



**Northern Ireland  
Assembly**

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**COMMITTEE  
FOR EMPLOYMENT  
AND LEARNING**

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**OFFICIAL REPORT  
(Hansard)**

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**University of Ulster: Current Issues**

22 June 2011

**NORTHERN IRELAND ASSEMBLY**

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**Members present for all or part of the proceedings:**

Mr Basil McCrea (Chairperson)  
Mr Thomas Buchanan (Deputy Chairperson)  
Mr Jim Allister  
Mr Chris Lyttle  
Mr Barry McElduff  
Mr David McIlveen  
Mrs Sandra Overend  
Mr Pat Ramsey

**Witnesses:**

Professor Richard Barnett        )  
Mr Peter Hope                        )        University of Ulster

**The Chairperson:**

I welcome Professor Richard Barnett, vice chancellor, and Mr Peter Hope of the University of Ulster. I apologise sincerely for keeping you both waiting. That is not normally the way that we run business, but there were some heated discussions. There are some very important issues involved that I am sure that you too will want to talk to us about. I am sorry that that took so long. You now have our full and undivided attention, and I invite you to talk to us.

**Professor Richard Barnett (University of Ulster):**

That is understandable. Chairman and members of the Committee, it is a pleasure for us to come

and meet you. I hope that future meetings will take place at our campuses, because I know that the Chairman and members are keen to get out and visit us. I have with me Peter Hope, who is the chief finance and information officer, rather than one of the pro-vice chancellors, because I suspect there might be considerable discussion of financial issues.

I am aware that several members of the Committee are new, so I will take 10 or 15 minutes to go through some of the background and contextual information. I apologise to Pat, Chris and Thomas, because they are already familiar with it, having been on the Committee previously. You will have received the outline. I will talk about the core activity of the university. Clearly, a university is about teaching and learning, research and innovation. I then want to talk about participation rates and our ambitions to expand at the Magee campus, and how we are consolidating the Jordanstown and Belfast campuses; and then about funding and environmental issues.

With regard to teaching and learning, the Committee will appreciate that Northern Ireland has two excellent universities and two very strong teacher training colleges, but that universities bring different strengths. Northern Ireland has two strong, but complementary, universities. The focus at the University of Ulster, recognising our history in part, is very much on applied and vocational courses. Wherever possible, we offer courses whereby students graduate with not only a degree but a professional qualification. Our focus is on employability.

There are some universities — and it is an important part of our ethos, and of all universities' ethos — where students go to discover themselves and the meaning of life. That is not principally what we are about. We are principally about equipping our students with the knowledge, skills and confidence to gain challenging employment. So, we work with professional bodies wherever possible so that students graduate with a degree and professional qualification.

In emphasising that employability, we have one of the largest work-based learning programmes in the UK higher education system. We are in the top there in that our students spend a year between years 2 and 3, typically between year 2 and their final year, in industry gaining work experience. That adds a lot to their confidence. Employers welcome that greatly, and they come back. Given the applied nature of our courses, they are bringing that real world experience into their study, and that adds greatly to what we do.

We are assured in what we do in that demand for our courses is very high. We are in the top 20 of all UK universities with regard to the number of applications that we receive through the UCAS system, and we have been there for some time. In looking at some 33,000 applications, some students are applying for more than one course. So, you need to look at applicants as well. However, even if you look at just applicants, there are 3.5 applicants for each place.

With regard to the quality of what we do, you will be aware that all UK universities are assessed through a periodic inspection by the Quality Assurance Agency for Higher Education. In our most recent inspection, last year, they gave us the highest possible level of confidence for the standards of our awards and the quality of the learning experience that we offer our students.

An aspect of work central to the University of Ulster is widening access. That is core to what we do in that people should come to university on the basis of aptitude and ability, not family or personal circumstances. We are consistently in the top 10 of all UK universities for providing opportunities for students who come from disadvantaged backgrounds. Keeping in mind our view on fees, that has influenced what we do. We work with schools, down to even primary schools because it is often primary schools that raise aspirations, and to get parents as well as pupils to think about university.

We also have very strong partnerships with our local further and higher education colleges. That is important for us, and does a lot in not only serving local needs but in widening access. Typically, the arrangement is an intermediate higher education degree, such as a foundation degree. An HNC is offered in the college, with progression opportunities to the university.

There is an issue with retention. The number of first-year students who go through to second year is not as high as it should be. We have not met our benchmarks on that, but we are moving towards them. The focus is retention of first-years. However, another is overall efficiency, which is how long do those who stay on take and whether they get a degree. We are way above our benchmark there.

What I am determined not to do, and what you have seen elsewhere, is to soften the first year to get students through it. Politicians across the water are focusing on the first year and then they are failing in the second or third year. Once they get through our first year, they go on. However,

retention is an issue and one that we are working at very hard. We are moving towards our benchmark and there has been significant improvement.

With regard to our contribution to the economy, we are producing graduates who are employment-ready. That is our objective, and that is how employers see us. One said, “Your computing graduates are up and ready”, which is a nice phrase that I would like to use, but I am not sure that I can. That is what we are about and that is our main contribution to the economy. At the Washington conference that was the reason given for foreign direct investment (FDI) coming here: the quality of our graduates. That is the key asset that we have in this part of the world.

The second part of our work is research. Given our history, we are not a research-intensive university. Indeed, there are few research-intensive universities across the UK. All universities are focusing on what they are best at, and for some time we have had a focused research policy, which has paid off. In the last UK-wide assessment of research we came forty-fifth, which is a jump of 18 places on the previous one. Queen’s came thirty-ninth, so those were two strong performances, but we had by far the most-improved performance of any university, given our history.

In that area, there were three subjects in Northern Ireland that are rated in the top three across the UK. All of those three subjects are based at the University of Ulster. In biomedical science there is important work being done in translational research and diabetes research. The research centre in our Coleraine campus is focusing on diseases associated with ageing and degenerative diseases. Our nursing school, which is at Magee, Coleraine and Jordanstown, is in the top three, as is Celtic studies.

We had a further eight subjects in the top 20 across a range of subjects and faculties. Materials, for example, applied there, where we are working with Queen’s and Bombardier in the new centre there. The reason that the C Series is being developed here is because of the quality of the advanced materials research that we have across the two universities and Bombardier. There is also the work that we are doing on the built environment and sustainable buildings — not only on new buildings but on how to retrofit old buildings for energy and sustainability. As with teaching, our emphasis is on applied research.

The third leg of university work these days is the area of innovation, which is where we take what we do in the university and translate it into a definite and direct economic impact through spin-out companies, patents and licensing. Here, it is important that we all recognise that none of us can do that alone. There is an important partnership. In the Northern Ireland Science Park (NISP) — I urge the Committee to visit it at some point, because it is a key part of the whole higher education environment — we work together and can actually develop new businesses.

There are some examples of that, including the one I have mentioned, the advanced composite centre with Bombardier and Queen's. In the north-west we have C-TRIC, a translational biomedical research facility with Altnagelvin, where we are taking research that we are doing and working with the hospital to translate that. As Pat will be aware, there is a pharmaceutical firm at the moment that is seriously considering locating in the north-west, and it sees the work that we are doing at C-TRIC as a key asset of the north-west. I commend NISP, which was set up on Queen's Island in the Titanic Quarter as the initial hub, but the idea is that as it develops there will be spokes throughout the Province to feed into that. The next one will hopefully be in the north-west.

We have had a lot of success in student innovation, with student competitions and the so-called 25K awards, in which we have been successful. As one of our spin-outs, in the next two or three weeks we will be announcing a very large foreign equity investment in that — a seven-figure sum — which will be one of the largest investments from foreign financiers in a spin-out company in this part of the world.

That gives you a flavour of the work that we are doing. Hopefully you will be aware that we have a bid in with the Department for Employment and Learning (DEL). A business case has been with DEL and the Department of Finance and Personnel (DFP) for some time to expand activity in Magee by 1,000 full-time students over this comprehensive spending review (CSR) period, and another 1,000 part-time. How do we justify that, especially in these times? It is justified. We often compliment ourselves on the participation rates in Northern Ireland, and they are good. The schools do a lot of excellent work. However, we have to make a distinction between participation in HE by Northern Ireland-domiciled students and participation in HE in Northern Ireland. There are two very different figures there because, although almost 50% are going to university, one third of those are going to universities elsewhere. Therefore, if you are looking at participation in Northern Ireland, those who were going to contribute one third are not

going to do that. Of those who go elsewhere, only one third come back. Therefore, if you are looking at participation as a means of getting people into graduate levels here to help employment here, our number of graduates going into the labour force is not very high, relative to a lot of regions in the UK. We have a small HE sector.

Looking at the number of university places we have per head of population, we have the smallest higher education sector of all the regions in the UK and, taking into account the size of our HE sector per head of population, we are joint bottom with the east of England. Of course, much of the east of England is within commuter distance from London, which has a massive HE sector.

Another issue is that, as fees are coming in flows — perhaps £9,000 in England, with high fees in Scotland and Wales for Northern Ireland students — the one third that go elsewhere go voluntarily, and I have no problem with that. However, many go involuntarily and many more wish to study at home, yet we have the smallest HE sector already. Therefore, where will the squeeze come from with those flows and fewer people wanting to go elsewhere?

I should emphasise that we can do our initial expansion in Magee on current land but, for the longer term we would be looking to expand in that vicinity. There is also the issue of demographics and the fall in the number of 18-year-olds. A lot of those students are going elsewhere and many more mature students are seeking to study and come back in, and many of those are in our applications now.

I know that the Committee has questions about our Belfast development. When I was appointed, I did not have a big idea that I would move from Jordanstown to Belfast. However, I knew that the Jordanstown campus was beyond its sell-by date, although I thought that it could be renovated. However, an independent study carried out by DEL looked at the standard of all the university properties throughout Northern Ireland and found that the Jordanstown campus was the biggest challenge facing the HE sector in Northern Ireland, and the Department and suggested it and the university should work together on how to correct that. The study said that best value would probably be achieved by pulling the thing down and building again. It is an unusual situation for a campus, as it is one big building. Usually, if there is a problem, it is with one building on a campus and it can be worked on separately, but that campus is one big building. The study also showed that best value would be to rebuild and to consolidate that with our York

Street campus.

To a large extent, Jordanstown is a commuter campus, and a third to 40% of the students are part time. They are travelling in and out in any case, and it makes sense to relocate. That work is proceeding. We have acquired the site that we require, we are about to put in the outline planning permission, and the architects are working. That project is funded over a 25-year period. As with most people, we do not have the luxury of having the money up front; we will borrow the money and pay it off over 25 years. If you have any questions on that, Peter will address them.

As regards funding, despite what has been said about the importance of higher education, the clear message from the Washington conference about why firms are here, and the statements that if this part of the budget is cut at all it should be given a light touch, the fact is that it was given the heaviest touch of anywhere, with a £68 million per annum cut in the HE budget. I have always said that all large organisations, no matter where, can make efficiency savings. It would not be realistic for me to come here and say that that £68 million has to be found. We can make efficiency savings. They are going to be tough, but the £28 million is £11.5 million a year for us. It is not a one-off £11.5 million; it is £11.5 million every year after year two. We will make that efficiency saving. As a labour-intensive organisation, that will have implications for staffing and some of the other aspects.

However, in a sense, we are efficient because we are multi-campus. Multi-campus operation adds to our costs, and that is something we have discussed with the Department for some time. The previous Minister, Sir Reg Empey, as he was then, asked us to put in a detailed paper on that. We did so and showed that it cost us £12.5 million a year more to run a multi-campus operation than a single-campus one. We are duplicating libraries, and student support, which is an important service. Therefore, we are already more efficient, but we included the detailed costings as we were asked to do and we have not had a reply.

That leaves a £40 million hole in the HE budget, which has to be filled. It seems that the HE budget was put together on the basis of fees of between £4,500 and £5,000. That, or getting the money elsewhere, would fill the hole. Perhaps you would come back to that issue, Chairman. Not to fill the hole would put the four HE institutions here into crisis. You would send the clearest possible message to the rest of the world that this is not a place in which to invest. The debate on corporation tax would just become an academic issue, because unless you have the

skills and the graduates to support the jobs, it does not matter what the corporation tax rate is. Therefore, this is a fundamental issue which faces the Executive and Assembly.

People sometimes ask why we generate a surplus. It is a requirement for us to generate a surplus, on our recurrent account, of between 3% and 6%. If we did not do that, the external assessors of universities would say that we were at risk. We do it not because we do not know what to do with that money and we are stashing it away, but because the surplus on recurrent is required to invest in the capital estate — laboratories and new buildings. The capital grants that we get are only 40% of what is required. Compare us to a school that gets a capital grant which it can use to build. No university in the UK system can or does operate on that basis. Each is required to generate a surplus on its recurrent budget in order to be able to invest and maintain the capital estate.

I have inherited this situation, as have many other vice chancellors. In the past, that was not done, and that is how we have ended up with the Jordanstown problem. That is why the surplus is required. If we did not do that, when DEL puts its submissions to HEFCE (Higher Education Funding Council of England), which it uses to assess the situations of universities, you would signal to the rest of the world that there are two universities here that are at high risk financially. How would that attract staff or students? We have pitched it halfway; we currently generate a surplus of 4.5%.

The other thing to bear in mind is that somewhere around 50% of the HE budget in DEL does not come anywhere near the universities: it is for student support. That is an uncontrollable element. Recently, it is almost as though our part of it is the residual. Student support is demanded and it is a priority. What is left is given to us. Both aspects should be protected.

The other issue is funding. I gave a presentation recently at which the chairman of Methodist College was present. He did not think that this was a big issue for Methodist College because most of its kids went elsewhere. To him, this was some little local issue. As things stand, no one about to enter upper sixth and thinking of applying anywhere in the UK next year knows what financial support they will get. A lot of people think they will apply to Cambridge; and that is fine. The fees are £9,000, and they plan to take out a student loan for that. It is by no means definite that such sums will be available. It may be that they will get support only up to a certain level. That is for you and the Assembly to decide.

Nobody knows what support they will get. Therefore people are applying to universities in England thinking that they will be able to take out a loan like anybody else, but you have to decide whether they can.

Part of the DEL budget is protected, because the student support system is incredibly inefficient. Every pound of a loan that a student takes out from a private company costs the public sector about 30p, perhaps 40p. That is because the loans are subsidised and many of them will not be paid back. Therefore the public sector has to put in 30p in the pound for every pound of a private-sector loan that is taken out.

Many people go to England and pay fees of £9,000, and you let them do that. Every pound that they take out costs the DEL budget 30p. There is some allowance for some of that in the DEL budget but not for that much. It has an implication, and the universities are potentially at crisis position. Nobody going into sixth form next term knows what level of loan they will receive.

In the South, fees are paid as a grant not as a loan up front. People assume that that will continue. That was a minimal cost when the fees were a few hundred euro, but they have just gone up to €2,500. Is that to be taken out of our budget again? Those are decisions for you to make. It is a complex issue, because you have student support and what comes to the university.

On a more optimistic note, the university takes the environment very seriously despite our multi-campus issue and the incredibly inefficient situation at Jordanstown. Last winter, where did we have the problems? Jordanstown. Where were the burst pipes? Jordanstown. However, we have carbon-trust status for our environmental activity; we are one of only two publicly funded institutions in Northern Ireland with carbon-trust status.

People & Planet publishes a league table of the 140 or so UK universities; we are in the top 20 for what we do, including recycling and energy efficiency. That is impressive for a multi-campus university. The wind turbine at our Coleraine campus generates about 25% of our electricity, so we are doing our bit for the environment despite our multi-campus. That was a very quick run-through. I hope that that gives you a feel of what we are about.

**The Chairperson:**

Thank you. That was useful.

**Mr McElduff:**

Do Professors Richard and Peter have views on how the £40 million hole can be filled? If you waive the notion of increased fees, are there any practical proposals that you favour for addressing the £40 million hole?

**Professor Barnett:**

The university has always been very clear about that. From last autumn, when we saw what was happening in England, we were very public in saying that fees should not go up. What is happening in England is not a policy, as it seems to lurch from one situation to another. It is also a massive gamble with young people's lives.

I am passionate, as is the university, that people should come to university and that their family backgrounds and personal circumstances should not matter. If you treble fees, nobody can predict the outcome. It is a gamble that the government are trying to patch up. That is what we are about as a university.

My preferred solution to the £40 million hole would happen by year 4 of the comprehensive spending review period. I do not have the details of how that stacks up; it is modest over years 1 and 2 and is then £40 million by year 4. There is a strong case for the Executive to find that £40 million. That would be my preferred way forward.

**The Chairperson:**

Is the phasing of the shortfall mainly in years 3 and 4?

**Professor Barnett:**

I think so, although I may need to check that because I did not bring the budget with me. Were you asking a question or making a statement?

**The Chairperson:**

It is material, as we are to debate the issue. My understanding is that the Executive would think, "Yes, we understand; we have a problem in year 4". The £40 million shortfall is really in year 4,

but in these current years it is relatively modest.

**Professor Barnett:**

I think that it is. It is single figures, I think, next year.

**Mr Peter Hope (University of Ulster):**

I do not have that with me.

**Professor Barnett:**

It is £40 million by year 4; it is modest in the initial years.

**Mr McElduff:**

I am grateful for the answer. That is your preferred way. I thought that you would have spoken in your presentation a little bit about the Sports Institute at Jordanstown as something to be very proud of. Finally, is there space on the Magee site for those 2,000 places?

**Professor Barnett:**

The Sports Institute is very important to us. Although this will not happen until 2019-2020, we will be selling off some of the Jordanstown site to fund the Belfast development. That is costed very modestly — unlike how some agricultural land seems to have been costed recently.

**The Chairperson:**

I am glad that you are trying to liven things up a little bit, Richard. It was rather calm in here for a while.

**Professor Barnett:**

Anyway, it is costed very conservatively. We will be developing a sports campus and all the coaching activity and support around that. We are working with Sport Northern Ireland on how we develop that. That is important. We could accommodate the 2,000 on the current Magee site. Issues about land in future should not get in the way of this initial 2,000. We can and will do it.

**Mr P Ramsey:**

Magee is important to the north-west. A business case has been sustained and tabled with DEL. I know that the Minister is very sympathetic towards it because I met him along with Martina

Anderson recently. Where do you see the expansion with regard to available courses? We have the proposition of a major pharmaceutical company coming, but there is always an expectation with the radiotherapy centre coming out to Altnagelvin that there will be expansion in medical school-type of excellences there as well. Sir Graeme Davies will be looking at a higher-education strategy, part of which is the regional disparity in student numbers. A widening access to participation strategy is coming forward. All those elements help Magee's case for increased numbers. How do you see those areas developed in the campus there?

**Professor Barnett:**

Our bid is based on increasing student numbers in the science, technology, engineering and maths (STEM) areas. That is the importance of students and graduates coming in to support indigenous firms and foreign direct investment. STEM is sometimes seen as quite narrow, but the creative industries are equally important, and I am pleased that design and creative industries are being recognised. Initially, however, our plan is based on sustainable technologies, which would link the engineering, building and sustainability agendas.

Environmental issues and the green economy will permeate engineering and building courses everywhere. Therefore a centre designated to sustainable technologies would be the core and major centre that we would develop. We would build on the computing intelligence systems there, and there would, we hope, be expansion in the area of health and well-being with regard to lifestyle and health in the north-west. We have a longer-term ambition for medical-school provision. Altnagelvin Area Hospital would welcome that, as it would attract more consultants because it could do research. We are doing that through C-TRIC now, so we are getting a base there. However, that depends on workforce planning in the Department of Health; however, I have met the permanent secretary there, and it is mentioned every time.

**Mr P Ramsey:**

Of the initial £28 million of cuts that the universities are expected to sustain, we now know that 50%, or £14 million, was from Queen's. What percentage has to come from the University of Ulster? Queen's told us that it is talking about 200 job losses and other programmes not going ahead. Is there any indication of the effect that your proportion of the £28 million will have, and what is the doomsday scenario if the £40 million were not covered by the Executive?

**Professor Barnett:**

The initial £28 million is spread across the four higher-education institutions pro rata to the block grant that they receive. We have to save £11.5 million, so, in two years' time, I have to operate what I am doing with £11.5 million a year less. Queen's has to make a cut of the same percentage, but it gets a larger block grant than we do.

We are looking at everything that we do, and about £6 million of the £11.5 million will come out of the staffing budget. We are labour-intensive; about 60% of our budget is spent on staffing. To date, we have been able to save money by not filling vacancies. We have an agreement with the unions that when we restructure, people are offered redeployment if they can be trained to do a new job. If that is not possible, we offer voluntary redundancy. That has worked to date and people have been going. However, that cut will add up to between 150 and 200 jobs, depending on the salary range that the jobs are in.

We will look at other issues, and we have cut a great deal of other expenditure. We are trying to protect front-line services; however, in one or two areas it is likely that we will have to move to compulsory redundancies. That will be the first time that we have done that, but we cannot achieve the savings without them. The cut will take out 14% in cash from our block grant. Allowing for the 2% that the government think that inflation will be — I am not sure where that figure comes from — we face a 22% real-terms cut to our block grant over four years. That is what we are absorbing now. If you add £20 million to that —

**The Chairperson:**

Just to be clear: are you factoring inflation into your financial planning?

**Professor Barnett:**

Yes.

**The Chairperson:**

What is the original cash cut?

**Professor Barnett:**

Fourteen per cent. It may be a bit below that, because the cut is front-loaded. The trade-off was that it was slightly below that because it was front-loaded.

**The Chairperson:**

When you take inflation into account, you reckon that it is a cut of 22%.

**Professor Barnett:**

Yes, it will be by the end of the four-year CSR period, and that is using the government's figure of 2%.

**The Chairperson:**

That is against the current baseline, so there is some increase in the budget running through.

**Professor Barnett:**

No; that is against the block grant. We get about £90 million, and that is going down to £88 million whatever. That will be fixed in cash for the four years. There is no increase.

**The Chairperson:**

Let us say that it is level in cash but that by the time you have taken inflation into consideration the cut at the end of the four-year period is likely to be a real-terms cut of 22%.

**Professor Barnett:**

Yes, if inflation is 2%.

**The Chairperson:**

It is currently running at between 4% and 4.5%.

**Professor Barnett:**

Whatever the rate of inflation is, you have to multiply it by four and add it to 14%.

**The Chairperson:**

That is your budget. How much more do you get for research and from other sources of funding?

**Professor Barnett:**

It is the block grant funding that has been cut. We have income from fees, and there is some modest increase in that. We generate research grants. The research councils have had their

budgets cut as well. Therefore we are competing for a pot of money that has shrunk. The Engineering Physical Sciences Research Council, which is one of the best competing schools, has had its budget cut. All the universities that have had their budgets cut will be competing for that source of funds. The only research council that did not have its budget cut in cash terms was the Medical Research Council, and that was after a great deal of lobbying. However, it was just the cash element that was protected. We are competing for a pot of money that has been diminished for the research councils.

There are other sources of funding in Europe. However, we are not doing as well there, although we have done much better in the past year. Northern Ireland as a whole has not done as well as it could in Europe. We are actively seeking those other sources; it is not as though we are just saying that we cannot make up this money from anywhere else.

**The Chairperson:**

I know that Pat still has the floor.

**Mr P Ramsey:**

I am finished.

**The Chairperson:**

The financial circumstances of Northern Ireland plc are pretty difficult. The Department for Employment and Learning and its constituent parts will have to take their share of the pain, and we are trying to work out through discussion what that pain is likely to emerge as. When will you start making redundancies? How long can you hold on?

Richard, based on what you said, I can tell you that the Executive's argument is likely to be that they recognise that there is a problem and that they will deal with it in years 3 and 4, because they do not need to deal with it in this Budget submission. The reason why there will be a knock-on effect is that tuition fees have a lag of one year, so we do need to make a decision earlier than that. However, if you made an appeal to the Department of Finance and Personnel, I am not sure that you would win that argument just yet.

**Professor Barnett:**

That will throw the whole system into a great deal of uncertainty. It goes back to the phasing

issue. We provided you with that information, or you asked the Department for it. If we knew that there would be some commitment later, we could plan accordingly. However, I have to be cautious. As I say to my staff: in my job, I have been offered jam tomorrow so many times that I will not accept any more jam tomorrow; I have to work with the jam that I have today. I am not sure how my governing body would assess the state of the university if there were some promise that this may be dealt with in years 3 and 4.

**The Chairperson:**

If you do not mind, Richard, I will come back to that in my closing bit. I just want to bring in Sandra Overend.

**Professor Barnett:**

Pat asked what would happen if we got the other £40 million. As far the HE sector is concerned, we are in meltdown.

**The Chairperson:**

How long do we have to make decisions? You talked about “jam tomorrow”. I know from discussions at Stormont Castle that people accept that there is a problem in year 4, but they believe that because it is only single figures in year 1 you can absorb the fall in year 1.

**Professor Barnett:**

That is additional. The other thing to bear in mind is that we absorbed a cut before this CSR round began.

**Mr Allister:**

It has an accumulative effect.

**Professor Barnett:**

Yes, it does. You cannot just say, “Oh well, it is only £3 million”. It is not just £3 million. Before this CSR period, we lost money because of the student support issue.

**Mr Hope:**

Yes, although we got it back.

**The Chairperson:**

I feel that I have to explain people's perception of some of the issues, and you need to help us to dispel that perception if it is erroneous. The perception is that there is a problem in year 3, and particularly in year 4, but that because it is only a few million pounds in year 1 you should just be expected to deal with the matter and wait to see what turns up in a year from now. That is the perception. If that is not helpful, you need to help us to address it.

**Professor Barnett:**

It must be borne in mind that our cuts are front-loaded already; they are not spread across like anybody else's. We all know that years 3 and 4 are uncertain. The world will change: an election is coming up at Westminster and there may be more money. Civil servants are very good at putting their contributions to these efficiency savings in years 3 and 4.

**The Chairperson:**

I am happy to note that: civil servants are very happy to put their contribution in year 4 because we may never get there.

**Professor Barnett:**

I have said it before, Chairman, in a situation similar to this when looking at the budget. That is an issue. There is a massive allowance for a pay rise in year 4 of the DEL budget. What was it?

**Mr Hope:**

Fifty million pounds.

**Professor Barnett:**

Fifty million. There is a pay freeze for two years and then they can have a pay rise. There is that, and we have gone through it before. You need to look at the phasing of those issues. Our cuts have come at the beginning, and we have to deal with them immediately. It is easier if they are phased because you can begin to plan things —

**The Chairperson:**

It is not clear to me yet. I know that you are talking about the cumulative bit, and I understand the phasing change to 6,6,1,1. We are going through a budgetary process now, and we have the Further Consideration Stage of the Budget (No. 2) bill next Monday. The Budget is what the

Budget is unless someone tables an amendment. I have argued strongly that those are the knock-on effects, particularly with the impact of the £40 million additional funding. The argument will be, “Yes, we hear, we understand that, but that is in years 3 and 4 and we will deal with it then, but, for now, this Budget goes through and you will be OK.”

**Mr Hope:**

The important thing is that, at the moment, all our cuts are in the first two years; they are not spread out. In effect, we are taking the full cut of the total pot in years 1 and 2, and there are no further cuts in years 3 and 4 when the real funding needs to be found. The front-loading of the cuts to date is the problem that we have to address now.

**The Chairperson:**

Pat, we are keen to address the point that you mentioned about what happens if we also have to deal with the 40% bit. All we have is that it is not a good picture.

**Professor Barnett:**

It is a crisis for the whole sector. It will be a clear signal to the world, to students to go elsewhere, and to our academics that there is no future here. We would be in meltdown.

**Mr P Ramsey:**

You have three distinct campuses, and the cuts could have a detrimental effect on the sustainability of some of them.

**Professor Barnett:**

I hope that we have four; I am not sure which one you have just got rid of.

**The Chairperson:**

I am pretty sure that it is not Magee.

**Professor Barnett:**

I had four when I left this morning.

**Mr Allister:**

You might be better with three.

**Professor Barnett:**

We are moving. There will be consolidation in Belfast in the longer term. Although it is coming in 2018, it will achieve some efficiencies. We are getting rid of a very inefficient building. We have a regional commitment on the campus issue, although that costs us money. However, with regard to broadening access and our partnerships with further-education colleges, the Province benefits from our having a regional commitment and it helps with the widening access, and we are committed to maintaining that. That is not an issue for me. However, there is the issue of moving most of Jordanstown to Belfast. However, the fundamental nature of the university would have to change.

There are two options if that happened. The first is that you would expect us to maintain student numbers at some bargain-basement level. However, the staff would go and the students would go, so you would be on a downward spiral. The second is that if you sought to maintain student numbers, you would be cutting the size of the HE sector here by about 25%. That would be the only realistic thing to do to maintain quality, but we already have the smallest HE sector in the UK.

**The Chairperson:**

There are a couple of things I want to pick up on. Because Pat came back in — I want to move on. No doubt other things will come up.

**Mrs Overend:**

Thank you very much. I am sorry that I missed the first few minutes of your presentation. Following on from what Barry McElduff and Pat said earlier, perhaps I should declare an interest in that I attended the University of Ulster, both at Magee and Jordanstown. Everyone was making their declarations earlier in regard to Queen's. I notice that you said —

**The Chairperson:**

It would be handy if we could get you all to sit on either side of the table. Who is batting for whom?

**Professor Barnett:**

We work together; it is not like that between the two universities.

**Mrs Overend:**

I noticed that you spoke about how you are already more efficient because you are a multi-campus university. Perhaps you could teach Queen's a few things about efficiency.

**Professor Barnett:**

I would prefer not to answer that.

**Mrs Overend:**

My initial question has already been answered. I was wondering in what areas your expansion is taking place at the Magee campus, and you said that it is mostly in the STEM subjects. Where is the competition for courses for that? Will you be taking away from other universities?

**Professor Barnett:**

We want to promote STEM subjects, so I looked at courses that are oversubscribed in the university on another campus so that we can be pretty sure there will be student demand. There is a chance of increasing that.

The more fundamental aspect of what you are getting at is that we still need to do more work with schools. There is sometimes a feeling that if I put on more engineering courses the demand will be there. People come to us with a demand and I probably take too many in some subjects than I would like, but students want those things. In schools, the idea of getting the careers advice and more people applying for the STEM subjects is an important part of the overall package. I should also say that that is where our partnerships with the FE sectors work very well, because sometimes they come in and do a foundation degree and then come on to us in year 4. They would be in those economically relevant areas.

**Mrs Overend:**

What is the timing of the expansion at Magee?

**Professor Barnett:**

We are raring to go. If the Minister would get the numbers, we would start.

**The Chairperson:**

Will you expand on that? If the Minister would get what numbers?

**Professor Barnett:**

We have a bid in. You have to build up the courses. We have the business cases for 1,000 full-time students. There are part-time and postgraduate students, but they are not regulated in the same way.

**The Chairperson:**

There is some discussion about the viability of that proposal. How far down the track are you with the Magee expansion?

**Professor Barnett:**

We are ready to go. We have had the bid in for some time. It has been in the corporate plan of the university for some time. The business case is with DFP.

**Mr Hope:**

It is with DEL.

**The Chairperson:**

What is the hold-up?

**Professor Barnett:**

We have not heard back from DEL.

**The Chairperson:**

Perhaps we might write to DEL and find out where it is with it.

**Professor Barnett:**

That would be useful.

**The Chairperson:**

Is the business plan for the Belfast campus also with DFP or DEL?

**Professor Barnett:**

They have both approved.

**The Chairperson:**

What is the hold-up with that?

**Professor Barnett:**

Nothing; it is going ahead. There is no hold-up there at all.

**The Chairperson:**

Is the financing in place?

**Professor Barnett:**

We have bought the relevant sites. It is funded over a 25-year period. We are going through the design phase at the moment. It is designing a twenty-first-century campus, so it is not easy. What would a campus look like with blended and e-learning? Do you need large lecture theatres? We are going through that at the moment, the planning application is going on, and Peter has been talking to the banks. There is a great deal of talk about banks not having money available, but the banks are very keen to lend to the university for that development.

**Mr Hope:**

But there will not be a formal agreement with the banks until we are about to commence the build phase, because they will not sign off on their loan books until that —

**The Chairperson:**

We understand the reasons concerning their loan books. In your paper, you mentioned the need to sell land in Jordanstown.

**Professor Barnett:**

That is back-ended. The corporate finance people have spoken to the banks, and they are keen that some of the borrowing is paid off early by the release of land elsewhere.

**The Chairperson:**

OK, but there will be no capital infusion from the Department.

**Professor Barnett:**

So far, the capital infusion from the Department amounts to —

**Mr Hope:**

We have received £16 million from the Department.

**Professor Barnett:**

Our capital grant is quite modest.

**Mr Hope:**

On average, it was about £8 million, although it is now dropping.

**Professor Barnett:**

But that is all back-loaded, so we are getting next to nothing, and we have put that into —

**The Chairperson:**

What I am really getting at is that getting approval for certain stages is one thing, but, given the uncertainty in the financial environment, do you actually have all your ducks in a row? Are the necessary finances in place to make things happen?

**Professor Barnett:**

They are, and when we put forward the business case, we were very cautious about what we might get from the Department. We knew that capital grants were going to be few and far between, so we built that into our projections, and we are not assuming that grants will be higher than they are.

**Mrs Overend:**

What made you decide to increase the number of STEM courses that you offer? Do you have ongoing discussions with businesses and companies, and, if so, how do you feed their requirements through to the schools?

**Professor Barnett:**

We want to expand STEM subjects and produce graduates that help with employment, FDI and in

the development of indigenous industry. If we were just to expand where student demand exists, we would probably not do it in that area. That is the tension that we get, because there is a mismatch between what students apply for and what we would like them to apply for, but we are working on that. No matter how popular our courses are, none of them exists as of right. Every four years or so, they are zero-base reviewed, and we ask ourselves why do we do them and what they should be like. That is when we bring in industry to tell us what skills are required. In addition, we now work with sector skills councils through DEL, whose work on skills is very good. Getting the information back to schools is the key.

**The Chairperson:**

That is a theme that we will be looking at, and we will come back to you on it.

**Mr Allister:**

I am interested in three discrete issues. What is your first-year drop-out rate, and does it differ across the various campuses?

**Professor Barnett:**

There is no difference across the campuses, although, according to national figures, there is a difference by subject. The rate is higher in science and engineering subjects. Although it has come down, it is now about 15%.

**Mr Allister:**

Is that in engineering or across the board?

**Professor Barnett:**

Engineering.

**Mr Allister:**

What is the rate across the board?

**Professor Barnett:**

We have just got the latest figures in, so, rather than pluck one out of the air, I would prefer to come back to you on that. It is an issue in engineering, where the rate has been too high. In first year, there is an issue with kids coming out of school with different knowledge and skills sets,

and all universities have probably been a bit slow and assumed that they come out with the knowledge and skills that we came out with, so we have changed that. Interestingly, even St Andrew's University, which you would think could choose whoever it wants, has special maths teaching in first year, so it is an issue.

**Mr Allister:**

Is it mostly students failing or students those who simply leave?

**Professor Barnett:**

Both. The drop-out rate is a combination of three things. There are people who just drop out, and there are people who fail the course. I could get our drop-out rate down, but I am not going to make the first year easier. Some universities in England now have no first-year exams, but I do not think that that is the way to go. The other thing is that some people successfully complete first year and then decide to start another course somewhere else. Technically, they have not dropped out, but it is difficult to track them if they have gone off to England or they are taking time out. It is those three things added together.

**Mr Allister:**

You are hoping, ultimately, to recoup some of the cost of the Belfast campus from the realisation of the Jordanstown asset. What portion of that are you hoping will be funded from the Jordanstown sale?

**Professor Barnett:**

£30 million of the £250 million.

**Mr Allister:**

So, it is definitely not Crossnacreevy rates.

**Professor Barnett:**

No. If I could get those, we would not be borrowing at all for Belfast.

**Mr Allister:**

I can see that Belfast can be partly underwritten by the Jordanstown sale. Have you anything to underwrite the Magee expansion?

**Professor Barnett:**

That would be through increased business. The return that you would earn would be self-funding through increased activity, which would generate a surplus that you would put back into the campus.

**Mr Allister:**

All fairly speculative.

**Professor Barnett:**

We could not do it without the increased student numbers, but you have the business case —

**Mr Hope:**

The costings would be based on similar courses running on our other campuses, so we would know what the recurrent cost base is. We have then worked out the surplus to determine how much we can invest in capital.

**Mr Allister:**

How much are you looking for?

**Mr Hope:**

It is 1,000 MaSN (maximum student number).

**Professor Barnett:**

We are not looking for capital.

**Mr Allister:**

For now. If I recall correctly, in the Budget debate on Monday the Finance Minister was somewhat sceptical about the Magee issue.

**Professor Barnett:**

This goes back to the issue of student numbers. Is there a case based on student numbers in those STEM areas for an expansion? I think there is a very strong case, given the arguments: we have a small higher education sector, participation, more students wanting to stay here than go across

the water with higher fees. How are we going to meet the demand for those, or are we going to exclude those students from higher education, and, if that happens, which students?

**The Chairperson:**

Just to return to Jim's point, there is some scepticism about the Magee proposals, but you think you have all necessary approvals.

**Professor Barnett:**

We have not received any approval. What we have is a bid to take an extra 1,000 full-time undergraduate students.

**The Chairperson:**

So, who has agreed what? Has DEL agreed anything?

**Professor Barnett:**

No one has agreed anything. We have a bid in and we think there is a very strong case. We have a lot of support for it.

**Mr Allister:**

But do you have any private money coming in?

**Professor Barnett:**

No.

**Mr Allister:**

Is that not something that you would need in the present budgetary circumstances?

**Professor Barnett:**

It is probably only Oxford and Cambridge that receive substantial amounts of private money. In the US, a foundation would be a standard way to get money. We are beginning to do that, but all the universities in the UK are at base camp on that. Over the past few years, the Higher Education Funding Council for England gave universities 50p of public money for every pound of private money they raised. We chose not to do that in Northern Ireland, so we have been at a disadvantage compared with the English universities.

**Mr Allister:**

Are there venture capital options for you?

**Professor Barnett:**

We are working on the foundation issue, and have had success recently, but it is a long haul. For example, in our world-class biomedical sciences, where we have introduced pharmacy, Norbrook Technology is generously funding a professorship. Perhaps a few years ago we would not have engaged in industry in that way. Radox Laboratories is funding a post-doctoral fellowship. That is the type of activity that we are working on, but it is a slow burn.

The issue with equity investment is that a PFI-type arrangement generally does not make sense when you can debt finance rather than equity finance. PFIs are not great generally because of their constraints.

**The Chairperson:**

Gentlemen, I thank you very much for your time. The meeting has been most useful. I want to draw a number of issues to your attention. Vice chancellor, you quoted information about Northern Ireland having the lowest higher education budget per head of the population —

**Professor Barnett:**

I said that Northern Ireland's higher education sector has the smallest number of places per head of population of all of the UK regions.

**The Chairperson:**

It would be helpful if we could have the source of that particular bit of information. You also submitted a paper to the Department on the cost efficiencies in running a multi-campus institution. It would be useful for the Committee to have sight of that. Mr Allister mentioned first-year drop-outs. A breakdown of those figures would be useful.

You will be aware that, on Monday, the Assembly will debate tuition fees.

**Professor Barnett:**

I was not aware of that.

**The Chairperson:**

This meeting will, obviously, inform that debate. If there is any other information that you would like to forward to us, we would be grateful to receive it. I believe that we are also debating the Further Consideration Stage of the Budget Bill on Monday.

**Mr P Ramsey:**

The debate will be at Final Stage because there are no amendments.

**The Chairperson:**

If there are no amendments, can we even debate the Bill at Final Stage? Yes, we can. Therefore, there will be some opportunity for us to influence the wider issue. Thank you very much for your attention. We look forward to getting out to one of your campuses, whichever one of the three or four is available.