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Correspondence 3D.3
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University College Dublin

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

**Briefing Paper for Public Accounts
Committee Meeting scheduled for 27
September 2012**

20th September 2012



1. INTRODUCTION

This document is an update to The Public Accounts Committee regarding the issues raised in the Comptroller and Auditor General's (C&AG) report entitled "Matters Arising out of Education Audits" dated February 2012.

By way of background and context some information is presented in this introduction on the nature and scale of University College Dublin (UCD).

UCD is Ireland's largest university and is recognised as a top quality university benchmarked against the highest international standards. UCD and its graduates have played an unparalleled role in the development of an independent and successful Irish State. UCD is and always has been committed to the ideals of building a thriving, prosperous nation and preserving and transmitting its heritage. So many of Ireland's leaders, whether in politics, the public service, the arts, sport, business or the professions, spent their formative years at UCD; a track record of which UCD can be justifiably proud and which it is determined to maintain and develop.

The tables below set out some key indicators of UCD's scale of activity.

Table 1: Total Student Numbers

			2011/2012		
			Full-time	Part-time	TOTAL
Undergraduates			16,428	1,304	17,732
Postgraduates			4,541	2,660	7,201
Doctorate			1,598	154	1,752
Masters Research			174	40	214
Masters Taught			2,209	1,179	3,388
Other			560	1,287	1,847
Total Number of students:			20,969	3,964	24,933

Table 2: International Students

			2011/12	
			Number	%
International Students			5,116	20.5%
Non-EU Nationality			2,936	11.8%

In addition to the data set out above it is worth noting that UCD profitably delivers courses to over 4,000 students at overseas locations, including Spain, Sri Lanka, Malaysia, Hong Kong, Singapore and China.

Between 2004 and 2009, UCD undertook a major change programme with the goal of enhancing the quality of its educational programmes, growing its research base, enhancing its international footprint, growing its non-Exchequer income and developing its campus infrastructure. During this period, the following fundamental changes were delivered:

- Re-structuring of UCD's academic units from 11 Faculties and 85 Departments to 5 Colleges and 35 Schools;
- Reform of the undergraduate curriculum with the introduction of the modular, semesterised, credit-based *UCD Horizons* curriculum;
- Reversal of the trend in CAO first preferences and consolidation of UCD's position as the national leader in 1st Preferences;
- Formation of new Graduate Schools to grow and support postgraduate programmes with substantial growth in postgraduate numbers resulting in one of the largest postgraduate cohorts in Ireland;
- Major growth in international student numbers such that UCD now hosts almost one-third of Ireland's full degree international students;
- A trebling of competitive extramural research funding and emergence of UCD as a national leader in total research funding;
- Major growth in research outputs including research papers, citations, pre-commercial outputs and university-industry partnerships;
- Development of incubation facilities and related innovation services for high-tech and knowledge-intensive companies, including spin-out companies. This includes such widely publicised success stories as *ChangingWorlds* and *BiancaMed*;
- Completion of a new campus development plan and the launch of a capital programme of over €300m with over 62% funded from non-exchequer sources.
- UCD has managed, for the most part, to maintain a high level of service through changes and efficiencies with c10% less staff and c10% more students.

UCD's financial profile for year ended 30/9/11 is as follows:

	30/9/2011	
	€m	%
<u>Exchequer Funding</u>		
State Grant	94	23
Grant in lieu of fees	62	15
State Funded Research	56	14
Deferred Capital Grant Income	15	3
	227	55
<u>Non-Exchequer Funding</u>		
Student Fees	101	25
Non-State Funded Research Income	21	5
Commercial Income	62	15
	184	45
Total	411	

UCD has produced a modest surplus in each of the last three years.

2. ISSUES RAISED IN THE C& AG REPORT

Cash Management (paragraphs 2.3 - 2.8)

Cash balances held arise for a variety of purposes but mainly due to timing of payments from the state for the recurrent grant, the grant in lieu of fees as well as capital (both loan advances as well as state funding) and research agency payments. The balances fluctuate depending on when these funds are spent.

In UCD detailed multiannual cash flow schedules are prepared covering recurrent operations, capital developments and research income and expenditure.

Typically on recurrent income and expenditure cash balances peak in September and drop to lower levels during the summer. Significant capital projects can take place over two years whereas the funding is usually in place and received in advance although repayment of loans takes place over a much longer term. This is why loan balances should be taken into account when looking at cash balances.

As at 30 September 2011 the amount of total cash balances was €101m. However of this €38m is required to repay investors who financed university buildings, a further €33m is made up of advance capital funding and amounts due to other creditors. This leaves net operational cash of €30m as of that date. UCD holds operational cash balances of less than 60 days financing requirement.

Bank Concession Income (paragraphs 2.9 - 2.12)

UCD receives income from a lease of a retail premises at Belfield and ATM locations in Belfield and Blackrock campuses. The application of the funds are reviewed as part of the budget cycle each year. The income has been used to fund capital projects on the Belfield campus over the last three years. Full details, which are commercially sensitive have been provided to the C&AG.

Pension Related Reserves (paragraphs 2.13 – 2.18)

As set out in the report amounts are set aside each year in respect of staff including those covered by the model pension scheme. However since the transfer of the pre-model scheme pension funds (UCDs was valued at over €500m on transfer) to the state in March 2010 these amounts have been used to discharge pension payments from that scheme (under the supervision and direction of the HEA). UCD is now in a position where the amounts paid out have exceeded the amount built up from these contributions. As such UCD is owed money by the State. The future funding of pension payments is a real issue to be dealt with during the coming national budget.

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

UCD has fully complied with all of the provisions of the various Employment Control Frameworks which have been applied to the sector and has achieved all of the targeted reductions in core-funded staff numbers which have been imposed.

Financial Transactions with Foundations (paragraph 3.53)

It is important to recognise and acknowledge the increasingly important role UCD alumni and friends play in assisting the university in its mission and the need to handle these relationships in a professional and sensitive manner.

Each year UCD assesses the performance of UCD Foundation Limited which is the charity used to fundraise for the University for capital projects, funding of academic posts as well as funding of student scholarships. A business case is also reviewed prospectively as part of the budget process in any year.

All transactions between UCD and UCD Foundation Limited are provided to both the auditors of UCD and UCD Foundation Limited and both sets of audited financial statements are available to the public and comply with accounting standards as stated in those accounts.

Over the last 3 years UCD has provided funding to UCD Foundation for running costs of €3.9m and UCD has received gifts/pledges of over €40m. Benchmarked against other national charities and equivalent UK Foundations this cost/income ratio rates UCD Foundation as amongst the best in class. The main projects to benefit from this fundraising have been the Science Centre and the Sutherland School of Law as well as funding for Newman fellowships.

Senior University Staff Remuneration (paragraph 4.2 – 4.9)

UCD notes the conclusions within Report 78 with regard to the issue of Senior Staff Remuneration and has confirmed to the HEA that it will co-operate fully in the steps regarding the re-allocation of the monies in question as set out in the Report and as recently advised by the Authority with the approval of the relevant Ministers.

It should be noted that the allowances in question were halted by UCD in 2009. The re-allocation advised by the HEA effectively brings this issue to a close. However, UCD wishes to re-iterate again the context in which these allowances had been paid in the period in question:

- The allowances were paid in respect of specific additional duties over and above the normal academic duties which form part of the contracts of employment of the staff in question. These duties in many cases involved specific objectives relating to the generation of non- Exchequer income for the university – a process which led to a substantial increase in such income over the relevant years. This income now stands at some €184m which represents 45% of UCD's total revenue. This has contributed to a significant off-setting of the reduction in Exchequer funding over the period in question.
- Allowances of this nature for the functions in question (i.e. Heads of School, College Principal, Dean) are the international norm in higher education – the market in which UCD was competing and continues to compete for staff recruitment.
- Many of the allowances pre-dated the 1997 Act and the approval provisions which is contains.
- UCD notified the HEA throughout the period of all of the detail of these allowances and its legal advice was to the effect that approval by acquiescence had developed over this period.
- The definitive agreement, reached with the Department of Education and Skills, with regard to the termination of these allowances did not occur until late 2008 - such agreement to be effective from April 2009 when the allowances were, in fact, withdrawn.

All of that said, UCD now welcomes the final resolution of this issue and, in particular, that this will result in specific funds being earmarked for student services over and above normal student service allocations.

Accountability and Audit of Universities (paragraph 4.10 – 4.16)

UCDs financial statements and audits are up to date. Copies of the audited financial statements are available on the UCD website.

Conclusion

It is UCD's understanding that, despite the unprecedented pressures on the State, Ireland still aspires to develop a sustainable knowledge economy. This will only be achieved if Ireland's higher education sector is strong and if its research-intensive universities can compete successfully with leading international institutions, particularly in the UK and Europe. It will be virtually impossible to compete in the medium-long term without a sustainable funding model, a fit-for-purpose remuneration framework and operational flexibility that at least approaches those deployed by competitor international institutions. UCD welcome the recognition of this reality in the national higher education strategy document (Hunt Report) and ongoing engagement with the HEA and DES to review and hopefully reform the current system.