

Structural reform
in the higher
education sector

Achieving
Technological
University status





Introduction

The Deloitte report “Amalgamation in the higher education sector, moving in the right direction” set out key drivers of consolidation in the higher education sector and identified key areas of focus for any organisation embarking on integration, mergers or the creation of a new entity.

There are a number of potential pitfalls to a successful amalgamation but with adequate planning and a clear and focused strategy to address the key issues likely to arise, the ability to achieve real and additive benefits from the amalgamation are greatly enhanced.

This document builds on the previous Deloitte publication and aims to identify the potential risk areas and areas meriting review and examination under a formal due diligence process in advance of any merger with a view to attaining designation as a Technological University (TU).

Major programme of structural reform

In May 2013, the historic policy statement on higher education was published by the Minister for Education and Skills, which set out a new configuration for the higher education system and provided for a major programme of structural reform including institutional mergers and much greater levels of institutional consolidation and collaboration, with the creation of a series of regional clusters of HEIs.

Regional clusters

All seven universities and 13 Institute of Technologies (IOTs) in addition to Dublin Institute of Technology are now grouped in regional clusters, as below.

Region	Member institutions
South / Southeast	University College Cork, Cork IT, IT Tralee, Waterford IT and IT Carlow
West / Midwest / Northwest	University of Limerick, Limerick IT, Mary Immaculate College, Galway-Mayo IT, IT Sligo, Letterkenny IT and NUI Galway (St Angela’s / Shannon College incorporated into NUI Galway)
Dublin / Leinster Pillar I	University College Dublin / Trinity College Dublin / National College of Art and Design / Marino Institute of Education / Dún Laoghaire Institute of Art, Design and Technology
Dublin / Leinster Pillar II	Dublin Institute of Technology / IT Tallaght / IT Blanchardstown / Dublin City University (and incorporating linked colleges) National College of Ireland / Dundalk IT / NUI Maynooth / Athlone IT / Royal College of Surgeons in Ireland

Source: HEA press release “New landscape for higher education”

The primary purpose of these clusters is to improve quality of teaching, learning and research through more effective collaborations between the institutions.

Two priority goals have been set for each cluster:

1. Better student pathways between the institutions
2. Co-ordinated academic planning to reduce duplication and improve quality of programmes

Process and criteria for designation as a Technological University

The Minister also announced his approval for the following three consortia of IOTs to proceed towards detailed planning for a formal application for designation as TU.

Dublin Technical University (DTU)

Dublin IT
IT Tallaght
IT Blanchardstown

Munster Technical University (MTU)

Cork IT
IT Tralee

Technological University of the South-East (TUSE)

Waterford IT
IT Carlow

Source: HEA press release "New landscape for higher education"

A fourth group, the Connacht-Ulster Alliance (Galway-Mayo Institute of Technology; Sligo IT and Letterkenny IT) have also indicated that they are deepening their existing alliance with a view to merging in the medium term.

Process for designation

In line with the above, the designation process consists of four stages as follows:

- An expression of interest
- The preparation of a plan to meet the criteria
- An evaluation of the plan
- An application for designation

Firstly, HEIs in Ireland wishing to apply for designation as a TU must submit an expression of interest to the HEA.

Following approval from the HEA the applicant IOTs may proceed towards stage two - the preparation of a detailed plan to meet the criteria for a TU and the process requirements and related timelines.

At stage three the plan will then be assessed by an expert panel (an international panel of experts appointed by the HEA) which will have regard to:

- The capacity of the proposed consortium to achieve the objectives of consolidation in terms of academic rationale, scale, the degree of integration through alliances and membership of clusters and the extent to which workplace practices have been developed to bring them into line with those of a modern university.
- The existing position of the proposed consortium in relation to each of the TU designation criteria and its capacity, based on its developmental trajectory, to meet these criteria within a reasonable timeframe.

Finally where a legal consolidation has been achieved and the applicant considers that all other requirements for designation have been met, the consortium may apply for designation as a TU.

If, in the opinion of the expert panel, the proposal is not likely to meet the criteria for designation as a TU within the proposed timeframe the application will not proceed further – in this case a further application will not be accepted for a period of five years.

Criteria for designation

An applicant IOT will be specifically designated as a TU if it satisfies a number of criteria, together with legal and policy requirements of universities in Ireland.

Metrics of key focus to merged institutes at the time of application for TU status designation include the following:

- **Student profile:** At least 4% of FTE enrolments at Levels 8 to 10 enrolled in research programmes at Levels 9 to 10 rising to 7% within a period of ten years from the date of designation.
- **Staff profile:** 90% of full time, academic staff engaged in delivering higher education programmes will hold a Level 9 qualification or higher and at least 45% will hold a Level 10 qualification or the equivalent in professional experience, combined with a terminal degree appropriate to their profession.
- **Research:** Existing research capacity to support on-going programmes, projects and doctoral training in at least three fields of knowledge/study as defined by ISCED (International Standard Classification of Education) fields of study at the 2-digit level.

It is clear that the criteria and specific metrics are challenging and it is therefore recommended that a clear and focused plan is put in place that will enable the criteria to be satisfied and the challenging metrics to be achieved in order to be designated as a TU.

In March 2014, the Minister for Education and Skills stressed that IOTs that merge must achieve the specified academic goals set out clearly in the Hunt Report before they can be formally rebranded as full technology universities.

Furthermore, given the fact that if a consortium does not meet the criteria for designation as a TU a further application will not be accepted for a period of five years, it is vital that the consortium is fully prepared and puts its most compelling case to the HEA.

A detailed due diligence exercise will play a key role in assessing the positioning of the institute against the criteria for designation as a TU and will help inform the workstreams requiring greatest focus to satisfy the TU criteria in the prescribed timeframe.

Formal due diligence to address the financial, operational and legal aspects of consolidation

The starting point in any merger process should be to undertake a formal due diligence.

The focus of the diligence exercise is quite different to that of a private sector merger where the focus is on price and warranties / indemnities to protect against risk.

The purpose of the formal due diligence is to identify those areas where there may be differences and similarities between institutes that need to be addressed prior to the merger, for example accounting policies, financial position and staff contracts and practices.

A clear understanding of the areas of difference where corrective action is required is particularly pertinent in the context of formulating the strategic plan and operational milestones for the merged institute.

It is recommended that a three-phased approach should be adopted to the due diligence process as follows:

Phase 1 – Due diligence fieldwork and the preparation of interim draft reports and a final signed report, the “Final Due Diligence Report”, for each merging institute.

Phase 2 – Preparation and presentation/ submission of a joint report to the merging institutes outlining the key findings on a combined and comparative basis.

Phase 3 – Review and consideration of the key findings from Phase 1 in the context of the joint merger plans being developed by the Presidents of the merging institutes and follow on merger support.

It is then recommended that a business plan/ business case submission to the HEA is drafted having undertaken the formal due diligence and “compare and contrast” of all merging institutes which should help identify and inform various key workstreams aimed at achieving TU status.

Benefits of undertaking a formal due diligence

The following are seen as the overriding benefits for merging institutes that engage in a formal due diligence process:

- Define clearly the vision for the merged entity.
- Tackle risks and issues quickly and take the tough decisions early.
- Understand the positioning of the merger partner in the context of the criteria for attainment of TU status.
- Identify and recognise cultural differences at an early stage and take the best from both institutes.
- Identify the sources of synergy benefit and drive to achieve them as quickly as possible.

More importantly, if a due diligence assignment is properly managed it should encourage engagement across the merging institutes resulting in goal congruency and a shared vision which is a key requisite for a successful merger process.



Potential risk areas and areas meriting review and examination

The potential risk areas and areas meriting review and examination as illustrated below have been identified as those that should be examined under a scope of work in advance of any merger:



Diagram: Potential risk areas and areas meriting review and examination

Legislation

In January 2014, the Minister for Education and Skills announced the publication of the Heads of a Bill which will allow for the future establishment of Technological Universities and the merger of IOTs.

It is envisaged that the bill will be brought into law in the second half of 2014 allowing the institutes within the three consortia to legally merge and submit their application to become a technological university.

Timeline for the first Technological University

Given the process involved and the stringent criteria that is required to be met before a consortium will be designated as a TU. The Minister for Education and Skills in an announcement on 10 March 2014 estimates that the first of Ireland’s new technology universities will not be created until at least 2018.

Contacts

For more details please contact:

Gerard Lyons
National Education Partner
T: +353 61 435501
E: glyons@deloitte.ie

Shane Mohan
Consulting Partner
T: +353 1 4172543
E: smohan@deloitte.ie

Michael Sheehan
Corporate Finance Partner
T: +353 21 4907032
E: misheehan@deloitte.ie

Mary Rose Cremin
Senior Manager
T: +353 61 435581
E: mcremin@deloitte.ie

Annette Pearse
Senior Manager
T: +353 61 435557
E: anpearse@deloitte.ie

Dublin
Deloitte & Touche
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
T: +353 1 417 2200
F: +353 1 417 2300

Cork
Deloitte & Touche
No.6 Lapp's Quay
Cork
T: +353 21 490 7000
F: +353 21 490 7001

Limerick
Deloitte & Touche
Deloitte & Touche House
Charlotte Quay
Limerick
T: +353 61 435500
F: +353 61 418310

www.deloitte.com/ie

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/ie/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, Deloitte Global Services Limited, Deloitte Global Services Holdings Limited, the Deloitte Touche Tohmatsu Verein, any of their member firms, or any of the foregoing's affiliates (collectively the "Deloitte Network") are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

