Financial review 2011–2021: austerity to growth

Introduction

Over the last 10 years the Irish university funding environment has provided significant challenges which have impacted on Trinity's ability to operate and compete effectively on a global basis. The sector has seen significant reduced levels of Exchequer funding for core teaching and research activities and an absence of an agreed framework and funding programme for renewal of critical infrastructure.

There are major challenges in achieving the income required to sustain a globally competitive research university. Additional funding will be required from the Government to address the shortfall in public funding per student which has reduced significantly in recent years and to meet anticipated growth in demographic and participation rates. Exchequer income has declined from 70% of the university's total income in 2008 to 39% in 2020 and the financial outlook for the university will continue to remain uncertain unless the Government commits to long-term funding or lifts the cap on undergraduate student fees. While Government supports for COVID impacts in 2020 were greatly welcomed, significant additional funding will be required to address the shortfall in public funding per student (currently at 40% of 2008 levels) and to meet anticipated growth in demographic and participation rates. Furthermore, a globally competitive research university needs a national R&D funding environment where its academic staff can compete for research contracts: Ireland's public funding of research is very low by international standards and has fallen by 21% since 2008.

Notwithstanding these challenges, Trinity's underlying financial position has been maintained and gradually improved over the last ten years, due mainly to successful strategies for generating non-exchequer revenue. However, these income sources were severely impacted by Covid-19 which, despite the extensive mitigation actions put in place by the University, has created further challenges and uncertainty in relation to the finances of the University and underline the need for a more sustainable funding model going forward.

Commitment to investments and growth

Through the last decade we have remained committed to Trinity's mission to deliver research of international impact, and to a student experience underpinned by quality teaching and access to the best student services. We have continued to invest strategically in world class infrastructure and facilities which have underpinned our growth over the last 10 years and will drive future success. We have invested c. €500m in capital programmes over the last ten years and currently have over €300m in capital projects in the pipeline. In addition, we are committed to delivering longer term strategic investments such as the new Trinity East campus at Grand Canal Quay. These investments, funded mainly by philanthropic support and by long-term financing from our banking partners, continue to deliver financial returns in line with carefully planned and managed business cases.

Successful diversification strategies

In response to the decline in public funding levels, Trinity has been successful in securing new sources of income, working towards a financially sustainable position. Over the last 10 years Trinity has grown its non-exchequer income from 30% to 61% of total income and the core state grant now contributes only 15% of total revenues. Over the last 10 years we have focused on growing non-exchequer income across four key engines: research income, global relations, commercial revenues, and philanthropic income. The key changes in the University's income sources are summarised in the following table (Fig 1).

17

FIG 1 – Primary Income Sources 2008–20 (as % of total income).

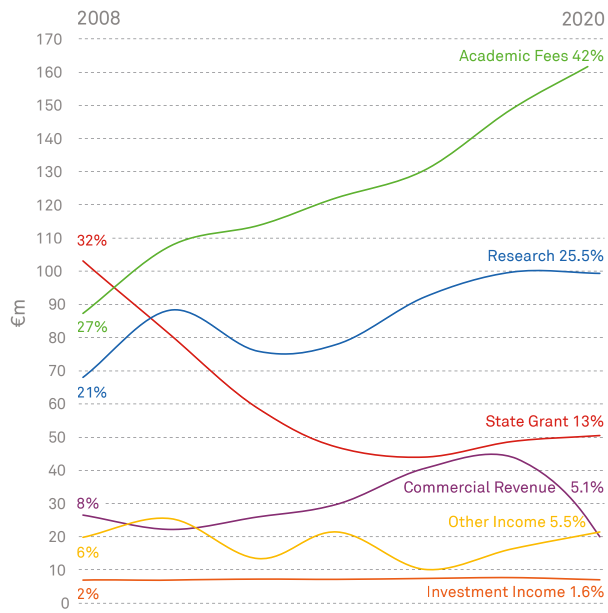
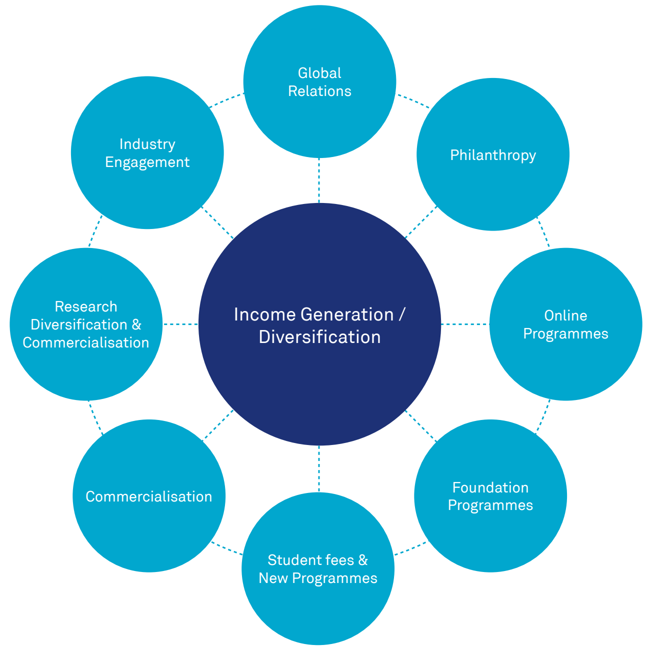


FIG 2 – Income Generation & Diversification Strategies.



The key growth and income diversification strategies in which the University has invested over the past 10 years (Fig 2), have progressed extremely well, contributing a meaningful return on the University's investment. After several years of growth on global relations, in September 2019, Trinity launched its Global Relations Strategy 3, which will deliver further revenue generation into the future based on international student recruitment *and* partnerships in joint degrees. Simultaneously with global relations activities the university committed significant new resources to fundraising through its first Philanthropic Campaign which was launched publicly as *Inspiring Generations* in May 2019. It focuses on investment in staff and students through transformative professorships and scholarships, as well as three major projects: GBHI, E3, the Old Library Redevelopment Project, and the Trinity St James's Cancer Institute. Accompanying these strategies was a planned investment in major capital development and research infrastructure projects. The new Trinity Business School opened in May 2019, driving further growth in student numbers, with the Printing House Square student accommodation development due for completion in late 2021. The University is also developing its vision for a new campus and innovation district at Grand Canal Quay – the Trinity East Project, working in partnership with the State and other key stakeholders on this hugely ambitious and transformative project.

We have also focused strongly on improving efficiency in our operations and support functions and reducing operating costs through investment in best-in-class IT systems and processes. At the core of these strategies has been a commitment to improving the quality of the student experience in the university.

Key financial trends

Prudent management of the University's finances, along with the investments outlined above has enabled Trinity to weather the economic downturn and to put in place the building blocks for long-term, financial sustainability. As a result of these investments, along with a provision for asset renewal, Trinity ran a planned deficit over the course of 5 years (FY14 to FY19). The University implemented strategies to facilitate a return to surplus by FY19, achieving a modest surplus in 2018, which increased to 1.2% in 2019.

The financial impact of the Covid-19 pandemic has clearly affected the 2020 results however (see Fig 3 below), and these impacts will continue to be felt over the coming years. Nevertheless, while challenges remain in achieving the level of income required for a globally competitive research university, demand for Trinity education and research is stronger than ever. We are confident that Trinity's resilience and the strategies in place will support our financial recovery and we remain focused on delivering the objectives in our 5-year Strategic Plan.

FIG 3 – Summary Financial Position 2014–20.

The Consolidated Financial Statements for the year ended 30 September 2020 were approved by the Board in March 2021 and the summary financial position is set out below.

	2020 €m	2019 €m	2018 €m	2017 €m	2016 €m	2015 €m	2014 €m
State grants	50.5	50.4	48.7	44.5	44.0	44.5	47.3
Academic fees	163.7	153.1	149.0	137.3	130.5	128.9	122.2
— EU UG	71.6	71.7	72.6	71.4	70.8	71.3	70.6
— EU PG	25.4	23.5	24.0	22.7	22.7	23.1	22.1
— Non EU UG	35.3	31.5	30.6	24.8	23.5	22.7	21
— Non EU PG	25.4	21.3	17.0	13.5	8.9	7.4	6.7
— Other	6.0	5.1	4.8	4.9	4.6	4.4	1.8
Research grants and contracts	99.3	101.4	99.7	100.1	92.2	85.2	78.0
CRU Income	21.4	45.1	44.4	42.1	40.6	34.4	29.8
Other income	20.0	19.2	15.4	11.3	10.0	10.1	21.4
Investment income	6.4	7.0	7.0	6.0	6.8	7.0	7.0
Donations and endowments	27.8	20.5	15.0	14.9	11.7	12.9	–
Income (excluding grant amortisation)	389.1	396.7	379.2	356.2	335.8	323.0	305.7
Staff costs	279.7	271.5	263.0	245.9	234.7	231.1	225.7
Other operating expenses	100.8	111.4	102.5	99.4	92.7	94.5	89.4
Total operating expenses	380.5	382.9	365.5	345.3	327.4	325.6	315.1
Operating surplus/(deficit) before interest costs and net depreciation	8.6	13.8	13.7	10.9	8.4	-2.6	-9.4
Less:							
Depreciation (net of amortisation)	-19.7	-16.8	-15.8	-20.1	-34.4	-19.8	-17.0
Net Interest payable	-5.3	-4.2	-4.0	-3.9	-4.6	-3.6	-3.4
Taxation	-0.0	-0.2	-0.1	–	–	–	–
Deficit before other gains and losses	-16.4	-7.4	-6.2	-13.1	-30.6	-26.0	-29.8