

# First Findings University Funding project

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## Overview of the presentation

- University Funding Project
  - ✓ Aims and Objectives
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- Initial Findings: A Study in Diversity
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  - ✓ Multiple drivers for implementing cost accounting systems
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  - ✓ Requirements for change
- Working groups' aims

## University Funding Project

### ■ **Aims and Objectives**

- ✓ Contribute to the funding debate from an institutional perspective
- ✓ Provide examples of good practice in cost accounting and full cost development
- ✓ Identify the relationship between funding/costing and autonomy, governance and accountability
- ✓ Provide advice

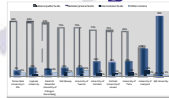
## University Funding Project

### ■ **Methodology**

- ✓ Results from previous EUA conferences and knowledge of advanced systems in identifying full costs
- ✓ Voluntary group of institutions: indepth analysis of income and expenditure, accounting systems, legal frameworks, status of autonomy and status of full cost development
- ✓ Further development at EUA Wroclaw conference October 2007
- ✓ Survey of rectors' conferences
- ✓ Data from other networks working in this field
- ✓ External experts
- ✓ Experts' conference

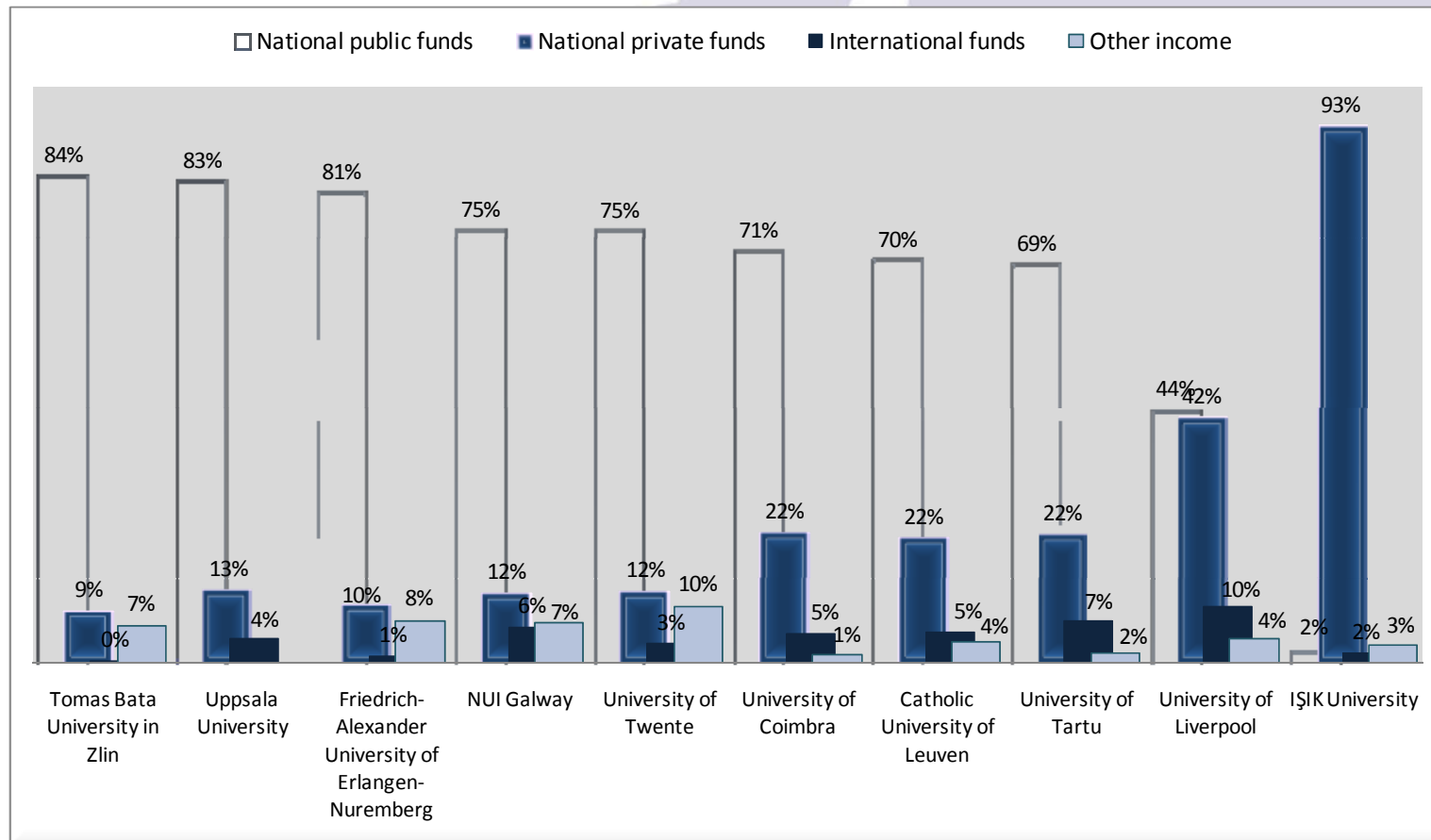
## Initial Findings: A Study in Diversity

- National HE funding patterns are extremely diverse, in some countries they even differ in different provinces and by type of HEI



- Differing
  - ✓ Understandings/meanings/interpretations of financial terms
  - ✓ accounting rules
  - ✓ tax regimes of universities
  - ✓ ways of reflecting investments in real estate
  - ✓ purpose of accounting models
  - ✓ ability to identify full costs of activities and projects

## Funding Sources



## Differing Terminology

- There is no common understanding of the terminology in establishing methods of identifying the full costs of HEI activities and/or projects throughout Europe
- Common understanding of “full cost” development within HE sector:
  - ✓ Accounting for both the direct and indirect costs of an institution
  - ✓ The ability to allocate the costs to the appropriate activities
- Different understanding:
  - ✓ Associated with research projects rather than the overall functioning of the institution
- Same term, different meaning:
  - ✓ Different form of depreciation, accounting for investment, costs of capital employed, risk

## Multiple drivers for implementing cost accounting systems

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- European:
  - ✓ European funding programmes (FP7) – conditions of cost recovery
  - ✓ European policies driving national funding institutions to move towards funding of research projects on a full cost basis
  - ✓ European policies such as „Modernising Universities“ raise awareness
- National:
  - ✓ Pressure from stakeholders for transparency and accountability
  - ✓ Funding councils - conditions of cost recovery
  - ✓ Cuts in public funding
- Institutional:
  - ✓ Autonomy
  - ✓ A more “managerial” approach in universities
  - ✓ Increase of external funding (which does not cover full cost of activities and projects)
  - ✓ Growing complexity due to increasing activities creates need for appropriate tools for strategic development

## The risk of complexity

- Institutions need to take account of multiple purposes of accounting systems, such as strategic decision making, use for accountability for different purposes and stakeholders, costing and pricing of activities and projects
- The different requirements imposed by European funding authorities and by national authorities to gain external competitive funding increase complexity
- Danger of system becoming too complex and bureaucratic
  - ✓ Time allocation (for example accounting for time of academic staff through time sheets)

## Implementing change in the face of diversity: No common starting points

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- Different starting points or stages of development have an impact on length, costs and ability to change systems:
  - ✓ Lack of technical and human resources
  - ✓ Lack of availability of data
  - ✓ Lack of autonomy
- Some financial systems are still largely input-oriented and costs are not the major factor (changing these systems requires bigger effort)

## Facing the cost of change: Differing levels of support

- Changing the system is an expensive process
  - ✓ Consultation before and during implementation
  - ✓ Software needs to be changed or updated
  - ✓ Organisational and management processes need to be changed
  - ✓ Additional human resources during and after implementation and development
- Without financial support from external stakeholders, smaller institutions will not be able to implement change (lack of financial capacity)
- Differing forms of support from different bodies affect development:
  - ✓ Direct or indirect financial support
  - ✓ Consultancy
  - ✓ No support

## Requirements for change

- Raise awareness of multiple benefits of implementing systems
- Need to clarify terminology
- Harmonise conditions for external funding requirements
- Balance the need for accountability with the complexity of the information required
- Understand the different status of development for implementing costing systems
- Need for (national) financial support to implement and change systems

## Working groups' aims

- Discuss, analyse and interpret initial projects findings
- Further develop initial findings through integration of external presentations and experience from participating experts
- Foster discussion and dialogue among policy makers, practitioners, researchers, professional associations, students
- Prepare recommendations to be considered for the final report