Report on 2022 Budget & Accountability Meetings

Higher Education Institutions

Summary

The Higher Education Authority has a key role in ensuring that the public institutions, which it funds, continue to plan and manage their activities in a way which secures their sustainability and financial viability. This contributes to the success of students and researchers and the wider Irish society and economy. The annual Budget and Accountability meetings play an important role in this oversight process. This report presents an update on the financial health of the HEA publicly funded higher education institutions based on an analysis of recent budget submissions and a review of their draft financial statements for 2020/21. The meetings provide a valuable opportunity to engage with the Institutions on financial and accountability matters as well as challenges and risks facing the sector.

[redacted]

The submission and review of HEIs annual budgets, [redacted] and financial statements, together with the budget and accountability meetings, are important components in HEA's monitoring and oversight of the institutions and ensures accountability across the sector. These mechanisms assist the HEA in discharging its responsibilities for reporting and monitoring as set out in Circular 13/2014 Management of and Accountability for Grants from Exchequer Funds.

In addition, Institutions are required to submit signed Oversight Agreements and Annual Governance Statements which are key elements of the HEA's monitoring and oversight framework.

[redacted] Separate budget submissions were received, and separate meetings held with the constituent institutions making up the recently designated technological universities, [redacted]

[redacted]

All institutions have confirmed that they have sufficient cash resources to meet their liabilities in full up until December 2023.

[redacted]

[redacted]

BUDGET & ACCOUNTABILITY MEETINGS AGENDA 2022

- 2021 Outturn vs 2021 Budget
- 2022 Budget
- Capital
- Procurement
- Employment Control Framework - staff numbers
- Key Organisational Risks
- Timeliness of sign-off of statutory accounts
- AOB

Outturn 2020/2021

Operating outturns were more favourable in 2020/2021 than anticipated due to the following:

- Mitigating actions taken by institutions to reduce costs including postponement of recruitment, reductions in discretionary expenditure, deferral of repairs, maintenance and refurbishment.
- Additional one-off COVID funding provided to address the challenges of the global pandemic. This included COVID Support €89m and COVID Costed Extensions €47.5m. These supports helped stabilise institution's finances during the pandemic.
- Savings as result of campus closures due to COVID and remote working resulting in lower utility bills, stationery and consumables and lower travel and conference costs.
- Lower staff costs arising from availability of employment supports provided by the State including Wage Subsidy Scheme (WSS) and Pandemic Unemployment Payments (PUP).
- Higher EU student numbers and lower drop-out rates because of limited opportunities to secure employment or to travel. Total student numbers for 2020/21 were 13,272 higher than the previous academic year. 6,306 of that increase was made up of EU full-time undergraduate students and 4,037 was due to EU full-time postgraduate students. International students fell by 4,062 and other students including part-time and remote increased by 6,991.
- Business continuity insurance policies in place [redacted]
- Original budgets were conservative in the context of significant uncertainty regarding COVID.

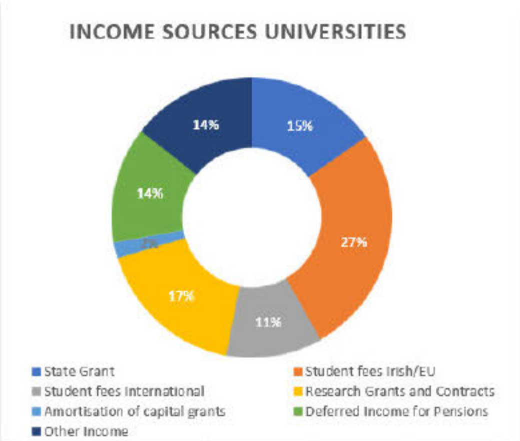
Forecast 2021/2022

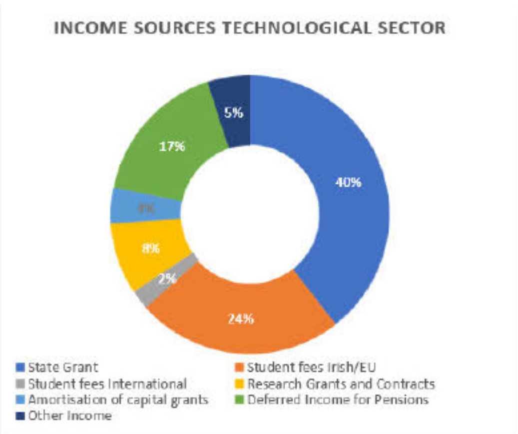
Forecast outturns for 2021/2022 are projected to return to more normal levels due to the following:

- One-off cost savings generated during 2020/21 will not be repeated.
- Staff and other operating expenses are expected to increase in 2021/22 reflecting a return to pre-COVID levels of activity.
- Catch-up on recruitment that was delayed during the pandemic.
- Return to on-campus provision resulting in increased footfall and commercial activities returning to more normal levels of activity.
- Higher utility bills, stationery and consumables and higher travel and conference costs.
- Increase in international student fees. These fees are forecast to increase from €237m in 20/21 to €350m in 21/22.

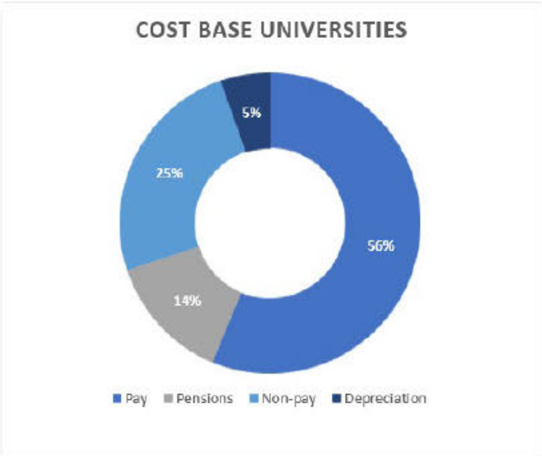
University income for budget 2022 is €2,874m and Irish/EU Student Fees makes up the largest portion at €764m or 27%. This includes grants received in lieu of fees.

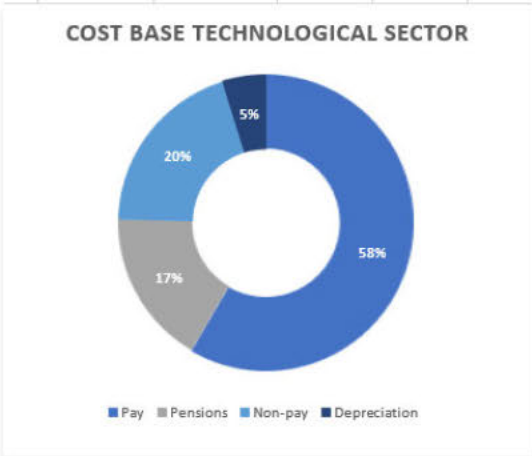
Income for the technological sector is budgeted at €1,306m for 2022 and State Grants accounts for the largest portion at €515m being 40% of the total. Grants in lieu of fees are included in Irish/EU Student Fees and the rates for the technological sector are capped at historically lower levels than those provided to the universities.





Total costs for universities are budgeted at €2,857m for 2022 and pay and pension costs continue to represent the largest element of expenditure at €1,999m or 70%. In the technological sector total costs are budgeted at €1,296m and €977m or 75% relate to pay and pension costs.





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Capital
As part of their budget submissions, Institutions were requested to provide information on their ongoing and planned capital investment programmes. Institutions reported a range of capital development projects spanning new developments, refurbishment and works to existing assets, retrofit projects aimed at energy efficiency and decarbonisation, campus infrastructure and ICT projects, funded from a range of funding sources, including own reserves, borrowings, DFHERIS capital funding or other State funding.
The main issues highlighted were as follows:

- Current inflationary pressures within the construction market have manifested into significant cost increases in construction materials and supply chain issues and is impacting on projects to varying degrees, depending on their stage of development. Institutions and their technical advisors are working to address these issues as they arise on individual projects.
- [redacted]
- Additional capital funding calls were welcomed by the sector. These include the Higher Education Strategic Infrastructure Fund Round II, the Technological Sector Strategic Projects Fund and the Energy Efficiency and Decarbonisation Pathfinder Programme (2021).
- Development of additional purpose-built student accommodation is proving uneconomic for Institutions due to current development costs, which, coupled with current rent controls are rendering such proposals/projects uneconomic to progress. A number of

Institutions reported that, in the absence of State subsidisation, it will be difficult to progress these projects.

- A number of Institutions reported that student accommodation projects which are in the pre-construction stage will not proceed to delivery. Therefore, additional supply will only be provided from those projects already under construction.
- Institutions reported a significant backlog in their estate maintenance due to the age profile and condition of buildings and the various health and safety requirements. Institutions reported difficulty in procuring contractors as well as postponement of works due to the pandemic and the associated knock-on impact this has had on their ability to complete minor works programmes and expend their Devolved Grant allocations in full.
- Institutions welcomed the increased Devolved Grant over the last number of years. It was reported that there continues to be a very significant backlog of maintenance within estate's portfolios, in excess of the Devolved Grant allocation. While Institutions welcomed the intention to provide future Devolved Grants, Institutions continued to stress the need for multi-annual provision to provide certainty and allow them plan for works. The total 2021/22 Devolved Grant allocation to the sector was €40m and Institutions will be advised of their 2022/23 Devolved Grant allocations in the coming weeks.
- Digital transformation – Institutions reported the need for significant investment in IT infrastructure to meet current and future needs and to reduce the threat of cybersecurity attacks. Institutions requested that separate funding be provided to support this requirement.
- Climate Action Plan – Institutions welcomed the funding provided to date through the Energy Efficiency & Decarbonisation Pathfinder Programmes, however Institutions outlined the challenges in achieving the ambitious targets set for the sector and the need for sufficient funding to support this.
- Universities are concerned about delays in the approval of the new Borrowing Framework for Universities by DFHERIS/DPER. Without this approval, it will constrain their ability to borrow for planned capital development. The absence of a Borrowing Framework for the Technological Sector is restricting their ability to fund capital projects.

Borrowings

Universities had total borrowings of €942m at 30 September 2021 with €230m being borrowings under the borrowing framework and €712m relating to self-funded projects. All universities submitted their Borrowings Return for 2021. These have been reviewed and all are within their borrowing framework limits. A proposed new borrowing framework for universities was submitted to DFHERIS in early 2020 and was in turn forwarded to DPER for approval. Approval remains outstanding from DPER. The Executive requests updates on this issue at its regular meetings with DFHERIS.

[redacted]

[redacted]

There is no borrowing framework in place for the technological sector and this is a significant constraint for them in funding capital projects.

Oversight Agreements

All Institutions have returned their 2022 Oversight Agreement duly signed by their President and Chair of Governing Body.

The Oversight Agreement sets out the broad governance and accountability requirements of the higher education institutions by the HEA and the key responsibilities of the HEA and the Institution. The Institution is required to confirm it is conducting its activities in line with statutory requirements and the requirements of the Code of Governance for State Bodies, as reflected in their relevant sectoral code and that they are in compliance with the Statement of Principles for Grantees as set out in Circular 13/2014 – Management of and Accountability for Grants from Exchequer Funds. It specifies that the Chief Officer of the Institution is required to keep the HEA informed on a timely basis, of any governance issues, concerns or major risks that may arise for the Institution.

Confirmations

The 2022 Budget submissions required Presidents and Chief Finance Officers of Institutions to confirm the following:

- that the Institution plans and manages its activities to remain sustainable and financially viable.
- that the Institution will have sufficient cash resources to meet all its liabilities and repayments in full as they fall due up until December 2023.
- that no loan covenants are likely to be breached in the period to 31 December 2023.

Signed confirmations were received from all Institutions.

Procurement

Based on recent Annual Governance Statement (AGS) submissions non-compliant procurement reported for 2020/21 was €16.6m which is the same as amounts reported in 2019/20. Non-compliant procurement of €25.9m was reported in 2018/19. IOTs merging to form TUs will likely result in an increase in non-compliant procurement until TUs have systems in place to centralise procurement across campuses.

Institutions have put in place processes and procedures to minimise the level of non-compliant procurement including:

- Recruitment of specialist procurement staff
- Centralising procurement functions
- Improving processes, systems, and reporting
- Increasing the use of OGP and EPS frameworks
- Preparing multi-annual procurement plans (MAPPs)

The HEA Executive meets regularly with EPS to get updates on how the sector is performing.

Institutions expressed concern that the €25k threshold requirement for public tenders is very low particularly given the size of their operating budgets and this is a contributing factor to levels of non-compliant procurement. This limit has not been adjusted to counter inflationary increases.

Employment Control Framework

[redacted]

[redacted]

Institutions believe that the Employment Control Framework is not fit for purpose and should be overhauled to allow institutions more flexibility regarding workforce planning. DPER and DFHERIS are reviewing the current Framework and it is anticipated that workforce planning will move to devolved sanction. Institutions were reminded that in the interim, they should adhere to the principles of the ECF.

The Executive advised Institutions that ECF ceilings for 2022 are currently being prepared and final clarifications are awaited from DFHERIS. Notifications are expected to issue shortly.

[redacted]

Timeliness of C&AG Sign-Off

Institutions were reminded of their responsibility to have their financial statements certified by the C&AG on a timely basis in line with their obligations under Circular 24/2021.

Continuous improvement is noted for most institutions. [redacted]

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