



University College Dublin

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

**Opening Statement to Public Accounts
Committee Meeting scheduled for
27 September 2012**

25th September 2012



1. INTRODUCTION

UCD welcomes the opportunity to discuss with The Public Accounts Committee the issues raised in the C&AG report entitled “Matters Arising out of Education Audits” dated February 2012.

By way of background I will provide some facts and figures on UCD.

UCD is Ireland’s largest comprehensive, research-intensive university and ranks among Europe’s top universities in the world rankings.

Some key indicators of UCD’s scale of activity for the 2011/12 year are as follows:

- Undergraduates17,732
- Postgraduates7,201
- [International..... 5,116]
- Total number of students24,933

In addition UCD 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 / 85 Departments to 5 Colleges / 35 Schools;
- Complete reform of the undergraduate curriculum with the introduction of the modular, semesterised, credit-based *UCD Horizons* curriculum;
- Reversal of the trend in CAO preferences and consolidation of UCD’s position as leader in 1st Preferences;
- Formation of Graduate Schools to support postgraduates – now the largest postgraduate cohorts in Ireland;
- Major growth in international students - UCD hosts ~1/3 of Ireland’s full degree international students;
- A trebling of extramural research funding and emergence of UCD as a national leader in research funding;
- Major growth in research outputs including research papers, citations, pre-commercial outputs and university-industry partnerships;
- Expansion of incubation facilities and related innovation services for high-tech and knowledge-intensive companies, including spin-out companies and the establishment of the TCD-UCD Innovation Alliance
- 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 and creating approximately 2000 construction-related jobs.
- Expansion of the University’s global footprint and overseas income.

Over the past 3 years, UCD has, for the most part, maintained the quality of its education and research programmes through changes and efficiencies with c€58m (28%) less State income, c10% less staff and c10% more students.

UCD’s financial profile for year ended 30/9/11 is presented in our briefing paper. Key points are as follows:

- Exchequer Income€227m (55%)
- Non-Exchequer Income€184m (45%)

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)

With regard to cash balances, UCD's operational cash balances, as at 30th September 2011, were within recommended sectoral norms.

Bank Concession Income (paragraphs 2.9 - 2.12)

UCD generates €62m of commercial income per annum. The University's bank concession income has been used to fund the campus development plan and capital projects on the Belfield campus over the last three years which amount in total to over €300m, of which 62% is non-Exchequer funding, and which accounts for approximately 2000 construction-related jobs according to industry norms.

Pension Related Reserves (paragraphs 2.13 – 2.18)

The pension issues raised in the report are sectoral in nature and relate to the taking over of the universities pension plans by the State.

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)

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. When 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 academic posts and student supports.

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. However, UCD wishes to re-iterate again the context in which these allowances had been paid in the period in question and the problems that their cessation has caused:

- These allowances were not gratuitous payments to staff but were paid in respect of specific roles such as Dean, Head of School and College Principal which involve significant leadership and management responsibilities over and above the normal academic duties and which are not covered by national salary scales.
- 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.
- Most of these categories of allowances pre-dated the 1997 Act and the approval provisions which it contains. Furthermore, the principle of allowances for management posts was acknowledged as recently as 2008 by Report 43 of the Review Body on Higher Pay and management allowances have been approved by the HEA in other institutions.
- 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 competes for staff recruitment.
- In the absence of a prescribed form for seeking or granting approval, UCD notified the HEA annually from 1999 of the detail of these allowances and regularly sought approval.

- UCD's legal advice was to the effect that approval by acquiescence had developed over this period of seven years.
- When the HEA indicated that they had a problem with these allowances and requested that UCD ceases payment, we engaged constructively with the HEA between 2006 and 2008 to work through the contractual issues associated with each of these allowances such that we were able to cease all such allowances by April 2009. The constructive nature of UCD's approach was acknowledged by the HEA Chairman in writing as late as July 2008.
- Again, I should stress that all of these allowances had ceased by April 2009 and UCD has indicated its willingness to cooperate with the resolution mechanism put in place by the HEA that will result in specific funds being allocated for student services over and above the normal allocation.
- However, I should stress that, without these incentives, it is now becoming increasingly difficult to persuade staff to take on these important leadership and management roles thereby compromising both the University's international competitiveness and revenue-generating capacity.

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.

Thank You