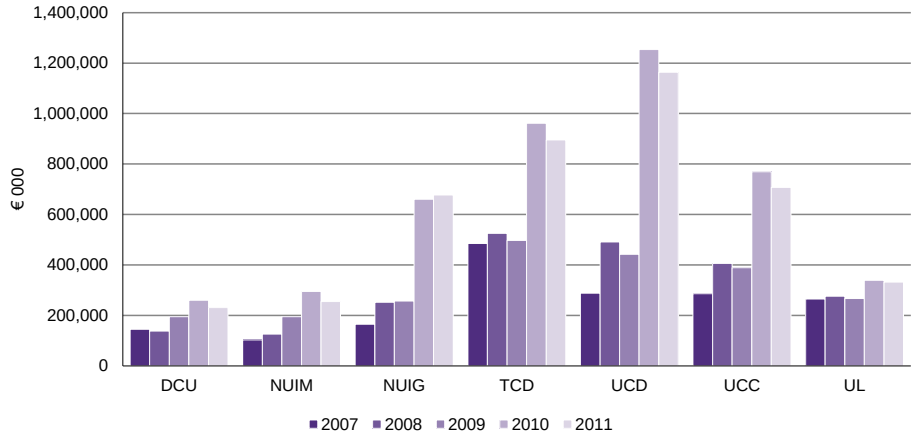
LYIT spends the lowest amount on other expenses as a percentage of total income, but this is unsurprising given the high proportion of spend on staff related costs.

Pensions

Pension liabilities for universities

As illustrated in figure 22 below, pension liabilities in the university sector have increased significantly over the 2 year period 2010 to 2011 as a result of a significant upward adjustment to the pension liability in the accounts of all universities in 2010.[18]

Figure 22 – Total pension liabilities for universities



This adjustment came on the back of the enactment of the Financial Measures Act 2009, which made legal provision for the state to underwrite the net liabilities of universities' pension schemes and enable the various scheme assets to be transferred to the State (National Pension Reserve Fund).

As a result of this, there were a number of changes to the actuarial assumptions used to calculate pensions which resulted in an increase in the pension liability from €2.2 billion to €4.5 billion between 2009 and 2010.

Universities consider, based on assurances from the Department of Finance and the HEA, that the state will now guarantee all pension liabilities in the university sector. For this reason, although pension liabilities have increased, there is a nil effect in the accounts of the universities, as the liability of the pension's schemes is matched by an equivalent amount receivable by universities from the state.

Pension liabilities for IoTs

All pension entitlements of staff in the IoT sector are conferred through a defined benefits scheme established under the Local Government (Superannuation) Act, 1980 with pension obligations being met by the exchequer as they arise.

The Superannuation Scheme is operated on a "Pay As You Go" (PAYG) basis. As such superannuation deductions taken from employees are retained by the IoTs as an agreed part of its funding. IoTs make no contributions towards the scheme and have no obligations in respect of entitlements.

The vast majority of public service schemes are financed on a "pay as you go' basis.[19]

[18] It should be noted as stated previously that the majority of staff in UL and DCU are included in a "Pay As You Go" pension system.

[19] It should be noted that the operation of the "Pay As You Go" pension scheme for IoTs impacts their core grant allocation.

Performance analysis

Performance analysis

Main points

- both universities and IoTs show slight improvements in their short term liquidity over the period 2007 to 2011.
- most universities have seen what could be considered a positive decline in their solvency/gearing levels since 2007, while this measure in IoTs has remained low and relatively stable in the period.

Liquidity and solvency[20]

Quick ratio

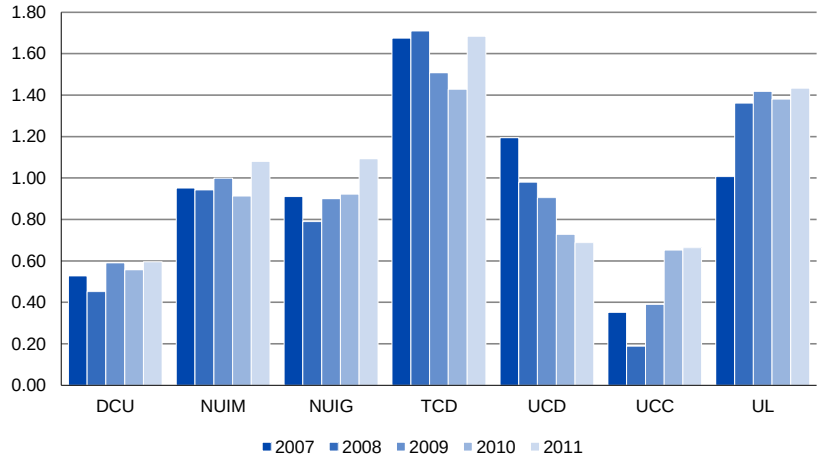
The quick ratio is an indicator of the ability of an institution to meet its short-term financial obligations. It is calculated as the ratio of current assets (excluding inventories) to current liabilities.[21]

Quick ratio for universities

The average quick ratio for universities for the year 2011 was 1.03. The comparable ratio in 2007 was 0.95, indicating a slight improvement in short-term liquidity over the period. The overall average quick ratio for IoTs was 2.64 in 2011, compared to 2.22 in 2007, also indicating an improvement in the period.

As illustrated in the graph opposite, despite these overall improvements, three universities had a ratio of less than 1 in 2011, which indicates that they may have difficulty meeting their short-term liabilities if required.

Figure 23 – Total quick ratio – by university



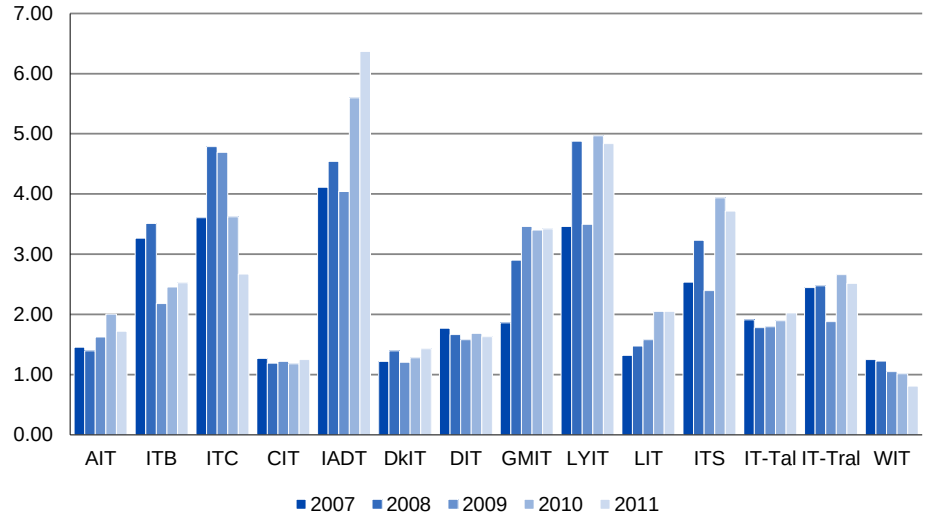
Quick ratio for IoTs

Liquidity is stronger in the IoT sector than the university sector with only one IoT having a quick ratio of less than one in 2011.

A comparison of the quick ratios across the IoTs is shown in figure 24 overleaf.

[20] Liquidity relates to monies available on hand to pay short term financial obligations, while solvency refers to the ability of an institution to meet maturing obligations as they come due.
[21] Given that certain income to the institutions is deferred, this analysis could also be conducted with current assets less deferred income. This would significantly increase the liquidity ratio for institutions.

Figure 24 – Total quick ratio – by IoT



Solvency/gearing

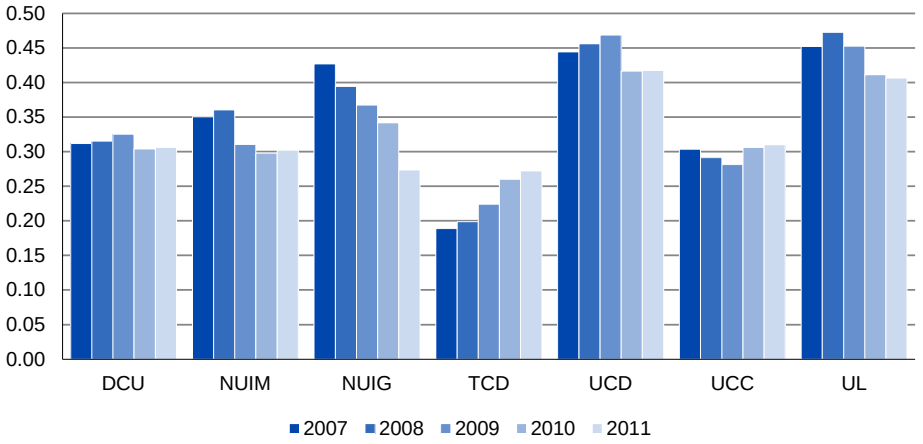
In assessing solvency/gearing we have used the ratio of total liabilities to total assets. There is no 'recommended' value for this ratio, but it is generally accepted that an institution with high total liabilities to total assets is more vulnerable to adverse financial conditions. A high ratio can also indicate that an institution has high levels of debt.

Solvency/gearing for universities

Average liabilities to assets in the university sector in 2011 were 33%, down from 35% in 2007.

Individual universities have seen what could be considered a positive decline in this measure during the period. TCD is the one exception however, as its ratio has increased year-on-year from 2007 levels. This is likely to indicate a re-alignment by this university to the rest of the sector.

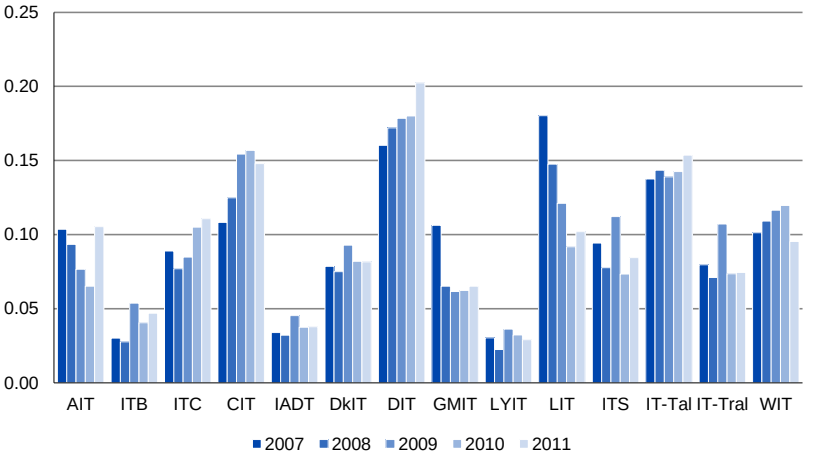
Figure 25 – Total gearing – by university



Solvency/gearing for IoTs

Average liabilities to assets in the IoT sector were 10% in 2011, a figure which has remained relatively stable since 2007. This is despite individual fluctuations between institutes, with over half of the institutes experiencing a slight increase since 2010.

Figure 26 – Total gearing – by IoT



Long-term commitments and capital expenditure

Long-term commitments and capital expenditure

Main points

- long-term commitments (creditors due, greater than one year) in the university sector decreased by 10% between 2007 and 2011.
- overall, there has been a total increase in investment in fixed assets in the sector of €582 million, which represents a rise of nearly 16% in the period 2007 to 2011.
- deferred/state capital grants for the sector increased by 18% from €2.44 billion in 2007 to €2.88 billion in 2011.

Long-term commitments

Long-term commitments (creditors due, greater than one year) for the university sector at the end of 2011 financial year stood at €390 million, a decrease of 10% from €436 million at the end of 2007. Long-term commitments include:

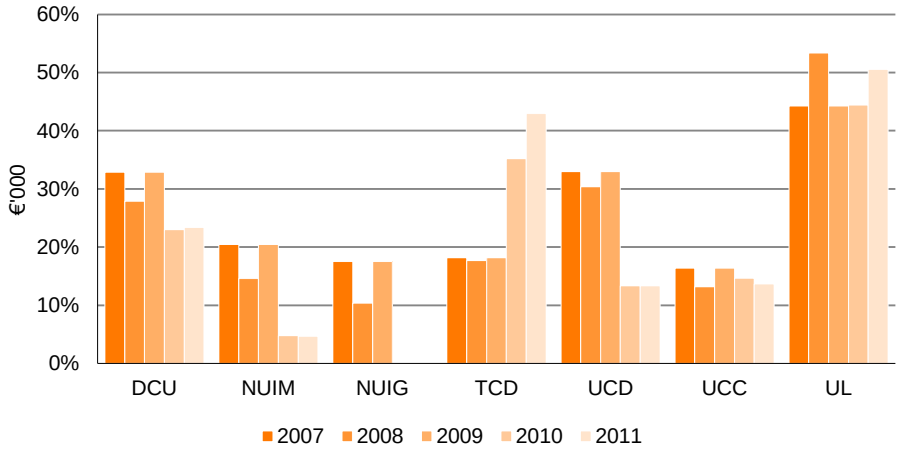
- Section 843 funding (from the state);
- leases and liabilities to financial institutions; and
- bank loans.

Long-term commitments for universities

Across the universities, long-term commitments as a percentage of total income decreased from an average of 26% in 2007 to 21% in 2011.

TCD and UL by exception show high and increasing percentages of long-term commitments as a percentage of income. Long-term commitment figures say little in themselves about an institution's financial health, the crucial factor is the institution's ability to service debt.

Figure 27 – Total borrowings as a percentage of income – by university



Long-term commitments for IoTs

IoTs are precluded from entering into long-term commitments without prior consultation with the Minister for Education and Skills and the Minister for Finance. As such, there is no data in relation to long-term commitments for IoTs referred to in this report.

Capital expenditure

Capital expenditure relates to funds spent by an organisation in order to achieve future benefits. This type of expenditure is typically made on acquiring or upgrading physical assets ("fixed assets").

Since 2007, there has been a total increase in investment in fixed assets of €582 million in the higher education sector, which represents an increase of nearly 16% in that period. This increase is illustrated in table 10 overleaf.

Table 10 –Total fixed assets for universities and IoTs – 2007 to 2011 (€'000)

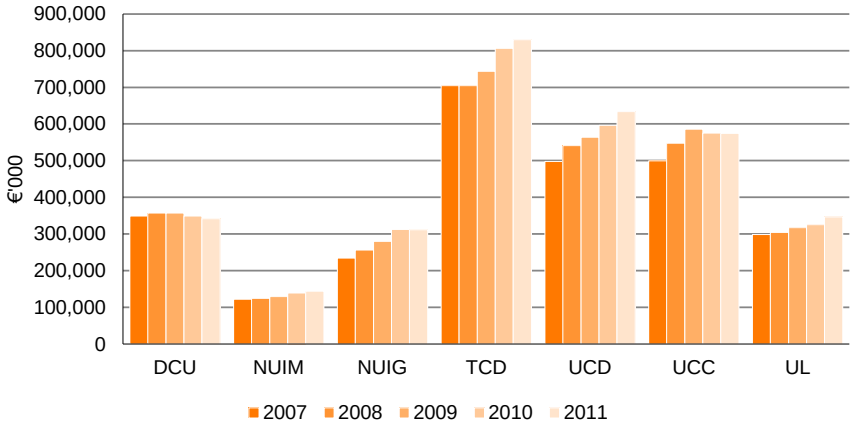
	2007	2008	2009	2010	2011	Change	Change
University	€2,706,078	€2,835,320	€2,977,248	€3,103,702	€3,181,693	€475,615	17.58%
Institutes of Technology	€956,833	€993,264	€1,033,610	€1,047,961	€1,063,302	€106,469	11.13%
Total	€3,662,911	€3,828,584	€4,010,858	€4,151,663	€4,244,995	€582,084	15.89%

Figures 28 and 29 set out total fixed assets for both universities and IoTs for the period 2007 to 2011.

Capital expenditure for universities

As illustrated in the diagram for the university sector, TCD and UCD have the highest levels of expenditure on fixed assets in the period 2007 to 2011 with net capital expenditure on fixed assets of €125 million and €136 million respectively.

Figure 28 – Total fixed assets – by university

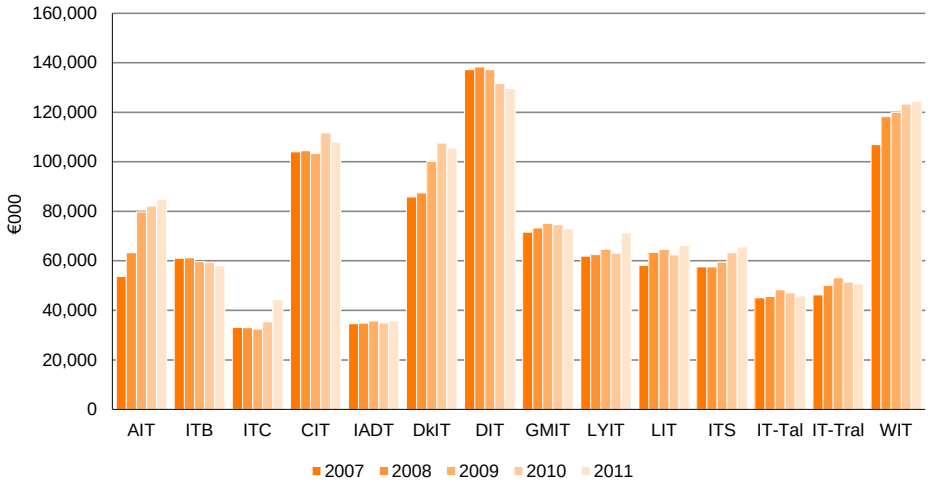


Capital expenditure for IoTs

In the IoT sector, AIT, DkIT and WIT have the highest levels of expenditure on fixed assets with net capital expenditure of €31 million, €19.6 million and €17.5 million respectively in the period 2007 to 2011.

In 2011, CIT, DIT and WIT had the highest levels of fixed assets.

Figure 29 – Total fixed assets – by IoT



Deferred/state capital grants

Deferred capital grants represent the element of a capital or government grant that has been received, but not earned, by an institution, as certain conditions remain to be satisfied.

The figure for deferred/state capital grants for the sector was €2.88 billion in 2011 which has increased by 18% from €2.44 billion in 2007.

This is illustrated in more detail in table 11 below.

Table 11 – Deferred/state capital grants – universities and IoTs (2007 – 2011) (€'000)

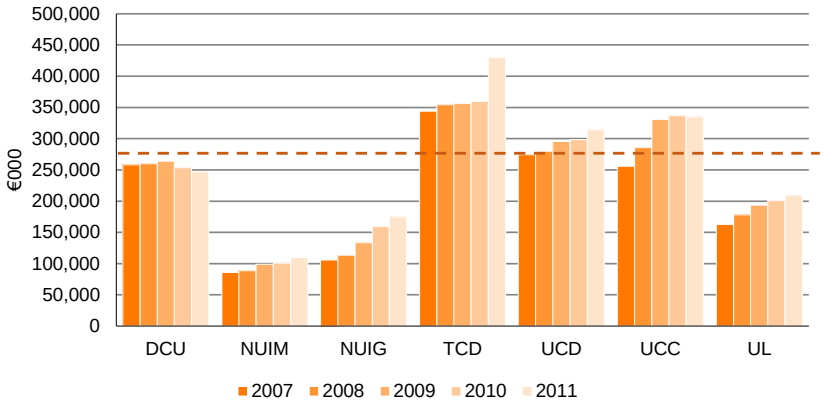
	2007	2008	2009	2010	2011	Change	Change
University	€1,486,303	€1,559,805	€1,671,973	€1,708,490	€1,821,283	€334,980	22.54%
Institutes of Technology	€956,500	€993,024	€1,033,460	€1,047,819	€1,063,199	€106,699	11.16%
Total	€2,442,803	€2,552,829	€2,705,433	€2,756,309	€2,884,482	€441,679	18.08%

Deferred/state capital grants for universities

As can be seen from figure 30 below, the average figure for deferred/state capital grants was €260 million for the university sector in 2011.

TCD, UCD and UCC are all well above the average with UCD and UCC figures for deferred/state capital grants rising slowly since 2007, while TCD's value has increased dramatically between 2010 and 2011.

Figure 30 - Total deferred/state capital grant - by university

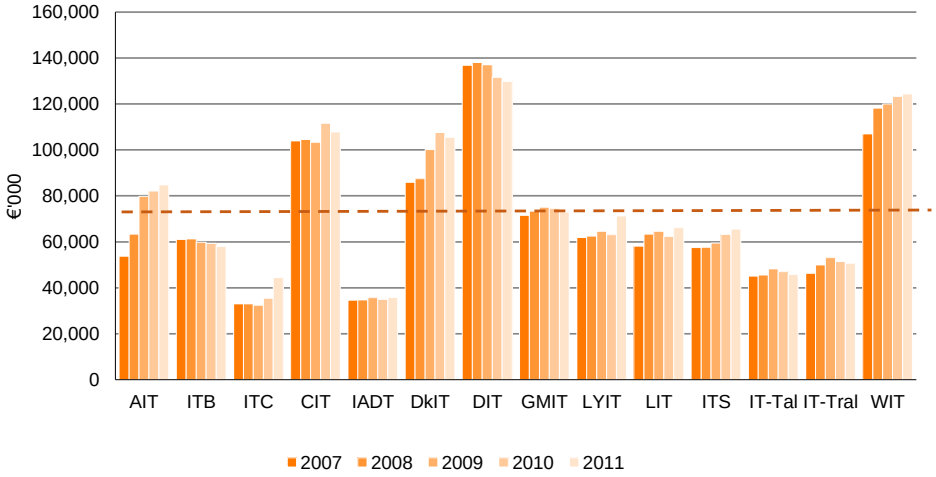


Deferred/state capital grants for IoTs

The average figure for deferred/state capital grants in IoTs was €76 million in 2011.

As can be seen from figure 31below, CIT, DIT, WIT and DkIT are all well above the average, while the value of deferred/state capital grants in the majority of IoTs has risen slowly since 2007.

Figure 31 - Total deferred/state capital grant - by IoT



Regional analysis

Regional analysis

Main points

- region 1 with 12 institutions generates the highest portion of surplus (52%) of all regions between 2007 and 2011.
- region 4 receives the highest proportion of state grant income at 31% of total income, while Region 3 receives the lowest amount at 23%. Region 3 also appears to receive by far the lowest proportion of research grant funding at 10%, which is significantly lower than the average of 16%.
- expenditure is largely in line with income by region as would be expected given that total expenditure as a percentage of income for the sector remained at 99% over the period 2007 to 2009.

Institutions by region

We have analysed the financial data for the sector, by region to identify any variances that may arise on a national basis.

The regions include:

- East (Region 1);
- South/South-West (Region 2);
- Mid-West (Region 3); and
- West/North-West (Region 4).

For each region we have compared key data items as a percentage of the total, as well as reviewed specific sources of income and expenditure.

Table 12 below indicates our categorisation of institutions by region. Key data by region is set out in Appendix 2 of this report.

Table 12 – Categorisation of institutes by region

Region 1	DCU ITC NUIM	IADT TCD DkIT	UCD DIT AIT	IT - Tal ITB WIT
Region 2	UCC	CIT	IT - Tral	
Region 3	UL	LIT		
Region 4	NUIG	GMIT	LYIT	ITS

Analysis by region

Surplus by region

As can be seen from table 13 below, Region 1 with 12 institutions[22] generates the highest portion of surplus (52%) of all regions between 2007 and 2011. Region 4 generates the second highest surplus at 31%.

Table 13 – Summary of key statistics by region (2007-2011)

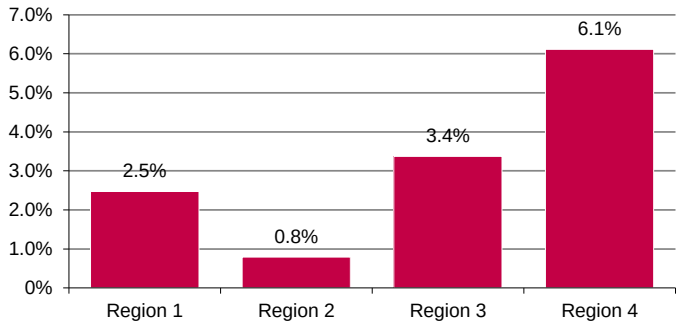
	Region 1	Region 2	Region 3	Region 4	Total
Total Income	7,720,072	2,353,680	1,264,833	1,898,046	13,236,631
Total income %	58%	18%	10%	14%	100%
Operating surplus	191,073	18,645	42,630	115,998	368,346
Operating surplus %	52%	5%	12%	31%	100%
Operating surplus as a % of income	2.5%	0.8%	3.4%	6.1%	3%

When considered as a percentage of income earned however, (figure 32 overleaf), Region 1 generates a lower surplus than Region 3 or 4, while Region 4 is the best performing region with a surplus of 6.1%.

Region 2 remains the lowest performing region on both counts.

[22] Region 1, with 12 institutions, accounts for 57% of the 21 institutions measured.

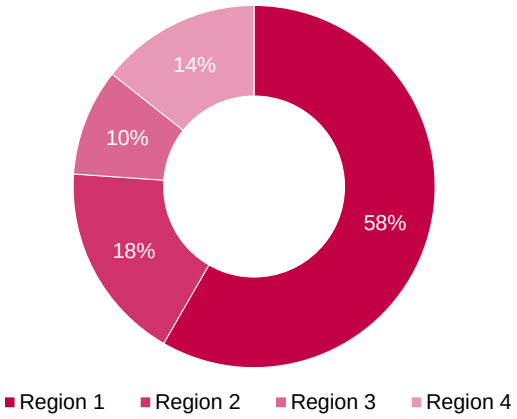
Figure 32 - Surplus by region as a percentage of total income (2007 to 2011)



Income by region

Region 1, not surprisingly given the volume of HEIs in the region, accounted for the largest portion of total income at 58%. Region 2 accounted for the second highest portion of total income (18%), while Region 3 accounted for 10%. Region 4 generated the least amount of income at 14%.

Figure 33 – Income by region (2007 to 2011)



The analysis shows that there is some variation between the regions with regard to the sources of income.[23]

As can be seen from table 14 below, Region 1 and Region 2 have insignificant variations in their sources of income, while there is more variation by income source in Regions 3 and 4.

In terms of state grants, Region 4 receives the highest proportion of state funding at 31% of total income, while Region 3 receives the lowest amount at 23%. Region 3 also appears to receive by far the lowest proportion of research grant funding at 10%, which is significantly lower than the average of 16%.

There is also a significant variation to the average in respect of other income with Region 3 receiving 35% and Region 4 receiving 18%, both of which are significantly above and below the average of 25%.

Table 14 – Source of income by region 2011

	Region 1	Region 2	Region 3	Region 4	Average
	2011	2011	2011	2011	2011
State grants	28%	26%	23%	31%	27%
Tuition fees	31%	29%	32%	33%	31%
Research grants	18%	19%	10%	18%	16%
Other income	23%	25%	35%	18%	25%
Total	100%	100%	100%	100%	100%

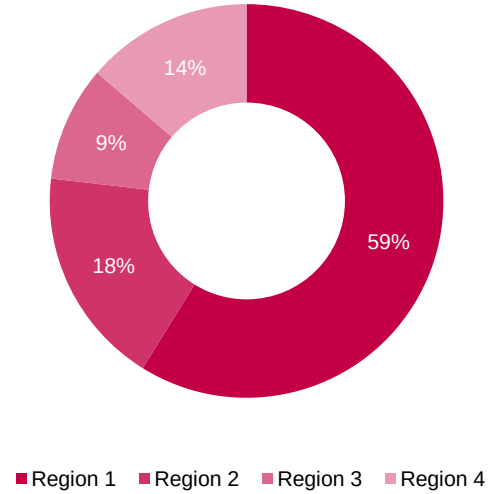
Expenditure by region

Expenditure is largely in line with income by region, as would be expected given that total expenditure as a percentage of income for the sector remained at 99% over the period (2007-2009).

Region 1 generates the largest amount of expenditure at 59%, followed by Region 2 at 18%. Region 3 incurred the least amount of expenditure at 9%, while Region 4 was at 14%.

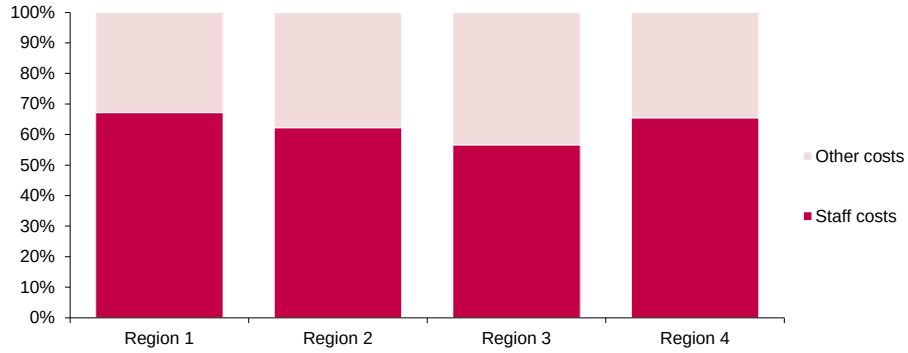
[23] To assess the differences we compared sources of income against total income for the region.

Figure 34 – Percentage expenditure by region (2007 to 2011)



There is no significant difference by region in terms of the types of expenditure incurred, with the majority of outlay relating to the payment of staff costs.

Figure 35 – Expenditure by source by region



4. Options for change

Boosting revenues

Boosting revenues

Main points

- the majority of higher education institutions in Ireland are facing similar financial and demand pressures.
- effective internationalisation requires the articulation of a vision, the definition of objectives and targets, leadership at a senior level, engagement throughout the organisation and appropriate implementation structures.
- higher education institutions needs to do more in terms of improving the flow of knowledge from institutions to the wider society and in converting knowledge into products for economic and social benefit.
- Irish institutions should be maintaining and developing investment in their alumni relation's teams and ensuring that all opportunities for engaging appropriately with their alumni are taken.
- institutions should focus on increasing the revenues of programmes that are currently performing well and have an ability to attract non-exchequer sources of income.
- higher education institutions must explore ways to use their assets more effectively to reduce their infrastructure costs.

Complexity of the higher education sector

Higher education institutions in Ireland vary considerably in terms of size, structure and funding, as set out in the previous sections. Despite this however, the vast majority are facing similar pressures as they deal with reduced funding and greater demand for their services.

Three key sources of financial pressure on the higher education system were identified in the National Strategy and include: [24]

- the growth in the numbers of entrants to higher education;
- the need for on-going improvements to enhance quality of delivery and also to attract the most talented students, academics, scientists and researchers; and
- the cost involved in the on-going maintenance of the capital stock of the sector.

It is widely accepted that the transformation of Ireland's higher education system envisaged in the National Strategy and in the follow-up analyses and reports by the HEA will not be possible without an increased level of funding. This is also needed to allow Ireland compete with other major economies and to measure up to the Government's objectives for innovation and job creation.[25]

The discussion of funding in higher education tends to focus mainly however on the exchequer funding element. Given the state of Ireland's public finances, it is now clear however that alternative sources of funding must be considered. In parallel with this, identifying opportunities to improve the effectiveness and efficiency with which existing funding is being used also now needs to be examined.

Ultimately, if resources are not found, quality may suffer which could result in Ireland's standing in the higher education sector in Europe and internationally falling, a trend that already seems to be emerging if findings from recently reported league tables are accepted.[26]

Revenue boosting opportunities

The following are key areas where many Irish higher education institutions are focusing to generate additional income:

- international student income;
- maximising income from research activities;
- alumni fundraising;
- academic programme review;
- asset optimisation; and

[24] National Strategy for Higher Education to 2030. Op. cit. p 145

[25] Higher Education Authority (HEA). Report to the Minister for Education and Skills on system reconfiguration, inter-institutional collaboration and system governance in Irish higher education. April 2013. p 6

[26] Times Higher Education World University Rankings and QS World University Rankings 2013

- alternative funding sources.

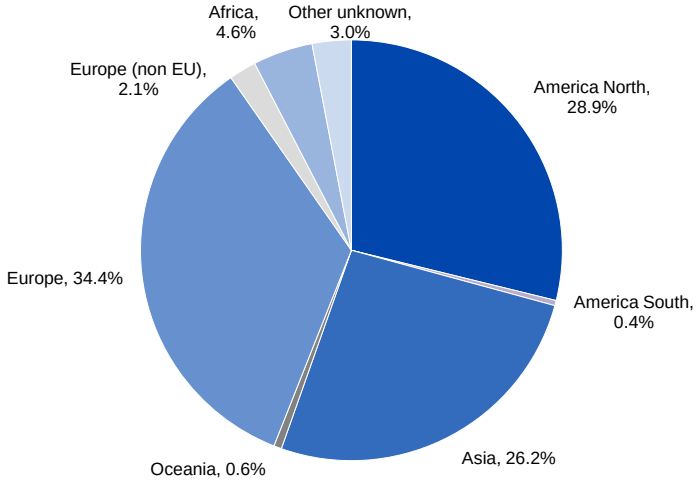
International student income

Increasing income from overseas tuition fees will be a key source of additional revenue for both universities and IoTs in the coming years.

In the academic year 2011, 11,466 or 7% of full-time enrolments in HEA funded institutions were from outside of Ireland, with the balance 93% (149,506) coming from Ireland (including Northern Ireland).[27]

As set out in figure 36, the majority of non-Irish students in 2011 came from the European Union (EU) (34.4%), North America (28.9%) and Asia (26.2%).

Figure 36 – Non-Irish domiciled students by region of domicile 10/11 for all HEA funded institutions



While we are aware that the HEA is predicting a "significant increase" in the number of overseas students in Irish institutions in their figures for the 2013 academic year, the figures to 2011 indicated a declining trend, with a fall off of 6% in the number of non-Irish domiciled full-time enrolments since 2009/10. Prior to that numbers had dropped in the preceding five years by almost 12% from 2007 when numbers were just under 12,000.[28]

This decline follows a government campaign to market Ireland as a world-class education destination[29] and includes the establishment of "Education in Ireland", an Enterprise Ireland led initiative which aims to double the number of international students studying in Irish higher education institutions by 2015.[30]

Reasons suggested for the decline in numbers include: limited resources at institution level, inadequate staffing, systems which are unfit for purpose, uneven academic buy-in and potential capacity issues.[31] Other reasons potentially include the relatively low ranking of Irish institutions on international tables and the question of whether enough is being done to integrate and support non-Irish students at an institutional and national level.

The trend in overseas students in Ireland is mirrored in the UK with the number of UK international students also dropping in 2011. This also mirrors the position in Australia. The United States however is still seeing growth in attracting overseas students to their universities and as such may represent a key competitor to Europe for the Asian student market.[32]

The National Strategy suggests that effective internationalisation for institutions requires the articulation of a vision, the definition of objectives and targets, leadership at a senior level, engagement throughout the organisation and appropriate implementation structures.[33] These should be set out in an institutional strategy that considers internationalisation and global engagement in the widest perspective.

[27] Higher Education Authority (HEA) - Higher Education Key Facts and Figures 2010/11. p 108

[28] Higher Education Authority (HEA) - Higher Education Key Facts and Figures 2011/12. p 95
[29] Investing in Global Relationships. Ireland's International Education Strategy 2010–15
[30] http://www.educationinireland.com/en/
[31] Education in Ireland. International Students in Irish Higher Education 2011-2012. November 2012. p 28
[32] The Calm before the Storm. Grant Thornton's Financial Health of the UK Higher Education Sector 2012 p 2
[33] National Strategy for Higher Education to 2030. Op. cit. p 83

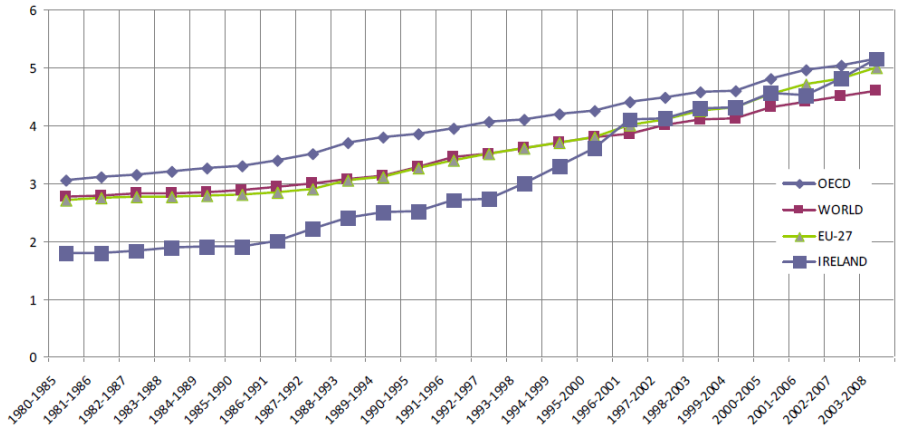
Institutions looking to further engage in internationalisation and counteract the decline being experienced need to consider the following:

- **developing an internationalisation strategy** to determine how they plan to attract an increased number of international students from around the world;
- **targeted growth in international student numbers** must be sustainable and must have regard to the infrastructure required to ensure a quality learning and living experience for the students;
- **internationalisation of the curricula** needs to be considered to make programmes more relevant for international students;
- **international research collaborations** should demonstrate how they are attractive to develop international research collaborations and how international research links are being improved;
- **integration and student supports** need to be developed to facilitate international students and their needs. e.g. culturally appropriate diet, counselling, health services, etc.;
- **outward mobility of Irish staff and students** as part of international partnerships; and
- **adequate funding needs to be set aside to support internationalisation** efforts.

Maximising income from research activities

Research is also a key area of potential revenue growth for higher education institutions. As documented in the National Strategy[34], Ireland has significantly increased its investment in research in higher education since 1996. This includes the establishment of the Programme for Research in Third Level Institutions (PRTLI) in 1998 and other substantial research support interventions. As a result there has been significant progress in the volume and quality of research being conducted in the sector and a notable closing of the gap with international averages, as set out in figure 37 opposite.

Figure 37 - Thomson Reuters Research Impact Indicators 1980-2008



Source: Thomson Reuters InCites March 2010

Despite this progress, recent research carried out by London-based Times Higher Education (THE) indicates that Irish institutions attracted the smallest monetary amounts from companies for carrying out research in a league of 30 countries.[35]

The findings indicated that the top five countries were Korea, Singapore, the Netherlands, South Africa and Belgium, while the bottom five were the UK, Austria, Norway, Portugal and Ireland (in that order). It highlighted that the most successful countries all tended to have strong links between academic and private sector researchers associated with major manufacturing activity, such as automobile manufacture or other large manufacturing activity.

The focus of research investment in Ireland in the past has been primarily on establishing the research base. It is now important, based on these findings, that the higher education sector does more in terms of improving the flow of knowledge from institutions to the wider society and in converting knowledge into products for economic and social benefit. This is dependent on an effective technology

[34] National Strategy for Higher Education to 2030. Op. cit. p 37

[35] Times Higher Education (THE). August 2013

transfer process from the higher education sector, and on collaborative research between industry and academia.[36]

The issues of intellectual property (IP) and the commercialisation of state sponsored R&D have been considered by the Innovation Taskforce, which has made a number of recommendations.[37] A suite of supports has also been put in place by Enterprise Ireland aimed at maximising the commercialisation of institution-generated intellectual property. This includes the Commercialisation Fund which is making significant progress funding commercialisation projects across a wide range of areas, including ICT, life sciences, food, manufacturing, engineering and energy.[38]

Taking advantage of, and building on, these initiatives will be important for higher education institutions in order to ensure they are adopting the correct focus and maximising the volume of income they receive from research activities to support their overall goals.

Alumni fundraising

Alumni fundraising is considered to be a source of significant potential in the higher education sector. For example, a report from the Higher Education Funding Council for England (HEFCE) noted that only 1.2% of the UK's alumni currently give to their university (compared to the average of 10% at US public universities).[39] The report states that a UK target of 5% for the following 10 years would be required to put the UK onto the US track. This increase would only be achieved by more asking, which in turn will rely on stronger, more durable alumni bonds.

In an Irish context, Trinity College which has over 80,000 alumni finds that at a time of constrained budgets, the flexible funding provided by alumni through the Trinity Annual Fund can make a real difference to the College. In the financial year 2008/09, 851 alumni contributed over €400,000 to the fund. The Fund supported research and teaching initiatives, the Student Hardship Fund, Trinity Access Programmes (TAP), the conservation of precious books in the Old Library, student societies, and sports scholarships.[40]

Aggregate figures for alumni giving in the Irish sector are not in the public domain but, given the trends in international giving patterns, one can assume that the figure is low. To achieve similar growth however, it is clear that Irish institutions should maintain and develop the investment in alumni relations teams and ensure that all opportunities for engaging appropriately with their alumni are taken. Putting in place achievable but stretch targets for this area in line with the UK would also assist in driving activity and maintaining focus.

Taking account of what other countries have done, the HEA consider that to support alumni giving tax incentives for donations should be extended further and broadened to encourage donations of accumulated wealth in various forms. No cap should apply to the amount that can be donated under the incentives in place.[41]

Increased internationalisation of the Irish higher education sector also provides additional opportunities for institutions to increase fundraising from international students, families and sponsoring employers. These opportunities should not be overlooked when institutions are preparing and updating their development and alumni strategies.

Academic programme review

We believe institutions should also continue to focus on increasing revenues from their range of academic programmes.

For example, institutes should seek to leverage information and communications technologies in delivering their programmes which would facilitate them in meeting increased demand in a more efficient manner. This is particularly the case for those

[36] National Strategy for Higher Education to 2030. Report of the Strategy Group. January 2011. p 69
[37] Innovation Ireland. Report of the Innovation Taskforce. March 2010 p 39
[38] http://www.enterprise-ireland.com/en/Funding-Supports/Researcher/Funding-to-Commercialise-Research/Commercialisation-Fund.html
[39] Review of Philanthropy in UK Higher Education. Op. cit. p 7

[40] Philanthropy and Trinity – a professional's view. Trinity Today: A Publication for Alumni and Friends: Donor Report 2008/09. http://content.yudu.com/A1nw2u/trinitytoday14vol2/resources/4.htm
[41] Supporting Investment in Higher Education. Report of Working Group 06. October 2006. Report of the Forum on Philanthropy and Fundraising. May 2012

programmes generating the strongest financial performance and also for programmes which have an ability to attract non-exchequer sources of income.

Furthermore, institutions may be currently offering programmes that are not financially viable but which are central to their offering and their particular remit. Looking at cost containment in these areas will therefore also be crucial. This includes opportunities to rationalise redundant programmes and evaluate the continued relevance of costly ones or ones that are in deficit. Approaches to achieving this are set out in the following section.

Asset optimisation

The more effective deployment of physical infrastructure in the higher education system is another area where higher education institutions can boost revenues, and also cut costs.

The HEA estimate that the space usage rate in Irish higher education institutions is roughly 63%, which is high by international standards.[42] As such, it recommended that consideration be given to extending the academic year with a view to delivering new courses or services to meet increasing demand and also make better use of institutions' physical resources.

Alternative approaches to asset optimisation include partnering with third parties to build and/or operate shared facilities or identifying alternative and perhaps innovative uses for facilities that are vacant, either for periods during the year, or on a medium to longer term basis.

In addition, higher education institutions should review the fees charged for the use of their facilities and ultimately consider disposing of facilities that are no longer in use or required.

Alternative funding sources

Finally, there are a number of alternative sources of finance that could be considered.

Private equity

As the classic private equity model is predicated on an exit (and associated substantial returns for investors) within a 3-5 year window, experienced financial investors in the UK have tended to focus away from the higher education sector where profit growth rates are perceived to be relatively slow. Instead, private equity[43] firms have focused on the vocational and professional training sectors which have provided opportunities for rapid underlying profit growth and significant sector consolidation. [44]

There have been examples however of more specialist private equity firms investing in the UK education market, such as Bregal Capital's investment into building the Cognita group of schools, and Sovereign Capital's investment into the Greenwich School of Management. There has also been more mainstream private equity interest in the higher education sector, with Montagu Private Equity's acquisition of the College of Law.

The College of Law is not at first glance a traditional private equity investment, but with its market leading, internationally renowned brand, predictable, defensible cash flows and growth potential (particularly overseas), it does exhibit the classic criteria for the private equity model. It may also be the case that the recent dearth of quality assets available for private equity investment has led some financial investors to take a longer-term view on investment hold periods and also, possibly, to be applying relatively lower financial hurdle rates.

With exchequer funding under increasing pressure in Ireland, innovation in models of funding provision and evolving technology, the higher education sector is considered to have all the hallmarks for further private equity interest and investment.

[42] HE Space Survey, Preliminary Results and Indicative Capital Investment demands, March 2010. Quoted in the National Strategy p 120

[43] Private equity is an investment for a return of a stake in an institution that is not listed on a stock exchange.
[44] The Calm before the Storm. Grant Thornton's Financial Health of the UK Higher Education Sector 2012. p 26

Annuity funds

Some higher education institutions in the UK have already made use of annuity funds to provide long-term capital for investment in accommodation. The project is normally financed by bank debt in the short-term and, on completion, a pension fund will provide capital to repay the bank. The bank, in return, will receive revenues from the accommodation over the long-term.[45]

This is similar to the student accommodation scheme introduced under section 50 of the Finance Act 1999 in Ireland.[46] It provides for 'section 23' type relief whereby expenditure incurred on student rental accommodation can be set against the rental income from the property and against other Irish rental income thus reducing the taxable income of the person incurring the expenditure. There are various ways to structure such transactions, which can ensure the arrangement is off-balance sheet; however, these options may become more limited if the institution is required to guarantee revenue streams to the lender.

[45] Ibid. p 26
[46] Student Accommodation Scheme. Office of the Revenue Commissioners Direct Taxes interpretation and International Division. May 2007

Controlling costs

Controlling costs

Main points

- in addition to pursuing top line growth, higher education institutions in Ireland must continue to maintain a tight control over their costs without sacrificing quality.
- where there is significant process duplication or fragmentation, such as exists in higher education, process simplification and standardisation is important to achieve initial efficiency savings.
- a first step by any institution contemplating shared services should be process improvement and simplification to reduce unnecessary complexity in a potential shared environment.
- outsourcing can result in an institution gaining further advantage, whether in terms of cost saving, improved service levels or access to newer technology not feasible to develop in-house.
- making better use of collaborative procurement solutions and developing in-house procurement capabilities in the higher education sector can help to ensure that maximum value is realised from available resources.

Cost containment goals

An Economic and Financial Affairs Council (ECOFIN) study conducted in 2009 suggests that the Irish higher education sector displays comparatively high levels of efficiency, productivity, effectiveness and quality when compared to other developed countries.[47] It also noted that there are some areas within higher education where resources could be more effectively deployed.

Within the context of a changing economic and funding environment, the focus on effectiveness, efficiency and value for money, therefore, needs to continue.

In addition to pursuing top line growth, higher education institutions in Ireland must continue to maintain a tight control over their costs without sacrificing quality. Institutions must consider alternative or more efficient operating models, even in areas where they have been doing well, that have the power to enhance effectiveness and realise savings across the organisation.

A key guiding principle to making changes in this regard is the need to ensure that efficiency is seen as part of a wider strategic objective of the institution, rather than simply being used as a mechanism for short-term cost savings.[48] This will ensure that the institution can continue to deliver high quality teaching and research after the changes have been implemented.

Opportunities for cost control

Areas where efficiencies and savings can be achieved in the general cost base of institutions include:

- process improvement and simplification to address any issues of under-performance;
- sharing of services with other institutions;
- outsourcing opportunities, including reviewing current outsourcing contracts and the consideration of new non-core functions that may be outsourced to third party suppliers; and
- reviewing current procurement policies and processes to ensure efficiencies are maximised within accepted guidelines.

Process improvement and simplification

A recent UK study into efficiency and effectiveness in higher education highlighted that, in a sector where there is significant process duplication or fragmentation, such as exists in higher education, simplification and standardisation is important to achieve initial efficiency savings. [49]

In the education setting, this includes the elimination of any multiple functions or academic programs and the identification of redundancies and/or inefficient processes. It also includes leveraging technological advances to maximum advantage.

[47] European Economy, Economics Papers 390. ECOFIN, European Commission. Study on the efficiency and effectiveness of public spending on tertiary education. MSAubyn, APina, FGarcia, JPais. November 2009. p 27

[48] Universities UK. Efficiency and effectiveness in higher education. A report by the Universities UK Efficiency and Modernisation Task Group. September 2011. p 12

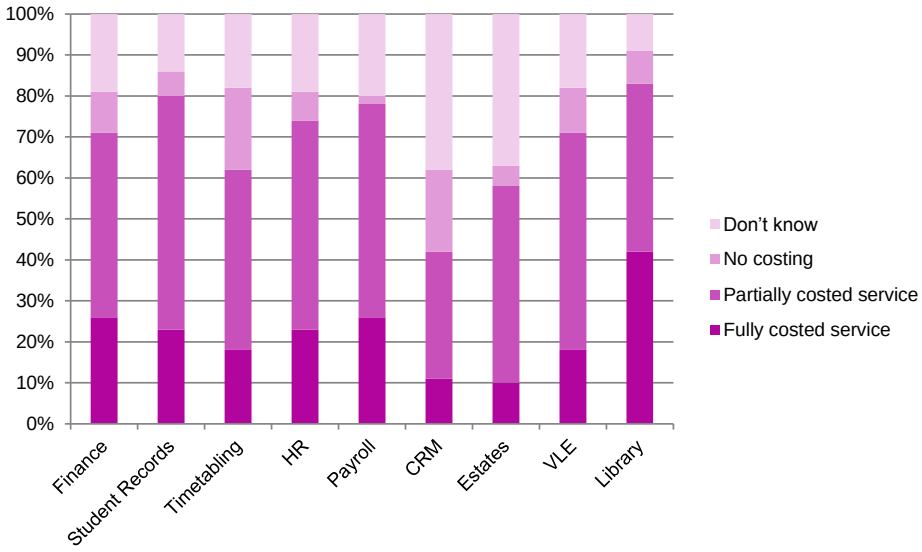
[49] Universities UK. Efficiency and effectiveness in higher education. Op. cit. p 32

The UK study set out some key steps for the education sector to achieve progress in this area which are equally applicable to the Irish context. These include:[50]

- **establishing a cost baseline** for typical transactions to allow effective comparison, targeting and planning of activity;
- recognising that **major savings will often necessitate initial investment** and that the institution may need to 'spend to save';
- **establishing and applying proven methodologies**, such as Lean/Six Sigma, to the process of improving services and reducing costs;
- **joining up, at an institutional level, separate efficiency projects** into a structured programme management approach in order to focus on institutional benefits and reduce duplication and overlap; and
- **looking for areas of sharing across similar organisations** that are more advanced in order to not 're-invent the wheel'.

A key challenge internationally for the higher education sector in pursuing these opportunities is that information on the costs of operational activities within higher education is poor. This means it is difficult for institutions to effectively calculate the benefits of efficiency initiatives and demonstrate more widely how they are ensuring value for money. A recent study conducted by Jisc in the UK, for example, found that the full costs of existing services are generally not well known as set out in figure 38 opposite.[51]

Figure 38 - extent of costing of existing systems



In the Irish context, there are a number of significant process improvement initiatives underway including the establishment of regional and thematic clusters.[52] These are intended to identify and address potential areas for collaboration between institutions, to improve efficiency in delivery, reduce program duplication and foster cross-institutional collaboration.

Performance in this and other areas will be measured going forward by a new process of strategic dialogue on agreements between the HEA and the institutions. These agreements will seek to achieve a differentiated set of challenging targets for individual institutions across the sector and drive progress through linking it with funding allocations.[53]

[50] Ibid. p 32
[51] Jisc Study of Shared Services in UK Further and Higher Education Report 4: Conclusions and Proposals. Undertaken on behalf of the Duke & Jordan Ltd with AlphaPlus Ltd, MAuckland, CCartledge, SMarsden and BPowell. September 2008. p 8

[52] Higher Education Authority (HEA). Report to the Minister for Education and Skills on system reconfiguration, inter-institutional collaboration and system governance in Irish higher education. April 2013 p. 14
[53] Ibid p 12

Shared services

Shared services are often used to refer to in-house functions where responsibility for a particular function such as finance or HR for a number of departments or divisions is consolidated into a single operation.

It is likely that process improvement and simplification initiatives, where they are conducted, will support the elimination of any instances where functions are replicated across faculties or departments.

As such, a first step by any institution contemplating shared services should be process improvement and simplification to reduce unnecessary complexity in a potential shared environment.

There have been a number of studies conducted in the UK in relation to shared services in higher education.[54] There are also a number of national services already in existence in the UK which perform critical functions, such as UCAS (Universities and Colleges Admissions Service) similar to the Irish Central Applications Office (CAO) and JANET.[55]

Despite this there are few examples of individual institutions in the UK sharing significant back-office functions such as HR, Finance and IT. Some institutions have explored this either with other institutions or with private sector partners, but have found that implementing shared services on a significant scale requires the twin obstacles of VAT on shared services and institutional concerns about independence to be overcome.

In the Irish context, shared services platforms are quite advanced at a sectoral level with well-established bodies such as the Central Applications Office (CAO), HEAnet and An Chéim. As outlined in the National Strategy, there is scope to develop these initiatives further in areas such as shared payroll, pensions and some HR functions.[56]

Consideration should also be given to greater collaboration at institutional level in order to realise savings in these areas. This is considered a priority objective in the establishment of regional clusters as part of the reconfiguration of the education system and as a key tool for achieving sustainability in the sector.[57]

The Department of Education and Skills has recently established a Programme Board on Shared Services for the Higher Education Sector to progress the consideration of shared services in the Irish context.

Outsourcing

Outsourcing through the use of specialist third parties is considered a progression from shared services and can result in an institution gaining further advantage, whether in terms of cost saving, improved service levels or access to newer technology which is not feasible to develop in-house.

The selection of an appropriate outsourcing model will be dependent on the specific needs of the institution. For example, a group of institutions might have sufficient demand to justify the creation of a separate organisation to provide functional support to a number of institutions. Alternatively, one institution may have significant spare capacity to provide services to a group of institutions.

Advantages of implementing an outsourced model in the higher education sector include:

- **cost reduction** – the financial imperative is likely to be highest on the list for most institutions with savings of 20%-30% considered achievable.[58]
- **reliability and stability** – an outsourced solution provides a level of reliability and stability that individual institutions may not have. Outsourcers can offer

[54] The Higher Education Funding Council for England (HEFCE). Shared services in the higher education sector 2006 *and* JISC Study of Shared Services in UK Further and Higher Education Undertaken on behalf of the Duke & Jordan Ltd with AlphaPlus Ltd, MAuckland, CCartledge, SMarsden and BPowell. September 2008

[55] JANET is a network that connects the UK's education and research organisations to each other as well as to the rest of the world through links to the internet.

[56] National Strategy for Higher Education to 2030. Op. cit. p 119

[57] Higher Education Authority (HEA). Report to the Minister for Education and Skills. Op. cit. p 15

[58] The Calm before the Storm. Op.Cit. p 29

resilience in staff numbers and in technology, with access to back-up sites and disaster recovery facilities if required.

- **access to "best in class" technology and service** – both a shared service solution and an outsourced solution will enable institutions to take advantage of the latest improvements in both hardware and software technology;
- **headroom** – the outsourcer can provide a scalable solution that can respond to volume increases without the kind of step change investment in staff or technology that would be required at an individual institution level.

There are also a number of potential issues that would need to be considered. These include as follows:

- **lack of flexibility and responsiveness** – compared to the operation of an in-house department, there will potentially be a loss of flexibility in the service provision. The production of ad-hoc reporting, or of adjustments to reporting timetables for example, is unlikely to be possible, at least if reasonable cost savings are to be delivered.
- **loss of control** – with reduced flexibility will be a perceived reduction in control. Both of these issues will need to be addressed with users. The standardisation of processes and the introduction of performance measures to manage those processes is an important part of the implementation, and users must be satisfied with the terms of standardisation in advance.

In the UK, the higher education sector has seen the development of a more strategic approach to outsourcing in recent years. Two examples relate to student accommodation and IT provision. There is also considerable experience within the sector of commercial providers delivering on-campus services such as facilities management, security and student support.[59]

Similar examples exist in the higher education sector in Ireland however there may be scope to develop this concept more. The cost/benefit of each opportunity would need to be considered on an institution-by-institution basis.

[59] Universities UK. Efficiency and effectiveness in higher education. Op. cit. p 53

Review of procurement policies and processes

Finally, procurement has moved to the fore, both in business and in the public sector, as a method of reducing costs and releasing resources to support core activities.

In the UK, the higher education sector operates a range of collaborative purchasing mechanisms. Four regional, English-based consortia serve the needs of institutions in England, Wales and Northern Ireland, while Scotland has a single procurement body that is empowered to act on behalf of all universities and further education colleges. In Wales, institutions are also supported by a consortium that operates through existing institutional routes, and there are also a number of commodity and activity specific groups that support the sector.[60]

There have also been moves in the UK to develop a more joined-up approach to procurement with the development of English National Procurement (ENP). This is a multi-disciplinary, stakeholder forum and steering group, accountable to universities and colleges which provides a recognised 'concentration of expertise' for higher education procurement.

HEFCE in the UK indicated that in academic year 2008/09 £68.82 million of savings were delivered by the regional purchasing consortia to English higher education institutions.[61] Other benefits included: administrative savings from reduced duplication of tendering, greater purchasing expertise, improved consistency, enhanced service levels and legal certainty.[62]

Leveraging the purchasing power of the state to deliver value for money in public procurement has been at the heart of a number of initiatives in recent years in Ireland which impact on the higher education sector.

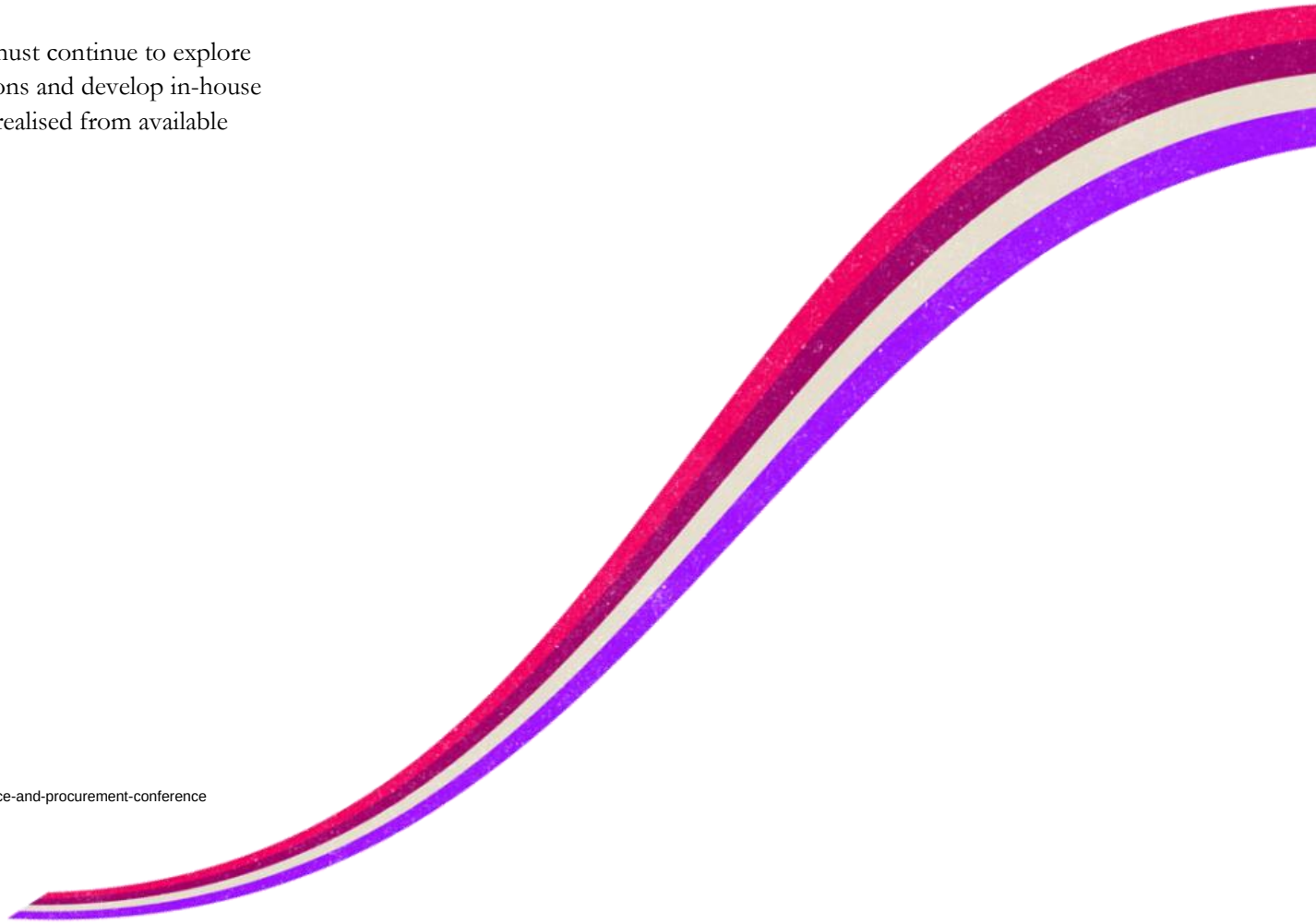
In December 2012, a new Chief Procurement Officer was appointed to lead procurement reform across the public service as part of a new Office of

[60] Universities UK. Efficiency and effectiveness in higher education. Op. cit. p 58
[61] HEFCE briefing as part of the Universities UK. Efficiency and effectiveness in higher education: A report by the Universities UK Efficiency and Modernisation Task Group. September 2011
[62] Circular 16/13: Revision of arrangements concerning the use of Central Contracts put in place by the National Procurement Service

Government Procurement (OGP). The OGP will be responsible for managing all strategic spend for common categories of goods and services across a range of departments, including the Department of Education and Skills. For all other categories, institutions currently operate their own procurement function in accordance with documented procurement policies.

Specifically in relation to higher education, a National University Finance and Procurement Conference was also established to provide a proactive forum for university management professionals in Ireland to meet and discuss current issues impacting the sector including, specifically, the areas of financial management and strategic procurement. [63]

Building on these measures, higher education institutions must continue to explore innovative ways to adopt collaborative procurement solutions and develop in-house procurement capabilities to ensure that maximum value is realised from available higher education resources.



[63] http://www.hes.edu.au/home/forums-conferences-and-events/2013-national-university-finance-and-procurement-conference

5. Conclusion

Conclusion

The higher education sector in Ireland is in a state of major change.

Changes as part of the National Strategy are now underway and will result in comprehensive reform of the sector from a governance, structures and funding perspective. Similar to other sectors the higher education sector is also experiencing significant financial pressure a result of the downturn in the Irish economy.

A number of income streams the institutions analysed rely on, including state grants and research income, continue to be uncertain or unstable. State grant income dropped by 25% in the five years to 2011 with tuition fees now overtaking state grants as the highest source of income. At the same time expenditure, which saw a slight decrease in recent years, has increased overall by 6.5% in the period while operating surplus has dropped by €58.7 million.

There are also a series of financial hurdles higher education institutions must clear in the future. They include:

- potential further cuts to government funding;
- a potential drop in international and domestic student numbers;
- increasing pension and pay commitments; and
- the continuing burden of debt repayments.

There are a range of possible options open to institutions to boost their revenue, many of which are already being implemented or actively considered. It is also important to continue to reconsider how existing funding is being used.

It should be noted that these initiatives can only go so far therefore additional exchequer funding or increased tuition fees may also be needed.

Pursuing the options proposed will also invariably involve a range of challenges and risks all of which will need to be considered in advance to ensure that planned results and outcomes can be effectively achieved.

Potential challenges for consideration include as follows:

- **managing change** – introducing major change in any organisation may give rise to resistance from stakeholders who believe they are likely be adversely impacted. Ineffective management of the process including poor communication and stakeholder engagement may impede the effectiveness of the change and ultimately the planned results and outcomes to be achieved. Also we know that the speed of adoption of new initiatives is slower, ultimate utilisation of new systems is lower and proficiency is less when changes are badly managed. Effective change management or managing the "people side" of change will therefore be crucial for institutions considering adopting any of the options proposed in this report.

- **senior management / additional resource requirements** – significant time will be required from senior management within both universities and IoTs for the planning and execution of any new initiatives proposed. In addition, aligning and mobilising institution staff to follow through on implementing the required changes is likely to impact on the availability of resources at a range of other levels. Again, the resource input needed to maintain existing quality levels will need to be balanced against the benefits to be gained from pursuing new financial improvement strategies.

- **loss of competitive advantage** – a key obstacle cited to shared services and outsourcing in the higher education sector is that all higher education institutions are essentially in competition with each other. While this is true to some extent, it should not be a barrier to mutually beneficial cost savings. For example, there is little competitive advantage to be gained from having an effective and efficient estates management function. As such institutions should consider outsourcing those functions that are not related to their own distinctive brand characteristics.

- **creation of additional costs** – given the existing financial pressure on institutions and particularly the decrease in certain sources of income such as

state grant income, another key concern in implementing any new initiatives may be the additional costs involved. This includes additional short and /or longer term commitments that will need to be honoured. Additional costs may prove a deterrent to institutions in introducing new approaches to doing business.

Despite these and other challenges, what is clear is that if resources are not found, quality may suffer which could result in Ireland's standing in the higher education sector in Europe and internationally falling.

In essence, a range of measures are needed to reduce the funding gap so that the sector can survive and prosper.

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About us

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Appendix 1 – Headline statistics by HEI by year

DCU	2007 €'000	2008 €'000	2009 €'000	2010 €'000	2011 €'000	% change 07 compared to 2011
Total income	159,707	175,316	185,862	186,361	175,174	10%
Operating surplus	(468)	848	3,943	7,752	2,679	672%
State Grants	36,989	39,648	37,269	30,076	24,849	-33%
Tuition fees	41,069	49,190	51,304	56,563	55,433	35%
Research grants	35,592	40,019	50,113	46,355	41,690	17%
Overall staff costs	103,844	110,604	116,979	120,678	117,215	13%
Total Expenditure	160,171	174,476	181,931	178,621	172,495	8%
Net assets (total reserves)	264,906	267,370	275,414	272,701	269,291	2%
Pension liability	144,558	138,081	194,754	260,211	230,805	60%

UCD	2007 €'000	2008 €'000	2009 €'000	2010 €'000	2011 €'000	% change 07 compared to 2011
Total income	407,875	430,404	462,891	444,768	411,229	1%
Operating surplus	43,715	652	(6,825)	46,036	8,111	-81%
State Grants	142,759	143,452	146,792	117,566	94,075	-34%
Tuition fees	123,841	133,353	142,904	160,925	163,013	32%
Research grants	75,998	85,079	98,183	95,141	76,979	1%
Overall staff costs	267,806	293,132	317,853	294,524	269,419	1%
Total Expenditure	421,051	457,739	469,696	432,363	403,116	-4%
Net assets (total reserves)	399,586	405,776	414,467	463,472	487,219	22%
Pension liability	287,715	490,695	442,413	1,253,233	1,163,779	304%

NUIM	2007 €'000	2008 €'000	2009 €'000	2010 €'000	2011 €'000	% change 07 compared to 2011
Total income	89,868	105,832	120,565	128,995	127,886	42%
Operating surplus	(8,285)	2,130	5,215	4,734	4,670	156%
State Grants	31,815	33,836	33,462	26,516	25,558	-20%
Tuition fees	30,163	34,550	39,299	45,509	47,463	57%
Research grants	17,391	17,878	21,673	21,715	20,413	17%
Overall staff costs	63,712	67,185	76,699	78,640	75,527	19%
Total Expenditure	98,404	103,927	115,431	124,335	123,287	25%
Net assets (total reserves)	(1,509)	106,874	122,404	128,759	142,640	9553%
Pension liability	103,299	125,472	195,111	295,441	254,649	147%

NUIG	2007 €'000	2008 €'000	2009 €'000	2010 €'000	2011 €'000	% change 07 compared to 2011
Total income	217,887	240,245	253,118	252,777	233,675	7%
Operating surplus	17,200	14,331	15,314	31,542	6,820	-60%
State Grants	68,776	76,579	79,968	65,526	54,752	-20%
Tuition fees	72,109	76,438	85,908	96,238	92,441	28%
Research grants	52,957	61,774	62,454	64,530	61,464	16%
Overall staff costs	119,747	134,273	147,939	133,641	141,960	19%
Total Expenditure	200,687	225,905	237,783	221,224	226,719	13%
Net assets (total reserves)	187,395	208,515	243,597	300,490	322,957	72%
Pension liability	165,113	252,371	256,723	660,249	677,640	310%

TCD	2007 €'000	2008 €'000	2009 €'000	2010 €'000	2011 €'000	% change 07 compared to 2011
Total income	311,472	323,383	345,373	345,745	320,843	3%
Operating surplus	22,053	2,090	(5,243)	10,685	(10,643)	-148%
State Grants	101,665	103,802	105,737	80,819	66,739	-34%
Tuition fees	80,414	87,316	93,425	107,663	111,865	39%
Research grants	70,185	68,061	84,653	88,262	78,486	12%
Overall staff costs	195,509	226,808	244,935	229,745	217,519	11%
Total Expenditure	289,419	321,293	350,616	335,060	331,486	15%
Net assets (total reserves)	723,357	735,960	732,469	744,206	803,032	11%
Pension liability	485,515	525,253	497,354	960,906	895,407	84%

UCC	2007 €'000	2008 €'000	2009 €'000	2010 €'000	2011 €'000	% change 07 compared to 2011
Total income	306,808	353,672	352,754	346,621	347,879	13%
Operating surplus	(6,341)	(5,961)	6,109	8,254	3,609	157%
State Grants	88,836	93,572	94,847	79,807	65,931	-26%
Tuition fees	88,934	96,439	104,496	115,000	115,344	30%
Research grants	69,102	69,063	80,870	81,019	76,337	10%
Overall staff costs	189,749	204,414	214,646	205,169	198,042	4%
Total Expenditure	313,149	359,633	346,645	338,367	344,270	10%
Net assets (total reserves)	375,462	403,958	455,613	469,646	471,395	26%
Pension liability	285,810	405,663	389,002	769,635	707,497	148%

UL	2007 €'000	2008 €'000	2009 €'000	2010 €'000	2011 €'000	% change 07 compared to 2011
Total income	193,168	206,862	219,698	209,126	204,187	6%
Operating surplus	15,391	(710)	8,195	9,149	4,979	-68%
State Grants	50,421	52,567	55,591	48,658	37,965	-25%
Tuition fees	48,022	52,844	59,312	67,951	70,853	48%
Research grants	24,203	30,594	30,929	25,229	22,190	-8%
Overall staff costs	100,993	107,119	112,155	106,686	109,605	9%
Total Expenditure	186,126	207,567	211,506	199,977	199,207	7%
Net assets (total reserves)	213,503	228,137	251,670	268,048	282,346	32%
Pension liability	264,766	275,958	267,310	339,196	331,638	25%

Athlone Institute of Technology	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	42,198	45,312	47,871	47,393	47,549	13%
Operating Surplus	979	196	1,745	3,451	1,680	72%
Total Surplus (after transfers to reserves in IoTs only)	747	109	(295)	(860)	557	-25%
State Grants	23,712	25,298	25,425	22,176	21,450	-10%
Tuition fees	6,362	6,889	7,136	10,281	9,848	55%
Research grants	4,538	4,879	6,438	3,529	3,527	-22%
Overall staff costs	31,160	34,200	35,900	32,332	31,051	0%
Total Expenditure	41,219	45,116	46,126	43,942	45,869	11%
Net assets (total reserves)	56,730	65,997	84,139	88,362	92,700	63%

Institute of Technology Blanchardstown	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	18,667	20,728	21,631	21,065	20,907	12%
Operating Surplus	551	80	(399)	446	801	45%
Total Surplus (after transfers to reserves in IoTs only)	478	(1)	(514)	(531)	662	38%
State Grants	10,648	12,321	12,494	10,343	9,686	-9%
Tuition fees	2,776	3,300	3,215	3,818	4,322	56%
Research grants	224	407	638	820	566	153%
Overall staff costs	11,469	13,743	14,485	14,505	14,549	27%
Total Expenditure	18,116	20,648	22,030	20,619	20,106	11%
Net assets (total reserves)	65,695	65,956	64,080	63,209	62,661	-5%

Institute of Technology Carlow	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	31,380	36,967	36,470	36,500	34,555	10%
Operating Surplus	(190)	3,892	1,572	2,636	806	524%
Total Surplus (after transfers to reserves in IoTs only)	(1,120)	1,650	(523)	(606)	(272)	76%
State Grants	18,984	21,892	19,559	17,217	14,942	-21%
Tuition fees	4,205	4,593	6,951	8,532	8,814	110%
Research grants	325	1,251	1,108	1,827	1,276	293%
Overall staff costs	22,575	24,162	26,006	23,348	23,862	6%
Total Expenditure	31,570	33,075	34,898	33,864	33,749	7%
Net assets (total reserves)	44,326	48,250	49,243	51,094	56,162	27%

Cork Institute of Technology	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	89,398	92,657	97,316	98,879	92,142	3%
Operating Surplus	3,174	405	2,085	3,346	1,195	-62%
Total Surplus (after transfers to reserves in IoTs only)	467	(370)	1,471	(1,098)	(639)	-237%
State Grants	51,684	53,904	54,080	47,248	41,056	-21%
Tuition fees	12,180	13,049	13,963	16,142	16,781	38%
Research grants	7,641	9,540	12,831	13,932	13,957	83%
Overall staff costs	61,778	65,099	66,234	63,248	61,674	0%
Total Expenditure	86,224	92,252	95,231	95,533	90,947	5%
Net assets (total reserves)	107,532	107,394	107,690	115,610	112,782	5%

Dun Laoghaire Institute of Art, Design and Technology	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	18,621	20,134	21,658	22,613	22,683	22%
Operating Surplus	266	380	1,395	2,794	1,959	636%
Total Surplus (after transfers to reserves in IoTs only)	86	180	1,316	1,461	1,715	1894%
State Grants	10,220	10,864	10,902	9,408	8,643	-15%
Tuition fees	3,747	3,948	4,826	5,676	5,572	49%
Research grants	492	562	907	1,290	1,087	121%
Overall staff costs	12,297	13,235	13,576	13,288	12,761	4%
Total Expenditure	18,355	19,754	20,263	19,819	20,724	13%
Net assets (total reserves)	38,827	39,403	41,684	42,597	45,437	17%

Dundalk Institute of Technology	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	53,719	48,187	46,910	50,375	50,769	-5%
Operating Surplus	1,743	2,024	(674)	3,076	2,835	63%
Total Surplus (after transfers to reserves in IoTs only)	1,367	1,789	(1,030)	(1,706)	437	-68%
State Grants	21,935	23,052	22,014	20,566	19,052	-13%
Tuition fees	8,190	10,146	10,717	10,883	10,640	30%
Research grants	3,526	3,711	3,714	5,182	5,788	64%
Overall staff costs	31,678	34,386	36,159	34,650	34,330	8%
Total Expenditure	51,976	46,163	47,584	47,299	47,934	-8%
Net assets (total reserves)	87,506	90,342	102,312	110,387	109,672	25%

Dublin Institute of Technology[64]	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	192,717	201,357	204,028	191,375	185,394	-4%
Operating Surplus	3,866	(1,269)	(2,326)	3,397	3,274	-15%
Total Surplus (after transfers to reserves in IoTs only)	3,140	(2,009)	(3,010)	2,594	2,844	-9%
State Grants	121,339	116,984	116,145	95,606	91,975	-24%
Tuition fees	29,685	30,912	32,131	36,048	34,872	17%
Research grants	8,669	16,769	18,101	16,401	15,185	75%
Overall staff costs	130,693	139,188	143,907	130,623	124,421	-5%
Total Expenditure	188,851	202,626	206,354	187,978	182,120	-4%
Net assets (total reserves)	160,275	160,263	156,963	154,813	154,417	-4%

Galway-Mayo Institute of Technology	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	62,368	67,925	68,499	63,590	60,401	-3%
Operating Surplus	983	3,390	3,320	1,503	639	-35%
Total Surplus (after transfers to reserves in IoTs only)	(485)	2,408	2,149	(1,762)	(221)	54%
State Grants	36,049	38,240	38,397	31,125	27,660	-23%
Tuition fees	9,514	10,276	10,653	11,657	11,941	26%
Research grants	2,233	2,851	3,827	2,465	2,506	12%
Overall staff costs	43,768	46,221	47,881	43,753	42,893	-2%
Total Expenditure	61,385	64,535	65,179	62,087	59,762	-3%
Net assets (total reserves)	79,712	84,575	89,628	88,800	87,808	10%

Letterkenny Institute of Technology	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	28,945	33,327	34,386	35,033	30,651	6%
Operating Surplus	445	914	551	2,964	(414)	-193%
Total Surplus (after transfers to reserves in IoTs only)	286	729	245	2,438	(708)	-348%
State Grants	16,277	18,625	19,548	18,715	14,775	-9%
Tuition fees	4,135	4,593	5,571	5,704	5,425	31%
Research grants	770	1,053	1,335	1,358	1,159	51%
Overall staff costs	20,320	23,417	25,495	24,079	23,451	15%
Total Expenditure	28,500	32,413	33,835	32,069	31,065	9%
Net assets (total reserves)	67,014	68,655	71,317	72,754	80,509	20%

Limerick Institute of Technology	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	39,593	46,633	48,582	50,011	46,973	19%
Operating Surplus	(761)	1,128	(140)	3,813	1,586	308%
Total Surplus (after transfers to reserves in IoTs only)	(766)	870	(140)	(298)	955	225%
State Grants	22,313	25,688	24,151	21,361	20,285	-9%
Tuition fees	6,774	7,501	8,249	8,625	8,851	31%
Research grants	1,197	1,498	2,095	3,314	3,387	183%
Overall staff costs	29,023	31,752	34,125	32,714	32,199	11%
Total Expenditure	40,354	45,505	48,722	46,198	45,387	12%
Net assets (total reserves)	62,562	68,997	70,114	69,754	75,114	20%

Institute of Technology Sligo	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	39,680	43,083	43,541	45,575	43,340	9%
Operating Surplus	2,727	2,367	2,364	6,246	2,792	2%
Total Surplus (after transfers to reserves in IoTs only)	1,874	546	914	(2,847)	(608)	-132%
State Grants	22,351	23,294	21,055	19,580	17,082	-24%
Tuition fees	7,636	9,693	10,902	11,768	11,011	44%
Research grants	1,194	1,569	1,793	1,817	2,180	83%
Overall staff costs	27,466	30,348	31,332	29,624	28,845	5%
Total Expenditure	36,953	40,716	41,177	39,329	40,548	10%
Net assets (total reserves)	68,475	70,926	72,259	82,397	87,579	28%

Institute of Technology Tallaght	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	33,120	35,421	38,659	38,067	36,610	11%
Operating Surplus	55	(789)	227	2,691	2,221	3938%
Total Surplus (after transfers to reserves in IoTs only)	(143)	(911)	124	1,344	(2,825)	-1876%
State Grants	19,809	20,446	20,497	17,589	16,269	-18%
Tuition fees	4,679	5,327	6,178	7,638	8,383	79%
Research grants	1,733	2,282	3,382	2,851	1,980	14%
Overall staff costs	23,509	25,316	27,200	25,315	24,388	4%
Total Expenditure	33,065	36,210	38,432	35,376	34,389	4%
Net assets (total reserves)	52,682	52,471	55,370	55,341	56,308	7%

[64] Please note that in year 2007 tuition fees and self-funding income are combined and in year 2008 research and self-funding income are combined and as per the financial statements.

Institute of Technology Tralee	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	34,344	34,945	37,317	36,177	32,771	-5%
Operating Surplus	1,736	(60)	283	1,551	(740)	-143%
Total Surplus (after transfers to reserves in IoTs only)	1,339	(1,009)	(735)	(44)	(2,005)	-250%
State Grants	20,734	20,745	20,995	17,983	15,410	-26%
Tuition fees	5,038	5,549	6,168	6,574	6,248	24%
Research grants	939	1,870	2,571	2,538	1,871	99%
Overall staff costs	23,390	27,411	26,282	23,270	22,586	-3%
Total Expenditure	32,608	35,005	37,034	34,626	33,511	3%
Net assets (total reserves)	52,863	56,333	59,415	59,267	57,747	9%

Waterford Institute of Technology[65]	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	79,972	89,692	93,606	85,990	89,653	12%
Operating Surplus	1,824	2,543	1,453	2,912	3,101	70%
Total Surplus (after transfers to reserves in IoTs only)	(424)	212	(2,524)	(512)	(2,747)	-548%
State Grants	39,031	41,044	39,103	32,363	31,233	-20%
Tuition fees	14,937	16,208	17,067	17,154	17,796	19%
Research grants	12,284	17,592	20,149	17,127	21,092	72%
Overall staff costs	42,701	46,116	49,405	64,316	62,725	47%
Total Expenditure	78,148	87,149	92,153	83,078	86,552	11%
Net assets (total reserves)	110,052	121,516	120,776	123,562	121,964	11%

[65] Please note that in years 2007 and 2008, staff figures relate to academic staff only as per the financial statements

Appendix 2 – Regional headline statistics

Region 1	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	1,439,316	1,532,733	1,625,524	1,599,247	1,523,252	6%
Operating Surplus	66,109	12,777	83	90,610	21,494	-67%
Total Surplus (after transfers to reserves in IoTs only)	61,146	6,739	(9,366)	70,391	5,188	-92%
State Grants	578,906	592,639	589,399	480,245	424,471	-27%
Tuition fees	350,068	385,732	415,153	470,690	478,021	37%
Research grants	230,957	258,490	309,059	300,500	268,069	16%
Overall staff costs	936,953	1,028,075	1,103,104	1,061,964	1,007,767	8%
Total Expenditure	1,430,345	1,548,176	1,625,514	1,542,354	1,501,827	5%
Net assets (total reserves)	2,002,433	2,160,178	2,219,321	2,298,503	2,401,503	20%
Pension liability	1,021,087	1,279,501	1,329,632	2,769,791	2,544,640	149%

Region 2	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	430,550	481,274	487,387	481,677	472,792	10%
Operating Surplus	(1,431)	(5,616)	8,477	13,151	4,064	-384%
Total Surplus (after transfers to reserves in IoTs only)	(4,535)	(7,340)	6,845	7,112	965	-121%
State Grants	161,254	168,221	169,922	145,038	122,397	-24%
Tuition fees	106,152	115,037	124,627	137,716	138,373	30%
Research grants	77,682	80,473	96,272	97,489	92,165	19%
Overall staff costs	274,917	296,924	307,162	291,687	282,302	3%
Total Expenditure	431,981	486,890	478,910	468,526	468,728	9%
Net assets (total reserves)	535,857	567,685	622,718	644,523	641,924	20%
Pension liability	285,810	405,663	389,002	769,635	707,497	148%

Region 3	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	116,381	253,495	268,280	259,137	251,160	116%
Operating Surplus	14,630	418	8,055	12,962	6,565	-55%
Total Surplus (after transfers to reserves in IoTs only)	14,625	160	8,055	8,851	5,934	-59%
State Grants	72,734	78,255	79,742	70,019	58,250	-20%
Tuition fees	54,796	60,345	67,561	76,576	79,704	45%
Research grants	25,400	32,090	33,024	28,543	25,577	1%
Overall staff costs	130,016	138,871	146,280	139,400	141,804	9%
Total Expenditure	226,480	253,072	260,228	246,175	244,594	8%
Net assets (total reserves)	276,065	297,134	321,784	337,802	357,460	29%
Pension liability	264,766	275,958	267,310	339,196	331,638	25%

Region 4	2007 € '000	2008 € '000	2009 € '000	2010 € '000	2011 € '000	% change 07 compared to 2011
Total income	348,880	384,580	399,544	396,975	368,067	5%
Operating Surplus	21,355	21,002	21,549	42,255	9,837	-54%
Total Surplus (after transfers to reserves in IoTs only)	18,875	18,014	18,622	29,371	5,283	-72%
State Grants	145,453	156,738	158,968	134,946	114,269	-21%
Tuition fees	93,340	101,000	113,034	125,367	120,818	29%
Research grants	57,154	67,247	69,409	70,170	67,309	18%
Overall staff costs	211,301	234,259	252,647	231,097	237,149	12%
Total Expenditure	327,525	363,569	377,974	354,709	358,094	9%
Net assets (total reserves)	402,596	432,671	476,801	544,441	578,853	44%
Pension liability	165,113	252,371	256,723	660,249	677,640	310%

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