



***Setting the context:***  
**Financial sustainability to ensure  
future activities**

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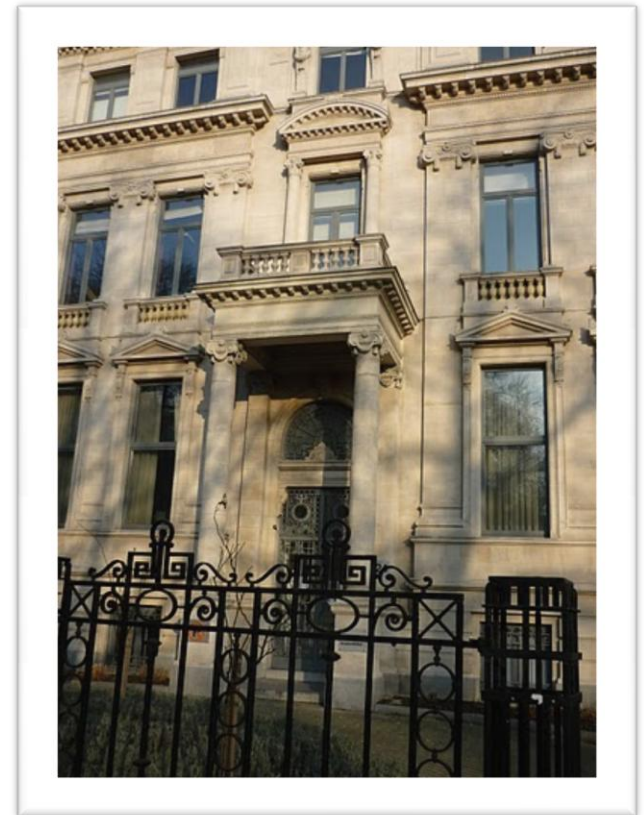
**Governance, Autonomy and Funding  
European University Association**

## Overview

- The Funding Context and Trends
- Full Costing
- Diversification of incomes sources
  - ✓ What public authorities should do
  - ✓ What institutions can do
- Suggestions/Ideas for conservatoires

## Brief Profile of EUA

- Established in 2001
- Non-governmental membership organisation
- 850 individual university members
- 35 National Rectors' Conferences Members
- 46 countries
- Independent voice for the university sector



## Financial sustainability

- Identification of costs of activities and projects

- Diversified income structure

- Sufficient & sustainable public funding

- To ensure that a university's academic goals are reached by guaranteeing that the institution produces sufficient income to enable it to invest in its future academic activities.

## The funding context

- Challenging environment
  - ✓ Globalisation
  - ✓ Growing competition
- Growing demands
  - ✓ Growing participation rate
- Growing costs of teaching, research and development
- Economic downturn and public deficit spending
- Reduced public funding for higher education and culture/arts

## Trends in funding

- More competitive funding
- Growing number of public funding sources
- Shift to non-governmental funding from diverse sources
  - ✓ Private revenues (through contracts and fees)
  - ✓ Philanthropy
  - ✓ Lifelong Learning
  - ✓ Property revenues
  - ✓ Other services

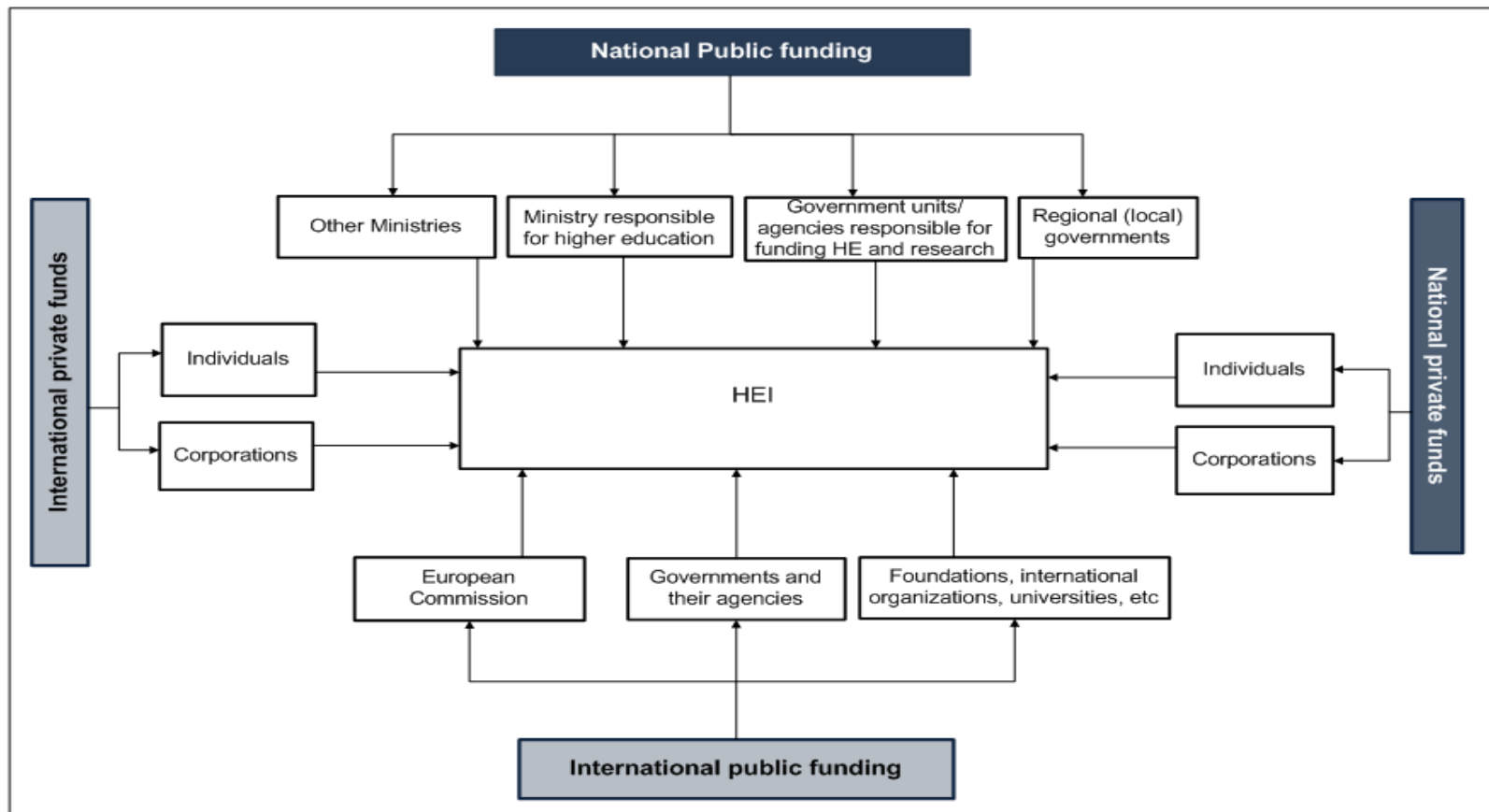
## Income structure - direct public funding

- **Block grants**
  - ✓ Most countries deliver core funding through block grants
  - ✓ Funding formulae tend to be mostly based on input criteria – however, increased use of output criteria => influences university's strategic choices
- **Competitive funding**
  - ✓ Increasingly relevant for universities in context of stagnating budgets – success rate may even be criterion for funding formula
  - ✓ Requires universities to invest in their support capacities
- **Targeted funding**
  - ✓ With economic downturn: some authorities tend to cut in block grants and re-introduce targeted funding geared towards the achievement of specific objectives => restricts autonomy

## Challenges in public funding

- Increasing number of funding sources
- Increase of funding sources for small percentage of the overall budget
- Differing accountability regimes (even from same funder)
- High costs of compliance for application & reporting procedures
- Interrelation of all funders
- Increasing co-funding sources

## Diversity of funding sources



## Monitoring of the economic crisis

- Data collected is **often partial**, not considering:
  - ✓ Increase in costs of activities and changes in inflation
  
- Trends represent **6 categories**:
  - ✓ MAJOR CUTS: Latvia, Italy, Greece, UK
  - ✓ CUTS 5-10%: Estonia, Ireland, Lithuania, Romania
  - ✓ CUTS 0-5%: Czech Rep., Croatia, Serbia, FYROM
  - ✓ NO DIRECT CUTS YET: Norway, Sweden, Finland, Denmark, Netherlands, Switzerland
  - ✓ GOVT. COMMITMENT DISCARDED: Hungary, Austria, Belgium (NL+FR com.)
  - ✓ GOVT. COMMITMENT UPHELD: France, Germany (some Länder), Portugal
  
- **Structural changes**
  - ✓ Uneven impact on teaching and research
  - ✓ Increase in competitive funding
  - ✓ Increase in targeted funding
  - ✓ Increased government steering mechanisms
  - ✓ Universities' private funds income also affected



**Full costing**

## Understanding the terminology

### **FULL COSTING**

**ability to identify and calculate all direct and indirect costs of an institution's activities including projects**

- Need to develop costing methodologies and tools
- But not just one possible model

## Diversity of approaches to full costing

Legal status

Size

Profile

Ownership of property

Governance structure

Funding structure

Costing structure

Level of autonomy

- Variety of approaches to full costing development, design and implementation reflects diversity of structures and missions
- Analysis of these elements helps benchmarking and finding similar institutions for exchange of best practice

## State of play in full costing development

- Huge diversity in development both in countries and Institutions:
  - ✓ No implementation of full costing (PL, HR, TR)
  - ✓ Development/implementation process started (SE, IE, AT, CZ, BE-nl)
  - ✓ Full costing implemented (UK, NL, FI)
  - ⇒ All 3 stages comprise a broad spectrum
- Partly conditional on
  - ✓ quality of different databases
  - ✓ information systems
  - ✓ types of costing models already existing
  - ✓ External support received
- Nationally coordinated initiatives & financial support from government = faster development

## Full costing - Why?

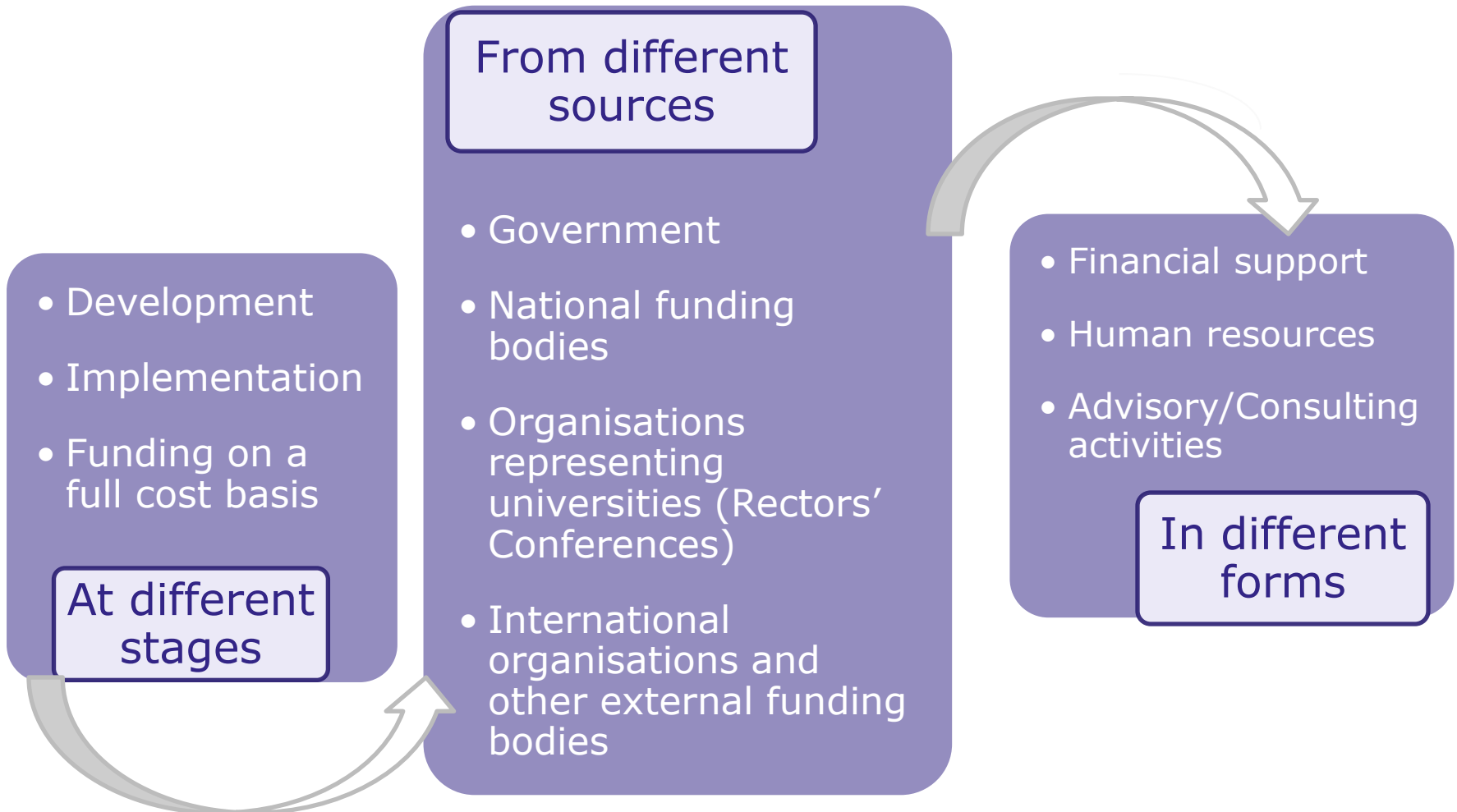
### UNIVERSITIES

- Improved strategic decision-making
- More efficient internal resource allocation system
- Systematic approach to activity analysis and costing
- Enhanced ability to negotiate and price activities => higher cost recovery
- Benchmarking possibilities
- Enables efficiency measures

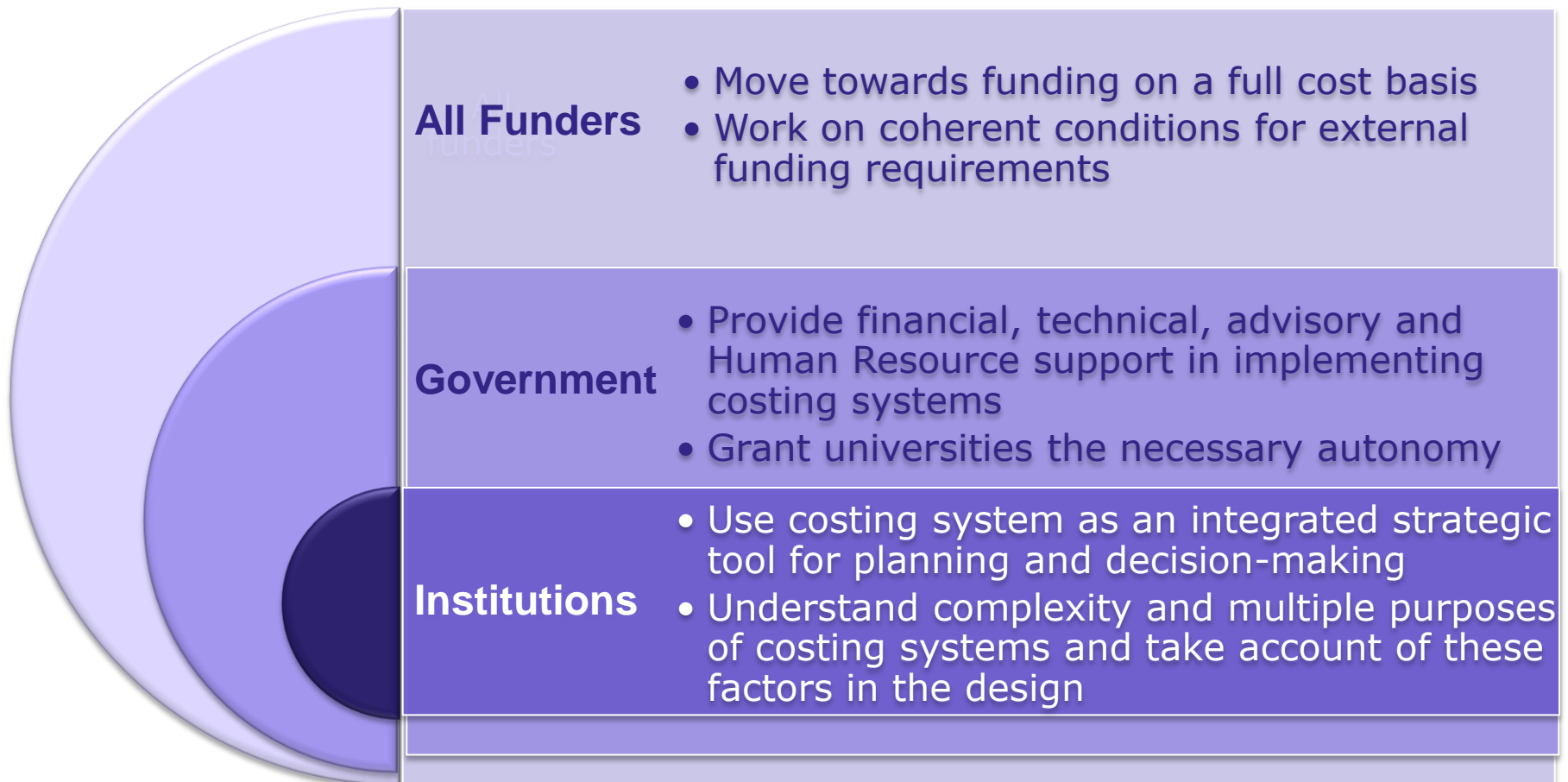
### NATIONAL LEVEL

- Better accountability => improves mutual trust => helps transition towards enhanced autonomy
- Better understanding of public deficits
- Contributes to better development of funding system

## The role of external support



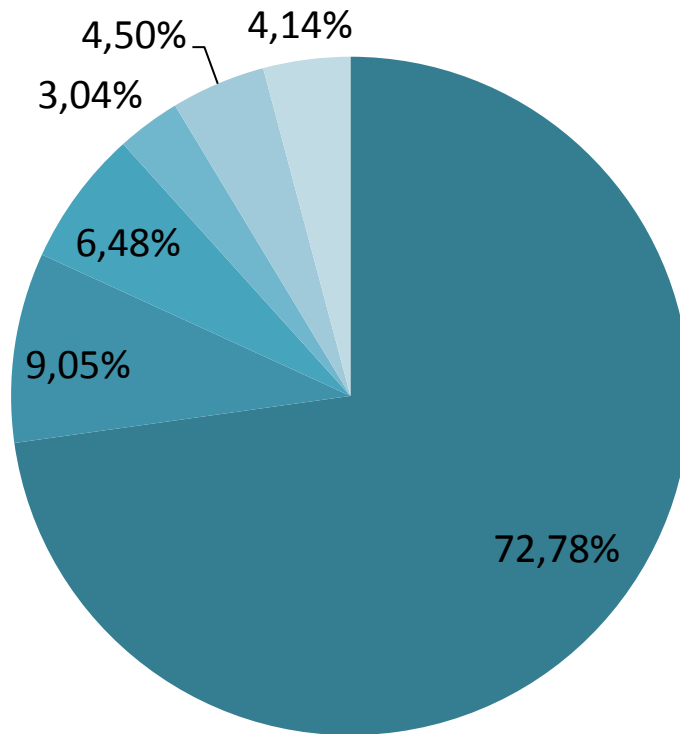
## Multi-level recommendations





**Diversification of income**  
**Findings from the EUDIS project**

## Average income structure



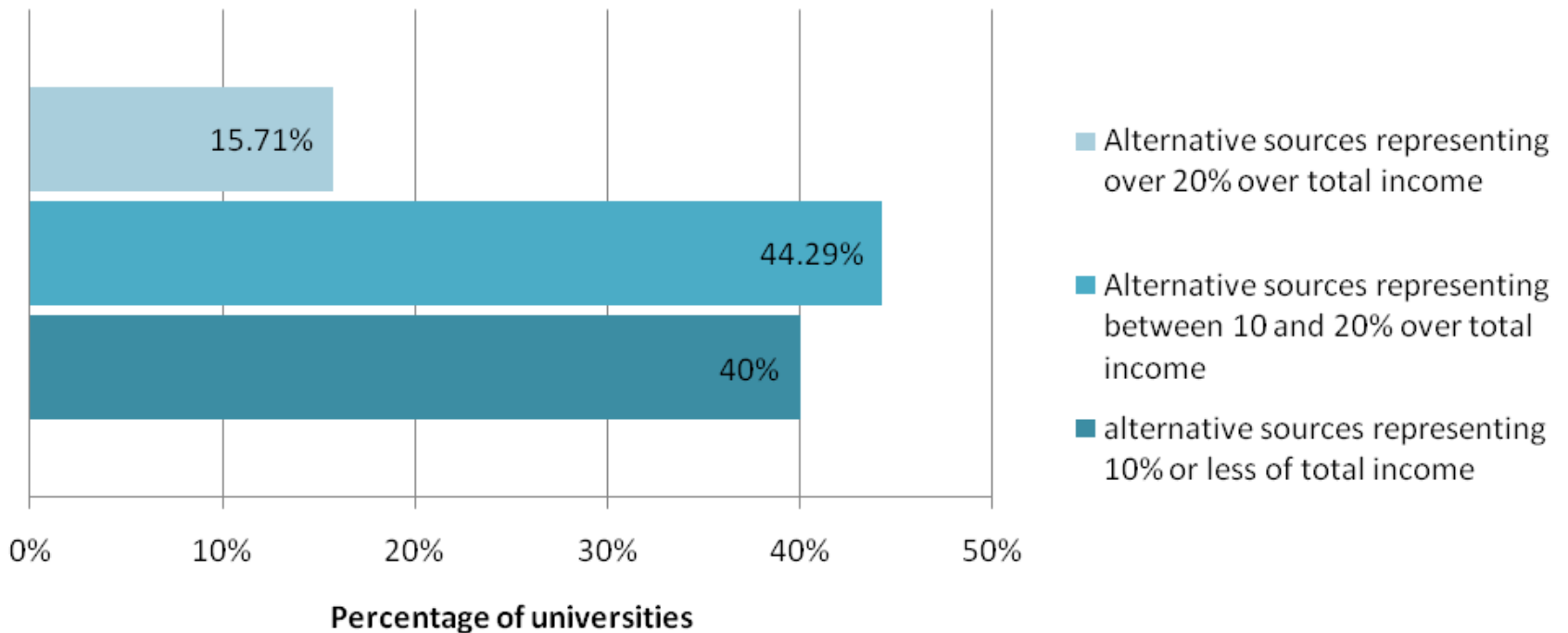
- Public funding (national and regional)
- Student contributions
- Funding coming from contracts with business sector
- International public funding
- Philanthropic funding
- Service-related income

## **Additional income streams**

- **Contracts with the private sector: 5-7% on average but wide range (up to 25%)**
- **Philanthropic funding: 3-4% - importance of competitive funding from foundations**
- **Income-generating services: 4% - UK leader – facilities & catering; consultancy highest sources**
- **Financial activities**
- **International public funding (mostly EU)**

## Additional income streams

Share of alternative income sources over total income





# The role of public authorities

## Autonomy as a pre-requisite

- Correlation between level of financial autonomy and degree of diversification (share of alternative income)
- Financial autonomy is key to allow university to develop partnerships, borrow from banks, create satellite entities
- In turn, a diversified funding base **enhances autonomy** (reduced dependency towards the funder)
- Authorities see autonomy reform as a key driver for income diversification
- BUT not enough: needs to go with appropriate **support for skills and structure development**

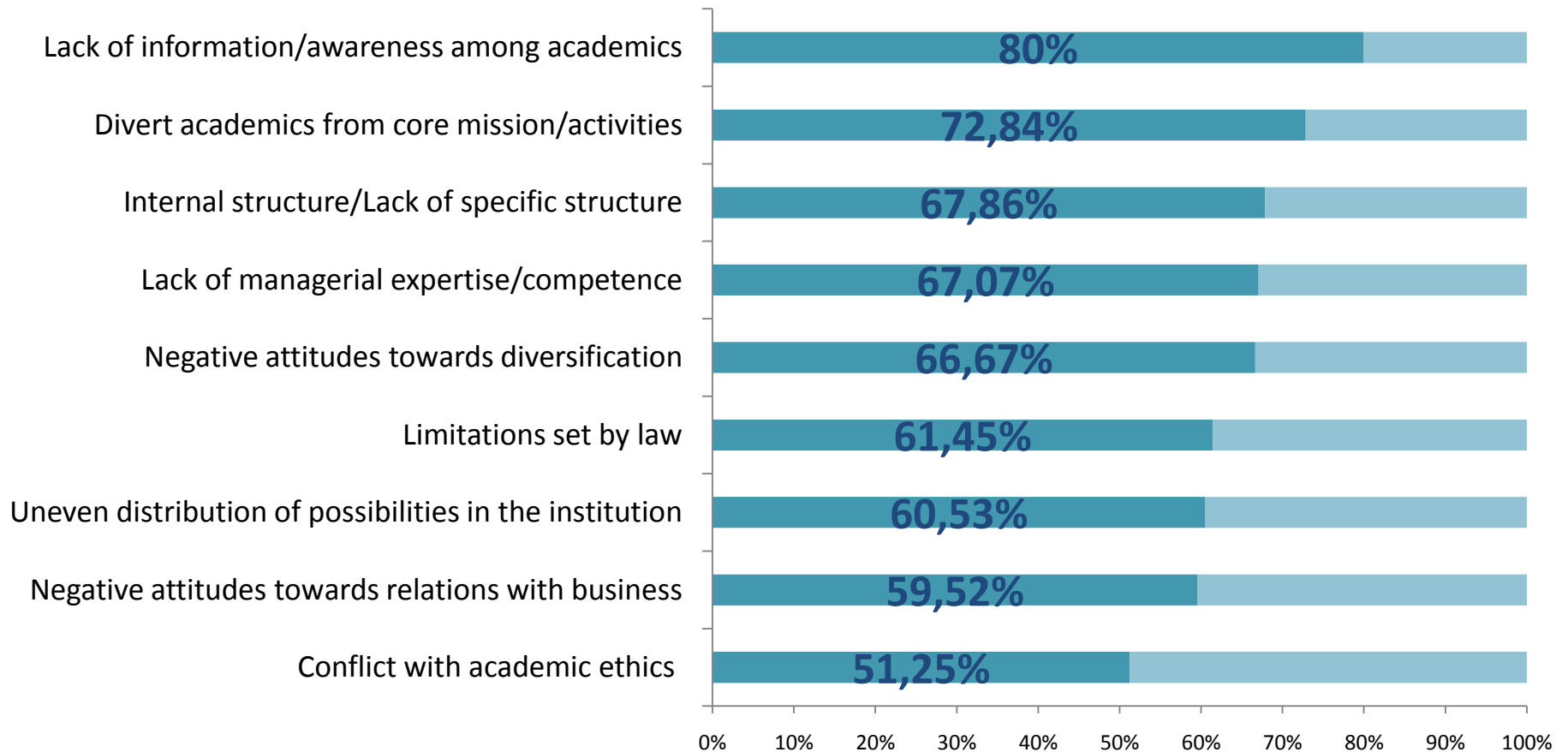
## Recommended measures

- Matched funding schemes: instrument with much potential, under-used in Europe (Only in England, Wales, Norway)
- Improved funding modalities:
  - ✓ Simplification of funding schemes
  - ✓ Funding on a full cost basis
  - ✓ Support to development of full costing in universities
- Improved framework conditions – autonomy and governance reforms
- Support to leadership development and professionalisation of management



**Institutions**

## Internal obstacles



## **Integrating income diversification in the university's strategy**

1. Identify the strengths & specificities of your institutions to develop a branding strategy – strategic approach
2. Analyse perspectives for income generation of your activities
3. Invest in people, leadership and management
  - ✓ *Professional HR & staff recruitment – bringing experts in, including from outside higher education*
  - ✓ *Investment in new positions at all levels (from support to fundraising)*
  - ✓ *Define leadership roles, both academic and professional*
4. Communicate
  - ✓ *Internal (creating the case for change and raising awareness)*
  - ✓ *External (projecting the brand)*

# Integrating income diversification in the university's strategy

## 5. Change structures and organisation

- ✓ *Creation of specific units (Advancement/fundraising offices)*
- ✓ *Reorganisation of governance structure or specific competences for groups within governing bodies*
- ✓ *Investment in information tools to guide the process*
- ✓ *Good data and reporting/monitoring systems*

## 6. Provide internal incentives

- ✓ *Individual rewards and incentives – eg. promotions, remuneration*
- ✓ *Faculty/departmental rewards –eg. commercialisation revenue apportionment*
- ✓ *Seed money for new initiatives*
- ✓ *Making things easy for academics through better support*

## Possibilities for Conservatoires I

- The funding context has changed drastically and will continue to change – start responding to this now, by:
- Developing a better understanding of your cost-structures
- Looking at efficiency measures in your institutions
  - ✓ Restructuring of academic units
  - ✓ Centralising services
  - ✓ Outsourcing of services
  - ✓ Sharing services with other institutions
  - ✓ Sharing equipment/instruments with other institutions
  - ✓ Sharing facilities
  - ✓ Public-private partnerships

## Possibilities for Conservatoires II

- Start fundraising by “friendraising” and establishing the right structures
- Connect with your local and regional environment and diverse communities, like
  - ✓ Art academies in Helsinki with the city and region
  - ✓ University Amsterdam
- Use your assets – facilities
  - ✓ Some conservatoires have up to 3% of their income from this source
- Explore potential of European funding, for example
  - ✓ HERA: University of Salford – 0,9 Mio. € for “Popular music heritage”, University of Rotterdam 1 Mio. € for “Jazz cultures”
  - ✓ Structural funds: Latvian Academy of Music

## Possibilities for Conservatoires III

- Making the case for arts education and development of arts
  - ✓ through representative organisations (AEC)
  - ✓ through national organisation like rectors conferences
  - ✓ Group of conservatoires
- Lobbying for continued support of public funding
- Convince research councils to establish specific funding lines for arts based research and development of arts (like PEEK programme in Austria)

# THANK YOU!

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