

Are Europe's universities financially sustainable?

New report calls on universities and governments to do more to implement full costing

13th November 2008. *Faced with rising costs, stagnating public investment, and the current global economic crisis, Europe's universities have never been more concerned about their financial sustainability, an issue now also high on the political agenda. The European University Association (EUA), in a report published today, gives an important new insight into how higher education institutions are responding to financial pressures. Based on an in-depth, European-wide study, the report explains that the first step for universities in addressing these challenges is to identify the full costs of their activities for both internal and external purposes. Moving to full costing is thus essential to reinforce their financial sustainability. The report calls on national governments to recognise the importance of granting [autonomy](#) to universities and to assist in the implementation of full costing. The authors also recommend that European funding schemes further simplify and develop their funding rules to meet universities' needs (in this area) and hence to strengthen their contribution to the European Higher Education and Research Areas.*

The report – entitled “**Financially Sustainable Universities: Towards Full Costing In European Universities**” – provides an analysis of the current state of development of full costing in higher education institutions in Europe. As such it evaluates the progress accomplished in the implementation of those systems enabling universities to identify and calculate all the costs of their activities, including projects. The report also looks to identify the drivers, benefits and obstacles in this process. It highlights the diversity apparent among European institutions as regards their progress towards full costing, covering a range of countries from those with advanced systems in place such as the UK to countries and universities where awareness of the issue is low and development correspondingly limited.

EUA's work demonstrates that full costing provides many benefits for universities, for national governments and at a European level. Full costing is first and foremost a necessary strategic management tool for the increasingly autonomous universities of the 21st century. On the national and European level, the report shows that full costing is vital to ensure better budget allocation and accountability. It helps to improve trust between government, funding agencies and universities and smoothes out the transition towards autonomy.

According to the study, however, there are a number of obstacles hindering the development of full costing in higher education in Europe. Higher education institutions lack support from national governments, whether in terms of direct financial contributions or through additional advisory support, training of human resources and development. External support, the report finds, is a key factor in the development of full costing. The authors thus call on national governments and European institutions to significantly step up their efforts and match universities' achievements, if substantial progress is to be made in the coming years.

The report also underlines that European and national competitive funding schemes are important drivers in the development of full costing in European universities, but play an ambiguous role. Indeed, external competitive research funding generally only covers a fraction of incurred costs, putting universities' financial sustainability at risk. At European level especially, these funding schemes do not take sufficient account of the considerable diversity of Europe's higher education landscape, both in terms of institutions' profiles and their ability to identify full costs.

This is particularly important because the findings suggest that, without strong incentive and support both on European and national levels, the majority of European universities – in particular in the new EU Member States – will not be able to identify the full costs of their activities and projects in the next few years.

EUA therefore calls on the European institutions to engage in an open discussion with all stakeholders prior to the 2010 mid-term review of the 7th framework programme, and for national governments to provide universities with the means and the autonomy necessary to face tomorrow's new challenges.

The report is part of EUA's ongoing work on financial sustainability. It will be completed by a new study focusing on universities' diversification of income streams (EUDIS), which is the second step in consolidating higher education institutions' financial structures in times of global economic turmoil.

The full report and executive summary is now available on the EUA website: www.eua.be

The European University Association, as the representative organisation of both the European universities and the national rectors' conferences, is the main voice of the higher education community in Europe. EUA's mission is to promote the development of a coherent system of European higher education and research.

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