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Review of the Allocation Model for Funding Higher Education Institutions

Working Paper 6: Cost Drivers and the Costing System Underpinning Higher Education

Contents

1) Introduction

This paper considers the costs and drivers that underpin the higher education system in Ireland. It examines the costing systems that are currently in place for universities and institutes of technology, and attempts to reconcile the different methodologies used in each so as to provide a broad estimate of the funding per student required to deliver quality provision across the system. It concludes by outlining the challenges and issues that need to be considered in order to ensure the future funding approach reflects the cost of delivery on a consistent basis across all institutions.

2) Current Systems of Measuring Provision Costs across the HE Sector

The cornerstone of an effective funding allocation model is robust, timely, reliable and consistent information on the costs of delivering higher education. The Irish funding system has always placed a strong emphasis on understanding the costs of provision in individual institutions. Cost data is gathered from all publicly funded HEIs each year, supplemented by an annual budgeting process that ensures institutional income and expenditure plans are fully understood and challenged where appropriate, and by a student records system which validates undergraduate and postgraduate numbers across the sector. In 2016, the annual budgeting process for Institutes of Technology was enhanced, partly as a response to serious sustainability concerns, and a much wider management information template was required to be completed. This new framework focused on gathering data on historic costs and income over the past 5 years and projecting financial forecasts for the next 5 years based on agreed common assumptions. In 2017, the HEA has also introduced a new template for budget submissions from universities and specialist colleges to ensure greater consistency in approach.

Despite a strong focus on understanding costs of provision and these recent enhancements to institutional information gathering, cost comparison between universities and IoTs is not a simple task. Legacy issues include pension costs which are paid directly by traditional universities (and partly funded via grant allocations) but which are outside the funding system for IoTs.[1] There are also two different methodologies for calculating unit cost data supplied to the HEA, with the universities using a Full Economic Costing system and the IoTs a unit cost system driven by levels of funding.[2] This makes the assessment of an overall, cross-sectoral cost of provision more complex and hampers analysis. It would seem clear, therefore, that there needs to be a move to a common higher education costing system and a clear, shared understanding of the cost of provision. The starting point for this process is to understand the distinctions between the two existing costing systems currently in place, and to consider how the respective datasets can be reconciled to improve understanding of system costs.

2.1 University Full Economic Cost (FEC) Approach

FEC data is produced by the university sector annually and is returned to the HEA by the Irish Universities Association (IUA). The FEC approach was developed to facilitate awareness and understanding of the true cost of activities for sustainable management in universities. It is an activity-based costing model that aims to capture the full economic costs of teaching, research and other

[1] IoT pensions are paid directly to the recipient from a public-sector pension fund and kept off balance sheet and outside the grant allocation process.

[2] Given the relatively small scale of the specialist colleges and the ongoing process of consolidation across the sector, analysis is not provided separately for these institutions in this paper.

activities. The full economic cost of an activity includes direct costs, indirect costs and allocated costs. FEC costs are sourced from the universities' harmonised financial statements, with a series of cost adjustments being made to ensure comparability (e.g. to take account of different pension arrangements). The two principal differences between the FEC system and the costs reported in an institution's annual accounts surround treatment of infrastructure and the cost of finance. These two adjustments made within FEC mirror the approach used in the UK Transparent Approach to Costing (TRAC) system which is required by HM Treasury, HEFCE and Research Funding Councils

- **Infrastructure adjustment:** The first adjustment simply adds on c.€110m for reinvestment in infrastructure calculated at c.2.1% of the insured value of buildings, and a further €36m for equipment and fittings. This effectively equates to the amount of surplus which an institution would need to have generated to allow the annual level of re-investment necessary to maintain the value of its infrastructure.
- **Cost of investment and finance adjustment:** This adjustment is applied in two ways – firstly, by taking the non-state funded assets – €1.3bn of a total assets of €3.3bn in the university sector – and allowing a cost of borrowing of 5.02% to finance this figure (c.€65m). Then a deposit interest rate (1.2%) is applied to income/operational expenditure, to reflect the fact that if the HEI did nothing with its funds (i.e. did not pay salaries, did not provide any teaching or any research) but simply placed it on deposit, it would have earned an amount which has to be reflected in its pricing strategy (c.€19m).

The FEC model adopted by universities has largely followed the approach established in England, although the introduction of significant student fees there and a resultant funding model where income per student can more closely reflect the full economic cost of provision is a notable distinction.

2.2 IoT Unit Cost Approach

IoTs supply annual unit cost data to the HEA for each of the individual higher education programmes that they deliver. The aim of the unit cost model is to establish a cost per student per course. The model categorises expenditure into:

- total direct costs (including pay for lecturers, specialist staff and tutors);
- total overheads (including premises costs, library costs, computer services and development office costs); and
- apportioned overheads (including registrar's office, central service and student facilities).

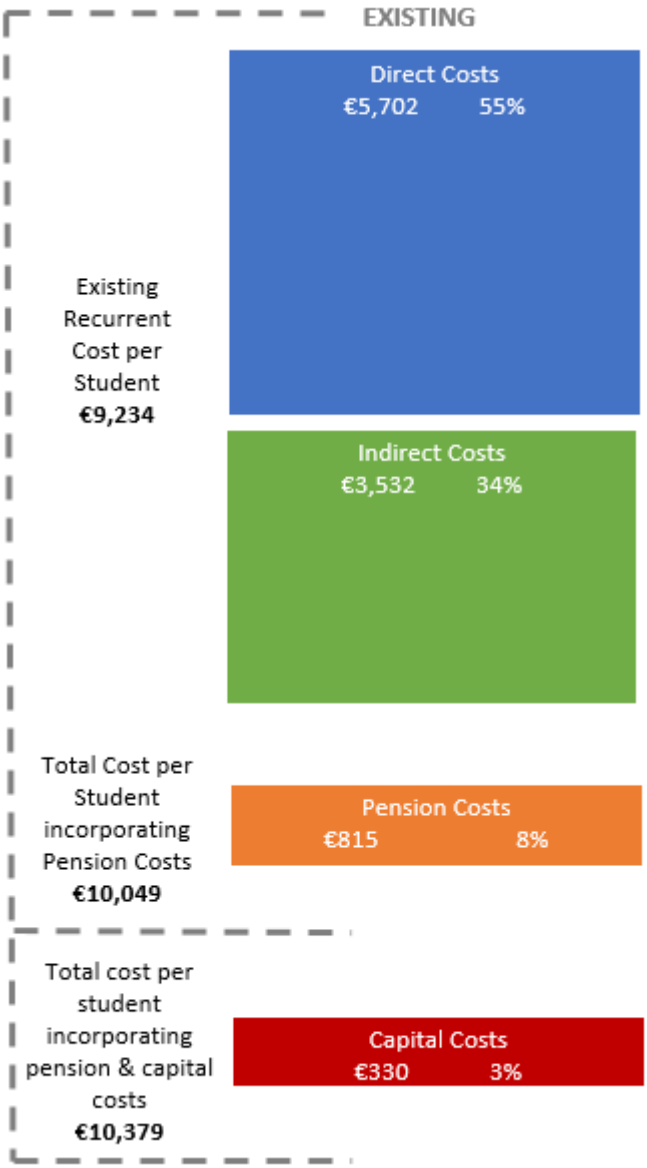
The non-recurrent elements of these costs are removed (e.g. major capital works, and sectorally funded projects). The total is then divided by the number of students to estimate the average cost per student. In line with the overall funding approach noted above, the IoT cost data does not provide for any contribution to pensions, nor does it account for any depreciation of institute's assets (or cost of maintaining the same).

The unit cost data is calculated on the basis of funding available, meaning that, in the recent period of declining or static state funding, unit cost estimates have been similarly declining. As a result, the unit costs have been less reflective of the requirements of maintaining high-quality provision. IoTs are also required to return a detailed reconciliation of the total expenditure in the unit cost returns to the total reported expenditure in the draft statutory accounts for that year, ensuring that unit cost data can be fully validated retrospectively. There is, nonetheless, some concern about the consistency in approach in placing costs within different categories and in their allocation to different programmes.

3) Assessment of higher education provision costs

Despite the difference in the costing approach, it is important to use the data that is available to develop an overall understanding of the cost of providing a higher education place. Universities, IoTs and specialist colleges all provide funding statements to the HEA on a harmonised basis and this allows some reconciliation between the costing methodologies. Using these funding statements, the diagram in Figure 6.1 sets out an assessment of the cost per student across the higher education system, broken down by the different cost components, which are further explained below. This breakdown of the total cost per student is funded from several sources including state grants, student fees and other income.

Figure 3.1: Average Cost Components Across Higher Education Institutions



3.1 Recurrent Costs

In this analysis, recurrent costs are split into two categories: direct costs and indirect costs. For the IoTs, direct costs are clearly identified within pay and non-pay categories, by using unit cost data in tandem with the funding statements. For the universities, it is assumed that direct costs relate to the academic department costs**,** which refer to both the pay and non-pay costs associated with delivering academic programmes. The direct costs of research grants and projects in the universities have been eliminated from the analysis as these should be supported by competitive grant sources. The Full Economic Costing model estimates that the indirect costs of these competitively funded research activities across a 3-year average amount to an overhead rate of 65.4%. The IUA further estimates that the overhead recovery rate (i.e. actual funding received for indirect costs) from competitive funding sources amounts to 18-20% of the indirect costs. Assuming the rate of 20% applies, based on the 2013/14 competitive research funding figure of €304mn, this means that approximately €138mn of indirect competitive research costs are supported by the core grant. This is an important factor in the sustainability of future higher education funding that merits further consideration.

While this is a funding rather than an allocation issue, it nevertheless exerts pressure on the core grant allocation as it impacts the core cost base. This protracted issue was first addressed in 2005 through an interdepartmental, interagency group of research funders and research providers, which agreed[3] to an interim overhead rate of 30% on laboratory based contracts. This was agreed on the basis that this rate would be provided without negotiation, and allowed for full cost funding on a negotiated basis on condition of introduction of a Full Economic Costing system, based on eligible costs agreed by the group. However, perhaps because of funding constraints, it has not been possible to move beyond non-negotiated rates. This means that every success by the system in meeting national targets for expanded research activity, contributes to increasing the sustainability challenge facing the higher education system.

The indirect costs are assumed to other academic services costs which relate to the operation of functions such as the libraries, IT systems and innovation support which support academic activity. It is also assumed that indirect costs include other education expenditure which comprises elements such as examination expenses and scholarships, prizes and fellowships and other overheads (i.e. central administration costs and the costs of maintaining premises, facilities and amenities).

Within **IoT indirect costs**, allocated overheads are central costs that are allocated based on usage mechanisms (e.g. premises on the basis of space utilised). Apportioned overheads are other central costs that are apportioned on the basis of whole time equivalent (WTE) student numbers (e.g. library costs). It has been assumed that the efficiency gains across these two indirect overhead categories in recent years (e.g. from improvements in central services, outsourcing, shared approaches, organizational restructuring) can be 'banked'. This implies that maintaining the funding contribution per student at these levels across these cost categories would present a sustainable approach.

Using the assumptions above, it appears that a greater proportion of IoT costs (66.5% against 58.5% in the universities) is focused on the direct delivery of provision via academic departments. This reinforces recent analysis[4] that there is relatively less emphasis on central management and administrative services within IoTs and that this capability must be built up to improve planning and performance. It also reflects the different teaching and learning strategies between the two sectors,

[3] Report of the Group on Research Overheads, HEA, Forfas 2003

[4] The recent *Financial Review of the Institutes of Technology* (October 2016) conducted by the HEA indicated a need to build management and strategic capacity

with generally higher student contact loads used in the teaching and learning approach of the IoTs in comparison to the universities.

3.2 Capital Costs

Maintaining and renewing the capital stock of a higher education institution must be a critical consideration in servicing its annual cost base. Exchequer capital funding has been very limited in recent years, with the analysis in Section 4 of the Interim Report showing an average €69.8m of per annum over the last 5 years, which includes funding for many new bespoke capital development projects. This produces an annual capital funding cost per student of €330. Due to the universities' capacity to borrow, and the ability of some institutions to utilise reserves or source philanthropic funding, this Exchequer contribution has been supplemented to produce annual capital investment of €290mn, but most of this funding is channelled towards new bespoke capital development projects.

The costs above do not take into consideration the level of investment required to maintain infrastructure in a fit-for-purpose condition, or the cost of addressing the identified capital deficit, or the cost of the infrastructure required to meet expanded student numbers.

3.3 Pension Costs

Pension costs in Universities are highly complex, and this coupled with the fact that IoT pension costs are recorded outside of the HEA funding system, is a key reason why it is difficult to compare the cost base with IoTs. There are three basic pension arrangements in the sector, detailed in Appendix 1. The Institutes of Technology and the two new universities have contributory pay-as-you-go pension schemes, with no employer contribution. The Universities, on the other hand, must make the following payments into a Pension Control Account:

- Employer pension contributions related to certain 'funded' pension schemes (Schemes that used to have a pension fund before 2009 takeover by the State of responsibility for the funds and their associated liabilities)
- Employee pension contributions, deducted from pay, in relation to certain 'funded' pension schemes
- Pension supplementation – that is, while the fund provided pensions as at date of retirement, the core budget provided for the cost of post retirement increases in the rate of pension
- Grants received in respect of Pension Lump sums related to pay-as-you-go schemes
- Grants received in respect of Pensions in payment related to pay-as-you-go schemes

The Pension Control account then pays out all pensions and lump sums due to retirees. The state has committed in legislation to make good any shortfall between contributions to and payments from the Pensions Control Account in relation to certain closed formerly 'fund' schemes. To meet this commitment, the state paid €18m into the pension control account in 2015.

By taking all pension contributions into the pension control account, that total annual pension costs for the university sector amount to €100m per year. Pension costs in IoTs are outside of HEA funding arrangements, managed and financed directly by the Paymaster General. Institutes deduct employee pension contributions but these are retained by the Institutes and reported as Other Income in their accounts. This adds further complexity to comparing IoT and university costs. Nonetheless, the cost of IoT pension pensions in payment and pension lump sums remain an Exchequer liability and are

estimated at around €50mn per annum. The overall higher education pension cost per student is therefore estimated at €149m, which equates to €815 per student.

4) Channelling future investment effectively

The Cassells Report addressed the issue of the quantum of additional funding required to restore and quality and to meet demographic growth. It identified the main beneficiaries of higher education as government, students/graduates and employers and it set out a number of options for the proportions of total system funding that might in future be derived from each beneficiary. It stated that, once the proportions of overall system funding that should be met by government, students/graduates or employers were decided, the focus then needed to be on how these funds should be provided and allocated most effectively and how each set of stakeholders could contribute their share. The options included a new employer contribution sourced from an increased National Training Fund levy, and different options for student contributions including some supported by income contingent loans. It emphasised that under all scenarios increased state investment would be required.

It is not the role of this review to consider the level of additional investment required in Irish higher education or to make assumptions as to the source of additional funding. However, it is important that our analysis and findings take account of the Cassells recommendations on the need for increased investment and the potential options for sourcing this. This will allow us to identify a reformed funding model that is capable of distributing current funds in an effective, equitable and transparent manner and that also has the capacity to efficiently distribute additional funding from new sources as they become available. Such a funding model will need to be capable of incentivising and promoting innovation and high performance and potentially penalising inefficiency and ensuring that increased investment from whatever source is complemented by ongoing reforms, resulting in a more flexible and responsive higher education system.

In section 3.2, we set out the estimated split between direct academic costs, indirect costs, pension costs and capital costs of higher education provision. The Cassells report acknowledged the significant efficiencies that have been generated across higher education during a period of constrained funding, and the ability to the system to continue to accommodate increased student demand at a time of decreased resources provides further such evidence. However, there is concern about the continuing ability of HEIs to maintain quality, particularly with an academic staff-student ratio of 1:19.2, well outside the OECD norm which has varied between 1:14 and 1:15.8 between 2008 and 2014. This suggests that if additional investment becomes available it should be channelled into the area of direct expenditure where it is most urgently required to maintain the quality and international competitiveness of academic programmes. In effect, such a focus 'banks' the efficiencies generated across the other cost categories in the years of austerity. The other area of immediate priority is capital investment, given the need to maintain adequate infrastructure to service the burgeoning student base and address the substantial infrastructure 'deficit' identified across the HE sector.

As highlighted above, income from a number of sources is used to meet the core costs per student in institutions. Three funding components are particularly relevant to the model for allocating institutional funding; the student contribution, the grant-in-lieu of tuition fees based on legacy fee levels, and the RGAM block grant allocation based on weighted student numbers depending on the type of provision. However, in the existing system funding model, none of these three components is

currently determined by, or structurally aligned to the actual costs of providing higher education to a student. In addition, only the student contribution is driven by the number of students in the system. While the grant-in-lieu of fees appears to be determined by student numbers, this is only as a first call on total grant that is already fixed, so an increase in free fees requirement generally leads to a decrease in funding to be allocated through the RGAM block grant.

In HEIs we have seen a focus on raising non-Exchequer income to effectively cross-subsidise undergraduate provision to EU students, from increasing the international student base, generating other fee income and targeting philanthropic investment and borrowing to meet the costs of capital. Higher education has long been characterised by cross-subsidisation, both across disciplines and across different levels and types of provision, but care must be taken to ensure that the dependency on such cross-subsidisation does not become so great as to create unintended risks and consequences (for example, in pursuing unsustainable numbers of international students or setting uncompetitive or unfair postgraduate fee levels).

In any new funding allocation model, a closer relationship needs to exist between the total funding provided, the average cost of provision, and the three major funding components of student contribution, free fee, and RGAM block grant. This will allow quality provision to be maintained, and remove unintended incentives and disincentives that can arise due to mismatches between the structure of costing and funding. We also need to consider whether and how a new funding model should take account of the different levels of institutional dependency on state grants, or support the further diversification of the HEI income base.

Consideration also needs to be given to what extent, if any, a new funding model should take account of the different profiles of dependence on state grants as a source of funding that exist across the sector. In 2013, 42% of university income came from non-state sources compared with just 24% in the IoT sector. Given the overall objective to diversify sources of funding and to build capacity to generate non-state income, it is critical that the new funding model supports this. As part of its work on addressing the sustainability of higher education, the European Universities Association has pointed to the role which funders and public authorities should play in setting appropriate incentives and support mechanisms to build up the capacity of institutions to respond to new opportunities and reduce overdependence on particular income streams.[5]

5) Appropriateness of cost weightings

Clearly, the foregoing analysis treats all undergraduate students equally. However, both costs and funding vary in accordance with the subject area in which a student's course is centred. The three main subject price groups by which undergraduate students are weighted are: Non-lab (weighting of 1), Fieldwork (1.3) and Lab (1.7), which relate to the areas of study. In the universities, there are further price groups for Clinical Medicine (2.3), Dentistry and Veterinary Medicine (4). Postgraduate research students receive a further weighting of three in the universities and two in the IOTs in respect of programmes based on 12-month attendance in the year. In addition, Access students receive an additional weighting of 0.33 to meet the additional costs of recruiting and retaining students from target groups.

[5] European Universities Diversifying Income Streams: an overview of the study Thomas Estermann, Enora Bennetot Pruvot, European University Association

FEC and Unit Cost data allow for the incorporation of weightings into cost calculation and facilitates a comparison between laboratory and non-lab provision. Based on the assumption of a Level 8 undergraduate student in each category, Table 6.1 sets out current estimated costs, compared with the funding which is provided. It demonstrates that the impact of the weightings has been diluted as a result of reduction of state funding and its partial replacement by a fixed student contribution. This has resulted in a greater level of subsidisation for laboratory provision (and indeed for other provision in higher price groups). The cost data indicates that the 1.7 weighting is above the actual estimated additional cost of lab-based provision (a multiplier of 1.51 and 1.64 for universities and IoTs, respectively), but that its lack of application across the full funding base means that the effective weighting is only 1.3, which is below this estimated cost threshold. It is this type of unintended consequence which prompted a recent HEA decision to address the disincentive for STEM provision by applying an adjustment equivalent to the diluted impact from the increase in student contribution in recent years.

Table 3.2: Comparing the Costs and Funding of Laboratory and Non-Laboratory Provision (Costs have not been adjusted to include university pension costs)

	Universities	IoTs
Non-laboratory Provision		
RGAM Weighting	1	1
Total Funding (Contribution/Free Fees/RGAM)	€7,018	€6,334
Total Cost Per Student (Based on FEC/Unit Costing)	€7,315	€6,527
Laboratory Provision		
RGAM Weighting	1.7	1.7
Total Funding (Contribution/Free Fees/RGAM)	€9,319	€8,410
Total Cost Per Student (Based on FEC/Unit Costing)	€11,082	€10,003
Effective Current Lab Funding Weighting	1.33	1.33
Weighting to Reflect Actual Lab Cost Premium	1.51	1.63

When looking at trends in this actual lab cost 'premium' over recent years, it has declined in tandem with the wider contraction of Exchequer funding. For universities, the actual weighting for lab-based provision fell year-on-year, from 1.8 in 2008/09 to the 1.51 level in 2013/14. The fall for the IoTs was less pronounced, from 1.71 to 1.64. The analysis suggests that this type of provision has borne the brunt of cuts within institutions, perhaps by reducing lab exposure, technician time, or replacement of equipment in order to minimise costs. It provides further rationale for the appropriate application of the weightings to be examined during the remainder of the review to ensure that the future funding model is reflective of cost.

6) Implications and Issues to Consider

The analysis in this paper highlights several issues that require further consideration as part of the review.

New Costing Model

There is a clear need for a consistent and comparable costing system across the entire higher education sector. The HEA needs a costing system that delivers robust comparable cost data across the higher education sector to: -

- Underpin pricing decisions
- Develop competitive funding calls
- Negotiate funding for research overheads
- Monitor institutional sustainability and efficiency

A decision must be taken on the most appropriate methodology to underpin this model. This could require the introduction of the two major FEC cost adjustments to the IoT unit cost system, one for the infrastructure costs and the other for financing. This would go some way to increasing comparability of total costs but it would still leave a different system in place for costing research; in the universities research is separately identified and includes contract research, whereas in the institutes research is allocated to 'per student' costs and excludes contract research. Further work is required to examine possible options to produce a more comprehensive costing model.

Greater Transparency

There is a need for greater transparency on the calculation of the cost per student, which is an output from the annual sectoral costing analysis. Ideally these calculations would inform the funding estimates discussions with the DES as part of the three year system performance framework. The following additional items might also be considered as part of this calculation:

- Pension costs (where relevant)
- Operational costs
- Capital infrastructure cost
- Efficiency factor (as outlined below)

Evidence of Efficiencies Achieved

In line with the above, further work needs to be undertaken to demonstrate the efficiencies achieved in higher education over the last few year, to ensure there is confidence in the system. An efficiency factor could potentially be calculated based on a target to be achieved over the three year performance framework period. This could be a 'CPI minus x' factor, applied to specific costs. This would incentivise institutions to continue to find efficiencies, giving them the autonomy to decide where best to find them. The work of Universities UK in this area, provides a useful reference point.

Appropriateness of Current Weightings

The appropriateness of the current weightings, and the application of these weightings to the full core funding profile of the institutions, including the student contribution and the free fees allocation, needs to be reviewed.

Capital Funding

There is a need to be able to articulate the rationale for an ongoing annual capital contribution to institutions to meet the clear recurrent costs of maintaining and renewing capital stock.

Pension Costs

Given the complexity, and lack of understanding, of the pension arrangements between the different sectors, there is a need for transparency on how pension costs in higher education are funded, to build

confidence that the model used is fair and consistent. The new model should have the ability to fund pensions separately in order to ensure a consistent approach across the sector.

Appendix 1: Pension Calculations

	Older Universities	**New Universities**	**IoTs**
Type of pensions	The five older universities had contributory, ***funded*** pension schemes which were closed to new members from 2005. The contribution rates were regarded as fixed but were less than the actuarially recommended rates required to meet future liabilities and the schemes fell into deficit. The assets & liabilities of the scheme were transferred to the National Pensions Reserve Fund under special legislation in 2009. The Minister for Finance was committed under legislation to make good any subsequent deficit arising – defined as an excess of pension payments over pension contributions related to the closed scheme, in any year. Universities were thus required to set aside contributions to the scheme, although no fund now exists.	The two newer universities UL and DCU had contributory, ***pay-as-you-go*** pension schemes since their inception in the 1970s. The scheme was contributory for employees but there was no employer contribution. Employees contribution was 6.5% but this was regarded as 'notional' for funding purposes as it was not remitted to any other body. Grant funding to the two newer universities was therefore based on **a reduction of 6.5%** or on 93.5% of nominal pay.	The Institutes of Technology had contributory pay-as-you-go pension schemes, again with a 6.5% employee contribution and no employer contribution.
How the pension contribution is funded	The employer contribution to the fund was c.10%, the employee contribution was 6.5%. These contributions were paid into the fund. (The combined actuarially recommended rate was over 20%). Grant funding to the five older universities was based on providing **an** additional 10% of nominal pay to allow for contributions to the fund.	Thus pay costs of UL and DCU were 93.5% of nominal pay compared to 111.6% (110% + 1.6%) of nominal pay in the five older universities – so the newer universities had pay costs of roughly 84% of the pay costs of the five older universities. In the older universities pay accounted for 75% of total expenditure. Thus, the total costs of UL and DCU were 88% of the total costs of the five older universities. A reduction the funding of UL and DCU was required to take account of this cost differential.	Traditionally grant funding was based on 100% of nominal pay with the employee contribution of 6.5% retained as 'Other Income' by the Institutes.

		As it would not be possible to reduce fees or other sources of budget income, the entire reduction was made on the grant. Taking account of grant as a proportion of budget at the time, a reduction of 21% was applied to UL and DCU grant per student relative to the older universities. However, for a range of reasons – including a need to publish an annual grant per student figure – the reduction was applied to weighted fundable student numbers, referred to as pension-adjusted student numbers, used only for grant allocation purposes.	
How benefits are funded	The pension funds provided only for pensions at the rates applicable as at date of retirement. All post retirement increases – known as pension supplementation - which are not statutorily guaranteed by the scheme but are granted only on a custom and practice basis, are funded on a ***pay-as-you-go*** basis from current budgets and not from the pension fund. Grant funding to the five older universities also provided a further **additional c.1.6%** of pay as a rough provision for pension supplementation.	Funding for the payment to retirees of pension lump sums, and of pensions-in-payment, is made by way of top sliced grant funding and is included in the pay costs of the university accounts.	Pension benefits are paid ultimately by the Exchequer. Pension benefits are not included in the operational costs of the Institutes' accounts. All universities and institutes are required to recoup an employer contribution and to set aside an employer and employee pension contribution for staff employed on funded research contracts, and on ancillary services such as catering and residence staff.

Post 2009

After the transfer of the pension funds in 2009 the universities operated a Pensions Control account. Essentially this was a type of cash-in, cash-out pension account, to keep track of any cash deficit arising, and to isolate all pension costs from the core budget. Income comprised all contributions (employer and employee) from all pension schemes – the closed pension funds and the new pay-as-you-go scheme. Outgoings were all pension payments. Any surpluses arising on the newer schemes (which had as yet no retirees) were used against payments related to the older schemes. An anomaly was that while the 2005 scheme did not require a employer pension contribution, the older universities had been funded on the basis of having to make an employer contribution for all staff. They were directed, as an interim measure, therefore, to continue to make an employer contribution to the Pension Control Account for **all** staff – even members of the 2005 pay-as-you-go scheme as a means of ensuring that funding originally provided for pensions did not get absorbed elsewhere.

Interim Changes for Universities in 2017 grant

It was proposed by the 7 universities and agreed by the HEA that with effect from the 2017 grant allocation, the five older universities would stop providing employer pension contributions on the 2005 scheme to the Pensions Control Account thus saving them €11m per year, and the two new universities would start remitting employee pension contributions to the pension control account, thus requiring €7m per year. The pension adjustment factor reduction for UL and DCU would be discontinued. A remaining cost difference of 5% would reduce over time. (As grant is now c.35% of core income of the universities this 5% equates to 14% of grant.)