HEA | HIGHER EDUCATION AUTHORITY
AN tÚDARÁS um ARD-OIDEACHAS

Financial Review of the Institutes of Technology

Final Report

October 2016

Contents

Acknowledgements

The Higher Education Authority (HEA) would like to acknowledge the committed and constructive way in which the institutes of technology engaged with this review. The time given by senior members of staff in the institutes to prepare and provide historic, current and projected data in line with the review requirements; to meet with the review team; and to respond to many queries as the report was put together has allowed a robust and comprehensive financial profile of the sector to be constructed. The HEA would also like to thank the sub-group of Secretary-Financial Controllers which provided key input in planning the review, developing the template for provision of data, agreeing a consistent set of assumptions to underpin the projections, and reviewing draft material. Finally, the HEA would like to recognise the contribution made by Mr John Cosgrove in working alongside the System Funding section as an external advisor to the review.

Executive Summary

The review was prompted by concern at the financial situation across the IoT sector and recognition of issues in the way it is funded…

This report provides an overview of the financial health of the IoT sector based on financial trends and plans provided by the 14 Institutes of Technology. The sector has faced significant challenges, with the state grant falling by 34% between 2008 and 2015 while student numbers grew by 24%. This has led to total income per student contracting by 25.5% over the same period. The review was provoked by concern at the vulnerability of some institutes and a need to examine whether underlying sustainability issues existed across the sector as a whole. There was also a recognition that the way in which the sector was funded was in need of review, given significant recent and ongoing changes in the higher education landscape, and that this examination of financial performance could inform such a review.

It has involved an intensive programme of engagement and data collection with the 14 Institutes of Technology…

The analysis in this report covers financial projections to 2019/20, as well as looking at some historical data for the last five years. A template for gathering a comprehensive and consistent dataset across the sector was agreed with a nominated sub-group of Secretary-Financial Controllers, completed in advance of 14 site visits to each institute and subsequent follow-up to clarify issues.

The review provides clear evidence that the financial position of many institutes is deteriorating…

It is clear that six of the institutes face immediate sustainability challenges, with a further four potentially at risk due to limited reserves and current or projected deficit positions. The change in financial performance in recent years is stark, with the sector generating an overall surplus of €40.8mn in 2008/09 yet incurring an overall deficit of €2.7mn in 2014/15. The overall reserves held by the IoTs fell from €132.5mn to €78.7mn over the period, wiping out 40% of the finance available to underpin ongoing sustainability. Looking forward, overall deficits are projected for the sector in each of the next five years, with a €1.9mn loss predicted for 2015/16, rising to €9.7mn in 2018/19. Reserves will be eliminated for all but a few IoTs over this time, and the cash flow position across the sector is major concern. There has been a major decline in the cash balances held by IoTs, from €218.1mn in August 2013 to €147mn in August 2016, with a further fall anticipated to €116mn by August 2017, and a real risk of cash running out in particular institutes over the next two years.

There are some cost issues to be addressed but staffing and pay cost inflexibility remains a major constraint on financial performance…

Pay costs still account for between 72.5% and 80% of total IoT expenditure, despite core staffing levels falling by 12% between 2008 and 2014. There are signs, however, that some institutes are beginning to re-invest in staffing after a period of sustained decline. The inflexibility around how staff can be deployed is a major restriction on financial performance. Scope seems to exist for some of this inflexibility to be addressed via targeted redundancy schemes in some Institutes, but

developing concrete proposals in this regard has proven difficult. There is a strong case for investigating whether a national cross-sectoral redundancy programme could be implemented of which all IoTs could avail. Restrictions on casual and hourly paid staff pose a major risk, with those IoTs with substantial part-time and online learning propositions dependent on such staff to underpin this model. While pay costs reduced by 10% from 2008/09 to 2014/15, non-pay costs decreased by only 3%, and although many IoTs embarked on robust non-pay cost cutting exercises, there could be scope for further efficiencies here. The 'costliest' areas of provision include music, engineering and wider apprenticeship training and these are major drivers of the overall deficit position.

Levels of capital investment are inadequate and there is over dependency on the ongoing allocation of a devolved grant to sustain operations…

There is a major deficit in ongoing capital maintenance and renewal and the campus environment has been adversely impacted. Addressing this capital deficit should be the major priority for the IoT sector. The devolved grant is critical to survival, allowing labs to remain operational, health and safety issues to be addressed and some minimal investment in technology to be facilitated. Greater certainty around its availability and more appropriate timing around its release are important to ensure that it can be used for maximum impact, particularly in vulnerable institutes. The situation with regard to ICT infrastructure and the level of investment in technology is a concern, with equipment out of date and little evidence of responsiveness to a new multi-platform landscape. This poses a major challenge to IoTs in maintaining national and international competitiveness and a strategic and sectoral approach to dealing with the technology crisis is urgently required.

There are institutional issues around management and strategic capacity and the consistency and robustness of management information…

While there is no doubt that all IoTs have faced a highly difficult operating environment in recent years, there do appear to be differences in institutional agility to maximise performance within these constraints. Some institutes have demonstrated a greater ability to re-deploy and retrain staff in growing areas; develop new market-responsive programmes; find new ways of delivering learning; diversify their revenue base; and, most of all, demonstrate a clear strategic vision and focus around future plans. This is reflected in the approach to management information, where some institutes have more robust internal financial management systems (e.g. analysis of relative contributions of different schools; measuring and incentivising non-Exchequer revenue generation). A review of the budget process itself over the last five years revealed significant fluctuations between annual budgeted and outturn surplus/deficits, with a tendency for conservative financial assumptions by some IoTs. While the uncertainty of funding from the devolved grant or competitive processes such as Springboard can contribute to this conservative approach, there is nonetheless a need to establish a more consistent and robust approach to management information at both institution and sectoral level and the HEA will consider how this can be advanced as a matter of priority.

The differentiation of the IoT offering is key to success and an enhanced role in part-time and online provision should be a priority for the sector…

While the financial challenges are difficult, it is also clear that institutes CAN be successful with the right approach and circumstances. There is financial reward for the most innovative HEIs in pursuing

part-time and online provision; targeting new international markets; developing commercial activity; and generating philanthropic investment. Also key is an ability to differentiate the institute's offering from the University sector and, indeed, peer IoTs. The IoT role in meeting the needs of local industry is critical in this regard. Growth in science and ICT provision in IoTs is encouraging, and the importance of their role in providing a pipeline of skills for health and welfare occupations and the regional service sector (e.g. in areas like tourism management, retail management, culinary arts) was clear. However, there is still concern that the discipline mix across the sector remains quite generic and this should be further examined in the context of the evolving role of the technological sector.

There are also issues that need to be addressed in funding IoTs to reflect the costs of STEM provision and the operation of regional campuses…

The impact of the HEA RGAM weightings has been diluted by student contribution increases and contracting grants. STEM provision has effectively been dis-incentivised in the IoT sector, and this unintended consequence should be addressed as an immediate priority. The future funding of IoTs also needs to consider how their regional contribution and access role is reflected, and differences in the cost base between those with single and multiple campuses, which is linked to this regional mission, must be examined. Finding an appropriate means of rewarding research, innovation and enterprise development performance is another challenge. All of these issues should be considered further as part of the formal review of the HEA funding model later in 2016.

Student growth is strong overall but demographic divergences are apparent…

Unsurprisingly, given that the sector has grown its student base by a quarter over the last 7 years, there are expectations of continued student demand and growth, with a 12% increase anticipated by 2020. There is a clear difference in financial performance and both past and future growth trajectory depending on location, with Dublin and the East enjoying the benefits of largely positive demographics. There are, however, major capacity constraints on the effective accommodation of a further increase in the student base. Income is projected to grow by only 6%, while costs are projected to grow by 7%, and staffing is expected to be broadly stagnant. This will continue to push expenditure per student below sustainable levels without additional recurrent funding.

There are serious supply issues and very limited capacity to support further student growth and radical action is required to address this…

This presents a serious supply issue and the HEA is unconvinced that the growth is achievable without radical action. Substantial capital investment is required immediately to meet additional quality physical-space needs, and greater flexibility on recruitment and deployment of staff is essential to respond to increased numbers. Evolving the mode of learning delivery may offer a further means of responding to future demand but, aside from one institute and a few developmental blended-learning projects elsewhere, there is little evidence of the sector taking up the mantle as a field leader in expanding electronic provision. Without a major shift in capital infrastructure development, HR flexibility, streamlined delivery costs or additional recurrent funding, there may be no choice but to place restrictions on student intake to ensure a minimum quality of provision is maintained.

Targeted capital investment aimed at reinforcing the technological mission of the sector has the potential to generate a significant impact…

With student numbers in science and ICT growing strongly, strong employability levels of graduates in these disciplines and significant additional student demand in key locations, a relatively small amount of additional capital investment would bring significant additional capacity to these areas. This would provide an important additional income stream to institutes with close links to regional pharma, med tech and technology sectors, and there are projects 'ready to go' which could reinforce the technological mission of the sector over the next 4-5 years if targeted investment could be found. The absence of a borrowing framework for the IoTs is a major constraint on this type of development and on other campus development plans that could generate future revenue, which further undermines sustainability, and any means to increase access to capital finance should be considered as an immediate priority.

Action Plan

COORDINATING A RESPONSE TO ADDRESS THE ISSUES

1	Submit the report to the Department of Education and Skills and discuss the funding and sustainability implications from the review findings.	Aug 2016
2	Recommend establishment of a Task Force to agree a coordinated response to addressing the issues identified in the review. The Task Force should include representatives from IOT management, HEA, DES, DPER, staff, student and employers interests.	Sept 2016

DEVELOPING SECTORAL CAPACITY AND SYSTEMS

3	Engage with THEA (the new representative body of the 14 IoTs) to progress a proposal to develop management and leadership capacity across the IoT sector.	Dec 2016
4	Consider a competitive funding call in order to encourage part-time, flexible and online provision on a more systematic basis across the sector.	Jan 2017
5	Review the role and funding of research, innovation and enterprise activity in the institutes of technology, including the impact of TU pursuit, the appropriateness of RGAM weightings for research students and the need for additional top-sliced or performance-based funding components.	Mar 2017

WORKING WITH VULNERABLE INSTITUTES

6	Engage external assistance where appropriate to review and develop financial plans with vulnerable institutes in line with the policy framework for vulnerable IoTs.	Ongoing
7	Monitor the cash flow position of the most vulnerable institutions on a monthly basis to ensure that sufficient funds remain to maintain them as going concerns.	Ongoing
8	Draw up a crisis action plan to examine the potential courses of action if an institute of technology no longer has access to sufficient cash to continue trading.	Nov 2016

MANAGEMENT INFORMATION AND FINANCIAL PLANNING

9	Review the information collected by the Financial Review and, working with THEA and the institutes, establish an agreed annual management information framework which will ensure an ongoing process to collect and analysis in-depth financial, HR and other benchmarking information from the IoT sector.	Mar 2017

10	Investigate potential for multi-annual funding commitments in areas such as the devolved grant, performance funding, capital investment (perhaps via the introduction of a borrowing framework) and competitive funding programmes (e.g. Springboard) to assist financial planning and development.	Ongoing
11	Secure agreement from all IoTs to share full unit costs data at programme level to assist in benchmarking costs of provision.	Oct 2016

DEVELOPING THE FUNDING MODEL

12	Prepare a proposal for the HEA Finance Committee to address the declining impact of STEM weightings as a consequence of increasing student contribution and decreasing RGAM allocations.	Nov 2016
13	Consider, within the wider review of the HEA funding model for HEIs, whether recognition could or should be given to regional contribution, IoT's particular access role or multiple campus delivery to closer reflect the costs of provision.	June 2017
14	Work with the Department of Education and SOLAS to develop a whole of education approach to apprenticeship and a sustainable funding model to underpin this.	June 2017
15	Ensure that the upcoming review of higher education engineering provision fully considers cost and funding issues and recognises capital implications in development of provision.	June 2017

ADDRESSING HR INFLEXIBILITY

16	Examine the potential for a sectoral redundancy scheme with THEA, individual institutes of technology and the Department of Education and Skills to ensure that the human resource base across the sector is aligned with evolving needs.	Dec 2016
17	Lobby for the introduction of more flexible work practices including in the recruitment and redeployment of staff and the development of employment contracts to provide for greater flexibility and an annual expectation of workload.	Ongoing

ADDRESSING THE CAPITAL CHALLENGE

18	Prepare a business case for a targeted capital investment programme to build STEM capacity and meet regional skills needs across the sector for consideration by DES and DPER.	Nov 2016
19	Lobby for an ongoing Government commitment to a devolved grant for institutes of technology and the introduction of a borrowing framework for IoTs to facilitate campus development which can help facilitate the accommodation of projected student demand.	June 2017

Section 1: Introduction and Background

Introduction

This report presents the findings of the HEA's financial review of the institutes of technology (IoTs). The purpose of this review is to provide an overview of the financial health of the sector, to consider capacity issues, and to examine the sustainability of institutions given their respective plans for the future. It was prompted by concern at the financial situation across the IoT sector and recognition that issues existed regarding the way in which it is funded. The terms of reference for the review are set out in Appendix A.

This report, which sets out a range of findings, will be used to inform the HEA's approach to future funding for IoTs and to highlight the sectoral issues to be addressed in order to ensure ongoing sustainability. It should also serve as an important first step in establishing a baseline of management information from which institutes can compare and contrast financial performance across different indicators and from which robust and consistent monitoring and planning can be undertaken at sectoral level.

It should be noted that the review also incorporates the annual budgeting process between the HEA and the individual institutes. Every year, following receipt of the HEA's notification of the annual grant allocation, each IoT is required to prepare an annual Operational Programme and Budget, approved by their Governing Body, with a subsequent follow-up budget meeting with the HEA to review this output. For 2016, given the much wider set of requirements arising from the financial review, institutes were required to complete an expanded template covering historic and forecast data, and the budget meetings were held in tandem with the more in-depth financial review session. Further details on the approach are set out below. To ensure consistency with the budget meeting outcomes across the rest of the higher education sector, a table setting out the 2015 outturns and 2016 budgets for each institute is provided as Appendix B.

The Approach

A review process was put in place which aimed to gather all relevant information on historic, current and projected financial performance for each IoT in a consistent manner, facilitating analysis at individual institute and aggregate sectoral level. After the HEA informed the Presidents of the institutes of technology that it intended to undertake the financial review, the Executive worked with a sub-group of IoT Secretary/Financial Controllers to agree a template for submission of all required information. The template is set out as Appendix C. A common set of prudent assumptions were also agreed with this sub-group to underpin the forecasting component of the data request, as set out in Appendix D. The information submitted by the IoTs included:

- Historic trend information drawn from audited accounts (or draft accounts, if not yet certified by the C&AG) for 2013/14 and 2014/15.
- A budget summary for 2016, detailing 2015 outturn and projected figures, other sources of income, reserves and student numbers.
- 4-year detailed financial forecasts, including student, staffing & capital plans
- Cash flow projections through 2017 and 2018

- Additional information on demographic trends, institutional capacity, pay restoration costs, impact of removal of 2 hours' flex agreement, etc.

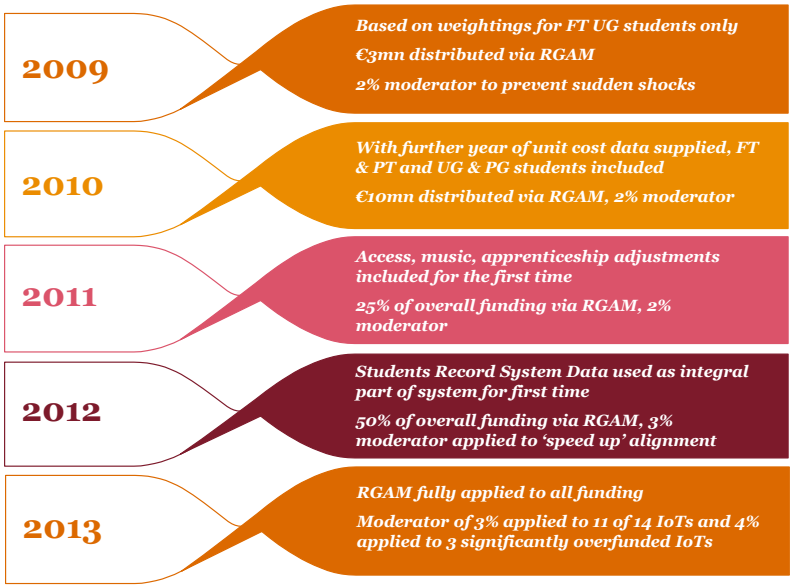
A programme of campus visits was then delivered between 18th April and 16th May 2016 to meet with institute management and the finance function to allow interrogation of the material presented and discussion of financial issues. The programme of visits is set out as Appendix E. A draft report was considered by the Finance Committee of the HEA, by the Authority itself and by the Sub-Group of Secretary-Financial Controllers. This final report reflects feedback received during these engagements.

The Evolving Funding Environment for the IoTs

In February 2007, following the enactment of the Institutes of Technology Act, 2006, responsibility for recurrent grant funding for the institutes of technology was transferred from the Department of Education and Science to the HEA. The HEA set as a first priority the successful integration of the institutes of technology into its funding and other processes on the basis of consistency of approach across the entire higher education sector.

The HEA engaged in a formal consultation process on the development of a new funding allocation model with the sector in 2008 to see how this could be achieved and implemented, with a Task Force being established. In 2009, this Task Force recommended the introduction of a student numbers-based grant allocation model; this was a fundamental change for the IoTs, which would link funding to student numbers for the first time.

As a first step towards the introduction of a new funding model, the Executive completed an analysis of unit costs submitted by IoTs in terms of cost/price relativities and indicated funding transfers. A subsequent audit on the costing data highlighted some weaknesses in relation to part-time and postgraduate costs and comparability between institutions. A risk and sensitivity analysis also indicated relative 'over-funding' for DIT, Letterkenny IT and IT Tralee on the basis of unit costs.



To minimise any shocks to the system from sudden changes in institutional funding, it was agreed that the model would be phased in, beginning with a fixed level of funding allocated on the basis of the evolving RGAM and then increasing proportions of the overall grant, as set out opposite. While the RGAM has been fully established for the IoT sector since 2013, the moderator has been re-set to 2% (consistent with the equivalent level for universities and colleges). This reflects the difficulty faced by particular institutes in coping with larger decreases in the midst of an annually contracting overall funding pot. However, it should be

noted that the slower pace of change means that 2 institutes (DIT, and IT Tralee) remain outside of the moderator as a legacy of the significant base of funding received directly from the Department prior to the transfer of responsibility to the HEA.

The funding of the IoT and University/Colleges' sector is based on a 40/60 split of the overall allocation provided by the Department of Education and Skills. The allocation of the core grant in both sectors is determined on a formula basis: a standard per capita amount in respect of weighted EU student numbers (and non-EU research) in four broad subject price groups (which reflect relative costs). The standard per capita amount depends on the total level of funding received each year. Student numbers used in the model reflect final student numbers as at 1st March during the previous academic year; for example, for the 2016 grant, the 2014-15 student numbers are used. The price groups and weightings are set out below.

	Subject Price Group	**Subject Price Group Weighting**
A	Clinical stages of undergraduate medicine (transitional weighting) *(university sector only)*	2.3
A	Undergraduate dentistry, veterinary *(university sector only)*	4
B	Laboratory-based subjects (Science, Engineering, Pre-clinical Medicine &Dentistry)	1.7
C	Subjects with a studio, laboratory or fieldwork element	1.3
D	All other subjects	1

A further weighting is given for taught masters' students and research students. Adjustment is made within the core grant allocation to reflect the costs to the institutions of attracting and supporting students who come from non-traditional backgrounds, with an additional weighting of 33% currently used. The funding model for the IoT sector also includes an adjustment to remove the financial disincentive in relation to the provision of level 6 and 7 programmes (due to a lower fee for these levels compared to Level 8 provision).

The funding system for IoTs has, therefore, changed significantly in recent years, and this has taken place at the same time as a substantial reduction in funding for higher education. The overall funding for the IoT sector declined from €554.5mn in 2008 to €334.9mn in 2015. This happened at a time when student numbers increased significantly (by 24%), and funding per student therefore contracted by 34%. The dependence on Exchequer funding in the IoT sector has reduced from 85% in 2008 to 77% in 2012, although this is still significantly higher than the equivalent level for Universities (61%).

It is only since 2015 that funding for the IoTs has stabilised following years of annual reductions, and the funding environment has undoubtedly taken its toll on the financial vulnerability of the sector. In recent years, a number of IoTs have been facing financial difficulties and have relied on reserves to meet underlying deficits. Since 2013, IoTs that have not been able to produce a balanced budget have been required to provide detailed financial plans demonstrating how they will return to a

breakeven position within three years. Concerns over the financial situation across the IoTs prompted the Authority to develop a policy framework for intervention in relation to vulnerable IoTs, which is set out in Appendix F. Prior to the current review, this framework was applied for 5 institutes considered to be vulnerable, with one subject to a Stage 2 intervention where external expertise was appointed to agree a new financial plan and programme of remedial action to address financial issues. A key objective of this review will be to determine the extent to which such issues are caused by particular institutional characteristics and performance traits or are a product of wider sectoral funding or other issues that need to be addressed.

Section 2: Current and Historic Recurrent Performance across the Sector

Income Trends

While the overall level of funding across higher education has been declining since 2008, the decline has been greatest within the IoT sector. Analysis undertaken for the Report of the Expert Group on Future Funding for Higher Education estimated that, between 2008 and 2015, total income per FTE student decreased by 25.5% across the institutes of technology. Funding from the State grant decreased by 34% in the same period. While both IoT and university/college sectors saw a similar decline in the level of state funding due to the 40/60 fixed-pot approach, student numbers increased by 24% in the IOT sector, compared to 8% in the University and Colleges' sector. The respective trends over this period are shown in Figure 1.

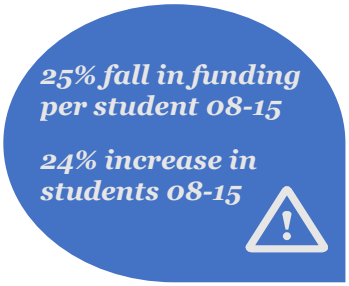
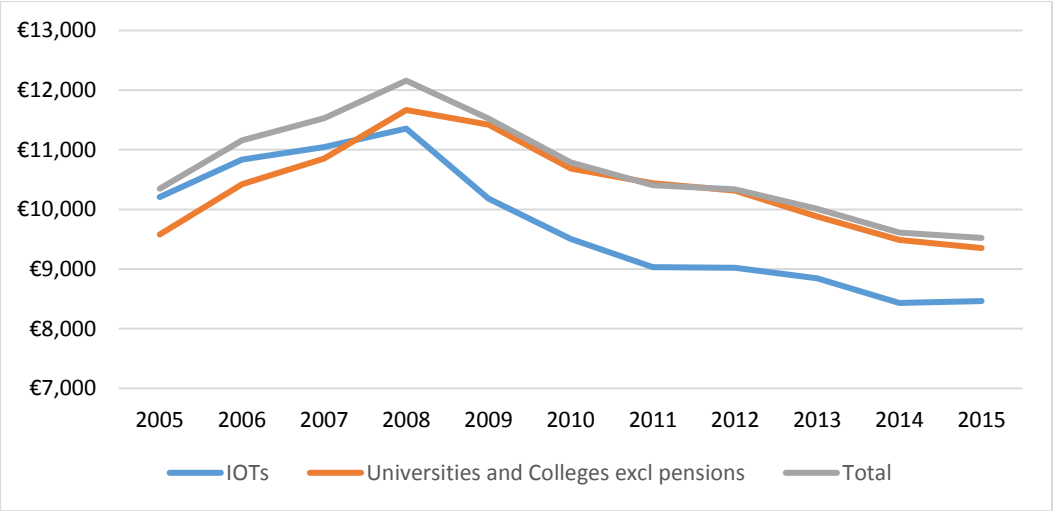
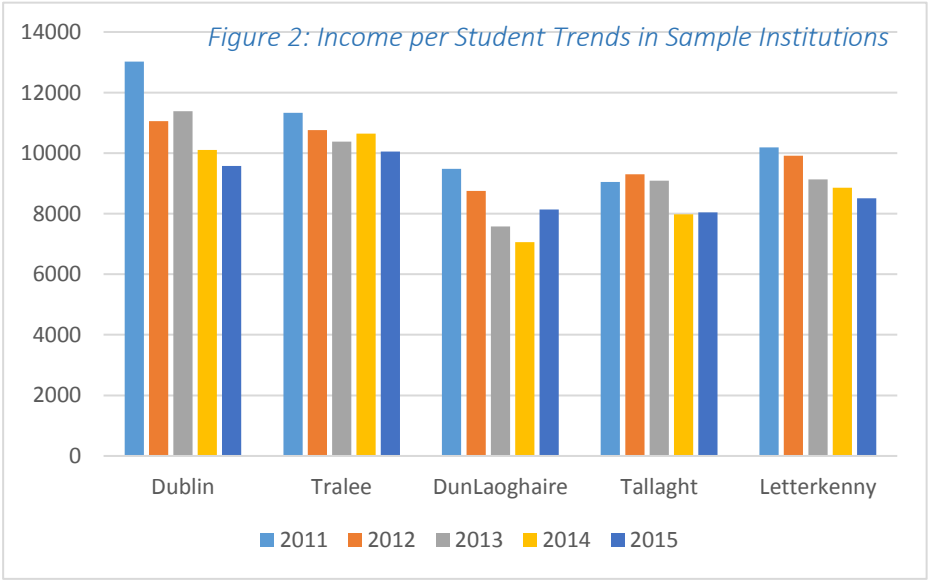


Figure 1: Total Funding per Student – IoT, University/College Sectors and Overall HE System



The implications of this reduction in funding per student for individual institutions are stark. In the Figure opposite, the trends for the 5 institutes with the steepest decline in income per student (based on declared income in annual accounts) are shown. While the overall sectoral average decline is 7% between 2010/11 and 2014/15, the

Figure 2: Income per Student Trends in Sample Institutions

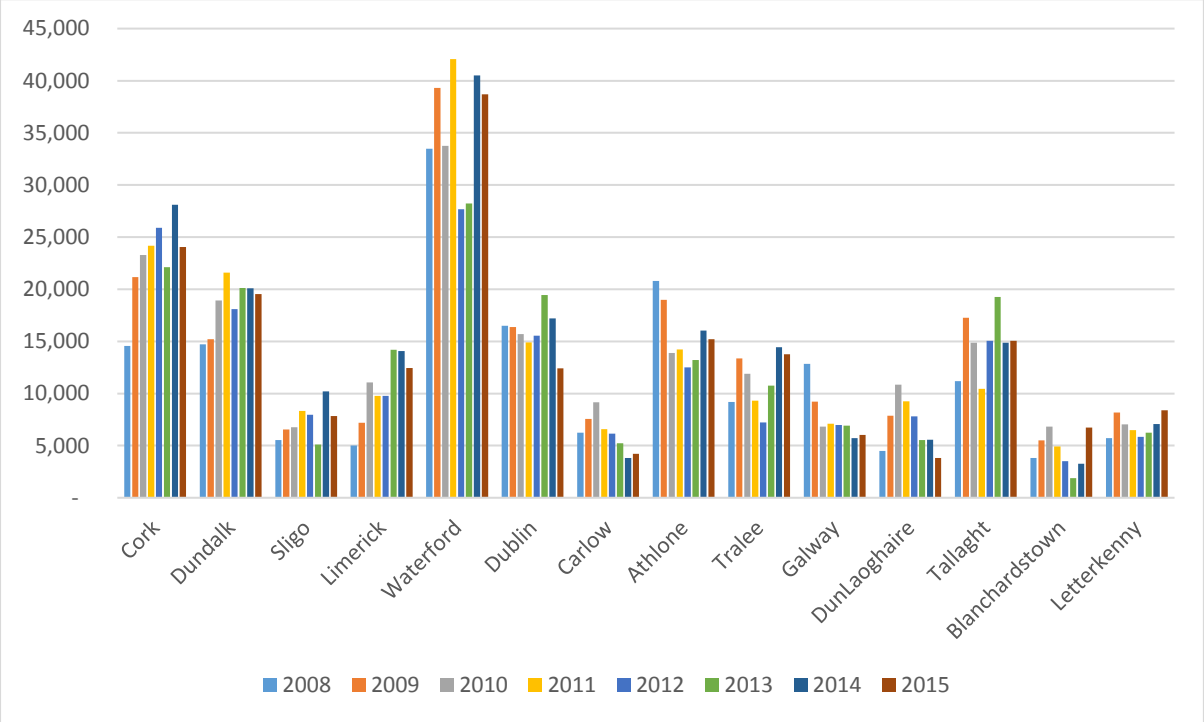


declines for Dublin, Tralee, IADT, Tallaght and Letterkenny have exceeded 10% over this period. In the cases of DIT, Letterkenny and Tralee, the effect of the introduction of the new funding model (described in Section 1) would have resulted in higher than average decreases in State funding. Dun Laoghaire and Tallaght have also been on the negative side of the moderator at some point since the introduction of the new funding model.

Overall research grant income to the sector increased from €67.8m to €70.3m (i.e. 4%), from 2007/08 to 2014/15, peaking at €77.6m in 2013/14. This is despite a difficult competitive research funding environment over the same period.

Waterford Institute of Technology remains the most successful IOT in terms of research income and is very successful in attracting competitive EU funding. In 2014/15, their research grant income was €18.7m, or €38,698 per academic. A number of institutes also performed well during the period, with the largest increase in research income at Limerick IT, where grant income increased from €1.5m in 2007/08 to €4.4m in 2014/15. Cork IT performed well during the period, securing its place at the second most successful IoT in terms of research income, increasing from €9.5m in 2007/08 to €13.7m in 2014/15. . Dundalk IT, IT Tralee, and IT Tallaght also performed well over the period. Institutes that experienced decreases in research income include DIT, GMIT, Athlone IT, IT Carlow and IADT. The Figure below analyses research performance across institutes, relating funding to the number of academics to add some sense of institutional scale.

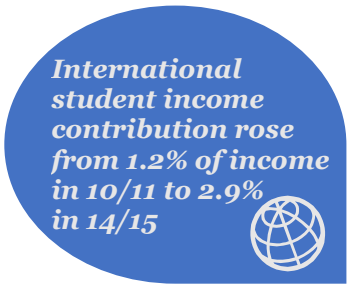
Figure 3: Research Income per Academic



While it is encouraging that research income is increasing across the sector, it is important to note that the direct implications of this improved performance on the financial position of institutions will be neutral at best (although, of course, it would be hoped that there could be additional longer-term benefits from improved reputation, impact on teaching, links with industry, etc.). There is consistent feedback across the IoTs that research is typically a 'money in, money out' activity, and, while there are no indications that it is currently a major drain on resources (as per the case set out by

universities regarding research overheads)[1], neither is it a driver of institutional surplus. There are also signs of vulnerable institutions reducing investment in this area, with Dundalk IT and GMIT both decreasing expenditure in this manner. There does appear to be some investment, particularly in those institutes with Technological University ambitions, to subsidise PhD provision and increase overall postgraduate numbers via targeted scholarship schemes, and the impact on ongoing financial performance from this approach should be monitored. A further issue undermining the sustainability of research activity is the loss of key research staff to the University sector as a result of the greater flexibility and rewards on offer, particularly in terms of access to pensions.

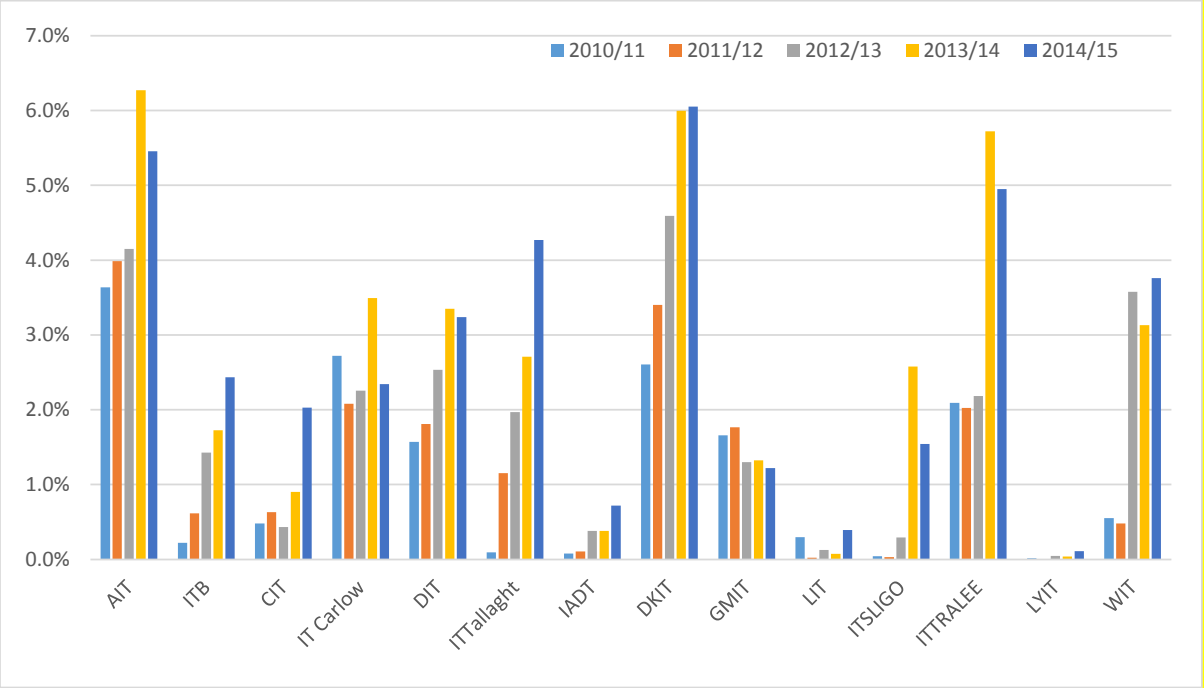
As noted in Section 1, there has been some success in reducing the dependence on Exchequer Funding, with fully audited accounts showing a decline from 85% in 2008/09 to 77% in 2012/13 across the IoT sector. The majority of this reduction can be accounted for by increases in student contribution. Where increases in non-Exchequer income have been achieved, they have primarily been driven by the success of some institutions (most notably, Carlow, Blanchardstown, Tallaght and Sligo) in online and part-time provision. We have also seen some innovative approaches to generating income, with IT Tralee's strategic partnership with RCSI to provide a foundation programme for medical students providing an ongoing source of income. The institute has also had notable success in securing philanthropic funding via the establishment in March 2014 of the IT Tralee Foundation Board, which has already raised €5mn in donations to support the development of the Kerry Sports Academy on campus. The Board is confident that significant additional funds can be sourced in this manner, and it is encouraging to see such an initiative prove successful in an IoT context, with the generation of major investment from Foundations mainly a preserve of the Universities to date.



There has been a growing effort across the IoT sector to build the proportion of international students within the overall student base. The percentage of total income accounted for by non-EU fees grew from 1.2% in 2010/11 to 2.9% in 2014/15. International students are making an increased and significant contribution to institutional income in a number of IoTs, as shown in the trend analysis for individual institutes in the Figure below. Athlone, Dundalk and Tralee all generate 5% to 6% of revenue from international student activities. However, international student-fee income, by contrast, remains below 1% of total income in IADT, GMIT, Limerick and Letterkenny. The fluctuations from year-to-year within the trend analysis highlight the risk of over-dependence on international student income as part of ongoing IoT budgeting, but there would seem scope to grow its contribution across the sector in coming years.

[1] The IUA submits Full Economic Costing (FEC) data to the HEA on an annual basis, which suggests that for every €1 of competitive research funding attracted by a university, 67 cents of overhead costs are required to support this.

Figure 4: International Student Revenue as % of Total Income



The role of subsidiary campus companies is not as developed in the IoT sector, but there are signs that they can play an effective role in delivering distinct functions or services while offering the possibility of generating a small surplus. While significant restructuring following the Quigley review is currently the focus of WIT's approach in this area, the experience there, in Athlone IT and in Cork IT is that they can operate successfully, if given a clear and distinct remit.

Trends in the Cost Base

Pay Costs and Staffing

In looking at the cost base, it is important to recognise, firstly, the extent to which this is dominated by pay and, secondly, the rigidity of such costs as a result of wider labour agreements. In the IoT sector, pay costs account for between 72.5% and 80% of total expenditure, with an average of 76.8% across the sector. Under the National Recovery Plan, the Government committed to reducing the cost of the public sector paybill. In this context, the Employment Control Framework was introduced for the higher education sector and placed specific ceilings on staffing levels across institutions. Since these restrictions in staffing levels were introduced to the higher education system in 2009, the number of core staff across the sector decreased by 11% by end 2015, as set out in the Figure below**.** This equates to ongoing annual savings of approximately €62.5m.

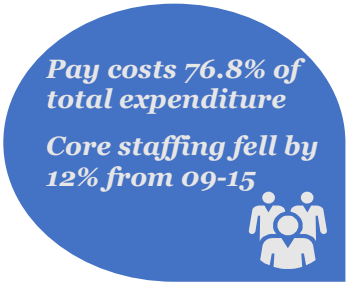
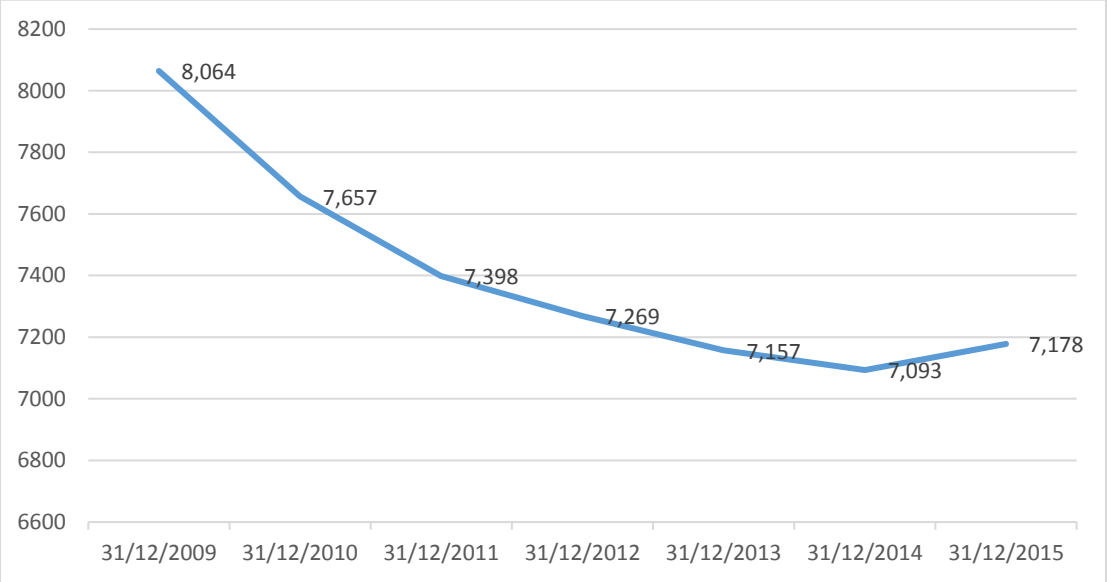


Figure 5: Reductions in Core Staff

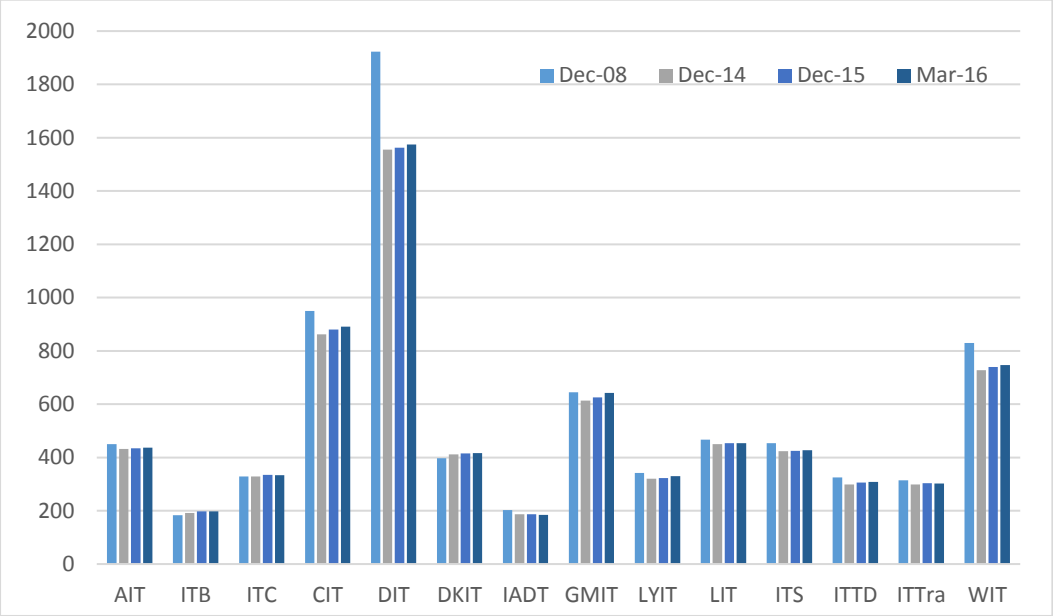


While specific targets were set for all IoTs, the HEA has monitored compliance with the ECF at a sectoral level. This is in recognition of the fact that changes to staffing levels are at the mercy of employee mobility and retirement decisions, and that there may be specific circumstances that require staffing to be maintained around particular activities. However, IoTs are expected to show a trajectory of staffing reduction which is broadly in line with targeted levels, and this has largely been evident in practice across the sector.

There are, however, marked differences in the degree to which staff levels have been reduced across the IoTs. DIT, for example, has significantly reduced core staff numbers by circa 19% in the period 2008 to 2015. The institute has put in place a strategic workforce plan and all recruitment decisions were strictly managed by the Senior Leadership Team in that period. On the other hand, there are signs of IoTs beginning to diverge from strict adherence to ECF targets, with institutes citing the continued growth and expansion in particular areas and the inflexibility around deployment of staff in areas of declining student numbers as their rationale (e.g. apprenticeships, nursing). The HEA will monitor this carefully as it moves into a new era of Delegated Sanction Agreement, which is expected to allow flexibility only in tandem with institute core funding increases. It should also be noted that institutes have adopted innovative approaches to address issues around the inflexibility of staff, by utilising adjunct-type lecturing staff more effectively (e.g. Carlow), or by deploying agency staff to fulfil certain functions. For example, Limerick IT have made use of UniJobs, run by UL, which recruits and employs staff at all non-academic levels from administration to specialist professionals and offers flexibility to HEIs to recruit skilled staff at key periods during the year without the need to increase staff numbers on a more permanent basis. IT Sligo have also managed to successfully re-deploy staff from the declining trade areas into other disciplines.

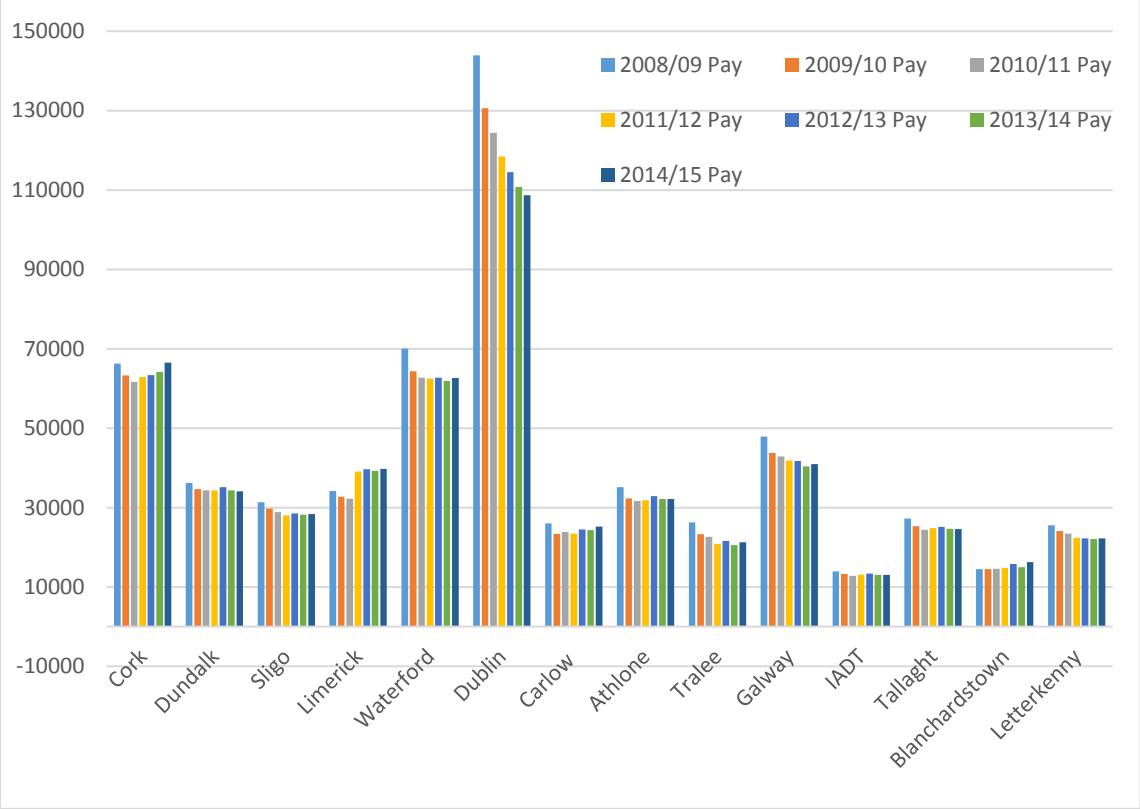
The Figure below highlights the change in staffing in each institute and highlights the edging upwards of numbers in the 18 months since the last ECF target was set for December 2014.

Figure 6: Overall Core Staffing by Institute



As a consequence of the reductions in core staffing levels and the pay reductions which have resulted from the respective national agreements, IoTs have been closely managing their pay costs over the last number of years and have delivered substantial reductions. Total pay costs have reduced by 10% from 2008/09 to 2014/15. The trends in pay costs across each of the institutes is set out in the Figure below. These largely mirror the trends in core staffing levels from the previous analysis, and again they indicate that some institutes are beginning to re-invest in staffing after a period of sustained decline.

Figure 7: Pay Costs by Institute



While overall pay costs are declining, the wider implications of the Lansdowne Road Agreement and its predecessor, the Haddington Road Agreement, severely limit scope for active management of employee resources within institutions in order to improve efficiency or to develop new areas of activity and potential future income streams. The most vulnerable IoTs have functions or schools with clear 'over employment', typically around engineering or old apprenticeship provision, or in maintaining provision across smaller scale campuses, but the lack of HR tools to address this via redundancy, early retirement or re-deployment mechanisms mean these functions act as a significant blight on financial performance. Staff reductions are achieved only by natural attrition, whereby employees leaving to take up alternative job opportunities, or by the non-renewal of temporary staff contracts and retirements. This often results in staff losses from the most valued areas, where student demand is greatest, and again this has had implications for ability to generate income. There are some good examples of successful re-deployment and retraining of staff despite these constraints, such as in the approach of LIT to the incorporation of the Tipperary Institute.

There would seem to be a rationale for considering a targeted redundancy scheme to address staffing issues within particular institutes. However, where such a possibility has been raised in particular cases, it has proved impossible to secure concrete proposals involving a sufficient critical mass of staff. Institutes are also very wary of the damage that could be created for their reputation and on the goodwill built up with existing staff, and this has discouraged a number from independently seeking a redundancy programme from the Department of Education and Skills. Given this reluctance, and the continuing need to address structural staffing issues, there is a strong case for investigating whether a national cross-sectoral redundancy programme could be implemented of which all IoTs could avail.

It is clear that there is a requirement within the sector for more flexible work practices as recommended in the National Strategy for Higher Education. These would include flexibility around recruitment and redeployment of staff and greater sophistication in terms of the employment contacts to provide for an annual expectation of workload.

Without such HR flexibility, it is clear that the sector is very close to, if not at, full capacity in terms of the ability of its staff to service the student base. The student/staff ratio in IoTs has traditionally been lower than that in universities due to the technological remit which involves more lab-based and practical provision and, hence, constraints on class sizes. However, the increase in this ratio between 2007/08 and 2014/15 is stark, as set out in the Table below.

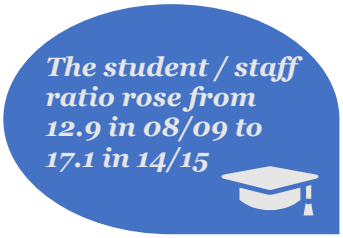


Table 1: Academic Staff/Student Ratio on the IoTs

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Academic Staff numbers	4,666	4,587	4,644	4,571	4,481	4,449	4,375	4,452
Student numbers	61,448	59,021	67,725	73,041	72,209	73,824	75,973	76,332
Staff Student Ratio	13.2	12.9	14.6	16.0	16.1	16.6	17.4	17.1

There is also some concern that the capacity constraints that are most prevalent in STEM and other practically focused disciplines are driving institutes towards a more generic provision across business and humanities, where larger, more 'cost-effective' class sizes can be accommodated. This is a

worrying trend and one that should be carefully monitored, as any further reduction in funding per student is likely to further drive such behaviour across the sector.

Non-Pay Costs

With flexibility around pay costs limited, there should be greater scope to examine efficiencies across non-pay cost components, albeit in the context of the need for IoTs to provide services to a rapidly expanding student base. As set out in the table below, there is a substantial difference in the proportion of the cost base accounted for by non-pay, and there has been a marked variation in institutional ability to reduce the non-pay cost base.

Table 2: Analysis of the Non-Pay Cost Base in IoTs

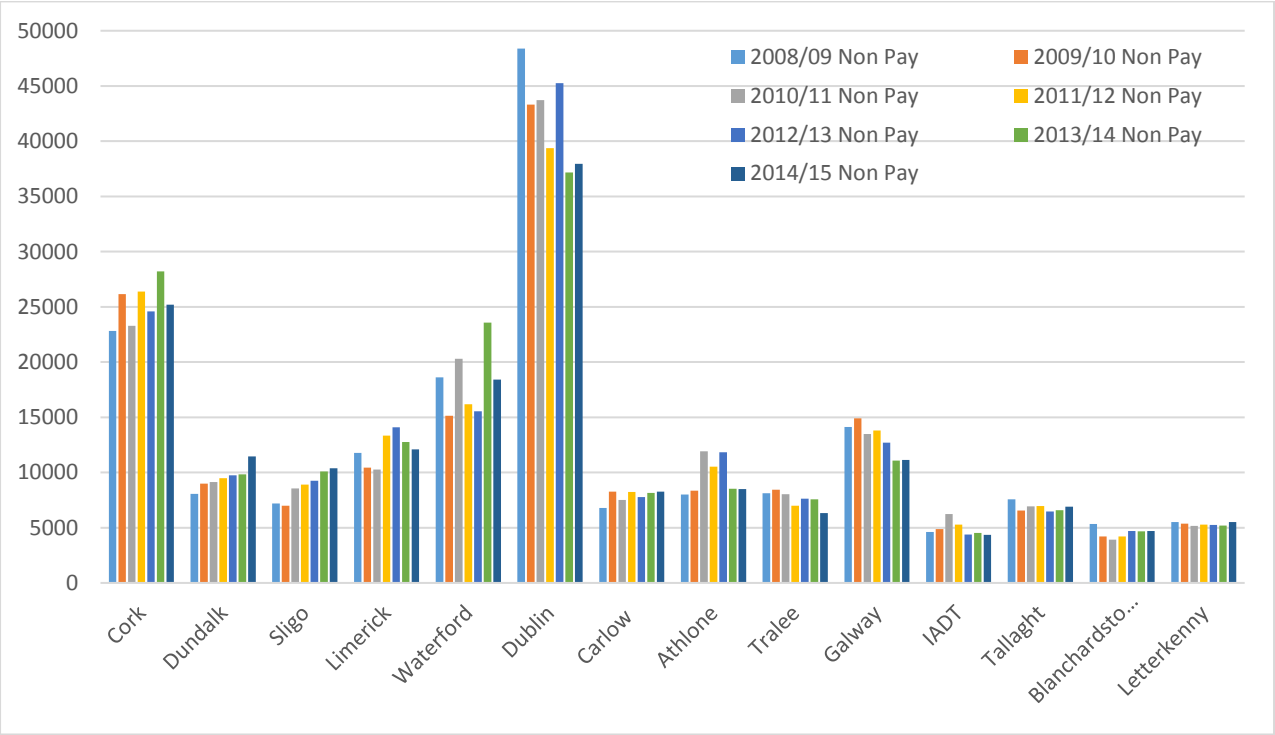
IoT	2008/09 Non-Pay Cost %	2014/15 Non-Pay Cost %	Change in Non-Pay Cost Proportion	% Change in Absolute Non-Pay Cost
Cork	25.6%	27.5%	+1.9%	10.3%
Dundalk	18.2%	25.0%	+6.8%	40.8%
Sligo	18.7%	26.8%	+8.1%	44.4%
Limerick	25.7%	23.3%	-2.4%	2.7%
Waterford	21.0%	22.7%	+1.7%	-1.2%
Dublin	25.2%	25.9%	+0.7%	-21.6%
Carlow	20.7%	24.7%	+4.0%	21.5%
Athlone	18.6%	20.9%	+2.3%	6.0%
Tralee	23.6%	22.9%	-0.7%	-22.2%
Galway	22.8%	21.4%	-1.4%	-21.0%
IADT	24.8%	25.0%	+0.2%	-5.8%
Tallaght	21.8%	21.9%	+0.1%	-9.1%
Blanchardstown	26.9%	22.4%	-4.5%	-12.1%
Letterkenny	17.8%	19.9%	+2.1%	-0.2%
TOTAL	22.8%	24.2%	+1.4%	-3.3%

There has been an overall reduction in non-pay costs of 3.3% from 2008/09 to 2014/15. In the context of an increase in student numbers of 24%, the cost savings amount to significantly more. Dublin, Tralee and Galway/Mayo have all managed to generate savings of over one-fifth of non-pay costs over the period, while Tallaght, IADT and Limerick have managed to achieve reductions on a par with the significant pay cost reductions, allowing them to maintain the broad pay/non-pay balance. The meetings with institutes revealed significant concern around the impact of these cuts on student support services, in particular, with pressure points reported in terms of under-resourced counselling, medical and other services as the student body grew and diversified.

Nevertheless, the different non-pay cost profile across the IoT sector is interesting, and it does suggest that there is further scope for non-pay efficiencies in some IoTs with a significant percentage of non-pay costs. While there may be some rationale for higher-than-average non-pay proportions, such as running multiple campuses (e.g. Dublin, GMIT, Letterkenny) or supporting high-tech equipment in delivery of learning (e.g. IADT), the inconsistency across the sector is not fully explained by such individual characteristics. The increases in non-pay costs in Dundalk and Sligo, and the overall levels in Cork, are therefore a concern and are worthy of further examination.

This multiple campus issue is worth particular focus. These campuses provide an important function for the delivery of education within their regions and presents wider socio-economic benefits within rural communities. However, the review revealed high costs associated with the delivery of education in these smaller campuses and revealed campus deficits of €1.3mn for Killybegs (run by LYIT); €2mn at Castlebar and €700,000 at Letterfrack (run by GMIT); and €1mn at the National Maritime College (run by CIT). These deficits make a major contribution to the overall deficit position of these institutes. The HEA should consider whether more account needs to be taken of the increased costs from multi-campus provision within the funding model or, alternatively, whether campuses with inefficient economies of scale are viable in a future higher education landscape. It also raises a wider question of the regional role and contribution of IoTs and the access they provide to higher education for large cohorts of the population and how this should be valued within the higher education funding system.

Figure 8: Trends in Non-Pay Costs by Institute



Ability to Generate Surplus and Reserves

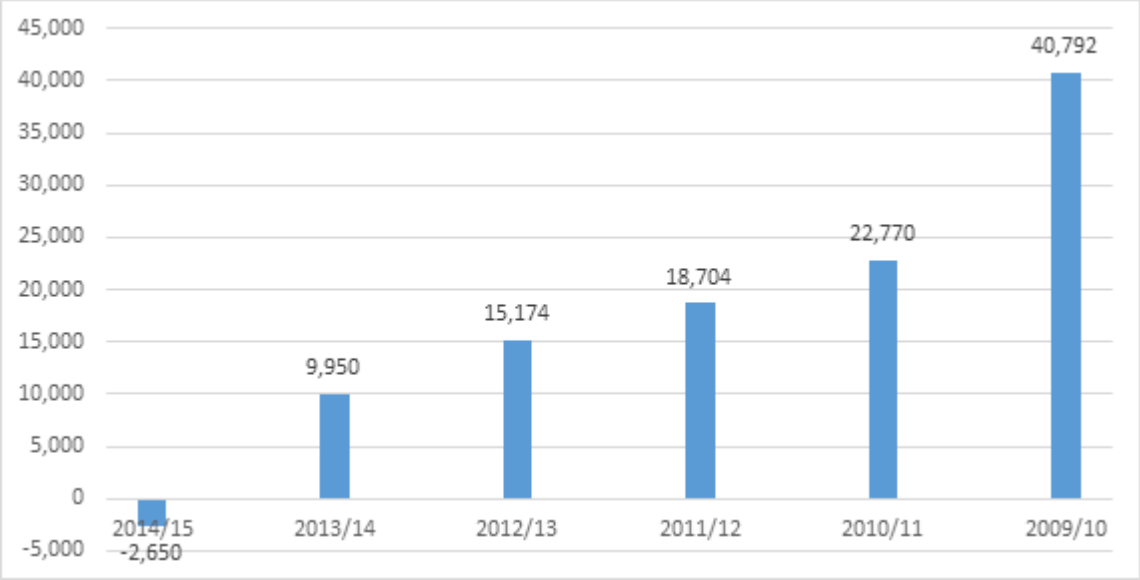
Institutes of technology are entitled to maintain two types of reserves: those for capital development; and those for recurrent purposes. The latter provides a small 'cushion', should there be any unexpected shortfall in financial performance reserves, while the former facilitates long-term investment and planning in physical infrastructure. The funding situation across the sector has eroded this distinction for many institutes, with all reserves considered as a buffer to stem any deficits, and with capital development only progressing whenever there is substantial

Sector generated €40.8m surplus in 09/10 to €2.7m deficit in 14/15

Reserves fell 40% from 08/09 to 14/15

scope for investment after risks in terms of increased ongoing commitments are considered. The overall reserves held by the IoTs, combining both categories, stands at €78.7mn for 2014/15. These reserves have substantially depleted since 2009/10, when they stood at €132.5mn, meaning that the sector has lost some 40% of the finance available to underpin ongoing sustainability. This has been mainly driven by the worsening of the annual sectoral surplus/deficit position over the period, from a €40.8mn surplus in 2009/10 to a €2.7mn deficit in 2014/15. The Figure below shows the trend in the overall reserve position across the IoT sector over this timespan.

Figure 9: Overall Reserve Position in IoT Sector (€000s)



It is also important to note that the situation is coloured by the major reserves held by Carlow, Sligo and Dublin. If these three institutes are removed from the analysis, the position with regard to the annual sectoral surplus/deficit worsens to €6.9mn. The surplus/deficit position and the impact on reserves should also be seen in context, with these figures being far below the level recommended as necessary to maintain institutional sustainability. That figure was adjudged to be at about 3% in the OECD review of Irish higher education (2004). The level of surplus which should be generated in an IoT context for reinvestment is set out for each year in the table below, along with the other indicators already discussed.

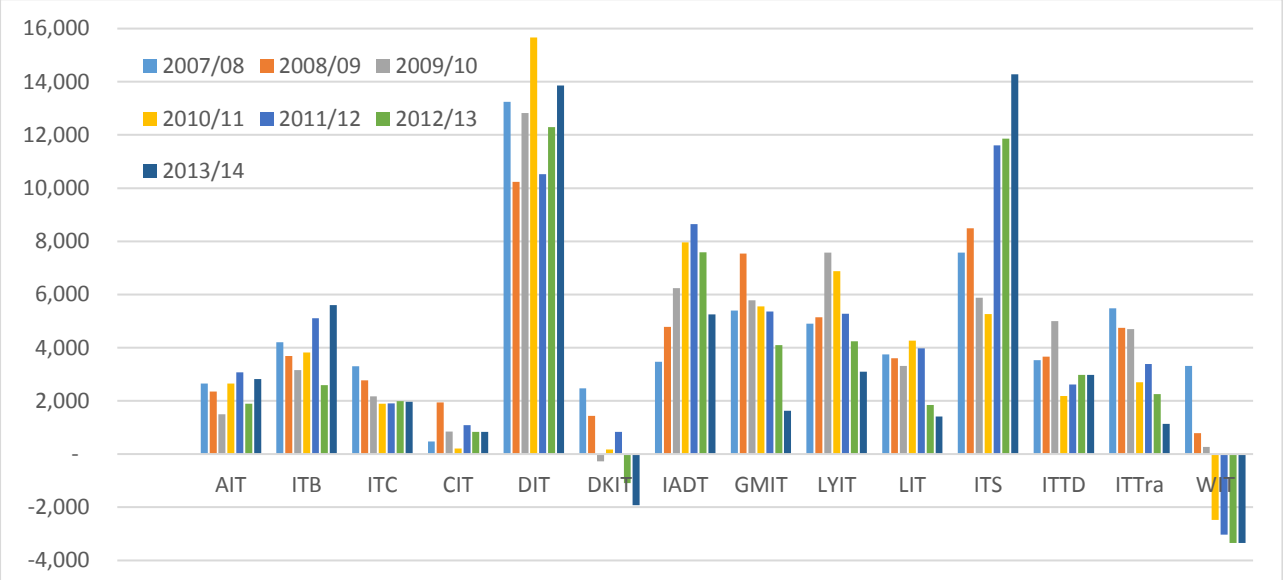
Table 3: Analysis of the Surplus/Deficit and Overall Reserves Position Across IoTs

IoT	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Sectoral Income (€000s)	822,953	797,269	787,073	798,897	771,269	756,448
OECD Recommended Surplus for Reinvestment (3%)	24,689	23,918	23,612	23,967	23,138	22,693
Annual Surplus/Deficit	40,792	22,770	18,704	15,174	9,950	-2,650
End Year Sectoral Reserves	132,452	137,133	139,245	132,823	106,744	78,690
Annual Surplus/Deficit with ITC/DIT/ITS Removed	28,528	15,898	12,898	3,283	-1,789	-6,882
End Year Sectoral Reserves With ITC/DIT/ITS Removed	120,188	130,261	133,439	120,932	95,005	74,458

While the distinction between capital and revenue reserves is losing relevance for many IoTs, it is worth highlighting the funding flows across both types of reserve in recent years. In terms of

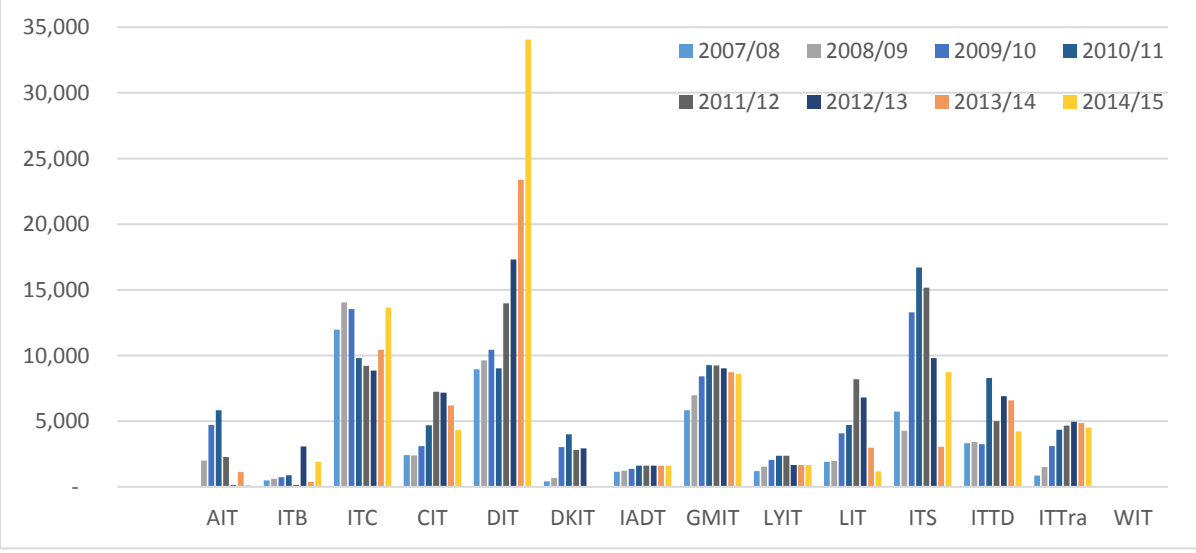
revenue reserves, the position across each institution from 2007/08 to 2014/15 is set out in the Figure below. This immediately demonstrates the seriousness of the situation in WIT and DKIT, with a complete erosion of all reserves in the past number of years. A number of other IoTs (such as ITB, ITC and ITS) have maintained revenue reserves while accumulating additional capital funds, mainly by successfully growing student numbers through part-time and online provision. These institutions have been able to accumulate a capital fund through revenue surpluses.

Figure 10: Analysis of Revenue Reserves by Institute (€000)



In considering the capital reserve position across the IoTs in the Figure below, we see the major reserves built up by Carlow, Dublin and Sligo. We can also see the rapid depletion of capital reserves in Tralee, Letterkenny and Galway/Mayo, indicating the growing risk of funding effectively 'running out' in the coming years. Although there has been a similar reduction in LIT capital reserves, this has been planned in line with the institute's capital investment strategy, and its ongoing recurrent position is consequently of less concern.

Figure 11: Capital Development Reserves by Institute



This picture of depleting reserves and the increasing prevalence of annual deficits across the sector highlights its existing vulnerability. The analysis bears out the categorisation of the HEA of 5 institutes considered to be vulnerable – Letterkenny, Tralee, GMIT, Waterford and Dundalk – and there are already some emerging signs of cash flow difficulties in some of these institutes. Given the recent deficits incurred, and its reserve position, there is additional concern over Cork, and the HEA will engage with CIT to agree an approach to addressing its particular issues in the coming months. However there are two other Institutes – Athlone and Limerick – where the overall reserve position at 2014/15 is under €3mn and where a continued decline in financial performance could put them at risk, and this will be closely monitored by the HEA on an ongoing basis.

There are many contributing factors behind the respective financial situations faced by the institutes, although a stagnation in student growth has adversely impacted all of them at some stage in recent years, and part-time provision is low in several, which removes one of the key outlets for additional income generation. Operation of multiple campuses and the discipline mix also appear to be relevant factors for some institutes, as previously outlined.

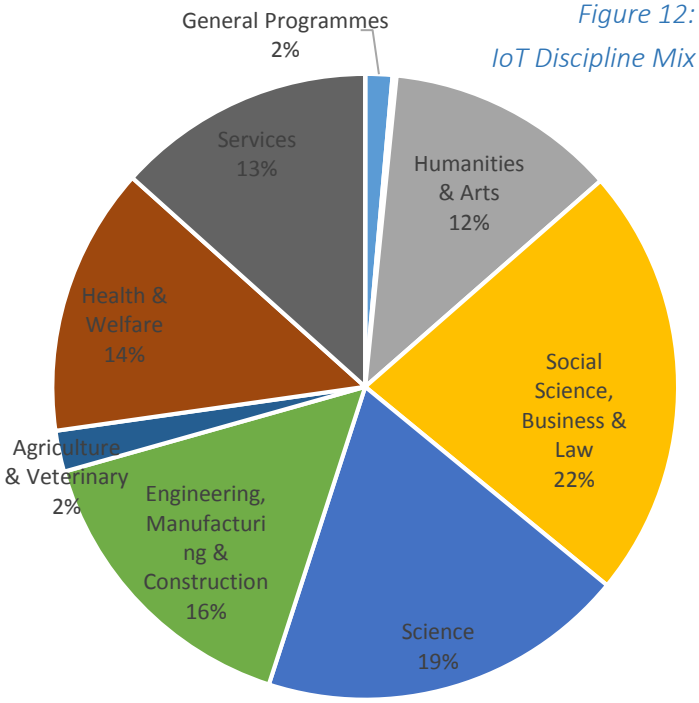
The Student Base and its Impact on Financial Performance

The historic financial performance of the IoT sector has been largely driven by relative success in attracting students, fuelled by the RGAM and additional fee income. In the table below, trends in the number of undergraduate new entrants' numbers are revealed, with particular attention being drawn to the changing discipline mix over the period 2009/10 to 2013/14.

Table 4: Full-time Undergraduate New Entrants by Discipline Type

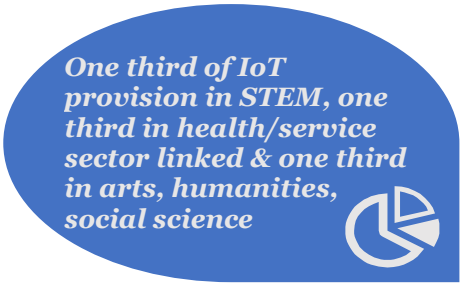
	2010/11		2011/12		2012/13		2013/14	
	No	%	No	%	No	%	No	%
General Programmes	219	1%	47	0%	94	0%	267	1%
Education Science	56	0%	47	0%	55	0%	40	0%
Humanities & Arts	1,707	9%	2,179	11%	2,018	11%	2,285	12%
Social Science, Business & Law	4,941	26%	4,520	24%	4,378	23%	4,278	22%
Science	2,935	16%	3,410	18%	3,602	19%	3,641	19%
Engineering, Manufacturing & Construction	3,321	18%	3,059	16%	3,008	16%	2,991	16%
Agriculture & Veterinary	418	2%	411	2%	449	2%	406	2%
Health & Welfare	2,577	14%	2,739	14%	2,841	15%	2,655	14%
Services	2,545	14%	2,750	14%	2,563	13%	2,554	13%
Combined	-	0%	-	0%	-	0%	0	0%
Total	18,719	100%	19,162	100%	19,008	100%	19,117	100%

Figure 12: IoT Discipline Mix



From the analysis above, the discipline mix in terms of new undergraduate entrants to IoTs has remained relatively stable in recent years. There have been notable increases in the proportion of undergraduates entering 'arts & humanities' and science-based programmes, with declines in 'social science, business & law' and 'engineering, manufacturing and construction', with the latter linked to the economic downturn. The importance of the role of institutes of technology in providing a pipeline of skilled workers for health and welfare services is clear, with 14% of new entrants in related courses. They also have an important role in delivering applied courses for the service sector, meeting strong regional needs in areas like tourism management, retail management and the culinary arts. Overall, the key question posed by a discipline mix as portrayed in the diagram opposite is the extent to which it provides the differentiated offering sought from the technological sector. Although it is potentially simplistic to draw firm conclusions at this level, and it is important to note that many programmes within arts, humanities and business can build very well on the applied focus and employer links of IoTs and deliver on the needs of regional provision, the

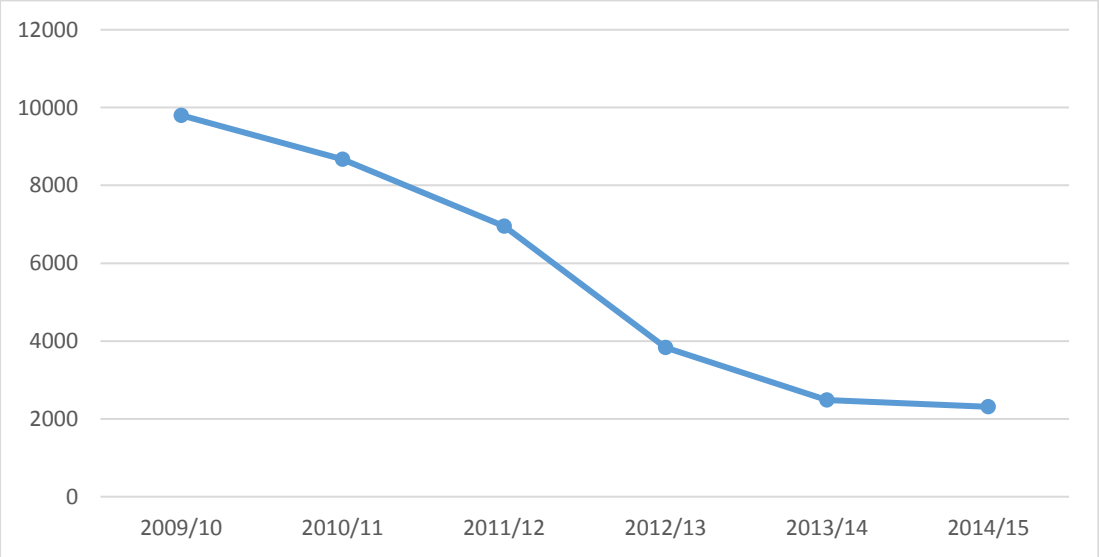
immediate impression is of quite a generic discipline mix that would not be dissimilar to a traditional university. Regardless of whether or not a narrow focus is desirable, there was certainly consistent evidence from individual IoTs that providing differentiated programmes, particularly those with a clear employability focus, was key to driving student demand. It is something that has proved particularly important for 'city' IoTs, where a clear distinction from the courses offered by the neighbouring university is highly important.



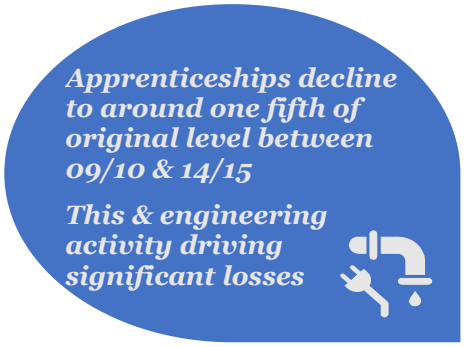
The other key to success in driving student demand, and another area where the IoTs should have significant potential competitive advantage given their regional role and established links with industry, is part-time and online provision. IT Sligo is the field leader in terms of online provision, and it would be hoped that more institutes could develop effective propositions in this space, perhaps even by working with IT Sligo to develop competencies and best practice. Regarding part-time provision, Carlow, Tallaght, Limerick and Blanchardstown have long-established programme portfolios. It is encouraging to see recent developments in this regard in Letterkenny, but there is a need for further progress across the rest of the sector. There is also a need to consider how part-time provision is funded across the sector, given the need both to incentivise this type of flexible provision, and also ensure that it does reflect the depth and cost of the offering. This includes, for example, ensuring that 60 credit programmes do deliver 60 credits of learning within the 12 month period, and do not reflect any non-institute components of accreditation, such as recognition of prior learning.

The other key trend in the student base over recent years has been the decline of apprenticeships as a consequence of the economic downturn. This provision contracted to such an extent that, by 2014/15, there were only around one-fifth of the places which had been taken up 5 years previously. This has had major financial repercussions for the relevant institutes, with the loss of income via the block allocation model within the RGAM exacerbated by an inability to re-deploy lecturing staff who delivered the trade-based provision which underpinned much of the apprenticeship provision in the past.

Figure 13: Apprenticeship Numbers in the IoT Sector



Furthermore, student numbers have reduced in the Engineering schools due to the collapse in the construction industry. This has resulted in low student enrolment in Engineering departments without an ability to reduce staff numbers unless through retirement and non-replacement. Therefore, in recent years, Engineering Schools have not been attracting sufficient income to cover their costs. The funding of engineering provision across IoTs is a critical issue and should be included within the terms of reference for the planned HEA thematic review across this discipline. For example, Dundalk IT estimates that their School of Engineering is running a deficit of €2.2mn per year. Cork IT estimates their deficit to be €500k approx., while GMIT estimates their deficit at €900k approx. DKIT reports that the situation is currently showing signs of an upturn, as Leaving Certificate students are beginning to turn their attention to careers in the built environment and projections indicate that the staff resource surpluses that previously existed in the engineering trades are reducing. DKIT is implementing a reform of its suite of programmes and will introduce new programmes with a view to meeting the needs of non-traditional learners seeking continued professional development on a part-time basis.



The Engineering dilemma is indicative of wider issues around the internal financial dynamics within institutes. Interrogation of data showing the breakdown by school or college, where this was available, identified business, arts and social sciences activities often making large contributions to the overall surplus. For science and nursing, institutes were typically able to break even at best, particularly with reductions in quotas for the latter discipline. The rebalancing of funding towards student contribution away from the state grant has also had a negative impact on funding for STEM students and other course provision, such as music and art, which is expensive to deliver. Institutions with high numbers of students in such costly courses have seen their level of funding decrease proportionally to other IoTs. There also appear to be particular cost challenges around areas including optometry and maritime studies.

Section 3: Future Recurrent Financial Performance

Future Income Forecasts

A major focus of the financial review was to ask institutions to produce detailed forecast financial plans underpinned by full analysis of future programmes, students, staffing and capital needs. This builds on the approach adopted by the HEA with vulnerable institutions, where a three-year plan is required to return each to a balanced budget. It is important not only to understand the expected trajectory of performance across the sector, but also to examine the capacity of the sector to accommodate the continuing increase in demand for higher education.

The most appropriate place to start is in the examination of future expected income levels. A challenge for the sector lies in the fact that the practical benefits of attracting additional students is unclear, with the RGAM allocating a fixed pot of funding on the basis of student numbers. This means that growing student numbers will only increase income if the pace of growth outstrips that of the average student growth rate across the sector. This provokes concern of a 'Red Queen' effect, where institutes are having to 'run faster' in order to stand still. It should be driving interest in income sources which are not as dependent on peer performance, such as part-time and online provision, competitive funding (e.g. Springboard), international students, philanthropy and commercial operations. However uncertainty around future success in securing such sources makes it very difficult to embed any income assumptions within financial plans.

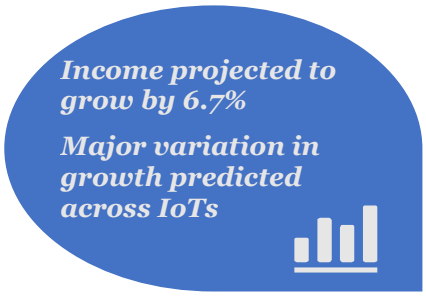
The financial projections were prepared by each institute on the basis of a relatively steady state Exchequer funding environment. As a result, the income growth projections seem modest, with overall sectoral income expected to grow by 6.7% between 2015/16 and 2019/20, as set out below.

Table 5: Analysis of Projected Future Income Across the IoT Sector

	2019/20	2018/19	2017/18	2016/17	2015/16
INCOME	**PROJECTED**	**PROJECTED**	**PROJECTED**	**PROJECTED**	**PROJECTED**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
CORK	101,590	100,912	100,195	99,718	98,741
DUNDALK	46,126	46,158	46,748	46,694	46,444
SLIGO	46,448	46,062	45,684	44,482	43,648
LIMERICK	60,044	58,753	57,481	56,214	55,073
WATERFORD	100,338	97,060	93,282	91,345	89,285
DUBLIN	156,101	155,461	154,868	153,938	153,305
CARLOW	55,741	49,613	44,949	42,127	39,753
ATHLONE	45,338	45,026	44,713	44,401	45,342
TRALEE	33,274	32,216	31,349	29,743	29,245
GMIT	57,975	57,903	56,936	55,757	55,817
DUNLAOGHAIRE	22,582	22,145	21,564	20,539	19,623
TALLAGHT	33,803	33,857	33,913	33,911	35,053
BLANCHARDSTOWN	28,747	27,925	27,071	26,243	25,793
LETTERKENNY	29,466	29,466	29,466	29,466	29,212
ALL IOTS	**817,573**	**802,557**	**788,219**	**774,578**	**766,334**

Many of the institutes adopted a very conservative approach to forecasting income, with Letterkenny, Tallaght, Athlone, Dublin, Dundalk and Cork assuming a relatively stagnant position. Other institutes which were more ambitious in their plans over the period included:

- Carlow (40.2% growth), fuelled by a continuation of its trend of significant student growth, underpinned by strong demographics and further expansion of part-time provision.
- IADT (15.1% growth), with significant new programme development and a strong focus on building its postgraduate offering.
- Tralee (13.8% growth), by reinvigorating student demand via an intensive schools' engagement programme, growing its medical foundation programme and expanding apprenticeship and part-time provision.
- Waterford (12.4%), by reversing the recent decline in student numbers via programme development and a major focus on retention strategy.
- Blanchardstown (11.5% growth), again helped by positive demographics and continued expansion of full and part-time student numbers
- Limerick (9.0% growth), with strong increases predicted in part-time provision and increased capacity in key discipline areas.
- Sligo (6.4% growth), supported by further growth in online provision and apprenticeships.



There are signs that institutes are addressing the need to diversify their income base. All of the institutes are targeting growth in part-time provision, which should be a critical function of the IoTs moving forward. Similarly growth is targeted in international students, although there is acknowledgement that such development must be targeted and that institutes should avoid being over-exposed to international markets. In this regard, the sudden cessation of the flow of Brazilian students via Science without Borders has perhaps reinforced the need to ensure a prudent approach to internationalisation plans. It was also noted that there are particular challenges to be faced, such as the expected decline of the Saudi market due to a policy change which targets funding for students attending the top 500 ranked higher education institutions only.

Retention is major focus of the income growth strategy in a number of IoTs; this is a natural focus, given the greater control that success in this regard would allow the institutes (as opposed to exposure to student performance and the performance of other IoTs). Retention levels are low in a number of institutes, ranging from 70% to 80% in terms of first-year progression, against an overall higher education sector average of 84% (although it must be acknowledged that IoT rates are naturally lower as a consequence of their role in facilitating regional access to third level provision). There are particular retention problems around specific disciplines, most notably engineering, and there would appear to be significant scope to improve performance and, hence, generate additional income from this source. For example, GMIT currently has very low retention levels (first year retention rate of 75%, 55% in a particular school) and is implementing a range of initiatives to bring the institution into line with average retention performance across the sector. These initiatives include recruitment of a Retention Officer, introduction of a retention traffic-light system in schools, one-on-one student/teacher meetings in the first week to establish contact at the earliest possible stage, peer assistance and withdrawal interviews.

The Springboard programme provides an interesting dynamic in the funding profile of IoTs, with competitive assistance available for institutes to address particular skills needs. The programme can deliver up to €1mn of additional funding for the most successful IoTs, but, with the running of an annual competitive process, there is uncertainty until the actual award is made, and a few IoTs noted exposure to unexpected falls in Springboard support. Nevertheless, the sector remains well placed to respond to initiatives of this kind, particularly if Springboard evolves into a re-skilling programme for existing employees, with opportunities for delivering part-time conversion courses around ICT and pharma skills, in particular.

There is also evidence that the building of close links with local industry not only reinforces the mission of IoTs, but also supports the generation of industry revenue. Institutes such as Carlow (e.g. Irish Defence Forces), Blanchardstown (e.g. PayPal) and Letterkenny (e.g. Pramerica) have developed many bespoke courses with industry partners, fulfilling regional labour and economic needs. As well as such courses, there are often programmes in place which are viewed by both students and employers as 'feeder' courses, where employability levels of graduates with the local firm are very high.

Projected Cost Base

The overall cost base across the IoT sector is projected to grow from €768mn to €823mn from 2015/16 to 2019/20. This represents an expansion of 7.2%, which is above the equivalent growth in projected income of 6.7%. This suggests a further decline in the overall financial position of the sector which, although minor, remains a concern given the vulnerable position of many of the institutes.

It was noted earlier in this report that the split between pay and non-pay costs across institutions varies significantly. Those institutes that have moved non-pay down towards 20% of the cost base largely appear committed to maintaining this approach (Letterkenny, Tallaght, Galway, Athlone, Carlow, Dundalk), but there are major increases in non-pay costs predicted for Dublin and IADT. Indeed, the overall sectoral change in non-pay costs is projected to be 11.4%, which is reflective of the expectations around continued restraints in pay costs and the need to spend on facilities, equipment and maintenance, which has been neglected in recent years.

Table 6: Analysis of the Non-Pay Cost Base in IoTs

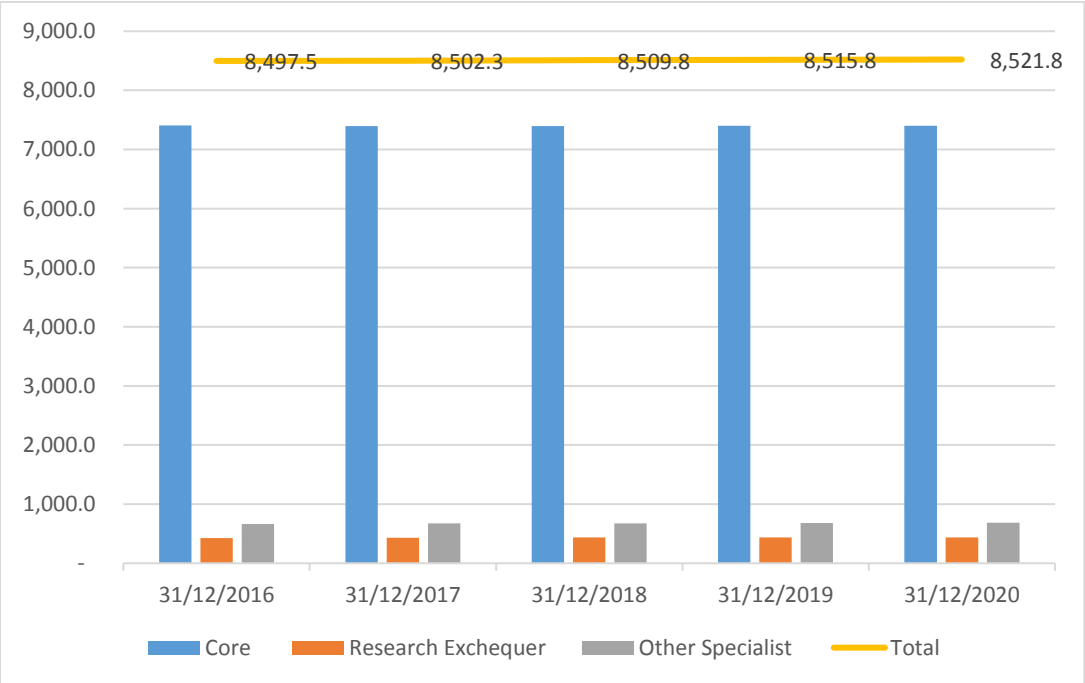
	2015/16 Non-Pay Cost %	2019/20 Non-Pay Cost %	Change in Non-Pay Cost Proportion	% Change in Absolute Non-Pay Cost
Cork	26.93%	27.32%	0.40%	7.95%
Dundalk	22.21%	22.46%	0.25%	-0.28%
Sligo	26.17%	26.20%	0.04%	5.61%
Limerick	22.91%	22.94%	0.02%	7.56%
Waterford	23.68%	23.57%	-0.12%	6.42%
Dublin	23.84%	28.41%	4.56%	32.60%
Carlow	24.70%	21.12%	-3.59%	20.26%
Athlone	21.13%	21.00%	-0.13%	2.04%
Tralee	23.71%	23.48%	-0.23%	6.97%

Galway	22.01%	20.12%	-1.89%	-9.92%
IADT	26.57%	29.14%	2.57%	25.88%
Tallaght	22.14%	22.16%	0.02%	0.00%
Blanchardstown	24.63%	26.71%	2.08%	19.97%
Letterkenny	19.67%	19.37%	-0.30%	-1.12%
TOTAL	23.78%	24.59%	0.81%	11.39%

The pay base across the IoTs is projected to grow by 6.0% from 2015/16 to 2019/20, which is below the forecast income growth. This reflects both the expected continuation of tight controls on employment numbers across higher education and also a recognition that significant investment in staffing is not feasible given the current financial position and the lack of certainty around how student growth will impact on funding obtained. Pay costs will increase naturally as a result of application of increments for existing staff. It should be noted that this pay base does not include the implications of Lansdowne Road agreement pay restoration costs, as the HEA understands that there will be additional Exchequer funding to meet these costs. These are estimated at a cost of €41mn in 2017; this figure includes Croke Park pay restorations, HPAL (progression from the assistant lecturer scale), administration grade re-evaluations and the removal of one of the additional two hours' flex committed to teaching time. Any divergence from this policy by Government will seriously undermine the viability of the sector.

In fact, as set out in the Figure below, staffing numbers through to 2020 are expected to be relatively static. The January 2016 core staffing base of 8,497 is only projected to grow by 0.3% to 8,523 by January 2020. It must be acknowledged that this is in keeping with agreed assumptions around core staffing (which, in the absence of the new Delegated Sanction Agreement, were expected to continue to align with 2014 ECF targets), but there is little evidence of any growth in non-core staffing to accommodate any further increases in activity.

Figure 14: Projected Staffing in IoT Sector



A further evolving HR issue, which could have significant repercussions for a number of institutes, surrounds the balance in national policy between awarding permanent contracts and the requirements for flexible delivery, with the recent recommendations of the Cush report a serious concern in this context. The most successful IoTs in developing part-time and online provision have made significant use of flexible deployment of staff in order to provide the flexibility required for delivery of learning on a short course or modular basis outside of normal teaching hours. The model is also ideal for bringing in particular perspectives to add value to the programme (e.g. an industry lecturer, a business leader, or a subject-matter expert). However there is a risk that this model could fail if such institutes are now forced to restrict the flexible use of such staff. As well as undermining the financial benefits from delivery of part-time programmes, this will also serve to discourage further development of such provision at a time when workforce upskilling is a central tranche of Government policy. The National Strategy for Higher Education placed a strong emphasis on the requirement for more open-ended teaching term and teaching day requirements – to enable the flexible deployment (evenings and full-year availability) that will be necessary to meet students' needs and for outreach activities. It also called for the appropriate use of 'teaching only' academic contracts. Flexible learning will only be sustainable if it is underpinned by flexible working arrangements and a solution must be found to these issues to avoid stalling growth in this area.

The strict controls over pay and staffing across the IoTs raise questions around the capacity to accommodate the strong student growth anticipated in many cases. The student base across the sector is projected to increase by 11.7% through to 2020. Institutes acknowledge challenges in meeting this demand by largely relying on existing staffing resources, but they did point to spare capacity in some areas and some scope for re-skilling and re-deployment to meet evolving demand. The restrictions on recruitment, staffing, redundancy and retirement remain a major constraining factor for the sector and limit the institutes' ability to respond to new skills needs in the economy via new programme development. A voluntary redundancy scheme was identified by IoTs as a potential solution and there was a desire to see a national approach to this issue put in place by the Department of Education and Skills. As noted earlier in the report, the HEA should consider if this sectoral approach is feasible and, if so, establish the clear business case for this type of intervention for submission to Government. Their ability to meet such demand and the general upward demographic trend, which will deliver a potential pipeline of undergraduate students, should be considered a risk and should be carefully monitored by the HEA moving forward.

The Delegated Sanction Agreement (successor to the Employment Control Framework) will be introduced to the sector. This agreement recognises that it is appropriate that there be some increase in the staffing of the system to address specific institutional needs or growth opportunities, i.e. demand from labour markets, etc. One of the core principles of the DSA will be alignment between core recurrent funding and core staffing. While it is impossible to predict future changes in overall sectoral core funding, any growth over the next two years is expected to be moderate.

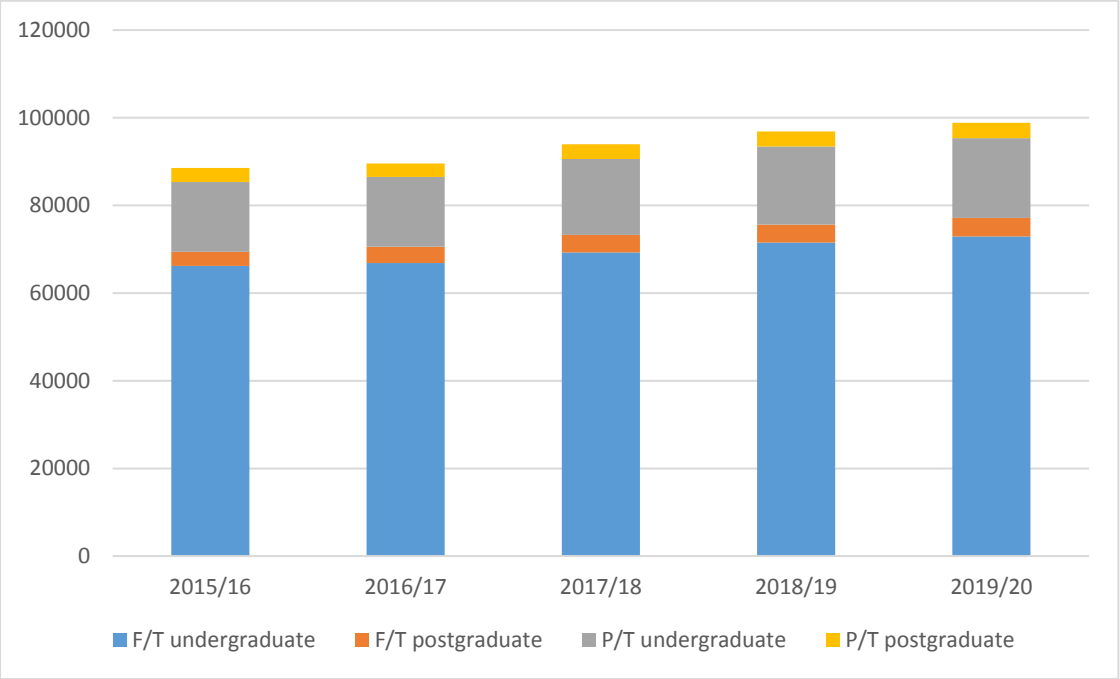
However, differentiated patterns of student growth across the State do mean that there are institutions that will generate increases in core funding. By providing the capacity for core staffing to

grow in line with such changes, this will allow student growth to be accommodated without any risk to the quality of provision, and could mean scope for staffing investment beyond that predicted above. The issue of student growth and the wider demographic trends which underpin this is further considered below.

Demographics, the Evolving Student Base and Capacity Constraints

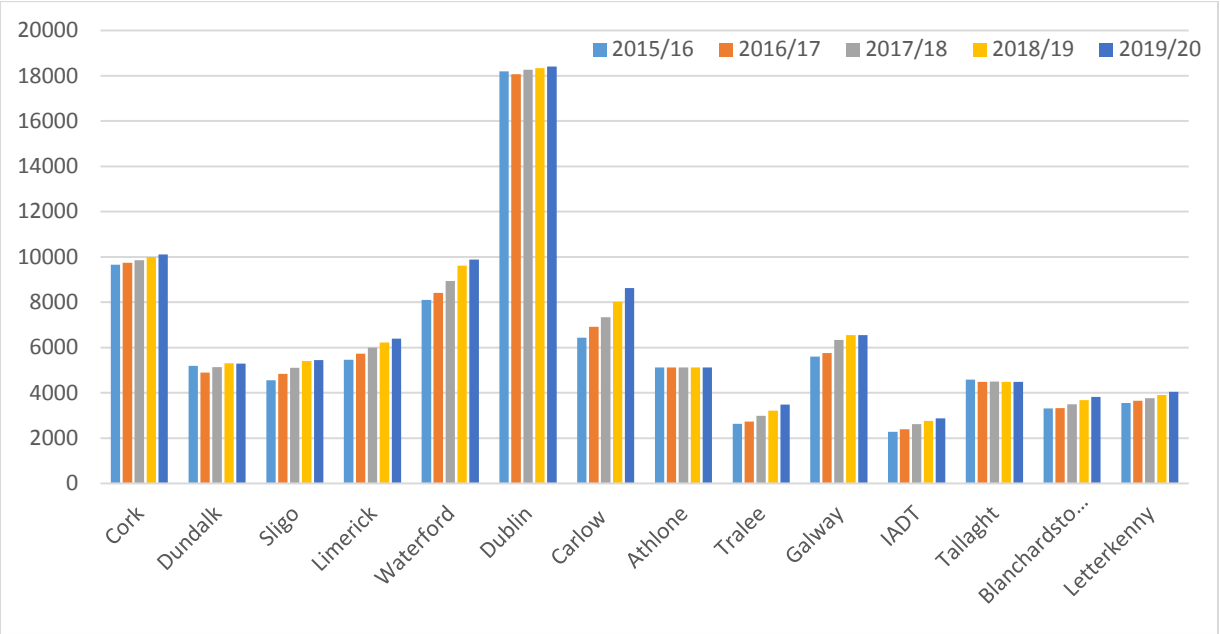
As noted above, while staffing and income growth projections are relatively modest, the sector does expect a continuation of strong student growth. This has the potential to further exacerbate the current quandary of meeting the ever-increasing demand from students via a relatively fixed pot of funding. As set out in in the Figure below, the overall student base in IoTs is expected to expand by 11.7% over the period 2015/16 to 2019/20. This strong level of growth is expected to be reflected across full-time undergraduate (10.2% expansion); part-time undergraduate (14.5%); and part-time postgraduate (10.4%) provision. However, the most notable expected jump occurs around full-time postgraduate provision, with growth of 29.3%. This runs counter to recent trends and raises concern that projections in this regard are excessively optimistic, perhaps driven by a focus on expansion in an area which has a more direct income benefit via postgraduate student fees.

Figure 15: Projected Student Numbers



By breaking down the student growth projections by institution, we can see in the Figure below that, with the notable exceptions of Dublin, Tallaght and Athlone, who are predicting a relatively stable outlook, other IoTs are all predicting some degree of student growth.

Figure 16: WTE Student Numbers by Institute



There is a strong rationale for the IoTs in Dublin and the East – particularly those in the 'commuter belt', such as Carlow and Blanchardstown – anticipating significant growth, as this is underpinned by positive demographics within the immediate catchment area (although their capacity to accommodate further increases in student numbers is another question). The institutes are all dependent on this immediate catchment area for the vast majority of students, reflective of their regional role and contribution. For example, IT Tallaght is the first HEI preference in Dublin 24 and attracts 72% of its students from this or adjacent postal districts, and 90% of its students if this catchment area is extended to Kildare and Wicklow. However, the fairly flat demographics in western regions mean that the growth predicted by institutes such as Tralee, Galway/Mayo, Sligo and Letterkenny is more questionable, although it should be acknowledged that recent indications across these institutes are of positive student trends, and they all have very specific programme development plans in place to realise future growth. Nonetheless, the situation should continue to be very carefully tracked as the vulnerability of three of these institutes to lighter than expected growth given their current financial position is considerable.

It would also be hoped that the evolving higher education landscape would play a role in supporting growth in institutions. The recently published National Skills Strategy suggests a major focus on the re-skilling of the existing workforce, and Springboard is expected to evolve in this manner, as mentioned previously. The roll-out of the new apprenticeship model will be critical, with the sector well positioned to deliver the new planned apprenticeship-style programmes focusing on a wider base of occupations. This is evidenced by IT Sligo's launch of one of the first programmes in

Student growth of 11.7% with 11/14 IoTs predicting expansion

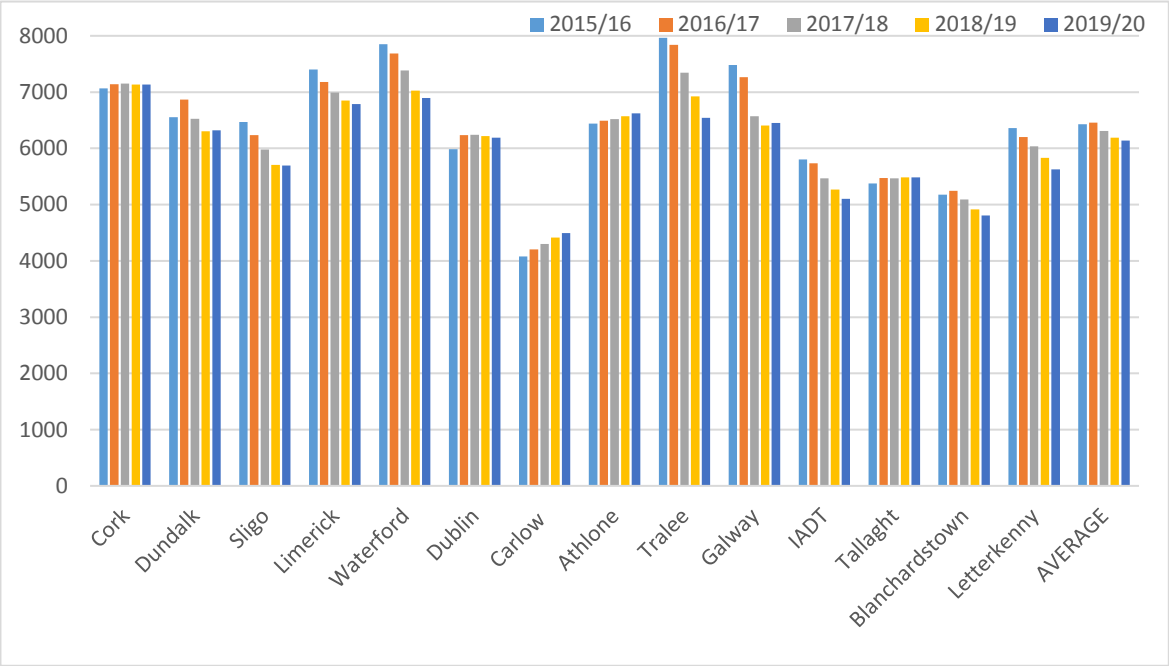
Part-time UG (14.5%) & Full-time PG (29.3%)

Very regional catchment areas & demographics link closely to growth

September 2016, focusing on the insurance industry. There is concern that the new model is being dominated by the further education sector in a way that runs counter to recommendations of the Apprenticeship review. It is important, therefore, that a 'whole of education' approach is apparent in continuing its roll out in order to fully utilise the capacity, expertise, industry contacts and regional positioning of the IoTs. It is important, however, that institutes are proactive in seeking out and developing opportunities around the new skills' agenda given these unique attributes. The HEA should consider how such behaviour could be rewarded, and there is merit in considering how further flexible up-skilling initiatives could be supported within the RGAM. This might examine whether programmes such as FLASHE (Flexible Access to Higher Education), which supported for example a Higher Certificate in Electronic Engineering in Tallaght on a part-time, 'dip in, dip out' basis, could be incentivised in this manner. The HEA would also like to see a greater focus on online and blended provision across the sector, and ongoing programmatic review will be increasingly critical in ensuring that offerings continue to meet market and economic needs. These types of approaches will certainly become more important as the 'unbundling' of higher education continues apace, with students and employers demanding more tailored modules and relevant higher education provision, rather than long continuous degree programmes.

Of course, availing of these opportunities will require capacity in institutes in the same way as meeting the needs of the expanding undergraduate student base. The projections of strong student demand are not reflected by close-to-equivalent increases in staffing, and given the already clear pressures on the sector in maintaining quality provision, the capacity of the sector to respond to this demand must be in question. The Figure below shows the anticipated trends in Pay Costs per WTE student, which highlights the decreasing staff resources invested in each student over time if the current forecasts come to fruition. There may be some scope to meet capacity needs via internal review of resourcing, with opportunities for efficiencies where course delivery can be combined, although this is constrained by the lack of flexibility to move and re-deploy staff in a way which could facilitate growth. There is certainly a need for much strong management information on the internal dynamics of institutes to be developed to allow a much more forensic understanding of the respective contributions and costs of the different schools, colleges and functions. Cork, Sligo and Waterford are focusing on such systems at present, and it is important that all IoTs plan effectively in this way. It would facilitate internal workforce planning and allow management to engage with schools to identify areas of priority and to set out business cases for particular resourcing decisions. The HEA believes that, while the above action is essential to further improve the efficient and effective operation of institutes, there remains a clear sustainability issue for the sector without the provision of additional funding to address capacity constraints.

Figure 17: Pay Cost per FTE



Sustainability Concerns and the Future Cash Flow and Reserve Position

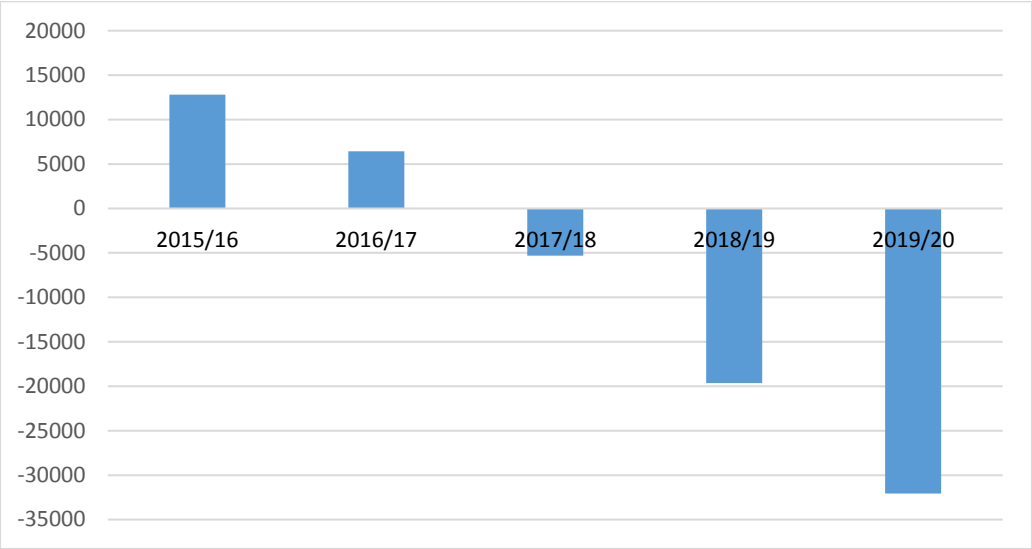
The sustainability concerns are reflected in a consideration of the future position with regard to the ongoing ability to generate surpluses and the condition of both capital and revenue reserves. Looking forward, overall deficits are projected for the sector in each of the next five years, with a €1.9mn loss predicted for 2015/16, rising to €9.7mn in 2018/19. While this level is relatively small in a sustainability context, and while 9 of the 14 IoTs predict small surpluses by 2017/18, the sensitivity of these predictions is a concern, with very little margin for error and exposure to deviations from expected levels of student demand.

Sectoral deficits predicted for next 5 years, rising from 1.9m in 15/16 to 9.7m in 18/19

Reserves eliminated in 9 of 14 IoTs

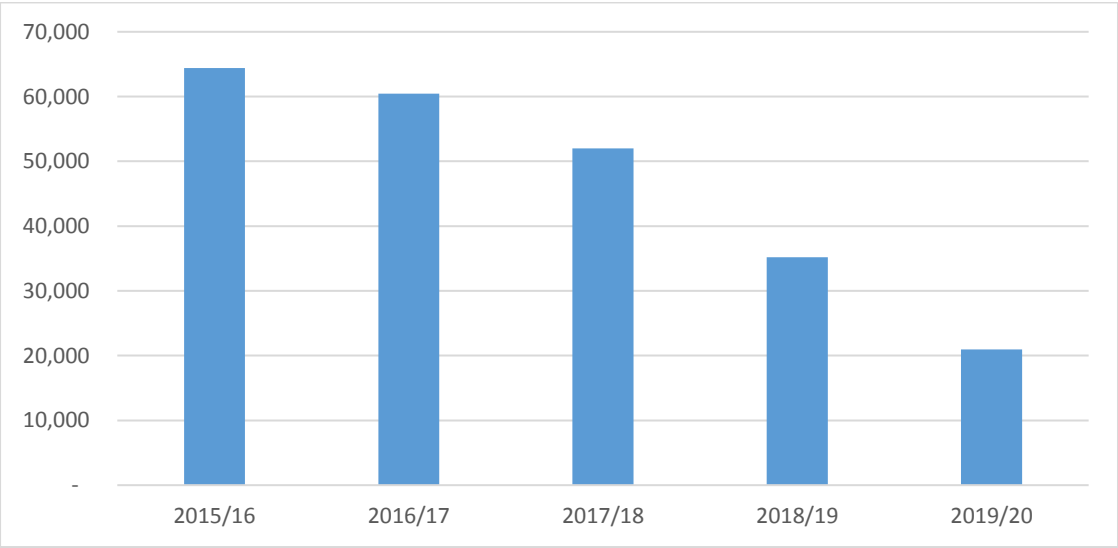
In line with this financial performance, revenue reserves are expected to be fully depleted over the period for all Institutes with the exception of Blanchardstown, Carlow, IADT and Sligo. The situation with regard to DIT is more complex, as its reserve position is affected by fluctuations and funding flows in and out around the Grangegorman development. DIT also continues to be on the negative side of the moderator within the HEA funding model, meaning that funding per student remains higher than average and relative funding will continue to reduce until the funding per student returns to a more consistent level in comparison with the rest of the sector.

Figure 18: Projected Revenue Reserves (€000)



As was indicated earlier in the report, the distinction between revenue and capital reserves is diminishing as institutes increasingly utilise the latter to address shortfalls in the former. The Figure below looks at the projected capital reserve position. In addition to the 5 existing institutes considered vulnerable by the HEA at present, the lack of reserves and projected deficits in Cork, Athlone and Tallaght suggests that these institutes may also be at risk over the period if any further decline in financial performance arises. The lack of reserves must also be considered when monitoring the ability of Limerick to generate the modest but growing surpluses it envisages, particularly as the end of ring-fenced funding for the now merged Tipperary Institute has brought LIT to the negative side of the moderator. The DIT position regarding the moderator also presents ongoing sustainability issues as noted above. Although conservative budgeting may play some part in setting out such a negative scenario across the sector, it is clear for nearly all IoTs that any reserves which are left are being used to meet deficits as opposed to funding strategic or infrastructure development priorities.

Figure 19: Projected Capital Development Reserves (€000)



The seriousness of the financial position of the sector is reflected in cash flow analysis across the institutes. The cash position of the IoT Sector will be impacted by a number of factors.

- Surplus/(deficits)
- Deferred grants, recurrent, capital and research paid in advance and working capital movements
- Depreciation/Amortisation
- Capital Expenditure

Set out below are the projected cash balances for 2016 and 2017. August is possibly the lowest cash point, as some deferred grants would have been paid out, whereas December will include newly paid grants for the start of the next financial year.

Table 7: Cash Flow Analysis across IoTs

	Dec-17 PROJECTED €'000	Aug-17 PROJECTED €'000	Dec-16 PROJECTED €'000	Aug-16 PROJECTED €'000
Cork	10,853	5,735	14,833	12,924
Dundalk	5,733	2,169	5,564	2,110
Sligo	17,427	19,439	23,464	24,788
Limerick	4,000	5,000	6,000	7,500
Waterford	6,109	-2,289	6,306	-1,092
Dublin	36,000	28,000	40,000	29,000
Carlow	14,000	10,600	18,500	15,700
Athlone	10,000	6,000	11,000	7,000
Tralee	3,661	3,640	4,157	4,466
Galway	15,000	8,000	15,000	9,000
IADT	9,377	6,347	9,191	6,732
Tallaght	15,734	15,946	16,352	16,555
Blanchardstown	4,821	3,529	8,594	7,115
Letterkenny	3,500	4,000	4,870	5,300
TOTAL	**156,215**	**116,116**	**183,831**	**147,098**

From an analysis perspective, it is more meaningful to review the August cash position. The cash balances will include the cumulative Revenue and Capital Development Reserves (CDR) which, in August 2016, are projected at €54.9mn and August 2017 at €20.1mn. As depreciation and amortisation credits are similar amounts, the difference in cash will be mainly deferred grants received in advance, as debtors and other creditors and accruals are also close to balance. On this basis, the cash balance at August 2016 of €147.1mn includes deferred grants of €92.2mn (147.1-54.9) and August 2017 €96mn (116.1-20.1). This means, that this portion of money should effectively be kept aside to be used for the specific purpose for which these grants were made available.

The payment of grants in advance is, therefore, extremely important for the IoT sector, and it sustains their cash as long as there is no deterioration in the surplus/(deficit) position going forward

or major capital expenditure. However, the projections for 2017 show a reduction in August cash balances from €147.1mn August 2016 to €116.1mn in 2017. The cash balances in the sector were €218.1mn in August 2013.

There are projected losses in 2017, 2018, 2019 and 2020 of €30.0mn, as well as capital spend in the same period of €34mn (although, clearly, this will not be committed if finance is not available either from institute, Exchequer or other resources). Nonetheless, the cash position is projected to deteriorate rapidly from 2017 to 2020. The total revenue and CDR reserves are forecast to reduce from €54.9mn in 2016 to a negative cash position of €24.7mn in 2020.

Based on this analysis, the deferred grant payments of €92mn-96mn will not be sufficient to finance the cash flow of the sector. While the three institutes noted above are at most immediate risk of running out of cash, it is likely that other IoTs could face cash flow difficulties over the forecast period.

To conclude the analysis of future projections, it is worth considering the record of IoTs in accurately budgeting for financial performance in recent years. Each year, as part of the annual budgeting process, an Institute submits a detailed budget showing the surplus or deficit it expects to generate during that calendar year. It is then required to inform the HEA of the outturn against that budget. The requirement for a balanced budget tends to drive those IoTs, particularly those with growing student numbers and income, to set conservative budgets with subsequent outturns that paint a much more positive actual performance. Uncertainty over competitive funding such as Springboard or the likelihood of a deferred grant also causes many IoTs to err on the side of caution in the budgeting process. The table below sets out the comparison between budget and outturn figures over the last 5 calendar years.

Table 8: Budgeted and Actual IoT Performance 2011-2015 (€000s)

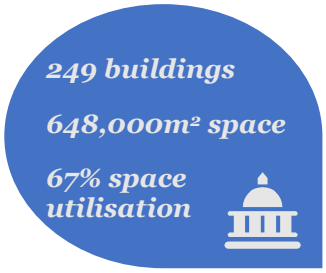
IoT	2011		2012		2013		2014		2015		5 yr ave divergence
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	
AIT	€356	€433	€0	€978	€1,070	€1,016	€1,106	€185	€1,163	€51	€1,098
ITB	€27	€240	€412	€889	€175	€825	€806	€1,600	€903	€3,082	€942
ITC	€0	€820	€785	€889	€634	€3,353	€526	€3,429	€1,334	€3,600	€1,762
CIT	€2,600	0	€1,204	€3,257	€1,035	€337	€189	€126	€1,469	€2,393	€619
DIT	€0	0	€490	€4,129	€302	€1,915	€1,259	€33	€103	€1,625	€1,930
DKIT	€0	€1,400	€1,364	€967	€883	€296	€1,168	€969	€109	€834	€213
IADT	€0	€1,200	€204	€685	€0	€2,094	€153	€35	0	€572	-€139
GMIT	€0	€1,265	-€149	-€223	€3,119	€1,634	€3,177	€2,337	€1,387	€2,796	-€85
LYIT	€433	€494	€287	€1,654	€1,975	€2,010	€2,402	€1,410	€1,860	€1,345	€9
LIT	€404	€0	€464	€1,089	€0	€1,180	0	€848	€148	€267	€56
ITS	€0	€28	€1,300	€4,869	0	€1,725	0	€3,333	€109	€1,395	€1,988
ITTD	€44	€1,200	€755	€238	€708	€1,041	€213	€123	€0	€147	€27
ITTr	€0	0	0	0	€1,634	€1,315	€450	€669	€684	€946	-€32
WIT	€1,600	0	€1,100	€454	€100	€101	€1,024	€896	€1,674	€1,302	€149
TOTAL											**€8,577**

The analysis perhaps raises further questions around the quality of management information within IoTs, although the tendency to set prudent budgets as noted above is a contributory factor to the average annual €8.6m divergence from the budget surplus/deficit across the sector. It would also

suggest that the financial projections set out in this report are the product of pessimistic or highly conservative assumptions, and that the sustainability issues might not be presented to quite the same degree as set out. This should be monitored, although the difference between an annual budgeting process where a key goal is to demonstrate a balanced budget as far as possible and an in-depth longer-term financial forecasting exercise with a range of common assumptions should also be recognised. It should also be noted that if you take out the relatively financially secure IoTs (i.e. Carlow, DIT, Blanchardstown and Sligo), the budgeting process is reasonable accurate over the five year period. Regardless of this caveat around forecasts, it is clear that a more robust and consistent means of understanding the current and projected financial situation needs to be implemented across the sector.

Section 4: The Capital Challenge

Capital Deficit

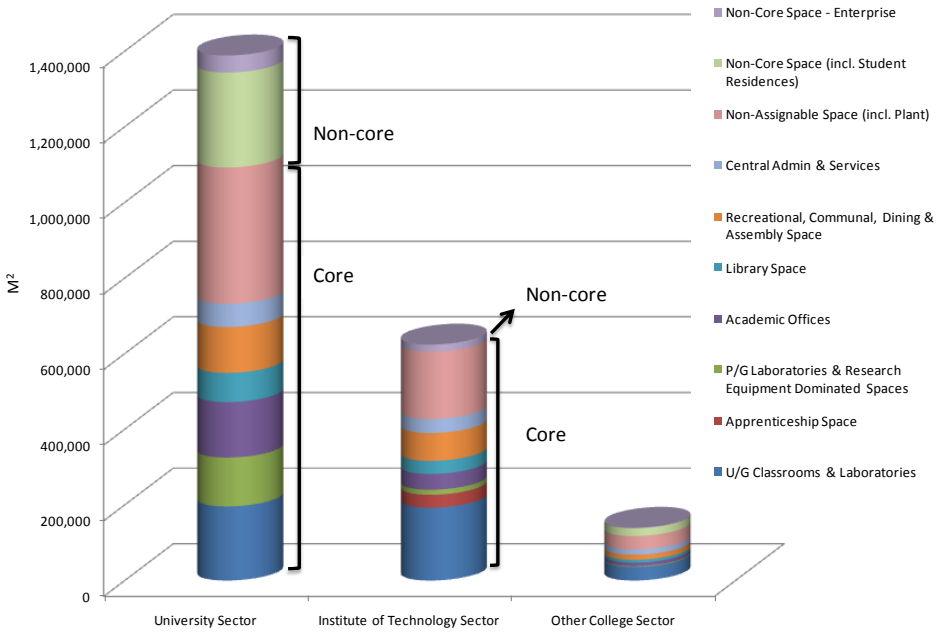


Concern around the financial vulnerability of the IoT sector has tended to focus to date on the recurrent issues which prevent institutions from delivering balanced budgets. While these are critically important, the analysis and engagement with institutes during the financial review confirmed that there is a very significant capital challenge which will have to be met. Institutes need to find a way to maintain and renew physical infrastructure to the required standard to protect quality of provision and ensure a fit for purpose campus environment. In addition they must find the additional capacity to meet growing levels of student demand.

The IoT sector continues to perform strongly in terms of space utilisation. Across the 14 institutes there are 249 buildings and gross space of 648,000m^2. The sector accounts for 29% of the gross space available across the higher education sector yet is able to serve 42% of the students (although the more extensive research facilities on university campuses explains part of this difference).

As set out in the figure below, the IoTs devote almost all of their space to core activities, with a major focus on undergraduate classrooms and laboratories, with more of this type of space set aside than for the entire University sector (which services 25% more students).

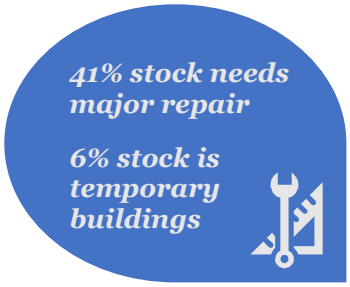
Figure 20: Distribution of Gross Space across IoT and Wider HE Sector



The sector has stretched itself to accommodate the increasing student full-time and part-time population with minimal investment for additional capacity. International norms for student space ratios are between 10m² and 11m² per student; Ireland's institutions average is between 7m² and 8m² per student. Institute A noted, for example, that space within its campus equated to between

6m² and 7m² per student, and that such constraints prevented the development of effective student services and amenities, undermining the campus environment and amenities. Capacity to continue to provide places for an expanding student cohort is diminishing, especially in lab-based courses such as ICT, science and engineering.

Space utilisation within the sector in 2016 is estimated to now sit above 67 per cent, which has increased from 63% in 2010. This is an average and does not reflect the significant capacity issues that exist for specialist teaching facilities. The increase is due to significant growth in student numbers with virtually no increase in capital space provision in the same period. It has been achieved largely via more efficient space planning and utilisation and the extension of the timetable to the early morning and late evening for use of laboratories, technical facilities, etc. Sustaining this level of utilisation is challenging, particularly in light of the relatively high proportion of facilities that are classified as in need of replacement or major repair. Over 41 per cent of space within the higher education sector in Ireland is more than 25 years old, of which 18 per cent is more than 50 years old. Major repair or replacement is required on 41 per cent of the total space in the sector. Temporary buildings (including prefabs) and rented space account for 6 per cent of stock.



The postponement of capital renewal and investment projects has been a key feature in institutes seeking to balance their budgets and protect reserves in recent years. This has resulted in physical infrastructure which is inadequate and of increasing concern from a health and safety perspective. For example, Institute A has identified an urgent backlog maintenance programme of €8.25m to address health and safety and business essential issues to enable the continued use of the facility. Institute B cited a similar urgent maintenance requirements of €4.7m to ensure ongoing operations. Neither of these programmes can currently be implemented due to lack of available finance.

The limited budget available for capital investment is demonstrated by the analysis of capital payments from the Department of Education and Skills from 2008 to 2015 in Table 9. Total investment was €729m, with 56% for the universities and 32% for the IOTs. Over the last 5 years, average annual Department capital funding for the IoTs was under €15mn. The constraints on borrowing in the IoT sector are also clear from analysis of non-state funded capital investment, with a study from 2001/02 – 2010/11 showing a level for the university sector of €650m (an average of 41% of total capital investment) and €115m for the IoT sector (an average of 13% of total investment). EIB loans (one awaiting approval) to the University sector now total €490m and support a total investment of €1Bn. Until this, or an equivalent borrowing facility is made available to the IoTs, scope will not exist to build the physical capacity to accommodate expected levels of student growth.

Table 9: Review of Annual HE Capital Funding from DES in €m

	Paid 2008	Paid 2009	Paid 2010	Paid 2011	Paid 2012	Paid 2013	Paid 2014	Paid 2015
UNIVERSITY	€24.50	€76.54	€116.50	€48.00	€44.00	€41.00	€31.10	€29.58
IOTs	€51.00	€58.50	€51.00	€24.00	€8.00	€15.50	€8.00	€16.78
Grangegorman	€0.00	€0.00	€0.30	€5.00	€2.50	€12.30	€40.00	€5.91
DIAS	€0.00	€1.25	€0.30	€0.25	€0.02	€14.00	€0.10	€0.00
RIAM	€0.00	€0.50	€0.00	€0.20	€0.14	€0.04	€0.00	€0.00
CICE	€0.00	€0.23	€0.30	€0.38	€0.25	€0.20	€0.06	€1.70
Total	**€75.50**	**137.02**	**€168.40**	**€77.83**	**€54.91**	**€83.04**	**€79.26**	**€53.97**

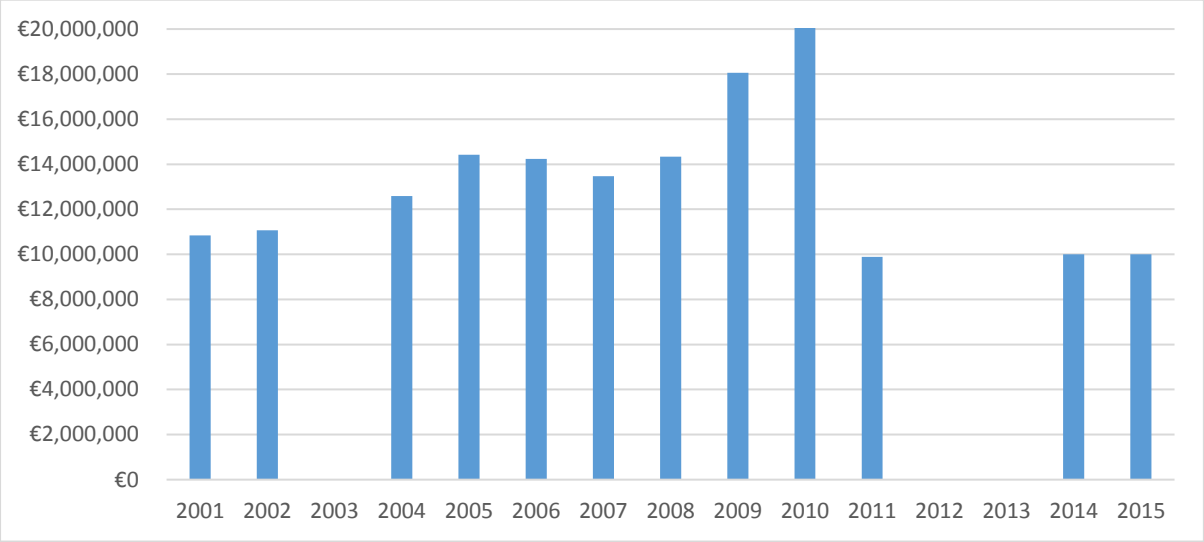
Very few campus development projects have progressed despite capacity being required to further grow provision in key areas. The current situation with regard to capital expenditure and plans is set out in Appendix G, and shows the paucity of activity in comparison to the major investment needs.

Institutes cited the poor quality campus environment was already having an adverse impact on their ability to attract undergraduate, postgraduate and international students, undertake effective research and innovation activities and develop opportunities for collaboration with industry. Most agreed that the student experience had suffered in recent years due to underinvestment and insufficient facilities and that this would increasingly undermine their competitiveness. There remains concern about sharing information on deficiencies in infrastructure for this reason, but the evidence presented during the review visits made it clear that there is a severe financial deficit across the sector which will jeopardise its ongoing viability unless rectified in the short to medium term.

Role of the Devolved Grant

The capital stock across the IoTs was valued at almost €1.8bn when the space survey was undertaken in 2010. It is generally accepted that at least 1.5% of the value of building stock be used as a base to calculate budgetary requirements for a dedicated scheme of minor works. Although this stock has appreciated in value since that time, using this historic value alone to calculate a required level of ongoing investment for capital renewal would produce an annual grant of €26.4mn. Although not approaching this level, it has been encouraging that a devolved grant of €10mn was made available at the very end of 2015. Indeed this continued a practice adopted by the Department of Education and Skills in 12 of the last 15 years. Therefore although the official communication from both the Department and the HEA is that institutes should not assume the availability of a devolved grant, this has been a regular component in their financing. It is also worth noting that, at its peak, the devolved grant for the sector did reach a figure of €20.1m in 2010, which is more closely aligned to the level required to maintain capital stock and ensure ongoing operations in a 'steady state' environment (i.e. one in which there is no capital deficit to be addressed).

Figure 21: Devolved Grant Allocation to IoTs 2001 - 2015



During the financial review, the HEA found evidence of the critical impact of the release of this funding, both to ensure the undertaking of essential health and safety works and to maintain operational quality in teaching space. In IT Sligo, for example, the devolved grant for 2015 was used to complete essential upgrading to science labs, allowing increased capacity for 40 science students to be maintained in a facility which otherwise was obsolete. In Letterkenny, it was deployed for essential health and safety works and a contribution to essential renewal of ICT equipment.

€26.4m annual estimated 'steady state' investment required to maintain building stock

In Dundalk IT, €120,000 was required in 2015 to undertake essential upgrading to a biopharmaceutical sciences lab in order to maintain capacity for 20 students in this area. The lab has been closed for 2016/17 but it is hoped that a future devolved grant, should one be forthcoming, would allow such works to progress and additional students to be taken on. The investment, while critical in terms of capacity, was not a high priority in terms of other health and safety concerns and therefore was not completed in 2015.

The grant is therefore fundamental to the sustainability of the IoTs. It means the difference in being able to maintain a minimum level of quality and to keep laboratories and other teaching space operational on an ongoing basis. The system of allocating the grant at the end of the year on the basis of historic spend undermines its effectiveness and creates issues for IoTs, particularly those in vulnerable situations, who have to decide whether to spend on essential capital works without certainty that this money will be recompensed (and indeed as noted above the standard guidance to institutes each year is to assume that there will not be a devolved grant). The Office of the C&AG have also become involved and insisted that the grant is only accounted for in the period when it is announced, meaning the funded activities appear in a different year from the funding itself, clouding the accuracy of institute financial statements and their attempts to deliver balanced budgets.

Technology Crisis

A by-product of the existing capital deficit across the IoTs and the lack of capacity to maintain and renew infrastructure is a serious crisis around technology. The deferral of decisions to replace ICT

equipment has left most IoTs with ageing stock and technology which is far from the level required for a modern internationally competitive higher education institution.

- Institute A noted that 256 out of 769 PCs and laptops on campus were over 7 years old.
- Institute B noted that PCs within a school offering ICT related provision were up to 10 years old, while networking equipment was 14 years old and catalyst switches us to 12 years old.

Addressing this challenge is complex, as there are rapidly evolving technology requirements which have moved investment plans beyond the replacement of existing computers. The modern student, and indeed academic or researcher, expects to be able to bring their own devices into college and be able to undertake their work, study and research from those devices with full functionality in accessing the institute's systems and resources. A strategic review is required to determine how the gaps in technology can be addressed to ensure that the institutes can offer a modern and relevant experience, and how sufficient funding can be deployed to support this critical feature of the Irish higher education system.

In addition to the technology underpinning student and staff satisfaction and performance, there are also issues around the wider support system infrastructure that need to be addressed at sectoral level. These include payroll, financial and student records systems which could, if fully upgraded, feed into a wider sectoral management information gathering tool, which could be key to timely monitoring of the financial performance and ongoing sustainability of the sector. There is an urgent need for investment in this area with current systems inadequate and the establishment of Educampus to coordinate the roll-out of a Management Information System refresh programme has been a critical development. This programme involves the upgrade of the MIS systems for human resources; student management; finance; academic awards; and library records.

It is equally important that the work on system infrastructure is fully integrated with the shared service plan being rolled out by Government, as this could facilitate further savings across these areas and provide a platform for a wider approach to such systems which extends beyond the IoT sector. It is encouraging that formal reporting relationships are being developed between Educampus and the Department of Education and Skills Shared Service Programme Board and that the upgrading of the HR system is closely linked to the plan for payroll integration as the first key shared service initiative in higher education. This close working relationship needs to be maintained and built upon if the full value of coordinated investment is to be realised.

Potential Impact with Targeted Investment

While there are clear concerns around the capital deficit across the sector, the few institutes which have been able to build up reserves have progressed with essential campus development projects to free up capacity to meet student demand. In 2016, IT Sligo is investing €8.1mn in the construction of a new 280 seat lecture theatre and auditorium and on general refurbishment. IT Carlow, meanwhile, opened a new Centre for Aerospace Engineering in 2015 and is constructing a new 3,133m^2 teaching building at a cost of €5.25mn. In 2015, GMIT completed a €0.8mn refurbishment of underutilised teaching space into life sciences, maths and computing laboratory space enabling the institution to continue to increase student numbers in these high demand areas. The project represents an excellent example of institutions repurposing space to meet the needs of existing students and the economy. Similar projects were completed in a number of institutions where capital development

reserves were available. There is also, of course, the major DIT development at Grangegorman which is currently delayed due to legal issues, but will bring a high quality purpose designed modern campus into the sector when complete. DIT is providing €28.5mn of its own funding to support this development

The impact of these developments on growing relevant capacity in the institutes is key, and similar transformative impacts could be achieved if investment in other IoTs, which lack their own resources to invest, could be carefully targeted. It was notable during the review that there was strong growth in science and ICT provision, fuelled by close links with regional employers which offered virtually guaranteed jobs for graduates. It was also the case that the most successful Institutes seemed to be those that were most effective in differentiating their offering from the University sector (and indeed in some cases their peer IoTs). Advancing the STEM agenda remains a core goal of Government education and economic policy and there is potential to reaffirm the technological mission of the IoTs in offering this type of employer-linked differentiated provision.

To do this, investment in modern facilities and increasing the capacity for provision of STEM disciplines should be an immediate priority. Funding for capital projects has been incredibly limited in recent years, and there is no clear sense of a coherent strategy with regard to how the limited funding is directed. The review identified a number of examples of capital projects in the STEM space that would have the potential to increase capacity significantly in the respective institutes, accommodating additional student demand in these key areas and further embedding their role and contribution in this space. The table sets out the examples of STEM infrastructure projects that were gathered during the review.

Institute	Project
Dundalk	Lab upgrade and refurbishment programme to maintain & increase capacity in science
GMIT	To build on the success of the school of science and skills needs of local pharma industry via extended purpose built STEM building
Waterford	To establish a new science building to increase capacity and meet local employer needs
Limerick	To develop the Coonagh campus as a centre for engineering
Tallaght	Development of Sports Science & Health building on hold since PPP programme cancelled due to downturn
Sligo	Develop a new centre of excellence and teaching hub for Precision Engineering

The above list is not intended to be exhaustive, but does indicate that there are 'ready to go' capital development projects in the STEM space that could be progressed if targeted financial support could be found. Other STEM projects may be in the pipeline in these or other IoTs, and a full analysis of all potential projects would have to be undertaken before any prioritisation decision. However one thing that is clear from the discussions during the review is that the above types of project, once completed, would have an immediate impact on the capacity of the institute with regard to STEM provision and a ready supply of student demand to fill the additional places that would be created from this infrastructure. It would appear from the evidence presented by institutes during the financial review, that a targeted programme of 6-7 key projects could increase STEM capacity by 2,000 to 3,000 over the medium-term. The HEA will now develop a business case to deliver the STEM

infrastructure that could produce an additional pipeline of employable graduates and further underline the pivotal role of IoTs in serving regional economic needs via their technological mission

The HEA believes that this should be the immediate priority of any capital investment that becomes available to the sector, but it is also acknowledged that there are many other pressing infrastructure needs across the respective campuses. There has been some concern in recent years of investment in facilities which some would perceive as 'non-core' and not directly related to the academic mission, such as the funding of sports facilities in Dundalk, Tralee, Waterford and Athlone. At the same time, the introduction of such facilities have made a significant difference to the quality of the campus environment and are in keeping with the amenities which a student would expect from a modern higher education experience. These types of development should not be ruled out unconditionally as they are a key aspect of the long-term sustainability and competitiveness of institutes, but there is certainly a strong case for addressing other more immediate priorities as noted above.

Section 5: Themes for Future Focus

Sustainability of the Sector is Under Threat

The financial review has confirmed that the Institutes of Technology sector has major sustainability issues which must be addressed in the short-to-medium term. The already precarious financial situation across the sector will not improve on the basis of the plans currently in place, where any expected growth of income (6.7%) through to 2020 is outpaced by the predicted expansion of the cost base (7.2%). At the same time, the sector expects to continue to accommodate significant increases in student numbers (11.3%) over the same period, decreasing the expenditure per student from a level that was already not viable. The expected continuing decline in the financial position is encapsulated by cash flow forecasts which indicate that the money held by the sector will have dropped substantially over a 5-year period, and, for the first time, there is a real danger of institutes running out of cash from 2017 onwards.

While there are immediate sustainability concerns about six institutes, at least another four are at risk due to limited reserves and recent or forecast deficit positions. Although there are encouraging signs of progress from those vulnerable institutions with whom the HEA has been working closely over the last year, they remain at risk until they can demonstrate a sustainable return to a balanced budget. Perhaps as a consequence of the need to deliver a balanced budget, tight forecasts have been presented and are underpinned in some cases by ambitious academic plans. The sensitivity of the data presented in this report must therefore be carefully considered, with any further downturn in funding or shocks to the system (e.g. industrial relations disputes, infrastructure damage, loss of an international student market) having a potentially profound impact on overall viability.

Access to Additional Funding Critical

While there are unique institutional issues impacting financial performance in each case, there is a clear indication that the sector needs to find additional funding, both capital and recurrent, if it is to remain viable into the future. The fixed-pot approach to funding Universities and IoTs has meant that funding per student in the latter has declined at a faster rate than the former, placing increased pressure on the technological sector. With a fixed, limited pot, there is a systemic issue in trying to navigate vulnerable institutes out of their current financial difficulties, in that any success in generating additional students and hence share of the recurrent grant has the counter effect of damaging the allocation to another institution. If additional sectoral funding can be found that will allow the projected student growth to be met with at least equivalent increases in core grant allocations, then institutes will have a fair opportunity to begin to grow towards sustainability. Without this, there is no capacity across the sector to take on additional students.

Investment in capital infrastructure is critical, particularly around maintenance of buildings and facilities and the upgrading of ICT and other technology. While the sector has very limited capacity to respond to increases in future demand, There is also some scope to increase capacity to accommodate additional student demand in targeted areas. In this regard, the introduction of a borrowing framework for the IoTs would be a significant development, facilitating campus development in order to generate essential additional future income streams. The downward trends

in sectoral surplus, reserve positions and cash flow suggest that the funding issue must be addressed as an immediate priority or else many IoTs will struggle to survive in the scenarios set out.

Institutional Differentiation is Key to Sustainability

The overriding financial situation should not detract from the fact that there are very successful institutes operating across the sector. One of the key success factors would appear to be their ability to differentiate their offering from the University sector and, indeed, from competing IoTs. Successful institutes seem characterised by:

- programme renewal which keeps them employer and market focused
- strong external partnerships with industry and with other delivery partners (e.g. further education colleges, IADT and Sound Training College) and
- investment in part-time and online provision

There is a difference in the role of IoTs based in cities with neighbouring universities and those in the regions. There remains an access rationale for more generic business and arts provision in the latter group, but, for the former, the ability to demonstrate an applied focus which is differentiated from the University offering is extremely important.

Recognition of Unique Characteristics of IoTs in Funding Approach

While institutional differentiation is important, there is also a need for the HEA to ensure that it recognises the unique characteristics of the sector in the way it funds institutes. As the report has shown, STEM and applied, industry focused activity (such as the substantial base of provision related to service sector occupations) should be the bedrock of provision by the institutes, yet the dilution of the impact of the HEA RGAM weightings by student contribution increases and contracting grants has dis-incentivised growth in the STEM area in particular. The future funding of IoTs also needs to consider how their regional contribution is reflected, including the particular value that IoTs provide in terms of higher education access, and differences in the cost base between those with single and multiple campuses. Other key challenges include finding an appropriate means of rewarding research, innovation and enterprise development; and an effective means of incentivising part-time and online provision which also accurately reflects the costs of development and delivery.

Robust and Consistent Management Information

There was concern at the lack of development of robust and consistent management information systems in some institutes, with limited insight into the internal business dynamics in terms of school or college performance and little evidence of accountability or reward systems for financial performance at this level. There is also weakness in the ability of institutes to present things clearly and consistently, even when there is a prescribed format and clear guidelines. Encouragingly, many institutes are taking the development of strong internal financial management analysis, controls and accountability systems very seriously and there is value in considering if a sectoral approach could be adopted given the critical importance of financial performance over the coming years.

This review in itself should also be important as a starting point in demonstrating the value of setting out robust and consistent data on financial performance across the sector. It should facilitate benchmarking by institutes around specific aspects of performance, and should provide a platform

for learning across the sector around different approaches to addressing deficits and generating surpluses. There would be value in benchmarking activity and performance beyond just financial analysis and it would be hoped that the report can also act as a stimulus for such a wider benchmarking initiative. To kickstart a culture of wider information sharing, the HEA will seek the IoTs' agreement to share all unit cost information supplied by institutes down to programme level, which should greatly assist in comparing the costs and efficiency of provision.

The value of the exercise in providing both a reflection back and a forward look to understand the overall and evolving financial position of the sector, and the stark challenges to be faced, is clear. There is a strong case for building on the baseline set out in this report by requiring regular updating of current and planned future performance across these indicators, and the HEA will consider how this can be incorporated into the annual budgeting process. There is also a case for extending the exercise across all HEIs, given the evidence it provides with regard to performance, sustainability, capacity and investment needs, and this will be also be considered by the HEA for 2017 onwards.

These themes provoke a series of potential actions that must now be evaluated and progressed by the HEA, working with its external stakeholders, to ensure a sustainable future for the technological sector. This report makes clear the critical need for investment in order for the sector to survive and flourish, as there simply is no capacity to accommodate additional students without additional funding. While the review makes clear that different institute approaches do influence financial performance and there is scope for learning and change in this regard, this will only have marginal impact without a short-term injection of finance to ensure the ongoing viability of the Institutes of Technology.

APPENDICES

Appendix A: Terms of Reference for Review of Financial Position of IOT Sector

1. Objective

- To provide an overview of the financial health of the Institutes of Technology sector based on recurrent and capital financial plans and provide funding projections for the sector. This will be used to inform the needs of the sector in terms of future funding and sustainability.

2. Authority and Timelines

- The Executive will provide a report to the Finance Committee by end of 2015/early 2016.

3. Role and Responsibilities

- To review the Institutes' recurrent and capital financial plans which include strategies for reform, work plans, projected income and expenditure and associated assumptions.
- To review the Institutes' timelines for the implementation of the plans and associated targets.
- To provide feedback to the Institutes on the sector's current and future financial health informed by student projections
- To review the cash flow projections for the Institutes for 2016 and 2017.
- To provide a composite report on the sector to the Finance Committee, including the identification of any common issues which need to be addressed to underpin the sustainability of the sector.

4. Approach

- The review will involve site visits to each of the Institutes of Technology to allow a full interrogation of current and projected financial performance with relevant staff of the institution.
- The findings across all institutions will then be combined into a composite report which provides an overall perspective on financial health and sustainability.

Appendix B: Institutes of Technology Budget Meeting Outcomes

	2015 Outturn	2014/15 DRAFT Accounts	2016 Budget	Formal 3 Year Plan Submitted
AIT	Surplus €51,000	Deficit - € 528,000	Deficit - € 857,000	No
ITB	Surplus €3,082,000	Surplus €1,801,000	Surplus €572,000	No
ITC	Surplus €3,600,000	Surplus €3,925,000	Surplus €1,805,000	No
CIT	Deficit - €1,299,000	Deficit - € 2,393,000	Deficit - € 786,000	YES
DIT	Surplus €1,625,000	Deficit - €1,702,000	Surplus €216,000	No
DKIT	Deficit - €1,584,000	Deficit - €1,926,000	Deficit - € 16,000	YES
IADT	Deficit - €572,000	Surplus €28,000	Surplus €88,000	No
GMIT	Deficit- €2,796,000	Deficit - €2,463,000	Deficit - €1,714,000	YES
LYIT	Deficit - €1,345,000	Deficit - €1,345,000	Deficit - €1,002,000	YES
LIT	Deficit- €1,327,000	Deficit - €130,400	Surplus €61,000	No
ITS	Surplus €1,395,000	Surplus €2,009,000	Surplus €10,000	No
ITTD	Surplus €147,000	Surplus €357,000	Surplus €48,000	No
ITTRA	Deficit - €946,000	Deficit - €1,004,000	Deficit - € 674,000	YES
WIT	Deficit- €1,302,000	Deficit - €849,000	Deficit - €2,858,000	YES

Appendix C: Template for Gathering Financial Data from IoTs

		2016 BUDGETARY TEMPLATE
		Submission Deadline
INSTITUTE:		
TABLE OF CONTENTS		
PAGE NO.		
	1	Budget Overview and Assumptions
	2	Budget Summary
	3	Financial Summary (Page 3 (a) Consolidated figures, if applicable)
	4	Fees by Academic Year
	5	Student Numbers Analysis
	6	Other Income
	7	Summary Pay Costs
	8	Staffing Structure
	9	Recurrent Non Pay
	10	Total Major Capital Expenditure
	11	Summary and details of Proposed Alterations to existing courses
	12	Summary and details of Proposed New Courses

BUDGET OVERVIEW AND ASSUMPTIONS
Please give an overview of the Budget for 2016 and 2017, indicating any key priorities or significant planned developments. In addition, details of the budget assumptions built into all calcualtions should be provided.

INSTITUTE OF TECHNOLOGY:

Budget Summary

A: STUDENT NUMBERS	Page Reference (if appropriate)	2014/15 Actual	2015/16 Estimated	2016/17 Estimated	2017/18 Estimated	2018/19 Estimated	2019/20 Estimated
Full Time Enrolments Undergraduate		Data can be	IoT to provide	Data can be	IoT to provide	IoT to provide	IoT to provide
Full Time Enrolments Postgraduate		sourced from the		sourced from the			
Part Time Enrolments Undergraduate		Institutional		Institutional			
Part Time Enrolments Postgraduate		Profiles		Profiles			
Remote Enrolments Undergradute		HEA to populate		HEA to populate			
Remote Enrolments Postgradute		numbers		numbers			
TOTAL							

B: STAFF NUMBERS		31/12/2015 Actual	31/12/2016 Estimated	31/12/2017 Estimated	31/12/2018 Estimated	31/12/2019 Estimated	31/12/2020 Estimated
Core Funded Staff		HEA will populate	IoT to provide	IoT to provide	IoT to provide	IoT to provide	IoT to provide
Non Core Funded Research		figures	figures				
Other Research and/or Specialist Posts							
TOTAL							

C: FINANCIAL		2015	2016	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
		Outturn	Budget	Audited	Draft	Draft	Draft	Draft	Draft	Draft
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Income										
Expenditure										
Surplus/Deficit										
Accumulated Surplus/Deficit										

		2015	2016	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
		Outturn	Budget	Audited	Draft	Draft	Draft	Draft	Draft	Draft
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Capital Expenditure										

Section A: Student Numbers, the numbers for 2014/15 and 2016/17 can be sourced from the Institutional Profile data. The Executive will populate these fields. If any of the number as per profile data have changed, please amend and provide rationale for change. IoTs will be required to provide estimations for 2015/16 and 2017/18.

Section B: Staff Numbers, The Executive will populate the 31/12/15 fields from the 31 December 2015 Quarterly Return data. IoTs will be required to provide estimations for 2016, 2017 and 2018.

Section C: The Executive will populate the 2013/14 Audited Accounts data.

INSTITUTE OF TECHNOLOGY:

Financial Summary

	Page Reference (if appropriate)	2015 Outturn €'000	2016 Budget €'000	2013/14 Audited €'000	2014/15 Draft €'000	2015/16 Draft €'000	2016/17 Draft €'000	2017/18 Draft €'000	2018/19 Draft €'000	2019/20 Draft €'000
FINANCIAL										
Income										
State Grant										
Tuition fees										
Student registration charge										
Amortisation of capital grants										
Research Grants and Contracts										
Other Income										
Student support										
Interest income										
Total Income										
Expenditure										
Pay										
Non Pay										
Depreciation										
Total										
Operating Surplus/Deficit										
Transfer to capital/restricted reserves										
Accumulated surplus at beginning of year										

Notes

All Income is referenced to I&E Page 11 Statutory Accounts

Pay and Non Pay is referenced to Page 18 Statutory Accounts Note 12

INSTITUTE OF TECHNOLOGY:

Financial Summary

	Page Reference (if appropriate)	2015 Outturn €'000	2016 Budget €'000	2013/14 Audited €'000	2014/15 Draft €'000	2015/16 Draft €'000	2016/17 Draft €'000	2017/18 Draft €'000	2018/19 Draft €'000	2019/20 Draft €'000
FINANCIAL										
Income										
State Grant										
Tuition fees										
Student registration charge										
Amortisation of capital grants										
Research Grants and Contracts										
Other Income										
Student support										
Interest income										
Total Income										
Expenditure										
Pay										
Non Pay										
Depreciation										
Total										
Operating Surplus/Deficit										
Transfer to capital/restricted reserves										
Accumulated surplus at beginning of year										
Notes										
All Income is referenced to I&E Page 11 Statutory Accounts										
Pay and Non Pay is referenced to Page 18 Statutory Accounts Note 12										

INSTITUTE OF TECHNOLOGY :

FEES BY ACADEMIC YEAR

	2014/15 Actual				2015/16 Actual				2016/17 Budget				2017/18 Budget			
	Sep-Dec		Jan - Aug		Sep-Dec		Jan - Aug		Sep-Dec		Jan - Aug		Sep-Dec		Jan - Aug	
	No's	Fees	No's	Fees	No's	Fees	No's	Fees	No's	Fees	No's	Fees	No's	Fees	No's	Fees
Fulltime students - excluding non EU students																
Level 6/7																
Level 6																
Level 7																
Level 8																
Architecture/Engineering																
Other degrees																
Masters/Postgraduate																
Failte Ireland Courses																
Foundation Courses																
Fulltime non-EU students																
Non EU students																
Level 6																
Level 7																
Level 8																
Postgraduate																
Failte Ireland																
Foundation																
Other																
Total Full-Time																
Part-Time students																
Fáilte Ireland																
Apprenticeship - W.T.E.																
Non EU - WTE																
Other part-time - W.T.E.																
Total Part-Time																
Student Contribution																
Total Tuition Fee and Student Contribution Income																

INSTITUTE OF TECHNOLOGY:

Should reference to SRS

Analysis of Whole-Time Level 6,Level 7, Level 8 and Post-Graduate Student Numbers.

	2014/15 actual						2015/16 projected						2016/17 projected						2017/18 projected						2018/19 projected						2019/20 projected					
Course	1st yr	2nd yr	3rd yr	4th yr	P. Grad	Total	1st yr	2nd yr	3rd yr	4th yr	P. Grad	Total	1st yr	2nd yr	3rd yr	4th yr	P. Grad	Total	1st yr	2nd yr	3rd yr	4th yr	P. Grad	Total	1st yr	2nd yr	3rd yr	4th yr	P. Grad	Total	1st yr	2nd yr	3rd yr	4th yr	P. Grad	Total
Level 6 (Higher Cert.)																																				
Art & Design																																				
Business																																				
Computing																																				
Engineering																																				
Humanities																																				
Nursing																																				
Science																																				
Other																																				
Level 7																																				
Art & Design																																				
Business																																				
Computing																																				
Engineering																																				
Humanities																																				
Nursing																																				
Science																																				
Other																																				
Degree (Level 8)																																				
Art & Design																																				
Business																																				
Computing																																				
Engineering																																				
Humanities																																				
Nursing																																				
Science																																				
Other																																				
Post Graduate																																				
Art & Design																																				
Business																																				
Computing																																				
Engineering																																				
Humanities																																				
Nursing																																				
Science																																				
Other																																				
TOTALS																																				
Part -Time WTE																																				
Art & Design																																				
Business																																				
Computing																																				
Engineering																																				
Humanities																																				
Nursing																																				
Science																																				
Other																																				
TOTALS																																				

INSTITUTE OF TECHNOLOGY:

Other Income

	2015	2016	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Outturn	Budget	Audited	Draft	Draft	Draft	Draft	Draft	Draft
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Superannuation									
Hire of Facilities									
Bank Interest									
Other (Please provide details i.e. as per headings used in the Financial Accounts)									
Total									

The Executive will populate the 2013/14 Audited Accounts data.

INSTITUTE OF TECHNOLOGY:

Summay Pay Costs

	2015	2016	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Outturn	Budget	Audited	Draft	Draft	Draft	Draft	Draft	Draft
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
FUNCTION									
Management									
Academic									
Administration									
Support									
Research									
Other									
TOTAL PAY COST									

INSTITUTE OF TECHNOLOGY:

STAFFING STRUCTURE

FUNCTION/GRADE	Actual Staffing 31/12/2015	Projected 2016	2017	2018	2019	2020
MANAGEMENT						
President						
Registrar						
Secretary/Financial Controller						
Head of Development						
Sub- Total						
ADMINISTRATION						
APO related grades						
Grade 7						
Grade 6						
Grade 5						
Grade 4						
Grade 3						
Librarian						
Deputy Librarian (Gr 7)						
Assistant Librarian (Gr 6)						
Systems Librarian (Gr 6)						
Senior Library Assistant (Gr 5)						
Library Assistant 2 (Gr 4)						
Library Assistant 1 (Gr 3)						
MIS						
Others (Please specify)						
Sub-Total						
ACADEMIC STAFF						
Senior Lecturer 3						
Senior Lecturer 2						
Senior Lecturer 1 -Teaching						
Lecturer 2						
Lecturer 1						
Lecturer						
Assistant Lecturer						
College Teachers						
Pro-Rata						
Sub-Total						
SUPPORT						
Technician						
Craft Assistant						
Caretaker						
Cleaning Supervisor						
Attendant						
Higher Order Attendant/Class Aide						
General Operative						
Craftsman						
Foreman Craftsman						
Cleaner						
Other (please specify)						
Sub-Total						
RESEARCH						
Please specify						
Sub-Total						
OTHER						
Please specify						
Sub-Total						
Total Staff						

INSTITUTE OF TECHNOLOGY:

Summay Non Pay Costs

	2015	2016	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Outturn	Budget	Audited	Draft	Draft	Draft	Draft	Draft	Draft
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Materials and Other Consumables									
Light, Heat and Power									
Repairs and Maintenance Costs									
Travel and Subsistance									
Rent, Rates and Insurance Costs									
Recruitment, Training etc									
Consultancy Costs									
Other (Please provide details i.e. as per headings used in the Financial Accounts)									
TOTAL PAY COST									

INSTITUTE OF TECHNOLOGY:

TOTAL MAJOR CAPITAL EXPENDITURE

	Date of Approval	Funding Source	2015 Actual	2016 Budget	2013/14 Audited	2014/15 Draft	2015/16 Draft	2016/17 Draft	2017/18 Draft	2018/19 Draft	2019/20 Draft
					€'000	€'000	€'000	€'000	€'000	€'000	€'000
IT/Library											
Classrooms/Labs											
Equipment Renewals											
Refurbishment											
Skills Shortages by Programme											
New Developments											
Infrastructure											
Maintenance											
Reviews/Feasibility Studies											
Miscellaneous (Please provide details)											
TOTAL MAJOR CAPITAL EXPENDITURE											

	2013/14 Audited	Draft 2014/15	Draft 2015/16	Draft 2016/17	Draft 2017/18	Draft 2018/19	Draft 2019/20
Revenue Reserve							
Capital Development Reserve							
Total							

Details should be provided on the purposes for which the reserves are committed and timelines for completion
Details of proposed transfers to the Capital Development Reserve planned for 2016 should also be provided in this section

INSTITUTE OF TECHNOLOGY:
SUMMARY OF PROPOSED ALTERATIONS TO EXISTING COURSES
Please indicate any proposed alterations to existing courses, e.g. change of title, qualification by Level, cessation of course.
In the case of the cessation of a course, please indicate why the course has been discontinued and what the plans are for the utilisation of staff involved.

INSTITUTE OF TECHNOLOGY:
SUMMARY OF PROPOSED NEW COURSES
It is a prerequisite that any course to be offered by the Institute must meet required validation standards either within the institution under delegated authority or directly from QQI
Details should be provided on the Institute's analysis of the demand for the programmes proposed in the context of existing national provision in the area given the significant issue in relation to the duplication and fragmentation of provision which exists nationally.
Confirmation is required that the academic planning process carried out for 2016/17 and future years included/will include consultation with the relevant regional cluster/TU partners
Confirmation is required that the course proposals are consistent with objective of the HEA Transitions Agenda, ensuring that the establishment of proposed courses will provide for broader entry to undergraduate programmes at level 8.
Confirmation is required that the academic planning process included consultation with relevant stakeholders where appropriate
Confirmation is required that all new programme proposals are presented on the basis of the Institute's full compliance with all of the terms of the Employment Control Framework* and on the basis of balanced budgets
** As referenced in the 2016 Grant Allocation letter, clarification is expected from DES with regard to the status of the ECF in 2015*

Appendix D: Assumptions for Preparing Financial Projections

Introduction

The assumptions are outlined for the purpose of assisting with the preparation of the Programmes and Budgets document 2016 which includes additional years of financial projections. The assumptions that are set out are to provide assistance with the development of the projections and to ensure consistency of information. In cases where there may be a number of options or interpretations the one chosen should be documented or noted in the assumptions section of the document.

In addition to the assumptions included below it may be necessary for Individual Institutes to outline issues/assumptions relevant to them. These will be addressed through the normal local budget meetings with HEA.

All projections will be prepared on an academic year (Financial year) basis.

1.0 Income side assumptions (Funding system and Context)

For the purposes of preparing the projections that there is no cap on the student numbers at any Institution other than that which the Institute determine to be necessary/appropriate in the context of funding and resource availability. The preparation of the financial projections will be completed by an Institute on the basis of a relatively steady state funding environment and each Institute will develop **scenarios** which show the impact on student number enrolment and the consequential impact on the Institutes operating financial position. This **statement of impact** may also be used to determine the impact on the expenditure side of the projections (see sections 2.1 and 2.2 below).The 2016 budget will be prepared with the normal focus on preparing a balanced budget position for the Institute in accordance with the relevant legislation. In cases where this does not arise will be managed in accordance with the requirements of the appropriate regulations.

1.1 State Grant – Core Grant

It is to be assumed that

- The Unit of resource notified for 2016 will remain at the same level for the period of the projections 2016/17 to 2019/20 inclusive.
- The moderator used for the RGAM process will remain at 2%.
- The RGAM mechanisms will not change over that period.
- The impact of performance funding arrangements should not be included since it is likely their impact will be minimal over the period. This assumption may be varied at local level through the normal budget meetings.

1.2 Tuition Fees

It is to be assumed that

- There will be no change to the current level 6/7/8 fee levels for the duration of the period (L6/78 €250, L8 €819).
- That there will be no change to the current level (€3,000) of the student contribution for the duration of the period.

1.3 Devolved Grant

It is to be assumed that

- Devolved grant can be included but must be done so on a matched basis, where the devolved grant income is shown separately and the planned expenditure is shown separately.
- No provision should be made for Part M / Public Access building works.

1.4 Self-Financing Income

- It is open to each institute to develop its Self-financing and Research income profile based on its track record and priorities.
- Programmes such as Springboard and other labour markets activation initiatives will be assumed to continue (even though the focus on outcomes may change). The level of Income assumed from these programmes should be separately available.

1.5 Superannuation

- Calculated in the normal way based on retention of deductions from relevant staff.

1.6 Bank Interest

- It is open to each institute to develop its bank interest income profile based on its track record

2.0 Expenditure Items

2.1 Pay Costs

The level and impact of pays cost in very significant for all Institutes. Clarity of the preparation of the projections for this element of the expenditure is critical. The impact of recent pay agreements in each Institute for core and non-core/self-financing staff must be evaluated in order to determine the full extent of the potential financial liability. Institutes are not being asked to calculate the effects of further pay restoration beyond 2018 as the form they will take is unknown. However, it should be noted that these will apply to both core and non-core employees and a simple extrapolation of the general public sector cost will result in an under-estimation of the cost.

The Pay cost calculations are to be developed to include the following pay cost increases

- Increments
- Progression of academic and technical staff in line with relevant guidelines

In addition, the following pays cots should be calculated separately and included in the overall budget document as an identifiable element of the pay budget. It may be necessary to include these elements in **the scenarios** that each Institute will present as the relevant financial position is modelled. This element of the preparation of the financial information may be included by way of a **"statement of impact**" of each of the elements set out below.

- Pay restoration as agreed (relevant elements of the Lansdowne agreement should be inserted here)
- HPAL conversion (up to and including phase 3)
- Grades 3-7 Job Evaluation
- Possible redundancy schemes – a voluntary redundancy scheme may be anticipated but will not be included in projections
- It should be assumed that the additional "Croke Park" productivity hours are retained for the duration of the period of the projections. It would be useful if an estimate could be made of the impact on headcount of any change to the Croke park hours.

2.2 ECF

- It is assumed that the current ECF headcount cap applies for the duration of the projection period. Any additional posts projected by Institutes will be funded from either from available headcount within ECF or appropriate self-financing activities. It is also open to an Institute to develop the scenarios based on student number projections and consequential impact on headcount.

2.3 Non Pay

- Each Institute is open to develop its non-pay spend profile in accordance with their own priorities and allocation rules. However in the case of major items of expenditure such as utilities the basis of the calculations (e.g. % Increases/reductions assumed) should be documented in the assumptions section of the document. In addition, Institutes that have contracted out service provision for the areas of security, cleaning etc. should take account of the potential impact of minimum wage changes that will impact on the cost base.

3.0 Data Sources

Data sources will include

- Programmes and Budgets 2015/16 prepared including a four year forecast from 2016/17 to 2019/20. This will include student number data and projections since SRS will not be available within the budget preparation period.
- Financial Statements to year ended 31st August 2015 – not including subsidiaries.
- Unit Costing 2013/14 – HEA to check if Institutes are happy to share this data.

Cash flow projections on an annual basis as at 31st August for the forecast period to 2019/20.

A capacity planning exercise will be required to include demographic reviews, space availability, etc. over the period to 2030.

Appendix E: Financial Review Site Visit Programme

IT Carlow	18th April
IT Blanchardstown	18th April
Cork IT	19th April
IT Tralee	20th April
Athlone IT	25th April
LIT	26th April
DIT	27th April
IT Tallaght	27th April
IT Sligo	28th April
GMIT	29th April
Waterford IT	6th May
Letterkenny IT	13th May
Dundalk IT	16th May

Appendix F: Policy Framework for Engagement with Institutes of Technology with Operating Deficits

This policy framework sets out the roles of the HEIs and HEA and describes how the HEA will structure its engagement with Institutes of Technology who have identified operating deficits.

Context

The maintenance of balanced budgets in all IOTs is a statutory requirement under Section 15 of the Institutes of Technology Act, and balanced budgets are a prerequisite for continued participation in the Employment Control Framework which has been negotiated for the higher education sector. In general, Institutes have been operating on the basis of balanced budgets. In recent years however a number of Institutes have been using accumulated reserves to balance their budgets. In these circumstances there is a need to put processes in place and metrics to trigger implementation to ensure that the underlying deficits are being addressed.

Key Principles

There are a number of principles which will inform the HEA's engagement with HEIs where an operating deficit is identified:

- To ensure value for money for the public
- To ensure the financial sustainability of the higher education sector
- To protect the interest of students enrolled in HEIs
- To ensure that any intervention is appropriate and proportionate
- To work in a supportive manner with HEIs to identify measures to address operating deficits.
- To maintain a distinction between the roles and responsibilities of the HEA and the HEIs.

Role of the Institute of Technology

Higher education institutions have a responsibility to address their own sustainability. Under the Institutes of Technology Act 2006, the President of the Institution is the accounting officer and is answerable to the Committees of the Oireachtas in relation to the disposal of monies. The legislation also provides that the C&AG undertake annual audits of the accounts and financial statements of the institution.

It remains the responsibility of the President, in conjunction with the Governing Body, to maintain a balanced budget and to carry into effect the necessary measures to address operating deficits, if they arise. It is critical that all necessary actions are taken to reverse deficits in an Institute in order to ensure on going sustainability.

Understanding the full economic costs associated with each activity undertaken by an institution is critical to ensuring long term sustainability. Decisions to continue or expand

existing activities or introduce new ones must be based on sound data which clearly demonstrates the financial implications of choosing one course of action versus another.

Optimising income generating activities and on-going review and reform of existing structures and processes to create a more cost effective and responsive system are also critical.

A rigorous governance process and risk management strategy is essential to support financial and budgetary processes.

In situations where an institution has used accumulated reserves to achieve a balanced budget, the onus is on the institution to address issues associated with long term sustainability.

Role of the HEA

The Finance Committee is appointed by the Authority to assist in its role in relation to the allocation of funding provided to the Authority having regard to policy priorities set by the Authority. The Committee also advises the Authority in relation to specific financial functions assigned to the Authority under the Institutes of Technology Act.

The Finance Committee annually reviews the outcomes from the budget meetings and issues arising. It advises the Department of Education and Skills in relation to the financial health of the sector and individual institutions, where necessary.

The System Governance and Performance Management Committee annually reviews the Governance Statements of the IOTs which identify financially significant developments affecting the Institute in the past year, including the establishment of subsidiaries or joint ventures and acquisitions, and major issues likely to arise in the short to medium term.

Routine Engagement with Institutions

There are a number of ways the HEA will engage with IOTs, as a routine, in relation to their strategic and budgetary planning.

Strategic Dialogue

The annual strategic dialogue process seeks:

- To demonstrate how each institution is making its distinctive contribution to key national expectations of higher education
- To support institutions' efforts to improve their own performance – through better strategic planning and management, particularly with regard to the increasingly competitive global environment in which our institutions operate
- To demonstrate how institutions are performing against the objectives set out in their own strategic plans
- To enhance the accountability of higher education in respect of the very significant public funding allocated annually.

The HEA and HEI agree a compact as the outcome of the strategic dialogue process which will set out how the Institute's mission and goals align with national goals for higher education and agree strategic objective indicators of success against which institutional performance will be measured and funding allocated. The compact will also set out any specific requirements or conditions associated with funding provided by the HEA.

By detailing HEA funding commitments and reciprocal HEI commitments, the compact contributes to creating a transparent and accountable system of administration of State funding. The strategic dialogue meetings with each HEI will in future encompass the previous budget meetings.

Budgetary process
The HEA writes to each HEI on an annual basis informing of the recurrent grant allocation and related matters. Following receipt of the HEA's notification, the Institute prepares an annual Operational Programme and Budgets, approved by their Governing Body. The information submitted includes a budget summary detailing outturn and projected figures, other sources of income, reserves and student numbers. Consideration of the financial position of the HEI will form part of the Strategic dialogue meeting. Further meetings may be required to focus in more detail on the current and projected financial position of the institution and associated matters and the budgets submitted form the basis of the discussion.

Code of Governance Requirements
In this regard, each Institute must prepare and submit to the HEA, an annual governance statement according to the approved Code of Governance.

Ad hoc meetings
On some occasions, there will be a need for more focussed meetings in terms of capital development plans, course provision and other institutional matters.

The data used by the HEA to inform on the financial health of an Institute is the Institutional Compacts, the Operational Programme and Budgets and Audited Accounts. From analysis of this data, and arising from any of the above interactions, the HEA will determine what additional actions are required by the HEA and the Institute to address any financial issues arising.

Indicators of Risk
The HEA's assessment of risk is based on analysis of historical data and projected budgets for three to five years. In the first instance, this assessment is carried out on receipt of the budgetary information as part of the Strategic Dialogue process. The HEA may review this information on receipt of updated information submitted quarterly throughout the year. A combination of the following metrics may be used to indicate risk:

- Actual and projected income and expenditure
- Funding model trends

- Analysis of other funding streams
- Indications of financially significant developments as submitted through the Governance Statements
- Cash in bank expressed in days as a proportion of total expenditure
- Operating Surplus/Deficit as a proportion of total income
- Discretionary reserves as a proportion of total income
- Staff costs as a proportion of total income
- Ratio of income, Exchequer: non-Exchequer
- Current assets : Current liabilities ratio
- Annual capital and maintenance spend on estates and buildings as a proportion of value of estate

Engagement with Institutions where an operating deficit had been identified

Stage One Intervention

The HEA in the first instance will engage with the institution through the strategic dialogue process to seek a common understanding of issues and identify any issues arising associated with strategic plans, collaborations with other HEIs (including the development of technological universities and/or mergers) and positioning of the institutions within the sector to gain on-going and further efficiencies.

Each Institute must prepare an annual governance statement according to the approved Code of Governance. This statement identifies financially significant developments affecting the Institute in the past year, including the establishment of subsidiaries or joint ventures and acquisitions, and major issues likely to arise in the short to medium term.

Where an operating deficit is identified, the Institute will be required to submit a financial/business plan which encompasses all income and expenditure projections for three years. The Institute must also set out a strategy and actions proposed to return the Institute to a balanced position. In this regard all strategies for the reform of the cost base (both pay and non-pay) and associated structures and practices should be considered, including rationalisation of provision, HR reform, closer collaboration with partner HEIs, expansion of student numbers and broadening of the income base.

The HEA will consider the proposed financial plan and in consultation with the Institute agree on proposed actions. The HEA will require continuing dialogue and quarterly updates on the Institute's budgetary situation during the year. Further meetings with the Institute will be held as required. The HEA may request the HEIs to appoint an independent financial expert to review the Institute's financial plan and provide independent validation of the funding projections.

The HEA will work as appropriate with the Department of Education and Skills to identify measures to assist in reforms in the sector to produce savings. The HEA may require institutions as a condition of grant to make changes to proposed activities if there is concern that risks to Exchequer funding and the interests of students are not being addressed. The HEIs may also be required to put appropriate training and development programmes in place in relation to strategic financial planning and institutional strategic planning.

It is envisaged that by engaging with institutions as above, the HEA will assist an institution to implement a financial plan to return the institution to a balanced budget. Such an approach has been the standard practice since the inception of the HEA and has to date operated satisfactorily. However, if sufficient progress is not being made on implementation of the agreed financial plan the HEA will implement the interventions outlined below.

Stage Two Intervention

It will be deemed that sufficient progress is not being made, and that a Stage 2 intervention should be triggered, if, in the opinion of the HEA, an institution demonstrates any of the following:

- fails to engage proactively with the HEA or disclose information essential to gaining an understanding of its current and future financial performance
- is failing to implement (in a material way) an agreed financial plan to address operating deficits
- has a financial plan in place that is not returning the Institute to a breakeven position
- does not produce a contingency plan to redress the operating deficit if the agreed plan cannot be implemented
- refuses to pursue or implement obvious cost-saving measures
- is failing to implement processes to safeguard against high costs being accrued

A stage 2 intervention will involve the appointment of a person to work with the governance structure (up to and including the Chair of the Governing body) of the HEI. This person will be expected to have financial expertise and an understanding of the higher education sector.

Legislative reform is required to clarify and strengthen the HEA's role in relation to the appointment of this external expert. However the appointment of the external expert could be expedited with the agreement of the Institute by making it a condition of ongoing funding. This would require full acceptance by the Institute of the authority of the external expert to direct operational changes and implement a new financial plan. If the HEA fails to secure the agreement of the institute in this regard, it will request via the DES that the Minister authorises a person to undertake an inspection of the institution[2], a power set out within the IoT Act 2006.

[2] Legislative reform is also required in relation to potential mergers, closure of HEIs, etc.

The role of the external expert will involve:

- formal stress testing of the assumptions of the existing three year plan, including all funding inputs, projected student demographics, and staff numbers and remuneration increases/decreases.
- building an agreed revised financial plan to bring the Institute back into balanced budget within 3 years
- reviewing existing governance arrangements and making recommendations to the Governing Body on any action required in order to improve these arrangements.
- recommending to the Governing Body any remedial action identified in order to improve the institution's financial performance, including cost reform and process changes
- monitoring the implementation of the agreed financial plan and identifying any deviation from the agreed actions within that plan
- providing the HEA with an independent assessment of the ongoing financial performance and sustainability of the institution
- advising the HEA on any action required external to the institution in order to support its future sustainability

To assist this role, such additional information, reports and data as are required should be provided to the external expert. This may include operational cash flow, details on reserves, historical data, long term forecasts and staff cost predictions.

The HEA may require that specific information is audited and undertake or commission financial or other reviews, as appropriate, on any matters regarding the operation of the Institute.

Stage Three Intervention

If the above processes are not working, or recommendations to the Governing Body are not being progressed, Section 8 of the RTC Act (as amended) may be invoked. This section allows the Minister, following consultation with the HEA, to make an order dissolving a governing body or removing a President and to appoint any body of persons as the Minister thinks fit to perform the functions of the governing body or any person that the Minister thinks fit to perform the role of President.

The HEA will keep the DES informed of progress made and any issues arising during all stages of the proposed Framework.

The HEA will review the framework as appropriates and no later than September 2017.

Appendix G: Summary of Capital Development Plans and 2015 Funding

DLIADT

Funding in 2015: €590,000

Re: Devolved Grant

Considerable capital investment in DLIADT was recommended in the Kelly Report. In 2008, Minister Hanafin announced that the Digital Media Teaching Building, Consolidated Workshops and Multi Purpose Hall would be part of the first bundle of projects to be delivered via PPP. Due, in part, to the financial situation these PPPs did not go ahead. A new National Film School Building was opened in 2013. Funding of €7.5m was provided by the Exchequer and the facilities will also be available for hire by industry. The Institute still requires multi-purpose accommodation and refurbishment of the main campus.

WIT

Funding in 2015: €750,000

Re: Devolved Grant

WIT has an ambitious capital investment plan of €199m. Some of these projects were recommended by Kelly and three of them (Engineering and Science Building, Architecture building and Business and Enterprise Extension) were included in bundle 2 of the PPP process but did not go ahead.

Project	**M^2**	**Cost €m**
Engineering and Science Building	20,000	70
Architecture Building	4,000	14
Business and Enterprise Building	10,000	25
Science Building	8,000	35
Humanities (off Campus in city centre)	10,000	40
Refurbishment of Main Campus		15
		199

Over the years, WIT developed sports-related facilities to fulfil academic and other student-related requirements, mostly from its own funds. In 2013, work was halted on the Sports Campus Building at Carriganore due to lack of funding. In order to finish the building and make it operational and consistent with the Quigley Report recommendations, the DES/HEA has committed c. €12m to the Institute on a repayable basis. This figure includes funding of Student Accommodation at Manor Village.

LYIT

Funding in 2015: €590,000 Re: Devolved Grant

€281,000 Re: Killybegs School of Tourism

The HEA made a site visit to the Killybegs Campus in late 2015 following receipt of submission regarding urgent Health and Safety works. The main issues related to building fabric decay; energy management and efficiency; accommodation for larger classes and purchase of 'fit for purpose' of IT, AV and catering equipment. Following recommendation of HEA, DES provided €281,000 to complete these works.

A priority for LYIT is the School of Tourism facilities and campus extension at an estimated cost of €25m.

Projects completed in 2015 include an Innovation Centre Extension at a cost of €2.95m and part-financed by ERDF INTERREG IVA Cross border Programme.

DKIT

Funding in 2015: €750,000

Re: Devolved Grant

The HEA recently visited the Institute. While the Institute has considerable space, funding is required to refurbish convert it to usable space i.e. the Carrolls building. Refurbishment of existing under- utilised space is required for Science and Engineering. In 2012, DKIT sought permission and was approved to acquire 12.7acres of land and 19,000m^2 of associated developments for DKIT sport.

A priority project for DKIT is the Life Sciences Building at an estimated cost of €36m. The proposed project would deliver 12,000m^2 and include Library and learning centre.

In a recent confidential document, attention has been drawn to the issue of ageing equipment. Laboratory equipment is outdated and no longer 'fit for purpose'. Similarly, there are problems with the quantity and the quality of their IT and AV equipment.

DIT/Grangegorman

Funding in 2015: €900,000

Re: Devolved Grant

Regarding the Grangegorman site, work continues on the Central Quad at an estimated cost of €63m and the East Quad at an estimated cost of €30m. The Consortium of Eruigena is the main contractor on both projects. BAM has taken a case against the NDFA's awarding of these contracts and the outcome is yet to be determined. Also on site is an €8m project to convert old laundry to Primary Health Care Centre. Pending projects include: Phase 3 (library/energy centre/ dining facility), Phase 4 (further consolidation of DIT), Phase 5 (Finalisation of transfer to Grangegorman) and Workshops and Multi-purpose accommodation and Refurbishment of main campus. Total estimated cost of these projects is €661m with €272m from Exchequer sources.

IT Sligo

Funding in 2015: €750,000

Re: Devolved Grant

The Institute continues to be research and industry focused. A significant discovery by a team of scientists at the Nanotechnology Research Group (Precision Engineering & Manufacturing Strategic Research Centre- PEM) has recently been announced. It will allow everyday items to be protected against deadly bacteria, including MRSA and E. coli. The provision of a facility for PEM in conjunction with industry is a priority (c€9m capital cost and €6.5m for equipment).

Other priorities for the Institute are:

1. the refurbishment of Blocks C and D which is in need of major elemental replacement at a cost of c€6.5m
2. a new Computing / Online Learning and Science Facility (c€13.1m) to accommodate growing demand for Computing programmes, growing online learning numbers and the expanding School of Science.
3. The refurbishment of Blocks K&L which are dilapidated (c€5.3m)
4. The institute currently has a refurbishment project of the former Foundation Science laboratory to form a high quality tiered Auditorium at a cost of €1.5m.

GMIT

Funding in 2015: €750,000 Re: Devolved Grant

€600,000 Refurbishment and Conversion Works

The HEA visited GMIT in July 2015 and the Institute presented Capital Budget Requirements of c €41M in new capital projects and circa €60m of refurbishment works and included some acquisitions. They also toured the Dublin Road campus including the Library, IT Centre, Science and engineering labs and Hotel School labs where they were shown areas that are in significant need of work. The €600,000 above was a contribution towards the Refurbishment and Conversion of Under-Utilised Space into Laboratory Space for Life Sciences, Maths and Computing. Other issues discussed were: the possibility of parking charge and the need for a main entrances. The HEA advised GMIT not to proceed to develop Student amenity buildings while such deficits exist and should focus expenditure on providing infrastructure to assist growth to increase student numbers. Following this advice, the Sports Building at an estimated cost of €4.54m was cancelled.

Athlone IOT

Funding in 2015: €750,000

Re: Devolved Grant

Devolved Grant Funding:

AIT has a large number of upgrade, maintenance and health & safety projects which are on-going and planned over a multi annual basis for which an annual devolved grant is essential.

These projects include: Medical Gas System Upgrade, Fire Doors Upgrade, New Emergency Exit (Design Dept.), High Voltage System Upgrade, Campus CCTC System, Staff Office Refurbishment, Additional Science Laboratory Capacity,

Road Surface Repairs, Various Disability Access Projects, Fire Alarm System Upgrade, Internal & External Lighting Upgrade, Institute Signage, Roof Upgrade and Repairs, Classroom Equipment, On-going IT Infrastructure Systems Upgrade.

Current Capital Projects:

Business Faculty Refurbishment Project:

The first floor of the Faculty of Business & Hospitality at the eastern end of the Main Institute Building requires significant refurbishment to meet immediate and essential capacity needs. The required budget is c.€1.8m.

The newly refurbished space will provide over 800sq.m. of state of the art teaching space comprising of 7 no. large lecture rooms, 2no. postgraduate rooms, meeting room and ancillary facilities that will accommodate over 400 students at any one time. The spaces are also designed for flexibility, and can be converted into two open plan multi-use spaces for exam accommodation, conferences, exhibitions and many other functions. A new roof over the building along with new aluminium windows, energy efficient LED lighting, zoned heating controls and passive ventilation will provide an energy efficient space. Comprehensive audio-visual systems in all rooms to enable lecture delivery with lecture streaming and lecture capture capability.

Future Major Capital Projects:

AIT Library:

The current library accommodates 228 students and has a total floor space of 1,100SqM. There are currently c.5,000 full time students in AIT . AIT wish to increase the library capacity to 1,000 students, including floor space of 3,500 SqM.

Estimated budget c.€10m

AIT will compete a new Masterplan in Q4, 2016

Other Major Capital Projects to be reviewed include a new Institute Reception and Office Space Provision and the Midlands Manufacturing Technology Campus, for which a design concept has been prepared.

LIT

Funding in 2015: €750,000

Re: Devolved Grant

A major campus re-development is planned by LIT at an estimated cost of €75m, €10m of which would come from private sources. The document, named 'Campus 2030 – Our Place' provides a clear development framework to enable LIT to address current and future needs. Included in the masterplan is the acquisition of a new site at Coonagh cross which comprises 7,300 m^2 of existing space requiring refurbishment and fit out, and 40 acres of land. The HEA board agreed to approve the property and site acquisition on the understanding that additional Exchequer funding will be provided for the development of this property. When fully developed the Coonagh Campus will provide 11,000m^2 of space for programmes with heavy space needs such as Precision Engineering, Electronic Engineering and Mechanical and Automobile Engineering thereby freeing space on the main campus for the expansion of Science and IT practical laboratory space as well as generic teaching and learning spaces. The purchase is due to complete soon at a cost of €3.2m. LIT has applied for planning permission for the change of use to an education and training building. The initial element of this development will cost of €7.94m which will be developed in phases. The HEA visited the Coonagh site in 2015.

IT Carlow

Funding in 2015: €750,000

Re: Devolved Grant 2015

Plans are advanced for the Wexford Campus (7,700m^2) at an estimated cost of €21.5m. Approval has been given for the purchase of a site on the Newtown Road in Wexford up to a maximum purchase price of €2m. Exchequer is being provided for this purchase. On the Carlow Campus, a teaching and learning facility with a total cost including fit out of €8 million will be ready for the 2016/17 academic year. The Institute has acquired the ETB site approx. 6.8 acres next door in Carlow and has received planning from the local authority for development of the30 acre south campus in Carlow .In February 2015, the Institution opened a Centre for Aerospace Engineering and currently, the College has a building of 3,133m^2 on site at an estimated cost of €5.25m. The Institute is currently completing new car parking for seventy cars on campus.

All of the above developments have been completed at the Institution's own cost.

IT Blanchardstown

Funding in 2015: €1,190,000

Re: €590,000 Devolved Grant 2015

€600,000 Refurbishment of Blocks C&D

Funding of €600,000 was provided to cover refurbishment works in Blocks C & D. The works were completed in 2015 at a total cost of €875,000. The works covered the following five elements: Conversion of a former block-laying workshop to 160 person lecture theatre; provision of additional toilet facilities; provision breakout/group study space in Blocks C & D; Energy efficiency measures to lighting Blocks C&D and decoration of main corridor.

Work is nearing completion of a Sports Complex at a cost of €2.83m and area of 1663m$^{2.}$ Funding for this project was sought in 2015 but higher priorities existed and no funding was approved. The next significant priority for ITB is 4,000m^2 project including Teaching Accommodation, apprentice refurbishment and sports teaching at a cost €17m

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CIT

Funding in 2015: €900,000

Re: Devolved Grant

In early 2016, CIT made presentations to both the HEA and DES. This included a Risk Management Analysis document which highlights significant capital risks on the CIT Campus. CIT also presented an extensive document detailing proposed projects, including:

Project	Kelly Approval	Kelly €	Present Status	Estimated
Acquisition of City Centre building			Approved by HEA board	€1.5m
Refurb. Crawford Art and Design	√	14.7		
School of design refurbishment			Some design work complete	€1.5m
Feasibility New Build College of Art				
Upgrade 1974 Main Building	√	22		€24m
Learning Resource Centre	√ PPP	22.6	Initial Approval	€30m
Cork Science and Innovation Park				
Multi-purpose Sports Centre	√	5.8	Planning Permission recv'd.	€5.42m
CIT Arena			Initial Approval	€46m

CIT is a partner in IMERC (Irish Maritime and Energy Resource Cluster) located in Ringaskiddy. IMERC promotes Ireland as a world-renowned research and development location for Ireland's maritime and energy sector. In 2004, the CIT and INS engaged in a Public Private Partnership to establish the National Maritime College of Ireland. In 2014, funding of €1.3m was disbursed to UCC for CIT in respect of infrastructural works at Ringaskiddy.

HEA has indicated to CIT that there is no capital funding available at this time.

IT Tralee

Funding in 2015: €590,000

Re: Devolved Grant 2015

In 2015, the HEA Finance Committee agreed to the Institute acquiring Kerry Technology Park (a 45.5 acres site), including buildings, up to a maximum purchase price of €3,300,000. This was a joint

purchase with Kerry County Council (KCC). Due to the proximity to the North Campus, this was a strategic acquisition with the intention of continuing the development of entrepreneurship and enterprise. With a focus on technology and knowledge intensive sectors, the centre offers a supportive environment and incubation facilities to assist innovators and entrepreneurs in taking their ideas from concept to full commercial success.

The College has gone out to tender on the Sports Academy, a two-storey building, teaching facilities and support offices. Construction expected to take about 15 months at a total estimated cost of €14m. The project received some funding from the Department of Sport. The HEA would welcome an update on the project.
