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**Correspondence 3D.2
Meeting – 27/09/2012**



Trinity College Dublin

C&AG Special Report – Matters Arising out of Education Audits

Briefing Paper for Public Accounts Committee

(27 September 2012)

A. Introduction

This briefing document is presented to the Public Accounts Committee (PAC) for its meeting on 27 September 2012 so as to provide comment and up-date on the issues, as they relate to Trinity College Dublin, which have been raised in the Comptroller and Auditor General's (C&AG) Special Report 'Matters Arising out of Education Audits', dated February 2012.

To give context to the information presented below in Section B, the following information may be useful to the Committee. The College educates circa 17,000 students (12,000 undergraduate and 5,000 postgraduate) and employs 2,839 full-time equivalent staff, of whom 1,365 are academic and research staff with the remainder providing library, technical, administrative, and support services. According to the most recent world university rankings, Trinity ranks 67th in the world and is the only Irish university in the top 100. In addition to the provision of a high quality education, key criteria in these rankings include publication and citation achievements and a strong international reputation: the current economic environment poses significant challenges to all Irish universities to maintain or improve their international rankings.

Annual consolidated income in 2010/11 in the College was in the order of €320m, with €171m (53%) coming from exchequer sources. Exchequer income can be classified as State grant (€66m: 21%), undergraduate fees paid for by the State (€47m: 14%) and exchequer funded research income (€58m: 18%). Non-exchequer sources (€149m) are dominated by student fees (€65m) and non-exchequer research income (€21m).

Sixty-six percent of the College's expenditure is accounted for by pay costs, 64% of which is spent on teaching, research and academic technical support.

The numbering in the text which follows relates to the individual sections of the C&AG report.

B. Trinity College Dublin related issues covered in the C&AG Report

2. Resource Management

Cash Management (paragraphs 2.3 to 2.8)

The level of cash balances held by the College at 30 September each year is impacted by the timing of funding received in advance for the forthcoming academic year. At that date, the College will have received a significant portion of its funding in advance, such as fees from students for the following academic year, the recurrent State grant, State tuition fee income, research funding as well as student

residential income. As the levels of cash held across the sector mainly arise from timing issues, the College agrees with the HEA that such balances do not imply that the College is over-funded.

In addition, the College wishes to highlight that not all cash held is exchequer-related as 47% of Trinity income comes from non-exchequer sources. The College has a Treasury Management Policy in place, approved by the College Board, to manage its cash within an appropriate risk management framework, with quarterly monitoring and reporting to its Finance Committee.

The sector recently engaged with the NTMA on identifying potential opportunities for any mutually beneficial arrangements. The NTMA confirmed that it would not be in a position to offer rates or terms similar to those currently available to universities from commercial banks and noted that there was little meaningful benefit from the NTMA's perspective in holding university cash deposits. In any case, the College understands that legislation prevents the NTMA from providing central treasury services to Trinity.

While Trinity had total cash balances of €198.8m at 30th September 2011, it also had borrowings of €75m with the European Investment Bank and other finance lease commitments of €59m. Cash levels are expected to fall in the future due to:

- (a) the HEA's decision to slow down payments in respect of the grant in lieu of fees and other grants;
- (b) changes in the extent of advance research funding by some agencies;
- (c) universities facilitating payment of the student contribution in two instalments;
- (d) funding pension shortfalls;
- (e) increased bad debts given current economic pressures.

Bank Concession Income (paragraphs 2.9 to 2.12)

The College awarded a bank concession to Bank of Ireland for the provision of banking services for students and staff through the operation of branches and ATM machines on the College campus. This award was made following an open and transparent tendering process by way of a published notice on the Government tenders website which invited Expressions of Interest from suitable providers. The bank concession has resulted in the provision of better rates and other banking services for students and staff.

This was the first bank concession offered by Trinity College, with a term of five years commencing on 1st July 2010. The full value of this concession was paid up front by the Bank. The bank concession income has been fully applied to support Trinity's strategic educational objectives including an initiative to support the appointment of forty new Lectureship posts in accordance with the terms of the

Employment Control Framework (ECF) so as to mitigate the impact of reductions in exchequer funded staff on the quality of teaching and research.

The concession has been fully audited by the external auditors KPMG and the C&AG.

Pension Related Reserves (paragraphs 2.13 to 2.18)

The Report states that the HEA did not reduce the funding to universities following the introduction of the new pension schemes and continues to make a 15% contribution in respect of all staff including those covered by the model pension scheme. In that context, the College continues to provide for the employer's contribution of staff covered by the model scheme from the core grant funding received from the State and retains the funding on behalf of the State. It is accounted for as a liability/payable to the State and has never been considered as funding available to the College. It has been retained to meet on-going obligations to the existing pensioners, with the agreement of the HEA, and will be exhausted shortly as the current cost of pensions exceeds the level of contributions being collected.

Employment Control Framework (ECF) (paragraphs 2.19 to 2.20)

The College has met all of its headcount reduction targets required under the terms of the ECF. At 30th June 2012, the College's core funded employment level was 1,748 fte.

The College has complied fully with the range of notification and reporting requirements introduced by the HEA as part of the implementation of the ECF.

Promotions (paragraphs 2.12 to 2.23)

Recruitment of academic staff internationally is intensely competitive and retention is a big challenge for Irish universities in the face of aggressive targeting worldwide and financial constraints on the Irish universities. In the last ten years, Irish universities have been able to attract some top flight teaching and research academic staff because of strong investment particularly in research. Many of these recruits are non-Irish, with international faculty profile being a feature of fundamental importance to reputation and recognition. High quality teaching and research are essential in order to equip graduates of Irish universities with the attributes and skills to contribute to society and to the economy.

The international norm in recruitment has consisted largely of recruiting at the junior level, (Assistant Professor/Lecturer), by open competition followed by promotion of the strongest performers to higher grades based solely on merit and according to strict criteria and procedures. In order to retain the most talented academic staff, it is necessary that they have the opportunity to compete for promotion.

The promotion of 27 staff in TCD in January 2011 occurred as follows:

- the promotions review process which commenced in November 2008, prior to the moratorium of 1st April 2009, was completed in mid-2009;
- in April 2010 the College requested clarification of the applicability of the ECF to promotions processes, and highlighted the College's view in relation to the importance of promotions to the University (as outlined above);
- in May 2010 the HEA advised that promotions were not permissible, but sought information from the universities in order to consider the issue further;
- further to a meeting with the HEA on 16th June 2010, the College understood that it was acceptable for the College to proceed with promotions with effect from January 2011, at which point the ECF in place during 2009 and 2010 would have expired;
- the decision to proceed was made by the Board of the College further to the June meeting with HEA, and was made in good faith;
- the staff involved were notified of the Board decision in July 2010, on foot of which the College was committed to implementing the promotions;
- the promotions in Trinity took effect from January 2011. The 2011 ECF, operational from March 2011, provides for promotions;
- the HEA has estimated the cost of the promotions falling outside of the 2011 ECF approval as €32,000.

3. Subsidiaries and Foundations

Financial Transactions with Foundations (paragraph 3.53)

The College agrees that funding provided to Trinity Foundation - a separate Charitable Trust established to support the College's academic and research objectives - should be allocated on the basis of a business case that sets out the overall objectives of the funding and the resultant benefits.

The College confirms that this has always been the case in relation to Trinity Foundation.

In return for the investment of €1.3m p.a. in Trinity Foundation to support its activities, the Donor Report (publicly available on an annual basis) sets out the level of New Gifts/Pledges. In 2011, this amounted to €15m (2010 : €14.5m). Leveraging this level of income would not be possible without College funds to support the administration and operational costs of Trinity Foundation.

The level of support provided to Trinity Foundation by the College was clearly disclosed in the most recent financial statements for the College approved by the Board on 28th March 2012 in keeping with the spirit of the C&AG recommendation. The College will however continue to review its financial statements to ensure that the arrangements with Trinity Foundation are outlined in as comprehensive and transparent a manner as possible.

4. Remuneration and Accountability

Senior University Staff Remuneration (paragraphs 4.2 to 4.9)

Trinity College has accepted the outcome of the HEA audit of additional payments to senior staff, as a result of which the HEA has adjudicated that a sum of €1.17m will be subject to reallocation or attachment of conditions by the HEA. It should be noted that the College does not agree with the HEA conclusion in relation to the approval status of all of the allowances in question, but in view of the current challenges in public pay policy, does not see that there is merit in further contesting what is now a largely historical issue.

This figure represents the total sum of additional remuneration paid to a total of 31 staff at various times over the period from June 2005 to February 2011.

The 'allowances' paid to Trinity College staff were generally pay for additional duties that staff were requested to undertake. It was the College's view that such non-pensionable allowances, using a schedule of allowances properly approved at a time pre-dating the Universities Act 1997, were *de facto* authorised rates of payment. The details of these payments were reported to the HEA on an ongoing basis.

In the past, Professors appointed to additional duties, e.g. College Officer, Head of School etc. were in receipt of an allowance. This is analogous to the salary model in many parts of the public sector where pay for management/leadership positions is comprised of basic pay plus an allowance for the additional duties.

In November 2008, the College was contacted by the Department of Education and Skills (DES) in relation to allowances for senior posts. This took place in the context of the implementation of the salary increases approved by Government arising from Report 42 of the Review Body on Higher Remuneration. At that time the DES advised that the revised salary could not be applied in addition to remuneration for additional duties. TCD then engaged with the DES in relation to the issue, and reached agreement with the DES for the termination of those allowances to Professors no later than 1st April 2009.

Accountability and Audit of Universities (paragraphs 4.10 to 4.16)

The Report sets out that the finalisation of the Consolidated Financial Statements for Trinity College Dublin for the year ended 30 September 2010 had not been adopted by its Board by 24 February 2012. These Financial Statements for the College were approved by the Board on 28 March 2012 at a meeting which was attended by representatives of the C&AG's Office.

The Report also proposes that more formal arrangements should be in place between each university, the C&AG's office and the internally appointed auditors. Trinity College welcomes this proposal and wishes to note that such a protocol has been in place between the C&AG, the internally appointed auditors and the College since 2007.

C. Conclusion

Trinity College will be happy to elaborate on any of the issues in the C&AG report at the forthcoming meeting on 27 September 2012.