

Consultation on the review of the funding allocation model for higher education institutions (HEIs)

The Higher Education Authority is reviewing the model used for allocating recurrent grant funding to institutes of technology, universities and colleges. An independent Expert Panel is leading this work for the HEA. This is a critical exercise that will shape the future direction, performance and impact of higher education. As such, it is important that the review considers a range of perspectives on how the funding model should develop. Views are now being sought on the set of principles which should underpin the model and the features and drivers of the allocation methodology.

A scoping paper (available on the HEA website at www.hea.ie/en/funding/funding-review) sets out the overall approach to undertaking the review. To ensure a focused analysis of the complex issues to be considered, structured responses are invited to a series of questions. There is also an opportunity to provide any additional comments. A strict word count limit applies in each case.

The deadline for responses is **Friday 24th February 2017**. Responses must be submitted electronically. Thank you very much for your help in contributing to this important exercise.

1) Core Principles

It is critical that the future model recognises institutional autonomy; supports institutional sustainability; reflects Government and higher education objectives; and maintains integrity as an independent and robust funding allocation system. In addition, the Scoping Paper sets out a number of proposed core principles to underpin the overall approach to funding HEIs.

Please comment on the appropriateness of the proposed principles, and whether any alternative or additional principles are required in order to underpin the future funding model? (max 500 words)

2) Facilitating Planning and Longer-term Certainty

There has been increased engagement between the HEA and higher education institutions in recent years around longer-term strategic and financial planning. The introduction by the Minister for Education and Skills of a three-year system performance framework and associated institutional compacts is an important step towards a multi-annual approach, and this was reaffirmed by the announcement of a three-year commitment to increased higher education funding in Budget 2017. Nonetheless the overall funding allocation to the HEA continues to be determined annually as part of the Government's estimates process, and there remains a need to ensure that rewards for growth and performance are delivered within a timely period.

How should the higher education funding model facilitate longer-term planning? Should a multi-annual approach be adopted to the block grant, performance compacts or targeted competitive funding? If so, how could this be achieved? (max 500 words)

3) Responding to Student Demand

An institution's proportion of available grant funding is currently based on their sectoral share of enrolled student numbers (at March each year to reflect retention). There are no limits on student numbers (with the exception of some healthcare areas and teacher education) or controls on funding per student in the funding model. This approach has facilitated transformational growth in access opportunity, in overall participation rates, and in the educational attainment levels of the Irish workforce. Demographic projections suggest significant further increases in student demand at a time when there is concern about higher education's ongoing capacity to absorb additional numbers.

Does a student driven funding model remain valid? If so, in what ways does it need to adapt in order to reflect the evolving challenges faced by higher education and wider economy and society? If not, is there a more appropriate alternative approach? How do you balance the need to accommodate significant future student demand with the limited funding available? Would introducing a graduate or credits based element to the system improve the focus on outcomes? (max 500 words)

4) The Overall Approach to Funding Allocation

The existing system of allocating recurrent funding involves dividing the overall allocation into separate funding 'pots' (to reflect a binary system of universities and IoTs), with some differences in metrics deployed to allocate within each pot. Money for strategic purposes (e.g. for system restructuring, shared services) is 'top-sliced' off either the overall allocation or one of the two individual pots depending on its focus. Higher education institutions are entitled to a free fee allocation for each full-time undergraduate student meeting stipulated criteria, with the remainder of the pot allocated using the recurrent grant allocation model (RGAM). The free fee and grant allocation is currently supplemented by a fixed student contribution of €3,000. There is also an expectation that core budgets of institutions should be funded from a range of income sources, with dependence on non-Exchequer finance increasing significantly in recent years.

Is this overall approach to the allocation of funding appropriate? If not, how should it evolve to ensure that it reflects the costs of provision and maximises performance in a fair and transparent manner in line with the proposed core principles? (max 500 words)

5) The Role of Capital Funding

The role of capital funding for new development and for maintenance and renewal is important to sustainability and to the relevance, quality and international competitiveness of the system. New developments are funded on a case-by-case basis by the Department of Education and Skills and universities in particular are turning to other sources of finance to facilitate development. Allocation of capital funding for maintenance and renewal of infrastructure is not currently part of the recurrent

funding model. A separate devolved grant has provided some assistance to IoTs in 12 of the last 15 years, while the universities have received a similar capital grant on five occasions over this period.

Is there a case for an annual ongoing capital contribution to HEIs to ensure that infrastructure can be maintained and renewed? If so, how should this be determined? (max 500 words)

6) Incentivising and Reflecting Performance

The existing RGAM includes incentives for access performance (with an additional per student weighting of 33%); research performance in universities (via a 5% top-slice re-allocated on the basis of competitive research funding success and postgraduate numbers and an enhanced weighting for postgraduate courses); and apprenticeship and Level 6/7 provision in the IoTs (via supplemented funding allocations). A system performance framework has now been established, and there is provision to withhold up to 10% of an institution's annual funding, based on institutional compacts agreed with the HEA. These compacts set out commitments to address seven system objectives defined by the Minister for Education and Skills. The HEA can also earmark funding for allocation via competitive calls and has done so in the past using schemes such as the Strategic Innovation Fund, the Technological Sector Research Fund and Springboard. There is a desire to ensure that performance by the higher education sector is maximised across a range of other areas including regional contribution, skills development, enterprise development and industry engagement, in a way that protects institutional autonomy and embeds mission diversity.

What is the appropriate mechanism to support institutional performance in respect of national policy objectives? Does the combination of block grant, top slices for strategic purposes and performance funding framework provide an appropriate balance between institutional autonomy and accountability for performance?

Should distinct rewards for excellence/good performance and penalties for underperformance be part of this system? Is there scope for a more outcome-focused approach to funding and, if so, how should this be achieved? (max 500 words)

How should we measure and reward performance related to:

- *research and innovation (max 300 words)*
- *access and retention (max 300 words)*
- *regional contribution and multi-campus delivery (max 300 words)*
- *skills development (max 300 words)*
- *collaboration among higher education institutions (max 300 words)*
- *enterprise development and industry engagement (max 300 words)*

7) Reflecting Relative Costs across Disciplines

It is critical that the funding model remains focused on maintaining the core mission of the institution and provides resources in a way that ensures that it can deliver on this mission. The RGAM component of the current allocation model applies weightings that reflect the broad differences in the costs of delivering higher education in different disciplines, while maintaining a general approach of providing block grant rather than line item funding. The approach also recognises that there can be variation in the cost of subjects within a group and between institutions within a given subject. The four funding

weightings currently applied allow broad differentiation between clinical (medical) subjects, laboratory-based subjects, intermediate-cost subjects (which may involve some laboratory, studio or fieldwork elements) and classroom-based subjects. While the general principle of discipline-based weightings is typical of other international funding models, concerns have been raised about the appropriateness of current weightings for particular subjects and dilution of the impact of weightings from replacement of state funding by student contribution (providing a disincentive to deliver higher-weighted provision such as STEM, for example).

Should there be direct alignment between the higher education institution allocation and the relative costs of different aspects of provision? Should this be reflected in the funding available via the RGAM only; the RGAM and free fees payment; or the RGAM, free fees payment and student contribution combined? Is the cost of postgraduate provision addressed appropriately within the existing funding approach? (max 500 words)

8) Lifelong learning, flexible and online provision

The provision of part-time and flexible learning opportunities has grown but Ireland still lags behind international norms in the proportion of adults availing of learning opportunities to upskill and develop their careers. This is a major risk in an open economy which needs to anticipate and respond to a rapidly evolving global landscape and significant growth in lifelong learning is targeted within the National Skills Strategy. The RGAM component of the current allocation model rewards part-time provision on the same basis as full-time (in proportion to credit load), with online delivery also recognised, but there is no free fee allocation for this type of undergraduate provision. The competitive targeted skills programme Springboard, which is funded on a fully ring-fenced basis, offers part-time, flexible learning free of charge and has become a major means of providing this type of education.

How should we fund part-time, flexible and online provision in order to incentivise development and meet Ireland's evolving skills needs? (max 500 words)

9) Responding to skills development needs

A number of funding tools are currently used to support skills development. Targeted competitive funding is deployed for rapid responses to skills gaps identified by labour market intelligence infrastructure. Some funding has been allocated through the core grant to allow for reduced student fees on postgraduate skills conversion programmes, where a skills shortage is attributed to weakness in student demand. Institutes of technology are given specific allocations in recognition of apprenticeship provision, with strong growth in traditional and new apprenticeships planned over the next three years. There is a general acceptance that the funding model must be sufficiently agile to incentivise responses to emerging skills development needs, while maintaining core provision via a block grant approach. The National Skills Strategy also includes commitments to increase work placements, embed regular employer engagement on programme content development and ensure access to an element of entrepreneurship education, but there is no incentive or reward in this regard within the current funding approach.

What is the most effective way of funding higher education to ensure delivery focus on evolving skills development needs? What is the appropriate balance between RGAM incentives, prioritisation in performance compacts, competitive funding calls and demand-side fee subsidies? (max 500 words)

10) The funding model as a tool to support good governance

Public funding is generally conditional on compliance with legislative requirements and public policy. Institutions are expected to demonstrate effective governance and meet requirements in areas including: procurement; timely submission of accounts and other governance documentation; agreed staffing arrangements; additional payments regulations; and quotas relating to gender or persons with disabilities. There is concern at governance issues which have arisen across the sector, undermining the reputation of higher education at a time when it is facing important national and strategic challenges and is competing for scarce Exchequer resources. Funding has been adjusted in the past in response to governance failures for both the IoTs (for late submission of unit cost data) and the universities (for non-compliance with additional payments regulations), however there is currently no agreed mechanism to link levels of funding to compliance with governance requirements. There is also scope to address governance performance via the strategic dialogue process.

Should there be a link between the funding model and levels of Governance compliance and, if so, what is the most appropriate means of achieving this? If not, what alternative methods should be used to ensure good governance in institutions? (max 500 words)

11) Integration with wider funding landscape

In many areas, the core grant funding provided by the HEA is only one element of a funding infrastructure for a particular activity. Consideration needs to be given to whether and how the complex funding environment for higher education should be taken into account within the overall HEA funding model (e.g. research funding from SFI, IRC and other agencies; enterprise and innovation funding from Enterprise Ireland; philanthropy; commercial income, etc.). This could perhaps be facilitated by incorporating a wider stakeholder perspective as part of the performance compact and strategic dialogue approach. There is also a need to evaluate whether the generation of non-Exchequer revenue could or should be incentivised by the funding model to promote the development of certain activities and, if so, the most appropriate means of achieving this.

Should the funding model reflect the other funding sources of higher education and how best can this be achieved? Should the approach to funding include any incentive to generate other sources of funding and what is the most appropriate mechanism in this regard? (max 500 words)

12) Additional comments

Please provide any additional comments regarding the future approach to funding of higher education institutions not covered in the responses above (max 1,000 words)