

Review of the Allocation Model for
Funding Higher Education Institutions

Working Paper 11: Summary of Key Themes
from the Consultation Process

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1) Introduction

The Review of the Funding Allocation Model is underpinned by a comprehensive and inclusive consultation process. The Higher Education Authority would like to thank all those who have contributed to date via submissions, stakeholder meetings and the Advisory Group. Throughout the process, we have retained focus on what we see as the key themes and questions that need to be considered to identify an appropriate future funding approach. At an early stage of the review, we also compiled a list of all the expectations set out in national strategies and by different stakeholders to use as a list of areas where a funding model could potentially influence behaviour. This list was used as an ongoing reference point throughout the consultations, to identify where the most immediate priorities lie in evolving the funding model.

This paper provides a high-level reflection on what we have heard and the issues and options that were further evaluated. The paper does not offer an exhaustive list of every point made during the process, but it does illustrate where particular views were reinforced across several stakeholders. The paper is structured in line with the key consultation themes used to frame both the open call for consultation and the bilateral meetings with individuals, groups and organisations.

2) The Consultation Process

Following an analysis of the existing situation, the second phase of the review focused on gathering views from all relevant stakeholders on the desired future direction of the approach to higher education funding. A comprehensive consultation process commenced in February 2017 and completed in June 2017 and comprised:

- An open call for submissions based on a series of structured questions, with 53 submissions received.
- Bilateral meetings between the Expert Panel and higher education institutions, including representative bodies (IUA, THEA and HECA) and relevant networks (Presidents, Chief Financial Officers and Access Officers)
- Bilateral meetings between the Expert Panel and key stakeholders, including Departments and state agencies, unions representing students and employees and industry bodies.
- Feedback from the Advisory Group, which includes a range of key stakeholders.
- Engagement with individual experts that helped inform analysis and challenge thinking as the review progressed.

3) Core principles underpinning the future funding model

Responses reinforced the five key characteristics of a funding system which were set out in the scoping paper:

- Recognising institutional autonomy
- Supporting institutional sustainability
- Reflecting government higher-education objectives
- Maintaining integrity as an independent and robust allocation system
- Recognising the role that higher education plays in transforming lives, driving economic development and promoting social cohesion.

There was also general endorsement of the principles set out within the scoping paper. Some suggestions were very specific to particular interest groups but wider proposals included:

- Fostering Ireland's culture and creative production.
- Internationally competitive.

- Quality and equality of the third-level experience for each student.
- Allocating an equitable level of funding per student
- Meeting the needs of enterprise and society

The consultations reinforced the need to ensure a simple, equitable and transparent system – too many levers would be counterproductive. Full use of the system performance framework, which should reward excellence and not be punitive, was endorsed. Principles need to articulate how to balance autonomy and self-interest and that Institutions are not merely agents of government with overall government policy, societal needs and accountability to society and economy. Institutions need to be accountable but they also need to take some risks for their stakeholders. Whilst maintaining core resources is of vital importance so too is having sufficient funding to upgrade.

4. The overall funding approach

4.1 Ensuring funding stability over time

In common with most state funding recipients, HEIs balance the uncertainty of an annual budgeting process with the need to plan strategically over the longer-term. Naturally there was a desire from most institutions for a multi-annual funding approach if a feasible mechanism could be developed within the existing fiscal framework. In this regard, it was noted that the Minister's announcement of an increased Exchequer commitment of €160m across a three-year timeframe offered a potential platform for embedding longer-term certainty into the funding model. There was also acknowledgement of the challenge for Government in managing a small open economy and the need for short-term resource flexibility to respond to the rapidly evolving global environment. The challenge in balancing a system based on academic years with a funding approach aligned with calendar years was also noted, undermining institutional ability to adequately plan and budget.

It was also suggested that a multi-annual approach may be appropriate in meeting the capital needs of the sector. It was stressed that existing infrastructural deficits following years of underinvestment mean an urgent need for funds to repair buildings, estate and equipment. We heard that an ongoing commitment to addressing the capital deficit could be achieved via either direct annual contributions or an implicit assumption that the grant should allow institutions to target a sufficient annual operating surplus for infrastructure investment (although given the current levels of underinvestment it would be difficult to see how this could be achieved within the foreseeable future). It was also suggested that the allocation mechanism consider factors such as the age of the institute and the condition of its building stock, total square metres occupied, the number and type of students supported and the nature of activity.

The strategic dialogue and performance compact process is perceived by many to have improved longer-term planning capability across the sector, with the value of further encouraging strategic planning within a multi-annual funding framework recognised. A potential route proposed was the fixing of a three-year tranche of funding for distribution based on delivery of agreed compacts or other performance mechanisms built into the model in future. It was also suggested that institutions could be given certainty regarding their share of the overall grant allocation for a three-year period to facilitate longer-term planning, although care would have to be taken to avoid any sudden large changes in levels of grant at the end of this three-year period.

The case for a moderator within the funding model attracted a range of views. While many recognised the need for some mechanism to mitigate the risk of a major year-on-year decline in funding, those

institutions which have grown their student base strongly in recent years felt that moderating their funding growth effectively penalised them for success. It was stressed that the rationale for a tight moderator is strongest in a declining funding environment. Its importance was also recognised in transitioning IoTs from direct Department funding to the HEA student driven funding allocation system. There is a view that if funding begins to increase, and if the significant projected growth in student demand emerges, that there needs to be more scope to incentivise HEIs to meet this demand. One suggested approach involved restricting the negative side of the moderator to the current 2% less than the average sectoral growth, while allowing a more significant increase for those institutions growing beyond the existing capped growth level (for example, up to 5% more than the average sectoral growth). Obviously, this particular moderation approach could only function if a wider top-slice was applied.

A further proposal to provide greater stability in system funding was the guarantee of a minimum unit of resource or funding per student. There is widespread recognition that current funding levels are inadequate and that any further dilution of funding per student is likely to compromise quality. While it is acknowledged that an indefinite Government commitment to a fixed level of funding per student without any constraints on demand is extremely difficult, it was suggested that a fixed standard unit of resource could be agreed as part of the system performance framework (i.e. effective for the three-year timeframe of this framework).

4.2 A more transparent funding model

It became apparent during the consultations that some lack of transparency in the existing funding model in demonstrating the outcomes it delivers weakens perceptions of its overall effectiveness. For example, contrary to what some understood, the model does take account of retention and encourages local responses to skills needs, but this was not widely recognised by stakeholders.

The number of 'top slices' was also cited as a factor undermining the acceptability of the approach. One submission commented that top slices for specific purposes favour short-run policy changes over long term principles, particularly in a resource constrained environment. Many commented that these should be substantially reduced as part of a simpler funding model with the outcomes supported by HEA investment more clearly communicated. However, there was acknowledgement by others that the term 'top slices' had been used as a catch all term for any funding not specifically driven through the RGAM, and that funding in areas such as health, skills and apprenticeship would be more appropriately presented as part of the system's core funding package (although this funding would probably still be earmarked and directed).

Other factors causing confusion or complexity included:

- The 'free fees' component of the HEA allocation, based on legacy fee levels that are markedly different between universities and IoTs, which compromises the value of a weightings based RGAM allocation.
- The role of HEA funding in supporting research activity in universities with the premium received for postgraduate research students blurring the multi-faceted investment by institutions in providing a foundation for excellent research across all disciplines.
- The different treatment of pension costs between universities and IoTs and the varying funding streams supporting these costs in the former.

The Cassells report on future funding raised the prospect of new and additional funding streams via income contingent loan supported student fees and an employer contribution via the National Training Fund. There was clear feedback that if such investment was introduced in the future, there must be a clear mechanism within the funding model to ensure and demonstrate that it is efficiently directed towards areas which will reinforce the benefits received by the contributor. Given the ongoing consultation on the potential introduction of an employer investment mechanism, we heard about the need for much clearer articulation of how the funding model supported the skills needs of industry.

4.3 Recognising the diversity of missions in a fair and flexible manner

Many submissions emphasised the importance of recognising the distinct missions of universities and institutes of technology. The merit of retaining a binary funding system in line with a binary higher education system attracted a mixed range of views, with some perceiving the maintenance of two fixed types of institutions an overly rigid approach given the erosion of some differences between them in recent years and the need for an evolving and responsive higher education system in future. Both university and IoT 'sub- sectors' presented strong cases for protection of a strong base of funding, to maintain excellence in research and international competitiveness in the former, and to recognise the regional mission and more intensive student support requirements in the latter.

While it was widely recognised that the model needed to recognise the distinct attributes of the institutions, there was concern about the fairness of aspects of the current approach. The fixed 60/40 split into university and IoT funding streams was criticised as not reflecting relative flows in student numbers over time. We also heard concern at the difference in weightings for postgraduate provision between the universities and IoTs. The need for more intensive student support requirements in the IoTs was also cited as an important distinction.

5. The core drivers of HEI funding

5.1 The validity of a student driven funding model

The validity of a student-based funding model was confirmed by most submissions and consultations. While not disputing the role of students as the central cost driver, some HEIs noted that there were core costs that must be met by all institutions regardless of scale, with payroll a significant and effectively fixed cost due to national IR restrictions. We received mixed feedback on moving towards a graduate-based allocation, with some believing this is a more appropriate means of recognising the core value from HEA investment and others concerned at how it might influence institutional behaviour, and the potential implications for access students (i.e. HEIs might be less willing to take on access students that are at greater risk of not progressing to graduation). There was also a mix of views on the potential value of a year-end credits-based system, with some perceiving this as a means of achieving a more flexible system that could reward full, part-time and online/flexible and work-based delivery models, while others believe that sufficient reward already exists for part-time provision within the current model. Some stakeholders would welcome a wider outcomes based approach incorporating completion rates, employment rates and student satisfaction and consideration of the economic multiplier effect of higher education provision by HEIs in setting funding levels.

Despite recognition of the validity of a student-driven funding model, we heard serious concern about the feasibility of sustaining this approach if funding constraints are not alleviated. Funding per student has declined rapidly in recent years and the viability of maintaining quality provision with the existing

level of state investment was questioned by many institutions. Despite this, there was little enthusiasm for a cap on student numbers, with all stakeholders acknowledging the pivotal role that higher education has played, and must continue to play, in driving economic growth, and the demographic challenge that has to be met by the system over the next 15-20 years. Some stakeholders cited the growth of 'low cost delivery' programmes as a consequence of uncapped student growth with a capped (and contracting) base of funding. There was support among HEIs for establishing a standard per student funding unit of resource as noted earlier in this section.

We also heard that the demographic growth projected will not be apparent in all parts of the country, with stable or declining populations forecast in most western counties. This provoked concern from institutions in these areas that a purely student number driven system would undermine their sustainability and questioned whether this was consistent with Government policy of balanced regional development. The role of higher education in a regional development context was a recurring theme, with the importance of alignment of future HE strategy with the new National Planning Framework noted.

5.2 Reflecting costs of provision

There was general acceptance that funding should be reflective of the costs of provision and that using broad discipline-based weightings within the model was an appropriate mechanism to support the alignment of costs. Nonetheless there was concern at the degree to which the impact of the weightings had been diluted over time, both as a result of the replacement of state funding with an unweighted student contribution and the wider decline in Exchequer support, meaning that the unweighted free fees allocation took a greater share of the state contribution. There was support for considering whether weightings should now be applied to the free fees component of the HEA allocation, and additionally whether an adjustment should be made to effectively weight the student contribution within the model.

The way in which provision is currently costed was raised as an issue. It was noted, for example, that economies of scale were not considered in costing and that system efficiencies have not been fully demonstrated. The benefits of the introduction of a full economic costing system by the universities was acknowledged but it was emphasised that a more robust, comparable and consistent costing approach across the entire system was essential if the future funding approach was to prove fully effective. It was noted that the payment of pension costs by universities, in contrast to the IoTs where pensions are managed and funded directly by the Paymaster General at central government level, further limits comparison of costs. It was suggested that a more timely flow of financial, management and performance data from HEIs would facilitate a more transparent system and better support the wider case for increased investment in higher education.

The consultation process attracted commentary from some interest groups on the appropriateness of particular discipline-based weightings. In this regard attention was drawn to areas including:

- Initial teacher education
- Art and design
- Optometry
- Dentistry
- Veterinary science
- Computer science

5.3 Recognising external influences on demand and funding levels

Other issues were raised which are impacting upon student demand and the levels of funding received by institutions, even if they are not directly a product of the funding model itself. These include:

- Despite an apparent institutional desire to offer Level 6 and Level 7 provision within IoTs, and an industry demand for this level of skills, student demand at these levels has been in decline, and the introduction of demand-side supports (e.g. no student contribution) was proposed.
- It was suggested that demand for lifelong learning is also constrained by a requirement to pay fees and further demand-side support in this regard would be welcomed.
- The impact of new professional requirements (e.g. initial teacher education, engineering, pharmacy) with postgraduate study now an integrated part of requirements. Free fee allocations are no longer available for the postgraduate year, placing a new financial impact on the student. For initial teacher education, it was noted that postgraduate numbers have fallen due to high fees and that this is already impacting on the diversity of the student teacher cohort.

More generally, the diversification of income in the university sector was flagged along with the need for the funding approach to recognise that the state is becoming a minority investor in education in some institutions. The potential for a hybrid funding model was put forward by some stakeholders, with the HEA funding up to a certain number of students and institutions then taking on additional students on the basis of student contribution or a differentiated funding level.

5.4 Incentivising and reflecting performance

One encouraging aspect of the consultation process was the acknowledgement by most stakeholders that the higher education system is performing well and that there had been improvements in efficiency and performance in recent years. The advent of the system performance framework and the strategic dialogue and compact process was acknowledged in this regard, and there does now appear to be a culture of accountability and challenge on institutional performance. However, there is concern that the HEA/HEI dialogue process is not fully integrated with the HEA/HEI funding and budgeting process and that the focus only on penalties for poor performance rather than incentives for good performance limits the effectiveness of the process. We also heard that this risks disconnect between financial and wider academic and organisational strategies of institutions.

There was strong support for the introduction of a reward based approach to performance funding as new funding for higher education becomes available (acknowledging that without this new funding this approach would only dilute further a limited pot of current funding). It was stressed that the lack of reward in the current model effectively penalises the stronger performers. One suggestion to address this issue was the creation of a small "performance pool" for each HEI that could be released if the institution meets certain performance criteria. There was also a suggestion that a common set of key performance indicators be developed and agreed with the sector and then used as a basis for reward via a balanced scorecard approach.

It was noted that the strategic dialogue process itself would benefit from a more substantial, rigorous and critical evaluation of performance, rather than relying on institutional self-evaluation. Many institutions felt that assessment of HEI compacts needs to be based on more transparent criteria, particularly if institutions are to be penalised with reduced funding. The current system was acknowledged as impacting directly upon wider institutional reputations and this made a robust

evaluation process critical. While it was recognised that wider stakeholders (e.g. QQI, SFI, Enterprise Ireland, IBEC) are consulted in establishing the system performance framework, it was noted that the dialogue process could be strengthened by their direct involvement in the assessment of institutions to provide further challenge on performance.

A key theme raised in the submissions around performance was the inflexibility to fully maximise performance due to HR constraints. We heard that when considering the deployment of performance funding mechanisms, account needs to be taken of the limited scope institutions have to change and respond to certain challenges, with 70% to 80% of costs essentially fixed pay costs. A key theme raised in the submissions around performance was the inflexibility to fully maximise performance due to HR constraints. We heard that when considering the deployment of performance funding mechanisms, account needs to be taken of the limited scope institutions have to change and respond to certain challenges, with 70% to 80% of costs essentially fixed pay costs. The staff contract for IOTs is quite dated and could potentially be reformed to address several themes such as recognising and enhancing the role of IOT staff in community and enterprise engagement and R&D, enhancing the educational experiences of students by revisiting the contract's exclusive focus on contact hours and enhance productivity within the sector. One area where potential improvement was flagged was in relation to strategic, management and leadership capability. It was proposed that the funding model should recognise that not all institutions have the same capacity and play a proactive role in institutional development.

There was recognition of the value of competitive funding to target particular skills needs or to facilitate innovative or transformative thinking. Most stakeholders are open to the idea of a strategic innovation or transformation fund as additional funding becomes available. There was however a counter-argument that competitive funding tends to contrive performance outcomes to the detriment of partnership working and collaboration. We also heard that competitive funding should be focused on only one or two areas, with the administrative burden of running a multitude of small competitive funding streams undermining any value that they might bring.

6 Recognising Different Aspects of HEI Performance

6.1 Recognising research and innovation performance

Many stakeholders acknowledged that the current approach to recognising research and innovation performance in universities could be broadened to place a greater focus on outcomes. Over-concentration on postgraduate research activity as the means of rewarding institutional performance was criticised by some with a more robust link to competitive research funding success (given the clear link to overhead costs which must be met via the block grant) encouraged. It was noted that the development of robust commercialisation metrics by Knowledge Transfer Ireland could facilitate a widening of the criteria on which the current university research 'top-slice' is allocated, with the incorporation of bibliometric analysis also worthy of consideration. It was suggested that the approach to rewarding research performance via REF in the UK would be overly bureaucratic in the much smaller Irish system. There was nonetheless a concern that performance funding in this area should be balanced with recognition that not all HEIs are equal and should not be penalised for their particular mission or stage of development, with the importance of setting individual targets relative to where each Institution sits emphasised.

There was strong feedback from universities on insufficient funding of research overheads as a result of competitive funding sources. This issue goes wider than the money provided by the HEA as a foundation investment for research and must be considered in the context of the wider research funding environment. University FEC suggests a research overhead rate of 67%, yet it was stressed that funding agencies provide only a proportion of this requirement, leaving a significant gap which must be met from core resources. There was support for a multi-agency solution to be sought on the research overheads issue, which would provide clarity on where such funding should be derived. The urgency of finding such a solution was stressed given the financial strain placed on institutions delivering important national and international research projects and the impact on teaching activity that the inevitable cross-subsidisation brings.

We listened to strong views on the perceived inadequacy of the current approach to supporting research and innovation activities in the IoTs. The difference between IoT postgraduate research weightings and those applying to universities and the lack of a performance-based research and innovation top-slice for the technological sector were highlighted. There was support for introduction of an IoT research and innovation performance driven allocation as additional funding became available, although it was stressed that this should recognise their distinct characteristics and contribution in this space and not merely replicate the existing approach for universities. In particular, it was emphasised that the practice-led and research-informed approach of the IoTs should be reflected and valued.

6.2 Recognising access performance

There was no doubt as to the commitment to the access agenda across the higher education and other stakeholders that we met, but there were differing ideas as to how HEIs should be appropriately supported. There is some concern at the targeting and transparency of funding for access and the degree to which the 0.33 premium given to an access student is an adequate reflection of the additional costs of supporting such a student. We heard that there was insufficient focus on the costs of pre-entry access support with schools and in communities. Access to part-time higher education opportunities was also flagged as a critical component of widening participation and the application of access weightings to part-time students was suggested.

We heard concerns regarding the way in which institutions direct and report on access investment, and there was a desire from some for greater clarity around this. Many institutions however emphasised that access support to students goes far beyond the dedicated units and is embedded across their academic operations and that an overly prescriptive approach on accounting for access funding could undermine this approach. The current reliance on a voluntary access survey, with substantially different HEI response rates, to underpin access funding allocations was also questioned. It was noted that the establishment of the SUSI system provided a further data source by which required access investment could be gauged, and that the implementation of a new access data strategy as part of the National Access Plan should offer potential to build additional and more effective funding metrics into the funding model over time.

Some felt that the funding model needed to better reflect retention and progression. At the same time there was caution that the funding approach must not discourage institutions from taking on particular access students because of a perceived higher risk that they might not complete their course.

It was strongly emphasised by most IoTs that their role in providing regional access to higher education and in supporting those with greater support needs through college is critical yet is not fully acknowledged within the access funding system. It was further noted that a key aspect of this regional access role for some IoTs is the running of campuses in multiple locations and that the additional cost attached in such provision needs to be recognised.

6.3 Gender Equality

As outlined in the recent HEA National Review of Gender Equality in Irish Higher Education Institutions (2016) gender inequality exists in Irish society and in our HE sector. For instance, only 19% of academic professors are female and only 28% of the highest paid professional support staff positions are held by females. The funding model could be used as a tool, either through top-slicing or other initiatives, to facilitate gender equality.

It was mentioned during stakeholder discussions that additional RGAM weightings could be utilised for the STEM subjects to incentivise the take up of these subjects by female students. HEIs would gain additional funding via the extra weighting when they increase female participation in discipline areas where females are underrepresented. Inversely the same principle could be applied to Initial Teacher Education/nursing for the recruitment of males.

Some stakeholders suggested there might be merit in the model taking some consideration of gender for the RGAM research component. The main research funding agencies in Ireland have already announced that they will require HEIs to have attained the Athena SWAN award by 2019 to be eligible for research grants. The Irish Research Council launched its Gender Strategy and Action Plan 2013-2020 in 2013. The strategy and action plan aims to provide equal outcomes to both men and women so that Ireland can attract and retain the most talented, creative and innovative researchers thereby maximising its collective research intelligence. In 2015 HEIs signed up to Athena SWAN (Scientific Women's Academic Network), a national initiative supported by the HEA. By signing up to the charter, each HEI is committing to advancing women's careers in science, technology, engineering, mathematics and medicine (STEMM). In 2015 the charter was extended to the arts, humanities, social sciences business and law as well as professional and support staff.

The Strategic Dialogue process could be used to further enhance gender equality. The new Strategic Dialogue Performance Framework is expected to highlight the achievement of gender equality as a key system goal.

6.4 Skills development, collaboration and industry engagement

The need for funding to address identified skills shortages is understood and targeted allocations are generally considered to represent an appropriate response. There was also some support for extension to skills-based funding initiatives to include part-time, blended and online provision, facilitating up-skilling and re-skilling of the existing workforce. The provision of some developmental funding to support the enhancement of online provision in particular was suggested. There was also interest in looking at how skills development outcomes might be more embedded into the funding model, by using tools such as employer surveys and graduate destination statistics.

It was argued that the current funding model does not provide sufficient incentives in support of institutional collaboration or the development of regional clusters. Collaboration to date amongst institutions has met with mixed success and the commitment of the HEA to further progressing this priority was questioned. The incentivised collaboration approach in the past via competitive funding programmes such as the Strategic Innovation Fund, was proposed as the most appropriate means of

ensuring further progress, rather than a rigid prescriptive approach requiring action across the current fixed regional clusters.

It was broadly accepted that the development of HEI/industry partnerships should be supported. Some noted that, as with research, the current core funding model does not recognise the additional overhead associated with components of provision such as work placements, internships and other essential interactions with the community. This was linked to a view that there should be more recognition of the value of industry engagement and in particular Small Medium Enterprise (SME) engagement within the funding approach, either within the core funding model or via greater emphasis in HEI performance compacts. Others felt that pursuit of these important industry-linked components and targets to expand such activity should be embedded within the strategic dialogue and compact process to reflect the different attributes and approaches of different HEIs.

The importance of the delivery of future skills needs for the public sector, and particularly in the area of healthcare, attracted comment from a number of stakeholders. It was clear that significant work is ongoing by the Department of Health to establish a new comprehensive workforce planning system that will facilitate a more effective role for higher education in responding to these skills needs. It was noted that this will allow the system to adjust to clearly identified future demand across all healthcare related occupations and that the funding model must be sufficiently flexible to accommodate the rolling input from continually updated workforce plans.

The role of the Higher Education Sector in delivering Apprenticeships and work ready graduates through placements was also discussed by stakeholders. It was noted that there is great value in Apprenticeships but that the public perception of their value needs to be raised. There was praise for HEIs that have taken up niche Graduate Apprenticeship provision in areas such as Insurance. It was cautioned that in the rapidly evolving world of work that specific skills, whilst of use, cannot be overemphasised to the detriment of educating a rounded adaptable graduate. Foreign language competency, currently at low levels in Ireland, is another area that will be of increasing value as export markets extend far beyond the US and post Brexit UK.

6.5 Support for flexible learning

It was emphasised that a modern, vibrant society and economy requires a higher education system fully committed to driving a culture of lifelong learning and that this must be strongly supported within the funding model. Part-time students currently pay full fees and a state subsidy was suggested for this type of provision, perhaps via its inclusion within the free fee scheme. Another proposal was a standard allocation for tuition or a flat subsidy of €1,500 per student pursuing 60 credits. Other respondents suggested higher weightings for part-time programmes in recognition of the importance of encouraging more provision and the complex costs involved in delivering such learning (e.g. teaching contract constraints and the additional expense of out of hours' delivery). The technology and expertise costs associated with on-line learning were also raised, and it was stressed that this type of provision does not necessarily offer a cheaper way of delivering education.

There was also a suggestion that the costs of flexible learning provision should be met by those who directly benefit such as industry, and that the proposed additional contribution from the National Training Fund offered a potential avenue for such a contribution. Some submissions also advanced the case for greater recognition of work based learning within the funding model to ensure that there is effective knowledge transfer between industry and HEIs and we heard that the issue needs to be given greater focus within strategic dialogue between the HEA and HEIs. There was also support for the use

of a Springboard type competitive funding model for the development and delivery of flexible and online provision, with ring fenced resources for this purpose.

6.6 Linking funding to governance performance

There was a general recognition of the importance of good governance and full accountability for the significant Exchequer investment in higher education. However, there were mixed views on how best to embed governance requirements within the approach to funding, including that:

- Meeting governance requirements should be a condition of grant funding and non-compliance should not be tolerated.
- The most appropriate place to monitor governance is via the system performance framework and associated HEI performance compacts, which would allow good or poor performance to be linked to funding.
- The introduction of a penalty based system within the funding model which would reduce funding awarded by agreed levels in line with specific breaches of governance compliance

It was noted that no institution intentionally sought not to comply with governance requirements and that rather than financially penalise non-compliant institutions, a more constructive approach would involve supporting those institutions experiencing difficulties in managing their governance responsibilities (for example by investing in governance and leadership capacity). Nevertheless, there was recognition by many institutions that something needed to be done to provide further assurance on governance, particularly as they sought greater freedom around human resource issues and pursuit of revenue generation opportunities, and that having clearly defined penalties for a small number of critical and specific issues of non-compliance could be worthy of further examination. There was general agreement that a system should be put in place to deal with serious 'red-line' governance failures.

7. Other interdependencies

A range of other points were raised during the consultation process which, although not directly related to the funding model itself, will impact on the effectiveness of any future funding approach. We state these as presented below as important contextual considerations in evaluating options for development:

- Payroll costs are between 70% to 80% of core costs and are largely inflexible due to national IR/HR restrictions limiting the capacity of institutional leaders to reshape in an agile fashion. Institutions stressed that unless the State moves to give institutions greater flexibility here, the funds that are free for driving change will be very limited.
- The absence of a borrowing framework for IoTs is a significant limitation and places them at a disadvantage in comparison to universities and exacerbates the legacy issues arising from underinvestment in capital stock.
- The need for better signposting of pathways throughout the education system (including from further education).
- Account needs to be taken of the evolving structure of the system, with further consolidation of institutions planned, and the prospect of the creation of Technological Universities.

Most importantly, it was emphasised by most stakeholders that overall funding increases (both capital and current) are urgently needed to meet demographic growth, to reduce student/staff ratios towards OECD norms and to reduce infrastructural deficits. However there remains some scepticism that additional investment will be forthcoming, and if no additional funding is available, the extent to which the funding model should be changed in the near-term was strongly challenged.