

Review of the Allocation Model for
Funding Higher Education Institutions

Working Paper 2: National Strategic and Policy Context

Contents

1) Introduction	2
2) Overall Context	2
3) Overall Higher Education Strategy.....	3
4) Relevant National Strategies.....	4
5) Funding Strategy	8
6) Delivering Strategy.....	9

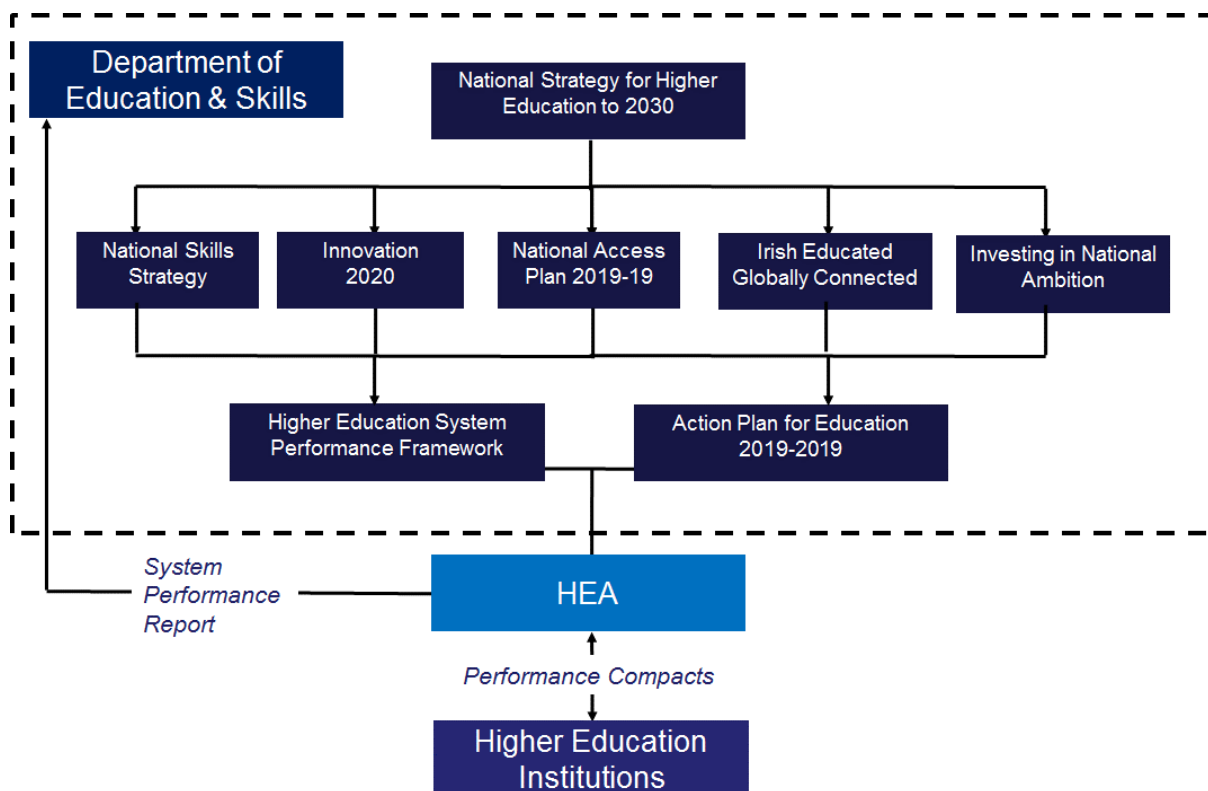
1) Introduction

This paper intends to provide a high level overview of the strategic and policy context which underpins the higher education sector in Ireland. The methodology that the HEA adheres to in allocating its funding is intended to support the achievement of national policy objectives set by Government for the sector. In this paper, key policies are briefly outlined, together with some possible implications for the review.

2) Overall Context

Over the last few years, the Government has set out a clear direction in terms of the objectives it expects to be realised by higher education. An overview of this strategic context is set out in Figure 1.

Figure 1: Strategic Context Underpinning Higher Education



The *National Strategy for Higher Education to 2030* was the first step in this process, setting out a long-term agenda for change in the system. Despite being published in 2011, it has retained its relevance and provided the impetus for many important developments. It also heralded the establishment of a system performance process and a strategic compact and dialogue process whereby institutions set out a range of commitments within a framework of seven system objectives set by the Minister for Education and Skills.

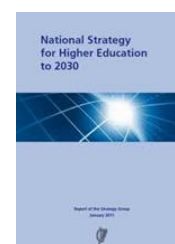
There have also been a suite of national strategies focusing on different aspects of relevance to higher education. These have focused on research and innovation; skills development; access; and

internationalisation. To ensure further focus on delivery, the Minister has also set out a three-year Action Plan for Education and Skills which reflects the objectives within these strategies. To deliver on its remit, the HEA has a strategic plan and annual workplan, together with a Service Level Agreement with the Department, to ensure focus on the key areas of development.

The funding of higher education has of course been an increasing concern and the establishment of an Expert Group to set out options for future funding strategy in this area, subsequently published in July 2016, puts in train a process which intends to ensure a sustainable funding base for the sector in future.

3) Overall Higher Education Strategy

The **National Strategy for Higher Education to 2030 (Hunt Report)**, published in January 2011, sets out the long-term vision for higher education in Ireland. It establishes three core roles for Higher Education: Teaching and Learning; Research; and Engagement with Wider Society. The high-level objectives of the National Strategy established in the *Hunt Report* include the following points:



- The sector should keep pace with **demand** from students and employers and should meet Ireland's evolving human capital needs through an appropriate mix of provision.
- It should improve **equity of access** and regional pathways from second level and from further education and training.
- It should promote **excellence in teaching and learning** to underpin a high-quality student learning experience and should produce high-quality qualifications.
- It should maintain an **open, excellent, collaborative public research system**, founded on a strong, broad base across all disciplines. It should also focus significantly on the government's identified priority areas.
- It should be **globally competitive** and internationally oriented.
- The (then) existing landscape of fragmented individual institutions should be restructured so as to form a **single coherent system** of diverse but complementary institutions that engage in inter-institutional collaboration, including a new type of institution – the Technological University – as a development option for IOTs that have outgrown their existing mission.
- The **funding and accountability system should be restructured to focus on performance and outcomes** that are agreed in a mission-based dialogue. Relevant considerations include: factoring in supply, demand, available funding and quality; balancing institutional autonomy and public accountability; and maximising efficient use of resources and income generation.

Meeting this range of high-level National Strategy objectives for growth in access and participation, skills, quality, engagement and research involves striking a balance between responding to demand and maintaining quality within any given level of available funding. Over the past 15 years, HEA funding systems have been successful in growing Ireland's participation in higher education to meet expanding demographic demand. However, as public funding has contracted during recent years, there are concerns that further growth without proportionate funding will put the quality of the student experience and of Irish graduates' qualifications at risk. The review will need to consider whether and how HEA funding systems should be more supportive of the restructuring of the landscape of institutions to provide greater institutional diversity and regional collaboration, which are seen as major enablers of improved quality.

In response to the National Strategy, the document ***Towards a System Performance Framework*** followed in 2012 and set out to translate the full suite of relevant national strategies into system-level objectives and target outcomes. A strategic dialogue process between the HEA in partnership with the HEIs is the key implementation process for the System Performance Framework (2014-2016). The process involves agreeing individual and, where appropriate, collective targets in order to meet key system objectives. These objectives, as per the Second Report of the Higher Education Authority to the Minister for Education and Skills, December 2016, are set out in Figure 2.



Figure 2: Current National Higher Education System Objectives



The overall objective is to form a stronger, more internationally competitive higher education system. The next period of agreed new performance targets for each HEI will be in 2017-2019. There is scope to withhold up to 10% of block grant funding on the basis of performance against the agreed targets. At present, the HEA approach allows 2% of funding to be withheld, and although 3 institutions were given this provisional penalty in 2016, subsequent programmes of action in each case allowed this penalty to be waived, meaning no actual performance funding has been withheld to date.

4) Relevant National Strategies

There are four important national strategies, published within the last two years, that focus on key themes of relevance to higher education: skills, RDI, access and internationalisation. The strategies contain a range of objectives and actions which will have to be considered in context of how HEIs are funded and supported moving forward. Although none of them imply that the major driver of funding allocations should cease to be the volume of teaching and learning activity in a university or institute, they do seek development and change which could clearly be incentivised or supported by funding mechanisms.

The **National Skills Strategy** forms one element of the government’s long-term economic plan and was published in January 2016. It is aligned with other policy statements including *Enterprise 2025*, *Pathways to work 2016-2020*, the *National Policy Statement on Entrepreneurship* and the *Action Plan for Jobs*. An overview of the objectives of the National Skills Strategy is set out in Figure 3.



Figure 3: Key Objectives of the National Skills Strategy



Implementing the National Skills Strategy requires a wide range of actions, including maintaining and increasing participation rates in higher education. Other targets of relevance to HE include: growth of apprenticeships; enhancement of STEM provision; the development of employability statements for programmes of study (attesting the transversal skills that will be gained); the expansion of work placements to cover all programmes; expansion of entrepreneurship education; greater engagement of employers in programme development and programme content review; development of programmes in response to identified skills needs; continued implementation of the ICT Action Plan, implementation of the Digital Roadmap; expansion of part-time/flexible provision; increased retention rates; development of further education and HE pathways; and promotion of regional clusters.

Some barriers to the further growth of STEM and ICT in higher education are demand related and will not be affected by putting in place further supply-side reforms. The question of using block grant allocations to allow reduced fees to be charged may need to be considered. However, this effectively channels scarce institutional funding to support students who may not otherwise need financial assistance and for whom, by definition (as part of the skills strategy), strong employment opportunities are expected. Nevertheless, there may be a case to consider some time-limited funding recognition through an additional skills’ weighting to recognise additional costs to HEIs for programmes that deliver on the targets within the National Skills Strategy.

The **National Plan for Equity of Access 2015-2019**, published in December 2015, is the third national plan to improve equity of access to higher education. The plan sets a target for each of the identified under-represented groups in higher education, and for the proportion of entrants progressing from further education and training. Its goals are set out below.



1.	To mainstream the delivery of equity of access in HEIs.
2.	To assess the impact of current initiatives to support equity of access to higher education.
3.	To gather accurate data and evidence on access and participation and to base policy on what that data tells us.
4.	To build coherent pathways from further education and to foster other entry routes to higher education.
5.	To develop regional and community partnership strategies for increasing access to higher education with a particular focus on mentoring.

The plan acknowledges that the strategic dialogue process is the primary mechanism for review of access performance. Moreover, it implies a need for continuation of the additional cost-based weighting for access students contained in the existing funding allocation model, but also for some earmarked or ring-fenced funding for pilot initiatives to target particular communities with very low participation. In the context of ambitions to review access participation in postgraduate programmes, the way the access weighting is applied should be reviewed.

Furthermore, it points towards an enhanced focus on access outcomes by examining problem areas of non-completion. This needs to be sensitively handled in funding allocations, taking into account the risk of reducing access. Additionally, it points to a need for improved data gathering which the funding model must somehow support. The report's ambition to mainstream access, making it a central responsibility of academic faculties and units, rather than an isolated non-academic support service, needs to be taken into account in how access funding is allocated and notified to institutions.

Innovation 2020: Excellence, Talent, Impact is Ireland's strategy for research and development, science and technology and was published in December 2015. The strategy notes the significant progress made in developing research capability across Ireland. It flags a need to re-invest in the higher education infrastructure base via a sixth cycle of the Programme for Research in Third Level Institutions. Innovation 2020 sets a series of high-level objectives as follows:



- Continuing to support excellent research across the full continuum and across all disciplines.
- Becoming a global innovation leader.
- Increasing public and private investment in research and development by increasing annual enrolments in research programmes by 22%, by further developing research centres, and by introducing a research infrastructure programme. We are committed to maintaining a focus on the impact and relevance of research.
- Enhancing the impact of research and innovation for enterprise, continuing to focus the majority of competitive funding on the 14 priority areas positioned within six broad enterprise themes (ICT, Manufacturing & Materials, Health & Medical, Food, Energy, Services & Business Processes).

- Ensure that education drives innovation, supporting the full continuum of talent development to ensure that the quantity and quality of trained people is sufficient and the full range of research.
- Focusing research and innovation activity on social and economic development – adopting a challenge-centric approach, ensuring that the public sector research system is coherent and that the benefits of collaboration are fully realised.
- Supporting innovation through the protection and transfer of knowledge, maximising knowledge transfer.
- Engaging with the rest of the world in becoming a global innovation leader, aiming to secure €1.25bn from the competitive EU research funding programme Horizon 2020.

Implications of this strategy for the allocation of overall core funding are: the need to consider how growth in research enrolments can be encouraged and given due priority alongside undergraduate enrolments and quality in teaching and learning in core grant funding; how research excellence and impact can be supported in the allocation of core research funding; how attracting Horizon 2020 funding can be facilitated; how research across the continuum and range can be supported; how knowledge transfer can be fostered; and how the coherent organisation of research can best be promoted by the funding model. The transparency of how the HEA allocates core research grant funding in accordance with government priorities for excellence, impact and talent needs to be given significant priority.

In the context of any new PRTL infrastructure programme, a set of principles with regard to the development and maintenance of the higher education and research asset base need to be agreed, in particular identifying who bears responsibility for maintaining the value of the asset base. A more strategic approach to capital development and to infrastructure maintenance in the sector has become an urgent priority amid evidence of over-trading and erosion of infrastructure as a hidden funding source for operational costs.

Irish Educated, Globally Connected is the new international education strategy for Ireland and was published in October 2016. It aims to set out a comprehensive approach to internationalisation and supportive national framework over the period 2016-2020, which develops Ireland’s reputation in the development of global citizens. This strategy defines internationalisation of education as preparing students, academics and staff to be active and engaged participants in an interconnected global world and attracts leading international student talent. Its strategic priorities are:

- Internationally oriented, globally competitive HEIs: these are the primary drivers of the internationalisation of higher education. The focus of our HEIs must remain on quality and building long-term engagement with students and partners. A target of a 33% increase in international students has been set for higher education.
- Sustainable growth in the English Language Training sector.
- Succeeding abroad by identifying and building presence in international education markets.

The funding that is required to support high-quality growth and sustainable expansion in higher education institutions must be in line with internationalisation priorities. Most HEIs have pursued aggressive strategies to recruit international students as a means of revenue diversification in the midst of growing financial challenges. The funding model as it stands does not provide any funding in recognition of international student numbers, nor does it take into account income from this source in setting allocations. The review should consider whether this remains the case and whether internationalisation could or should be reflected in the ways in which HEIs are rewarded.

5) Funding Strategy

The *Investing in National Ambition* report, setting out a strategy for funding higher education, was published in July 2016. It concludes that the scale of the resource deficit that has now emerged has passed the point where it can be addressed by further efficiencies (for example, through use of information technology or via a cap on numbers), and that an only an increase in funding can allow higher education to continue to make a balanced contribution to Ireland's development. At present, block grant funding is allocated based on an institution's percentage share of student numbers. Thus, in a situation of static grant funding and growing demand, when some institutions grow their student numbers, others must either match that growth or lose percentage share of grant, leading to a downward spiral in the overall resource per student. Until a funding increase can be secured, there needs to be some consideration of how responsive the HEA funding allocation model can continue to be to annual increases in student demand.

This report considers the need to reinvest in higher education to restore it as a key enabler of the nation's future development, examining current funding pressures faced by institutions, by taxpayers and by students. It concludes that a significant increase in investment is needed to create the kind of engaged, small-group, high-trust and high-expectation teaching and learning that will be necessary for the next phase of Ireland's development, observing that neither the status quo nor incremental increase in state funding would be sufficient. It proposes options regarding the proportion of funding that in future should be met by the state, by students and by employers, if future funding were to be increased and maintained at sustainable levels to meet demand. Furthermore, it suggested various means of allowing for some form of deferred payment for student fees based on income-contingent repayment schemes. While it is not the role of this review of the funding allocation approach to address overall funding for the sector, it does need to take account of other findings of the *Investing in National Ambition* report and should ensure that the proposed allocation method is structured to accommodate the direction of the report's findings.



The report notes, in contrast with other countries, the lack of any formal relationship between student-number growth and system funding levels in Ireland. It also points to the need to grow income from non-state sources, such as from philanthropy and commercial services, under all future funding options. It recommends that resource optimisation needs to be enhanced and that the block grant allocation should be reviewed to ensure that it is structured in order to support overall priorities and objectives. In this regard, it proposes that the following elements are taken into account in the review:

- The state grant in lieu of undergraduate tuition fees, which were abolished in 1996.
- Cost-weightings for disciplines, access and part-time/flexible modes of study.
- Consideration of weightings for strategically important but vulnerable provision, and for collaborative provision.
- Consideration of input, output and outcome metrics.
- Approach to research and innovation funding in the block grant and the appropriate balance between teaching and research metrics used in allocations. The report states that attention needs to be given to the appropriate methods for measuring research excellence and impact, drawing on international experience.

One core question arising from the issues identified in the report is the need to consider how income generated from students (currently a fixed €3,000 contribution) is taken into account in the HEA

allocation of core grant funding. As government grant funding for institutions was reduced and partly replaced by a flat €3,000 undergraduate charge, which is paid directly by students to the institutions, a potential incentive has been created to grow the less costly discipline areas such as Business and Humanities relative to the more expensive subject areas of Science, Technology and Engineering.

6) Delivering Strategy

Taking account of overall higher education strategy and the thematic strategies now in place, the Minister for Education and Skills has produced the **Action Plan for Education 2016-2019** which identifies commitments in relation to higher education (alongside others for school and further education), which must be delivered within the three-year timeframe. Reforming the funding model for higher education is a key action within the plan and other relevant actions include:



- Increasing the % of people from target socio-economic groups in HE.
- Increasing by 25% the number of HE students undertaking a work placement.
- 13,000 places under the new apprenticeships programme
- A new frontier research investment programme led by the Irish Research Council
- Building in entrepreneurship programmes and modules across all HE provision
- New grading system, common points scheme for HE access and reduction in the number of undergraduate entry routes as part of a cohesive approach to transitions
- Addressing non-completion in HE
- Implementation of a professional development framework for HE staff
- Expansion of flexible provision by 25%
- Requirement for employability statements to be provided against each HE course
- Shared service programmes across HE, with the first focusing on payroll

The review will need to consider if there is a role for the funding allocation model in supporting the delivery of these actions and, if so, the most appropriate means of incentivising development without compromising on the need to maintain core resources in the institutions.

The HEA, of course, has a central role in ensuring the successful delivery of the above actions and the wider objectives set for higher education in the strategies summarised within this paper. As mentioned, the HEA has its own strategic plan to help focus activity in this regard. The plan defines six core strategic objectives for the organisation: system development; sustainability of HE; policy and planning; governance in HE; excellence in HE; and strategic programmes. This strategy is due for renewal in 2017, with a new Chair and new CEO in the HEA driving the process to ensure it reflects the evolving landscape. In delivering on its own strategy, the HEA sets out an annual workplan which is approved by its Board. This workplan also reflects an annual Service Level Agreement (SLA) with the Department of Education and Skills which further reaffirms the link between the Government's key policy objectives and the higher education sector. Actions are set out across 10 particular areas within the current SLA:



1. Implement the system performance framework
2. Support the improvement of system-wide quality in teaching and learning
3. Support the development of research and innovation capacity across the sector
4. Improve the responsiveness of the HE sector to workforce skills needs and its engagement with enterprise

5. Promote equity of access to, and the transformation of pathways to and within higher education
6. Support the internationalisation of the higher education system and to ensure that the institutions adopt a holistic approach to internationalisation as a strategy for quality enhancement
7. Implement the agreed system reconfiguration and review higher education provision
8. Manage the allocation of public funding to higher education institutions and to support system financial sustainability and implementation of public sector reform
9. Promote, monitor and ensure best practice with regards governance and accountability requirements for HEA and for the sector
10. Support the Department in responding to the political system, departmental reporting and analysis requirements and policy development

In addition, an annual system performance report is produced by the HEA for the Minister of Education and Skills. This reports on the performance of the higher education sector in delivering on the 7 objectives set down by the Minister for Education and Skills under the system performance framework. This draws on the annual strategic dialogue process and the submission of annual compact progress reports by HEIs which report on progress against targets within the compacts which reflect the wider system objectives.

