

PAC-R-636

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## **Comptroller and Auditor General Report**

### **Special Report on Matters Arising out of Education Audits**

### **Briefing Update on matters relating to Dublin City University**

**September 2012**

## **1.0 Introduction**

Since it was established twenty-three years ago, DCU has achieved a reputation for excellence and innovation, both at home and internationally. It has twice been named by The Irish Times as 'Irish University of the Year' and is currently in the top 50 universities in the world under 50 years old (QS 'Top 50 under 50', 2012).

DCU has experienced significant growth and currently has 11,500 students. It has a proven track record and a significant reputation in research and innovation and a deep engagement with various forms of enterprise, including social, cultural and commercial enterprises. It is this which sets DCU apart as the University of Enterprise.

DCU has maintained consistent growth despite the wider economic climate and significantly reduced funding in recent years. DCU has been able to manage its finances effectively and achieve balanced budgets. The University's audited Higher Education Authority (HEA) fund accounts for the year ended 30 September 2011 show a small surplus of €60,000 in the year and the results for the current year ended 30 September 2012 are expected to show a similar outcome. Indeed in the difficult economic circumstances of the last five years DCU has achieved a balanced budget in each of those years. At all times, in achieving this positive financial position, the University has employed the highest standards of corporate governance.

## **2.0 Subsidiary companies at Dublin City University**

The function of the DCU Commercial Group Limited group of companies is to generate profits to support the University in the delivery of its strategic intent.

The establishment of commercial activities within universities is common practice. The formation of separate subsidiary companies can be required for legal or other requirements. A company structure can also be used with the objective of putting non core activities into separate legal entities or to facilitate a much greater commercial focus on specific activities and to obtain greater commercial flexibility. All of the DCU subsidiary companies are subject to external audit and form part of the Consolidated Financial Statements of DCU which are subject to audit by external auditors and the Comptroller and Auditor General.

DCU owns 100% of the shares in DCU Commercial Limited which in turn owns 100% of the shares in eleven subsidiary companies. The subsidiary companies support the overall mission of DCU and each operates under a commercial remit. Due to the nature of their activities it has always been clear that some of the companies would never produce surpluses of any significance. However, the activities of all of the companies make a substantial contribution to the student experience at DCU, academic, cultural and sporting and are a key element in making DCU a dynamic campus.

As with all businesses, these subsidiaries face the challenges of the current economic climate. Due to the nature of their business or the point that they have reached in their development, some face greater financial challenges than others in the group. Despite these challenges, the DCU Commercial Limited group of companies has been and remains successful, a significant achievement given the economic climate. In the particularly difficult trading environment of the last five years the group has generated profits of over €3m. By 30 September 2012 the commercial group of companies will



have generated approximately €21m of profits while at the same time delivering essential facilities and services on the DCU campus. As a result, the group has made a significant contribution to the generation of non exchequer funds in DCU. These funds have been used to support the University, to support other companies within the DCU Commercial Group, (particularly those going through a start up or early years phase) and to contribute towards future developments in DCU.

## **2.1 UAC Management Limited, trading as The Helix**

Since its establishment in 2002, The Helix has been and remains a core element of the DCU campus. It is integrated into the University and campus life for students, staff and the local community.

The contribution of the Helix extends beyond the provision of cultural activities on campus. It provides a wide range of facilities to the University and to the local community in a particularly deprived area. It is an integral part of a wide array of educational and student activities. It provides a platform for engagement with the local community and in particular with second level schools who will provide DCU's future students. It is a world class centre for prestigious cultural, educational, conferencing and entertainment events. As an arts, performance and conferencing centre it brings thousands of people to this campus each year to witness for themselves the positive impact of DCU.

Recent years have been economically challenging for arts, performance and conferencing venues nationally, and the Helix is no exception. In 2010, the commercial companies were re-structured financially in order to strengthen the balance sheets of individual companies from reserves generated by the wider group.

The University contributes €500,000 per annum to the Helix. This represents less than 3% of the DCU non exchequer revenue and reflects the University's estimation of the additional value of the Helix to DCU. This matter was fully evaluated and approved at the Governing Authority of the University in October 2010. Without the Helix the DCU campus would not be as vibrant a place as it is today and the University would have to look elsewhere, and pay additional fees, for the range of facilities and services which the Helix currently provides.

Despite the ongoing challenges of economic recession, the trading performance of the Helix has improved significantly in the last twelve months. A new General Manager has just been appointed to the Helix to further improve the performance of the company.

## **2.2 The DCU Ryan Academy Limited**

As the University of Enterprise DCU has a key focus on entrepreneurship and innovation. The DCU Ryan Academy is widely regarded as the leading supporter of entrepreneurship and innovation in Ireland. The focus of The DCU Ryan Academy has always been and continues to be to catalyse enterprise in the Irish economy. By the very nature of its activities it was never expected to produce significant surpluses.

During its start-up phase and early years the DCU Ryan Academy was supported from the financial resources of the DCU Commercial Group. The financial performance has improved with the

company almost breaking even in the year to 30 September 2011 and forecast to make a small surplus in the year to 30 September 2012. In this context, the University has in the last year negotiated from philanthropic sources, sufficient funding to enable The DCU Ryan Academy to break even for a four year period, once again, a significant achievement in the current economic climate, and a reflection of the regard and reputation of the DCU Ryan Academy.

### **2.3 Invent DCU Limited**

Research is a core strength of DCU and is one of the key factors which make DCU Ireland's most enterprise-engaged university. This University leads, or plays a significant role in, large-scale, multi-institutional research initiatives in a range of multi-disciplinary areas. DCU has achieved an 8-fold increase in competitively awarded research funding in the last 10 years and has the highest pro rata activity in industry-academic research of any Irish university.

A key element of the research strategy in DCU is Translation - the effective conversion of knowledge arising from research into societal and economic benefits by converting research outputs into reality. This promotes entrepreneurship and enterprise, creates economic activity and jobs in sectors which are in national priority areas.

As part of this translation strategy, DCU established through Invent DCU Limited, a state of the art Innovation and Enterprise Centre (or Incubation Centre). The total cost of the centre was just under €7m. In looking to finance the project, DCU sought funding through State Agencies, from private donors, and through the promotion of a patronage scheme in which individual patrons who contributed approximately €635,000 (IR£500,000) would receive a proportionate amount of any shareholding obtained by Invent DCU Limited in companies being established in the Centre.

The combined fundraising activities generated just over €5m or 72% of the amount required for the construction of the centre. The patronage scheme generated €1.3m, not as much as hoped; the shortfall in fundraising is being made up with a contribution from DCU Commercial Limited revenues at a rate of €100,000 per annum. Achieving 72% of the overall cost through fundraising, however, was a significant achievement in any economic climate and especially in the climate of the last five years.

Had the fundraising not been as successful as it was, the University would have had to look at other ways of financing the building including bank borrowings, as the provision of such a centre is critical to the DCU entrepreneurship and enterprise strategies. It is to be noted that such centres are typical in the University sector in Ireland and abroad.

Invent DCU is successful and continues to support the achievement of the DCU strategy. Each year for the past 3 years, Invent on behalf of DCU executed more licences of Intellectual Property to commercial parties than any other Irish university. In addition 6 start-up companies were created in 2011.



### **3.0 Remuneration and Accountability**

#### **3.1 Senior University Staff Remuneration**

A small number of academic Professors, who undertook additional duties associated with a faculty management role were paid an annual allowance of circa €4,000 during the period February 2005 – August 2011. The total amount involved was €53,707 over the 6½ year period.

The purpose for the payment of this allowance was to recognise the role of Associate Dean within each of the faculties. These positions have been formally in place within DCU since 2005. They arose following a major restructuring exercise within the academic Faculties arising from a rapid growth in the scale of the University. During that time the role of Executive Dean was established as the Faculty's Accounting Officer with responsibility for Faculty strategy, planning and budgetary responsibility. The Associate Dean roles were put in place to support the Executive Dean. In each of the four Faculties, there are two Associate Deans, one for Teaching & Learning, the other for Research. These positions form part of the Faculty Boards and in most cases have been filled by staff members who are at a lower grade than Professor level. Each post is filled on a three year basis and is limited to internal competition.

These duties associated with this role are conducted in addition to normal duties expected from academic staff. They provide a leadership role and are essential for the delivery of the Faculty's role in education and research. They play a key role in the student experience in DCU.

The University ceased payment of these allowances from 1st September, 2011, when requested to do so by the Department of Education and Skills.

These roles still form a core function of the faculty and University structure. The University is engaging with the HEA with a view to appropriately remunerating these positions, pending the outcome of the January 2012 review of allowances.

In accordance with the request from the HEA (the funding agency for the universities) to bring this matter to a conclusion, we have proposed the allocation of an amount equivalent to 50% of the DCU unapproved allowances of €53,707 (being €26,854), for the support of students. With the agreement of the DCU Students' Union we have proposed to the HEA the allocation of this amount to the provision of additional counselling sessions in the current academic year. This counselling service provides specialist help on a wide range of personal academic, family, social and psychological issues that hinder a student's academic performance. The funds will provide additional support from external professional experts, the demand for which exceeds the number of counselling sessions we are able to finance each year. At the time of writing we are awaiting the approval of the HEA for this proposal.