Northern Ireland
Assembly

COMMITTEE
FOR EMPLOYMENT
AND LEARNING

OFFICIAL REPORT
(Hansard)

Queen's University Belfast:
Current Issues

22 June 2011

NORTHERN IRELAND ASSEMBLY

COMMITTEE FOR EMPLOYMENT AND LEARNING

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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
Ms Michelle Gildernew
Mr Chris Lyttle
Mr Barry McElduff
Mr David McIlveen
Mrs Sandra Overend
Mr Pat Ramsey
Mr Alastair Ross

Witnesses:

Professor Tony Gallagher	)	
Professor Sir Peter Gregson	)	Queen's University Belfast
Mr James O'Kane	)	

The Chairperson:

We now move to the briefing from Queen's University. The Committee welcomes Professor Sir Peter Gregson, the vice chancellor, Professor Tony Gallagher, the pro-vice chancellor, and James O'Kane, the registrar and chief operating officer. Before we proceed to the briefing, I offer Sir Peter my congratulations on his recent honour. It is obviously a reflection of your hard work in the past and we look forward to hearing what you have to say about the future.

I remind Members and those in the Public Gallery that this session will be reported by Hansard. Will you please ensure that all electronic devices are switched off?

Professor Sir Peter Gregson (Queen’s University Belfast):
I will follow your instructions about electronic devices first of all. *[Laughter.]*

The Chairperson:
I have to say that, Peter, because it is usually my phone that goes off. *[Laughter.]*

Professor Sir Peter Gregson:
My phone is switched to aeroplane mode, so that is all right. Thank you very much, Chair. I want to begin by returning your compliments and congratulating all the Committee members on their election in May. We look forward to working with the Committee and the Minister in the years ahead, and it is a pleasure for us to be here with you today.

We have provided a short high-level briefing around some key facts, some of the key strengths as we perceive them at Queen’s and a slightly more detailed section about the key threats at the moment, which I am sure will be a large element of our discussion today.

All of us around the table recognise the enormous contribution made by the two excellent universities in Northern Ireland, both in the opportunities for students in Northern Ireland and the type of experience we can offer them, and in the contribution we collectively make to the cultural, social and economic development of Northern Ireland. The Assembly has put the economy very much at the centre of the Programme for Government and we should do the same and focus and align our priorities to those of the Assembly. In that context, it is particularly pleasing when, at the economic conference in Washington, we heard words from the First Minister and deputy First Ministers on the importance of maintaining a world-class higher education sector in Northern Ireland to support and underpin economic growth. My introductory comments will be focused on Queen’s University’s contribution to economic growth.

Let me say that, in building and running a world-class and socially inclusive higher education enterprise, we have to be successful in leveraging government funding. At Queen's, our total core government grant is about £110 million per annum. We then leverage that, so that our turnover is £300 million per annum, and we are estimated to produce a further contribution to the economy of £400 million. So Queen's alone contributes about £700 million to the economy of Northern Ireland based on a government grant of £110 million. That is a measure of the effectiveness of higher education in Northern Ireland.

There are three key ways in which we contribute to economic growth. The first is through our graduates. Our students are our raison d'être and our graduates go on to contribute to society. When Declan Kelly was the economic envoy, he repeatedly said that it was the high quality of graduates and their loyalty to Northern Ireland that was the compelling case for inward investment from companies in the United States. To maintain that, we have to provide an outstanding experience for the students of Northern Ireland, to ensure that they come to our universities — Queen's in our case — and succeed.

The second area in which we have a direct impact on economic growth is via direct inward investment. That comes in many shapes and forms, but the most obvious and high profile one is the way in which we attract competitive research income into Northern Ireland. Between them, the universities attract just under £100 million of research income per annum into Northern Ireland. Some 75% of that is attracted by Queen's, and that befits our status as a research-intensive university.

I shall just pick three examples to give you a flavour of what that means. In the past couple of years, we have become the UK centre of excellence in secure information technology. That has produced a £30 million grant — the largest grant ever into Northern Ireland. It is located in our Institute for Electronics, Communications and Information Technology (ECIT) on the science park. It is a reflection of our commitment, not just to world-class research, but to translating it into the economy. That is led by Professor John McCanny. We have also seen in the last two years Seagate invest £10 million to create one of their European centres of research at Queen's. That is a very important way in which we are networked into that multinational organisation: an organisation that has a major commitment to Northern Ireland.

In chemistry and chemical engineering, as the Chair well knows, Petronas has made its largest investment in any university around the world in Queen's. That is an important reflection of how our technology can revolutionise the petrochemical sector.

Thirdly, there is our contribution to innovation. We do that directly through our commitment to translate our technology, spinning out companies through QUBIS Ltd, our technology transfer arm. You will be familiar with the success of that vehicle at Queen's. The QUBIS companies currently turn over more than £100 million per annum, and they provide 1,000 high-value jobs. Andor Technology has attracted a lot of media attention recently because of its results this half-year. It is just one of two Northern Ireland plcs, and it was floated on the alternative investment market in 2005.

Stepping up in size, the other vehicle is the way in which we support small and medium-sized enterprises across Northern Ireland. We host nearly twice as many knowledge transfer partnerships as any other UK university. Those knowledge transfer partnerships are used to support small business across Northern Ireland. This year, we have award-winning partnerships with Cherry Pipes Ltd in Dungannon and Macrete in Toomebridge — to name just two of the 45 knowledge transfer partnerships we have on our books.

The third area, and perhaps the one that is most familiar, is the way in which we support our largest companies. The thing that comes most to mind is our work in collaboration with the University of Ulster, which is a joint venture between Bombardier, Queen's University and the University of Ulster, to create a Northern Ireland Advanced Composites and Engineering Centre on the Bombardier site, and that is very active at the moment. We are also very much involved with some of our other larger companies. I immediately think of our work funded by the Technology Strategy Board with Wrightbus, with FG Wilson and directly with its parent company Caterpillar, and with Almac sciences in the health arena.

While I am talking about health, I want to stress that we are committed to that link between the health and wealth of society, which is very important. I mentioned in the briefing paper the recent initiative whereby we have taken teaching hospital status to hospitals across Northern

Ireland — the acute hospitals that are integrally involved in the education of the medical students, which are Altnagelvin and the Erne, Antrim and the Causeway, Craigavon and Daisy Hill, the Ulster Hospital, where I was last week, and the hospitals in the Belfast Trust. They are all a very important part of our medical education.

Equally important is the way in which we focus on translation research in the medical arena, and you have seen that this week with the headiness made by Stuart Elborn and his work to try to address the so-called Celtic gene that seems to mean a higher prevalence of cystic fibrosis in this part of the world. That is a very direct example of translational research. Two weeks ago, I was delighted to meet the chief executive of the Medical Research Council when he visited Northern Ireland. He chose that opportunity to announce the appointment of Professor Paddy Johnston to chair the translational research strategy board of the Medical Research Council, recognising that we are at the leading edge of translational research.

That brings me to my final comment, which is probably the springboard for the discussion on the biggest threat facing higher education in Northern Ireland. I started off by repeating the words of the First Minister and the deputy First Minister, who said that maintaining a world-class HE sector was critical to economic growth in Northern Ireland. Of course, we must ensure that our actions reinforce those words. The budget that the Assembly inherited is a budget of disinvestment in higher education: a disinvestment of £68 million per annum by year 4 — 30% cash or 40% real-terms disinvestment. As you know, that is supposed to be made up in two parts, the £28 million or the 12% so-called efficiency savings — let us call them cuts — which the universities will have to make. Professor Barnett and I have written together on this, as we recognise that we have to contribute to savings in public expenditure funds. That is being undertaken in our respective institutions and is causing more pain, but it will be delivered.

It is absolutely essential that the remaining £40 million per annum is addressed in some way. A 40% cut in higher education funding would only result in Northern Ireland not having a competitive higher education sector. It would result in our not having the opportunity to provide for students from Northern Ireland, and it will render us less effective in supporting economic development.

We have responded to the consultation on the funding of higher education and student support. In that response, we have identified the importance of either reducing the disinvestment from the public purse or increasing the private contributions through deferred fees and, together with that, providing some sort of limit on student support, which is providing an ever growing proportion of the employment and higher education budget. That is at 58% and rising.

I hope that I have summarised the key issues as far as we are concerned. The threat to higher education is by far the biggest issue facing us. I want to conclude by saying that the outcome that we find needs to be sustainable and needs to be found in a timely way, because the current uncertainty is damaging our ability as an institution to provide a magnet for talent and to recruit staff to Northern Ireland. It is also, much more importantly, providing a very damaging uncertainty for the students who are trying to plan their futures in a vacuum of knowledge about the funding regime. So, on behalf of the students in particular, I urge yourselves and all other stakeholders to try to resolve the situation as rapidly as possible.

Mr McElduff:
I welcome the team from Queen's University. I am not sure whether we are declaring interests, but I attended the institution at one time.

The Chairperson:
There is a lot that they have to explain. *[Laughter.]*

Mr McElduff:
I have two questions. In page 3 of your high-level summary, you talk about three practical alternatives to beat the funding shortfall. Does Queen's have any ideas on how the Department for Employment and Learning (DEL) budget might be reconfigured?

Secondly, will you comment on the partnership work that you do with regional colleges to make higher education even more accessible to people, such as those from rural communities?

Professor Sir Peter Gregson:
I invite my two colleagues to chip in to answer those two questions; this is very much a team

effort.

In answer to the first question, we have put down a very clear marker in our consultation and said that there needs to be a limit on the student support part of the DEL budget. That is a very important issue that we have highlighted in our consultation.

With regard to your comment about the regional colleges, I am delighted that we have multiple partnerships with all five regional colleges. By postcode, 44% of the intake of Queen's come from rural communities, and many of those people come from the access agreements that we have with the five colleges, which bring in over 1,000 students — I think it is about 1,150 students. So, we work very closely with those five colleges.

Mr James O'Kane (Queen's University Belfast):
From the overall cut in the DEL budget, 48% has been allocated to the higher education sector: the £68 million represents 48% of the total, which is just over £140 million.

We are not in a position to know the detailed pressures in each of the Department's budget lines, but, clearly, there has been a significant weighting of that cut towards higher education. As the vice chancellor said, our response to the consultation paper flags up the cost of student support. The budget proposals identify an additional pressure of £77 million for student support. Of that £77 million, £36 million relates to the Barnett consequentials of the increased fees in English institutions, which will be able to charge up to £9,000 a year.

If we accept that that £36 million is a ring-fenced amount associated with the increased costs that are associated with the new fee regime for students who leave Northern Ireland to study in England, it still leaves a pressure of £41 million that we do not understand. There is a pressure of £41 million over and above the Barnett consequentials of £36 million, and we have flagged that up in our response to the consultation paper.

The Chairperson:
Are you clear on that, Barry?

Mr McElduff:

Yes, I am happy enough for now. I will reflect on that.

The Chairperson:

There is an issue that we will come back to. It is difficult for us to get our heads around the figures in the way that they are presented. I do not think that it is clear to members of the Committee exactly why there is such a big problem, so we need to start at the front end with that rather than looking at the whole issue.

Professor Sir Peter Gregson:

We probably see it at the back end, which is the investment in higher education. The gap in the funding lines of £40 million is a very real one.

The Chairperson:

Peter, if you were to say that there is a £68 million reduction in funding and you need to find £28 million from your own efficiencies —

Professor Sir Peter Gregson:

That is exactly what we are doing.

The Chairperson:

You are making efficiencies with staff and whatever. It leaves a gap of £40 million. That £40 million was, to some extent, to be offset by the increase in tuition fees. Given that there is an argument that tuition fees may not happen, there is a hole of £40 million. People need to understand how big that £40 million gap is in comparison with the budget that you are given. Although you have, if I read it correctly, £110 million, £40 million is a pretty big hit.

Professor Tony Gallagher (Queen's University Belfast):

The £40 million gap refers to the sector, so it is shared among the four institutions.

Professor Sir Peter Gregson:

It is £40 million per annum.

The Chairperson:

I think that the point that James was bringing through is that there are Barnett consequentials in the sense of having to accept increasing costs. Therefore, the costs are inescapable, but the provision to meet the costs is not. Am I right?

Mr O'Kane:

What I am saying is that the provision of £36 million in the current DEL budget is for the increased costs that are associated with student support in those countries in the United Kingdom that have made decisions. The budget pressure that has been identified in the DEL budget is £77 million. We do not understand the additional pressure of £41 million.

Mr P Ramsey:

If you do not understand it, how can we?

Mr O'Kane:

We are identifying a potential solution.

The Chairperson:

This is the opportunity for you to do that. I will take some questions. I have said privately that, even though we in the Assembly attempt to make a contribution to explain to people the issue about the pressure that you are under, the higher education system is not fully understood. People do not understand how serious the situation that you are facing is. We have to explain to colleagues here what it is so that they can talk to their respective parties.

Mr Allister:

We all know and recognise how tough things are and are going to be. In those circumstances, there is a focus on what every institution, including Queen's, is doing to help itself. I want to explore a specific issue in that regard, which may be only a drop in the ocean, but might go to the bona fides of the circumstances in which you can legitimately say that you require more money. How does Queen's handle the earnings of its full-time staff? You have a large number of senior lecturers to whom you pay full-time salaries. A number of them engage in external consultancy work and may have other income-earning activities. Is any of that ploughed into Queen's? Does any ratio of consultancy fees earned go into Queen's? If so, what is that ratio? Or, are your staff free to double-job and earn fees and everything else on top of their salaries with no return to Queen's?

Professor Sir Peter Gregson:
The answer to the last part of that question is no. We have a clear framework for the way in which staff can legitimately engage in activities outside the university. First, substantive external appointments must be approved by the standing committee of senate. Secondly, as you have —

Mr Allister:
What if someone gets public money for serving on a quango?

Professor Sir Peter Gregson:
May I cover the three areas first?

Mr Allister:
OK.

Professor Sir Peter Gregson:
There may be some space in between that you wish to explore.

So, substantial external appointments go through the standing committee of senate. We have a consultancy framework, similar to that constructed by other universities, which allows staff to engage in the equivalent of a maximum of 30 days a year. Anything like that level is rarely used, but that is actively promoted in the university and it provides a framework within which staff can directly engage with companies. For example, some of the knowledge-transfer partnership companies that I mentioned may well have a consultancy arrangement on the side. Those are the types of things that would come through a consultancy arrangement. The university derives income from that, which is used for the benefit of the university.

Mr Allister:

How does the university derive income? Does a ratio of what is earned go to the university and lecturer?

Professor Sir Peter Gregson:

Yes.

Mr Allister:

And how much is derived in that way?

Professor Sir Peter Gregson:

That would be based on a contract, which is managed by the knowledge exploitation unit —

Mr Allister:

You do not know how much is incoming.

Professor Sir Peter Gregson:

It would be on an individual basis rather than as a —

Mr Allister:

Do you not know, collectively, how much of such earnings Queen's accumulates and how much the lecturers keep?

Professor Sir Peter Gregson:

We have records of that income and report it under the appropriate headings.

Mr Allister:

Well, you do not know. This week, I had an answer from the Minister stating that you do not keep records.

Professor Sir Peter Gregson:

No. The income from consultancy activity —

Mr Allister:

Then why did you tell the Department that you do not have that information?

The Chairperson:

Hold on a tick. Jim, just let the vice chancellor answer.

Professor Sir Peter Gregson:

I think that the question asked of the university was whether there were records of individual activities, not a question about income. At the end of the day, all universities have consultancy income, which goes alongside research income, commercial income, and what have you. That is fully reported in our annual accounts.

Mr Allister:

Can you tell us what that consultancy income is?

Professor Sir Peter Gregson:

I cannot, off the top of my head.

Mr O'Kane:

Consultancy income at the moment is of the order of £750,000 a year.

The Chairperson:

Are you prepared to respond to Mr Allister's question in writing?

Professor Sir Peter Gregson:

Certainly.

Mr Allister:

Including the ratio or the proportion.

Mr O'Kane:

Well, I can, the figure —

The Chairperson:

I do not want to do it now because I want to try to keep the meeting moving long. Jim has raised an interesting issue and you are prepared to respond on that. You may wish to write to him in a private capacity or, if you prefer, we can ask for whatever breakdown is possible through the Committee. Is there anything else that you want to ask, Jim?

Mr Allister:

No.

Mr P Ramsey:

Good morning, Sir Peter. You are welcome to the team; it is good to see you again. You have expressed serious concerns. I have met your representatives and am looking forward to your showcase event on Monday. I encourage members to show up at it.

How much of the £28 million reduction in the higher education budget are you expected to sustain? We were told that without the £40 million, 200 jobs could be lost at Queen's and that maintenance work, among other things, might be stopped. The Chairperson is right: there is a hope that the Executive will find the £40 million to enable the black hole to be filled and for fees to remain as they are. In the worst-case scenario, 200 jobs are under threat, whatever percentage of the £28 million. What is the doomsday scenario if we do not?

Professor Sir Peter Gregson:

Are we limiting the question to the £28 million or the rest?

Mr P Ramsey:

Include the rest, please.

Professor Sir Peter Gregson:

Let me address the £28 million first. I will ask James O'Kane to provide the financial framework within which we are making the decisions and which were agreed by senate yesterday.

Mr O'Kane:
I will deal with the £28 million first. We are 50% of the sector, so we have to make £14 million of efficiencies. The budget has been frozen in cash terms over the four-year period, so we have had to factor in inflation over the four years. Like all Departments, including the Department for Employment and Learning, we have had to factor in inescapable pressures. I will give you a few examples: National Insurance has increased, VAT has risen to 20%, energy costs are going through the roof, and so forth. When we factor all that in, we believe that we will have to effect savings of £27·9 million for the institution over the four years of the CSR period by year 4. We are still focused on the operational efficiencies only, and we have put efficiencies in place to deliver that.

Our share of the £40 million is 50%, which is a further £20 million. As we say in our briefing paper, we are talking about substantially changing the size and shape of the institution. The opportunities for young people to study at Queen's and in Northern Ireland will be substantially reduced. I will give you a flavour of what I mean: £20 million takes out one of our faculties. We would have to take out our faculty of arts and humanities and social sciences. That is an example of the scale of the changes. That is nine schools. The total budget, including tuition fees, of the faculties of engineering and physical sciences is similarly under £30 million, but that gives you an example. That is the worst-case scenario, and that is the sort of action that we would take.

We say in our briefing paper that we have focused on protecting the core activities of the university, including education and research. We have taken corporate measures; we have reduced our capital expenditure plans, and we are seeking to increase income. Those are the measures that we have taken to deal with the £28 million of operational efficiencies or cuts.

Mr P Ramsey:
Such circumstances could not be tolerated. Everybody at Executive level should be listening to what you are saying, because the economy is still the number-one priority in the Programme for Government.

Given widening participation and that more young people want to commit to higher education in Northern Ireland but that places are decreasing, many will be disappointed by not finding a place. One might imagine that the band will accelerate over the next couple of years, because parents may make the fundamental choice of not sending their children to England, for example, where fees are at the £9,000 maximum.

How will you ensure that those from low socio-economic backgrounds can still go to university? I imagine that only those with very high grades will be able to access university while others will find it difficult.

Professor Gallagher:
Under the current arrangements, the primary criteria for entry to higher education are meritocratic, as we work through the UCAS system. However, the changes that could happen in the circumstances that you referred to would dramatically increase demand, either because of students not going to GB or if the institutions in Northern Ireland were dramatically downsized as a consequence of cuts. That would lead to an increase in entry grades and would have inevitable consequences for participation rates. There is no doubt about that. The only way that that could be dealt with would be by putting special arrangements in place. Therefore, there would be risks to the patterns of participation. If that level of cuts were applied to local institutions and the quality of what we provide was dramatically affected, significant numbers of young people would go to GB. Despite the higher personal cost, they will still want access to high-quality higher education, and we may not be able to provide that.

Mr P Ramsey:
That is something that we will need to consider.

Mr D McIlveen:
I thank the witnesses for their presentation. I probably should declare an interest, which is perhaps more up to date than Barry's: my wife is a full-time PhD student at Queen's University. I assure you that that will not cloud my view in any way, but it is important to put that out there.

Sir Peter, you mentioned the buzz word "innovation." I know from my involvement in the

Committee for Enterprise, Trade and Investment that that word is very popular at the moment. I am completely sold on it and feel that it is crucial to the economy. Given the links with the private sector — I know that you have good working relationships with Invest NI and the large corporate businesses that you mentioned — it would not be in the interests of Bombardier, Wrightbus or the other companies that make good money for Queen's quality to be dumbed down. Have those companies been approached to see whether they would invest in Queen's for an expected return? Ultimately, what we are exploring is how to plug the gap. There is a deficit, and we need to fill it. Has that option been explored or will it be explored?

Professor Sir Peter Gregson:

Very much so. We have a very close working relationship with the business community, from Invest NI and the Department of Enterprise, Trade and Investment to the small companies at the opposite end of the spectrum. That interaction tends to focus on research programmes and the sponsorship of individual students; however, it would not be appropriate to approach companies for our core funding. I began my presentation by stressing the importance of having core funds for leverage. However, we could not go to Bombardier and start at that point in the spectrum.

What the two universities have done effectively is to invest with Bombardier, Invest NI and the Department for Business, Innovation and Skills (BIS) to create the Northern Ireland Advanced Composites and Engineering Centre. That is the correct type of engagement. The research income coming into Northern Ireland and the engagement with companies is proof that we are punching well above our weight in our engagement with companies, whether that is with small companies through knowledge-transfer partnerships or large companies in the way that I described. However, we could not go to companies seeking support for our core funding.

Mr O'Kane:

The UK is significantly behind North America, for example, in philanthropic giving. In Northern Ireland a few years ago, the importance of using philanthropic sources to leverage government funding was exemplified by the support programme for university research (SPUR) with well-known philanthropists, the Atlantic Philanthropies. That leveraged just under £100 million into Northern Ireland. The challenge was that government put money in, and the philanthropists matched it. That is key. Industry or private foundations will not get involved if they see a breakdown in public support and investment in higher education.

Mr D McIlveen:

I have one other question. Unfortunately, it is ratio-related, but I assure you that it will not prove as hostile as the last one. What is the breakdown of students from outside NI compared to those from Northern Ireland?

We have undertaken not to increase the fees of Northern Ireland students; that is a manifesto pledge, so are hands are to some extent tied. That said, is there a case for increasing fees for students from outside Northern Ireland, even setting them at a lower rate than Russell Group universities on the mainland, to encourage students from outside NI to pay that little bit more to get a good-quality education?

Professor Sir Peter Gregson:

That is addressed in the response to the consultation. James can deal with the detail.

Mr O'Kane:

We strongly endorse being able to charge a much higher threshold for non-Northern Ireland-domiciled students. That will require change to the maximum student number (MaSN) calculation, which includes GB students as if they were from Northern Ireland. We suggest that MaSN become a Northern Ireland-domiciled calculation. Ninety-two per cent of our students come from Northern Ireland; 5% are international; and 2% to 3% come from the rest of GB and the Republic.

Mr D McIlveen:

Of that 8%, how much of a gap could be plugged in the funding?

Mr O'Kane:

It is marginal, because we charge competitive international fees for international students compared with other UK institutions, so it is the small 2% to 3% component. There are, as you know, EU rules and regulations about the fees that students from other EU countries can be charged.

The Chairperson:

The point, I think, that David is making is could we not make it as a business case. Is the number significant? You may not even have to increase fees. Is there a business cases that says, "We will carry on with our low fees, but we are going to take 10% of people from England"? Does that change our budgeting? Does that work?

Professor Gallagher:

As a consequence of the different arrangements in each of the regions of the UK and the different arrangements in the Republic of Ireland, student flows across all jurisdictions will become an important part of calculations. However, it will be very difficult to predict exactly what will happen. We have suggested that as one mechanism. Applying the MaSN to Northern Ireland-domiciled students is important because it protects local participation levels. However, if we were given freedom to charge higher fees to students from GB, that would give us an opportunity —

The Chairperson:

Why would it give you freedom to teach more students?

Professor Gallagher:

Sorry?

The Chairperson:

Why do you have to put fees up? What are the implications? I know that there will be knock-on effects, not just for you but also for the amount of money that we have to pay for student loans and our contributions. However, if you have an excellence in education at a price that is lower than the rest of the British Isles, or at least chunks of them, you may expect to see for the first time significant inflows of students from Great Britain. Is that a benefit or do the costs cancel out the additional income?

Professor Gallagher:

Wales is doing something like that and using the additional charges made on English students to subsidise universities' income. That is the sensible approach.

Professor Sir Peter Gregson:

The big difference is that there is a net inflow of students into Wales, whereas, as we well know, there is essentially a one-way arrow here. As James highlighted —

The Chairperson:

I think what David is looking for — I am certainly looking for it — is whether there is a business case to be made. Would getting a net inflow, or at least an increased inflow of students from other parts of the United Kingdom, make a positive and significant contribution to our economic situation?

Mr O'Kane:

Only if we can charge up to a threshold of £9,000, because the standard fee does not cover the basic cost of providing the offer that you are trying to sell to the GB market. We are competing with universities that have access to resources of £9,000 per student. On a fee of £3,300, we cannot offer the excellent student experience that those students will want. I think that you were suggesting that we could make a business case based on the current fee in Northern Ireland and apply this throughout the United Kingdom. However, that business case does not stack up because the costs of providing the offer that we are trying to sell to the GB market would not be covered by the fees that we would be generating.

The Chairperson:

The business case does not stack up in the other way. Given that you have an historic net outflow of students, if you are just going to be charging exactly the same as a university in England, why would you expect that to change? What you have got is an economic leverage. People do not want to spend £6,000 in Great Britain, but they might come here for £3,000 or £4,000. There is an economic lever to bring that in. The other issue that I look at is that, given that it is mainly primary degrees and you are only talking about lecture facilities rather than research, if you put 50 people into a lecture theatre, how many more lecturers would you need if you put 100 people into a lecture theatre? There are economies of scale and volume there. I am only asking the question. I think that that is David's point. Am I right, David?

Mr D McIlveen:

Pretty much.

Professor Gallagher:

Lectures are part of the teaching experience, but not all of it. Dramatically changing staff:student ratios will affect the quality of the student experience in other ways. It is not a matter of piling more people into a lecture theatre and everything staying the same. It would affect other aspects. The point —

The Chairperson:

Hold on, Tony. Let me put this to you, because, as I keep telling you, you have got to get over it. The perception of the greater world out there is that students taking primary degrees go to lectures about once a week, mainly to arrange parties. They do not actually go to get — I accept that, in chemical engineering and subjects like that, it was never like that, but there is a perception here about using the resources, infrastructure and staff that you have. It is actually the point that Jim was bringing up earlier on. If you are looking for additional sums over and above the budget you must understand how difficult that is going to be. You really have to put forward a case stating that you are looking innovatively and creatively at it. There is no point in ignoring the elephants in the room.

Professor Gallagher:

I understand the perception, but, as it was described, it is inaccurate. I invite members to visit the McClay library to see just how many students are there outside lecture time working hard and studying. Until recently, the place was packed day and daily. We often had to open it 24 hours a day to accommodate student demand to use the study facilities. An important part of an arts and humanities degree is tutorials, study time and library time as well as lectures. They are all part of the overall package provided by the university, and it is important to see all the things that are required in the round.

In relation to the business model, when we talk about applying the MaSN to Northern Ireland-domiciled students, part of the implication is that the resources from GB students could be fees only, because we are trying to control student support costs. That is where it has to work in business terms for the costs that we have in providing a degree. The £3,300 fee would not cover the cost of the cheapest degree, which is why we would need the freedom to charge more. If we are given freedom to charge up to £9,000 for those students, we would not necessarily use it, but it would give us a market opportunity to engage in markets in England to attract students.

The Chairperson:
I want to bring in the Deputy Chairperson, who has been sitting patiently. I am sorry, David; we will get back to this point because I will wrap up with some questions on the financial bits.

Mr Buchanan:
I have a couple of brief questions. You talk of the possibility of 200 job losses. Where will those losses be? Are they bottom-up or top-down? I suspect that if they were top-down, there would be fewer job losses to achieve the same savings. Have you identified voluntary redundancies? How many of those affected, or hanging in the balance, are mid-career?

I expect that Queen's has reserves that it builds upon year-on-year. Given the economic situation and our tight budget constraints, could a percentage of that be used to reduce the number of job losses and the threat to students and courses?

Professor Sir Peter Gregson:
I suggest that we take those points in reverse order and deal with the question on reserves first. James O'Kane will deal with it.

Mr O'Kane:
Reserves, by their nature, are non-recurrent; once you spend them, you have no access to them. Queen's has a general reserve of £87 million, £61 million of which —

The Chairperson:
Just hold on a wee tick. I refer members to the second Queen's University paper, the report dated 16 March, item 8, page 5.

Mr O'Kane:

Sixty-one million pounds of that is already committed to our capital programme — projects that are contracted for and on the ground. The balance of £26 million is the equivalent to one month's expenditure for Queen's.

Professor Sir Peter Gregson:

It is important not to get reserves confused with recurrent expenditure. Our reserves are largely to support our capital programme; you have an idea of the proportion already contracted for.

The Chairperson:

The point is made in the paper.

Professor Sir Peter Gregson:

The first question is about how we are addressing the £27·9 million financial framework that Mr O'Kane discussed earlier. It has to be both top-down and bottom-up. Mr O'Kane has already highlighted that we have taken top-down corporate measures that have reduced the pain in the body of the university associated with jobs in the eight directorates and the schools.

In both directorates and schools, we have a top-down and bottom-up process of planning. Tony leads planning on the academic side; James on the academic-support side. The university management board brings the two together. I am absolutely confident that we are producing the best possible outcome for Queen's by removing non-core activity, which is our first priority, to make sure that we protect and prioritise the student experience above all else. We also ensure that we make the most efficient use of our resources. Therefore it is both top-down and bottom-up.

You asked for a breakdown. We must make financial savings of £27·9 million. The problem is not the number of job losses; it is how we make them. We are talking about reducing our establishment posts by about 200; about 100 are on the support side and 100 are front-line academics. Both have a direct impact on the student experience.

The Chairperson:

Sir Peter, while Tom considers his supplementary question, your latest report mentions on page 4 the figures that you just quoted: a reduction of 100 academic posts and up to 100 academic-support posts. However, in your report to the Committee 16 March, there is a table outlining indicative reductions in staff numbers, which gives an original position of 200 posts but a revised position of 750.

Professor Sir Peter Gregson:

Seven hundred and fifty relates to the scale of the problem if the £40 million is not addressed, and a member made that point earlier. On the cash cuts — the £28 million, the 12% savings — there is absolute consistency. It will be a cash sum at the end of the day, but it will result in the reduction of about 200 establishment posts. We are not considering 750 at the moment, because, as has been determined around the table, the scale is almost impossible to contemplate. I want to make it absolutely clear: we are talking about 200 posts at the moment.

Mr O'Kane:

We will be seeking voluntary reductions; we will have a voluntary severance scheme and a voluntary early retirement scheme, and we will freeze vacant posts.

Mr Lyttle:

I, too, declare an interest as a graduate of that fine institution, although members may reserve judgement.

The Chairperson:

It has been downhill rapidly for you since. *[Laughter.]*

Mr Lyttle:

I would not have been able to afford it without the support of my parents. There are some detailed issues that we will not get into today; perhaps we will do so next week when the debate about repayment methods takes place. I think that people are aware of the scale of the problem. It was difficult for me to hear my senior party colleagues being open and transparent about the scale of the problem in the run-up to the election. It is time for a bit of reality to kick in in a big way when deciding on this matter. We are looking at some fairly stark outcomes if the Executive cannot find a solution to the reallocation of funds. You said that 50% of DEL's budget is spent on HE. I am sure that you will agree that it is equally difficult to make further reductions to the other line items in the DEL budget.

Eight per cent of non-domiciled students attend HE in Northern Ireland. How does that compare with universities in the UK and internationally? Why is it at that rate and what can be done to change that? Would EC regulations not prevent differentiation in fees regardless? What more can be done in those areas?

Mr O'Kane:
I will address the latter point; I mentioned it earlier. We have the freedom to set fees for students from GB, subject to Assembly legislation. The ROI and the rest of the EU limit the fees that we can charge, because they can be no higher than the fees charged to Northern Ireland-domiciled students.

We are seeking to grow our international student population significantly, as our percentage of international students is significantly below that of our peer group. We look to the Committee to help us to achieve our ambitious targets of making Northern Ireland attractive to international students. We have an ambitious internationalisation strategy to increase the number of international students to 10% of our student population. That will require an increase over the five years of 140% from where we are at present. There are issues associated with the UK Border Agency. We talked to a number of you around this table and we got your support in the face of associated threats, such as Theresa May's plans seeking to limit immigration into the UK, and for students in particular. We have ambitious targets, and your support will be greatly appreciated in the years ahead.

Mr McElduff:
How attractive are the university options in Dublin and Galway to students in the North? What financial hurdles are in the way? Are they real options? What type of co-operation takes place inside Universities Ireland?

Professor Sir Peter Gregson:

There are two questions that I can take there. The first is about the barriers. There are big changes. As you know, the fee charged in the South is going to increase significantly to €2,000. That is an upfront fee: it is not a deferred fee on a loan basis, as we are used to. That could have a greater negative impact on students who currently go to university in the South.

With regard to the collaborations, the strength of interaction across the island is remarkable. Obviously, the interaction has to be in areas of common interest. For example, at Queen’s, our centre of excellence for public health would work and interact very closely with its counterpart in Cork. Our centre of excellence for secure information technologies links very closely with the Tyndall National Institute. We see under the US-Ireland R&D Partnership significant numbers of programmes. The programme that was referred to in the media with Stuart Elborn this week is the result of North/South partnership and US-Ireland R&D Partnership, because it involves groups from Queen’s, UCD and the United States.

The Chairperson:

I am under a bit of pressure for time, because I have let things run on a bit. Barry, maybe we can get a letter detailing an answer to your question.

Professor Sir Peter Gregson:

You can flag the issues up also at the showcase next week.

The Chairperson:

I want to speak briefly on this, because we have had quite a thorough discussion. On page 3 of your paper, you state:

> “There is another option, but it is unimaginable, and that is to cut higher education by the full 30%.”

I am not that sure that that is unimaginable. What makes you think that you are going to be able to address the budget deficit in a way that is different to the numbers that have been outlined?

Professor Sir Peter Gregson:

The unimaginable part is the consequences. The consequence for Northern Ireland is that we will no longer have a world-class higher education sector, which means that students from Northern

Ireland will have to go elsewhere if they want to access a world-class higher education sector. The consequences for Queen's have already been touched on by Mr O'Kane: we would look radically at the type of offering that we make. That could mean anything from becoming a small specialist institution to the type of consequences that Mr O'Kane highlighted. The scale is such that it would be the equivalent of taking out the whole of arts, humanities and social sciences or the whole of engineering and physical sciences. That is what is unimaginable about it.

The Chairperson:

I asked because I rather diligently had discussions with you and with representatives of other institutions prior to the Estimates debate and duly brought forward a very constructive and realistic set of options. That was not met with kindness by the Minister of Finance and Personnel who thought that I was just another person coming forward with a wish list. He said that everybody keeps telling him that we need more money but no one can tell him where he can get it. That may well be the case. It was my job, as I saw it, to outline the information at hand.

I know that you and the University of Ulster have written in the press about these matters, but I am not quite sure that people understand, even yet, the scale of cuts that you are talking about if this matter is not resolved. Chris Lyttle mentioned that a sense of reality will have to prevail. If we are not going to charge student fees, we will have to find some other mechanism for funding. If we are going to do that, the university will be under keen scrutiny to ensure that it is not the ivory tower that people accuse it of being.

Professor Sir Peter Gregson:

I hope that I dispelled all images of an "ivory tower" through my introduction. Our contribution to the economy is real; it is present every day. The business community is starting to get more vociferous in support of higher education. It is interesting to see that the debate on cuts in higher education enter into that on corporation tax. The assumption is that there is a pool of high-quality graduates with a loyalty to Northern Ireland who will take up high-value graduate jobs in Northern Ireland as the economy develops. It would clearly be ludicrous for Government to be so misaligned with respect to enterprise.

The Chairperson:

A good opportunity is coming up next Monday to talk about that issue.

Professor Tony Gallagher:

I encourage Members to come along to the Long Gallery event prior to the debate. We always talk about Queen's as a magnet for talent. If you come along, you will see some of the talent that we have and some of the extraordinary work of people across all the faculties of the university. More important than that, you will see the impact that that work has on the everyday lives of everyone, here and across the world. It will give you a sense of the rich diversity of what happens in a university and its impact, and why it is so important to try to preserve it.

The Chairperson:

Everyone is invited to go. I will be there.

I thank you all very much. This session has gone on a bit, but there was significant interest in it. We will see how much has got across when we listen to the debate on Monday. Thank you all very much.