

*Setting the context:*  
**Full costing and the financial  
sustainability of universities**

**Country Workshop: FRANCE**  
EUIMA - Full Costing Project

AMUE, Paris  
14 January 2011

**Thomas Estermann**  
Head of Governance, Autonomy and Finance Unit  
European University Association

---

## Full Costing: Overview

- Funding Context: Financial sustainability
- Funding Trends
  - Competitive Funding
  - Diversification of Income Streams
  - Impact of Economic Crisis on European Universities
- Full Costing
  - Diversity
  - Drivers, Benefits, Obstacles
  - Role of External Support
  - Coordinated approach to full costing
- Recommendations

## Financial Sustainability

- Identification of costs of activities and projects
  - Diversified income structure
  - Sufficient & sustainable public funding
-

## The funding context

- Challenging environment
    - ✓ Globalisation (global markets for HE and Research)
    - ✓ Growing competition
  - Growing demands on universities
    - ✓ Growing participation rate
    - ✓ Contributions to economic growth and innovation
  - New technology and new potential for teaching and research
  - Growing costs of research and teaching
  - Economic downturn and public deficit spending
  - Reduced public funding
-

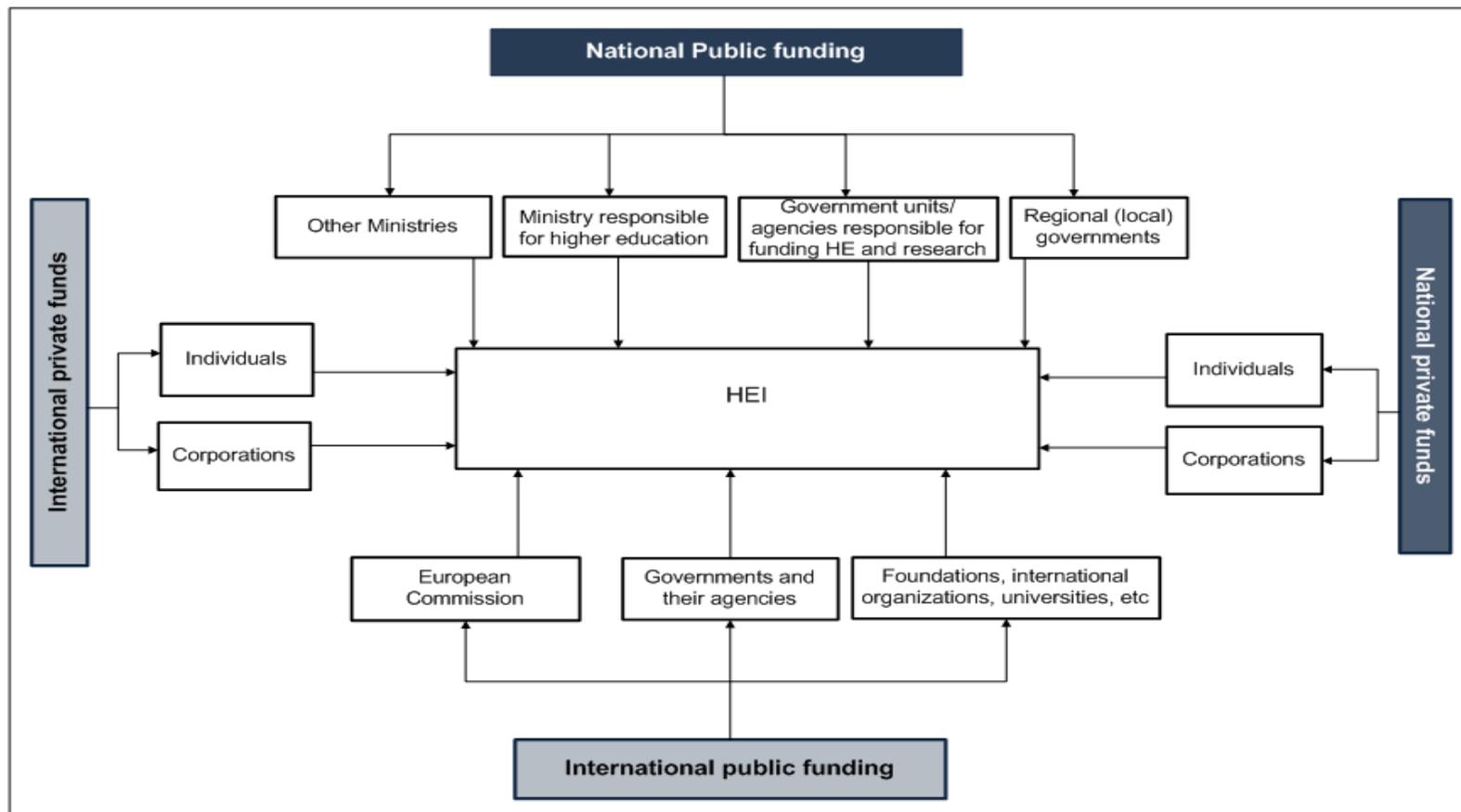
## Trends in funding

- More competitive funding
  - Growing number of public funding sources
  - Increase in diverse non-governmental funding sources
    - ✓ Research revenues (private)
    - ✓ Philanthropy
    - ✓ Lifelong Learning
    - ✓ Property revenues
    - ✓ Other services
  - **Impact of the economic crisis**
    - ✓ Reduced public funding
    - ✓ Uneven impact on teaching and research
    - ✓ Increase in competitive and targeted funding
    - ✓ Private funds are also affected
-

## Funding challenges

- **COMPETITIVE FUNDING**
    - ✓ Often does not cover the full costs of an activity –creates funding gap
    - ✓ Universities need to fill the gap using other vital sources – endangers financial sustainability
  
  - **INCREASING NUMBER OF FUNDING SOURCES**
    - ✓ Increasing number of funders but these only represent a small % of overall budget
    - ✓ Impose differing accountability regimes – high costs of compliance for universities
-

## Diversity of funding sources



## Overview of full costing

- Towards Full Costing in European Universities:
- Selected key findings



- Recommendations to universities, national governments and European institutions

## Understanding the terminology

- Lack of a commonly understood terminology in accounting and of financial terms in the HE sector in Europe
- Diverging interpretation and adaptation influenced by:
  - ✓ EU FPs
  - ✓ Management accounting theory (ABC)
  - ✓ TRAC in the UK
  - ✓ National context
  - ✓ Ability to define costs as direct, define cost objects and allocate them

### **FULL COSTING**

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

## Diversity of approaches to full costing in universities

Legal status

Size

Profile

Ownership of property

Governance structure

Funding structure

Costing structure

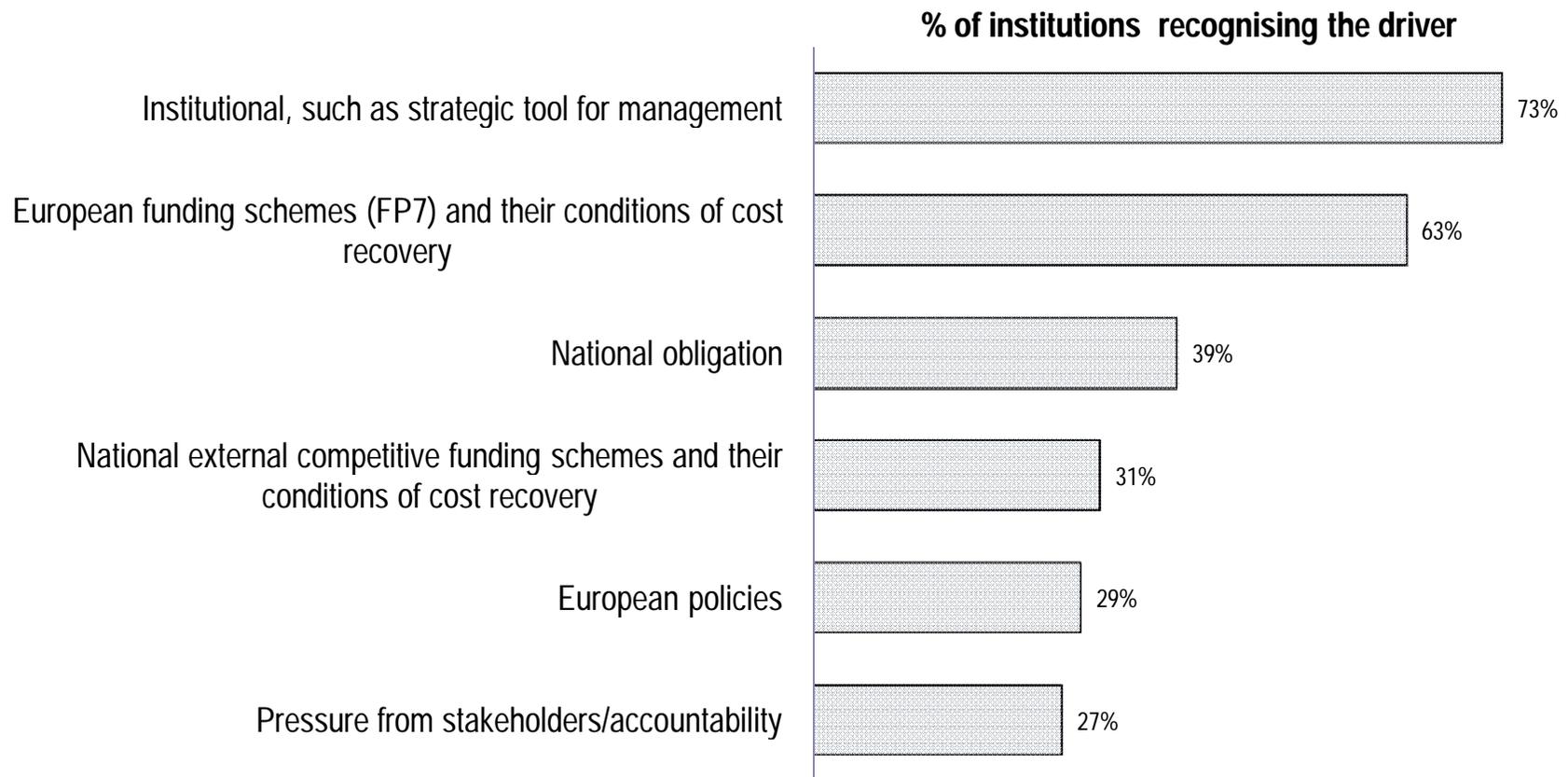
Level of autonomy

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

## State of play in full costing development

- Huge diversity in development both in countries and universities:
    - ✓ No implementation of full costing (PL, HR, TR)
    - ✓ Development/implementation process started (SE, IE, AT, CZ, BE-nl)
    - ✓ Full costing implemented (UK, NL)
    - ⇒ 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
-

## Drivers of full costing implementation



## Benefits of full costing

### 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

### NATIONAL LEVEL

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

## Obstacles to implementation of full costing

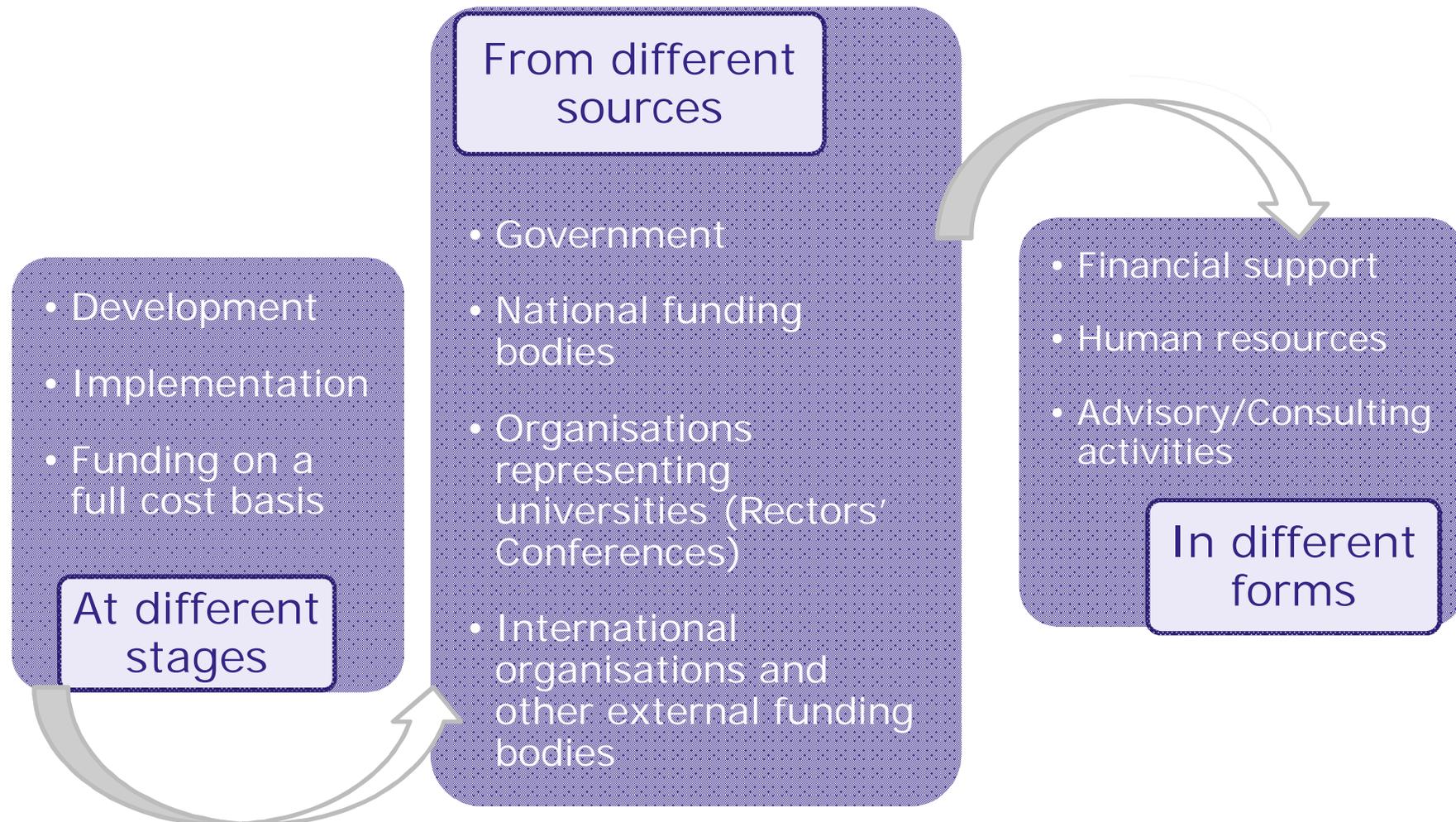
### Institutional obstacles

- Resistance towards change
- Resistance to managerial approach
- Concerns over time accounting
- Lack of leadership commitment
- Inefficient internal communication
- Decentralised university structure

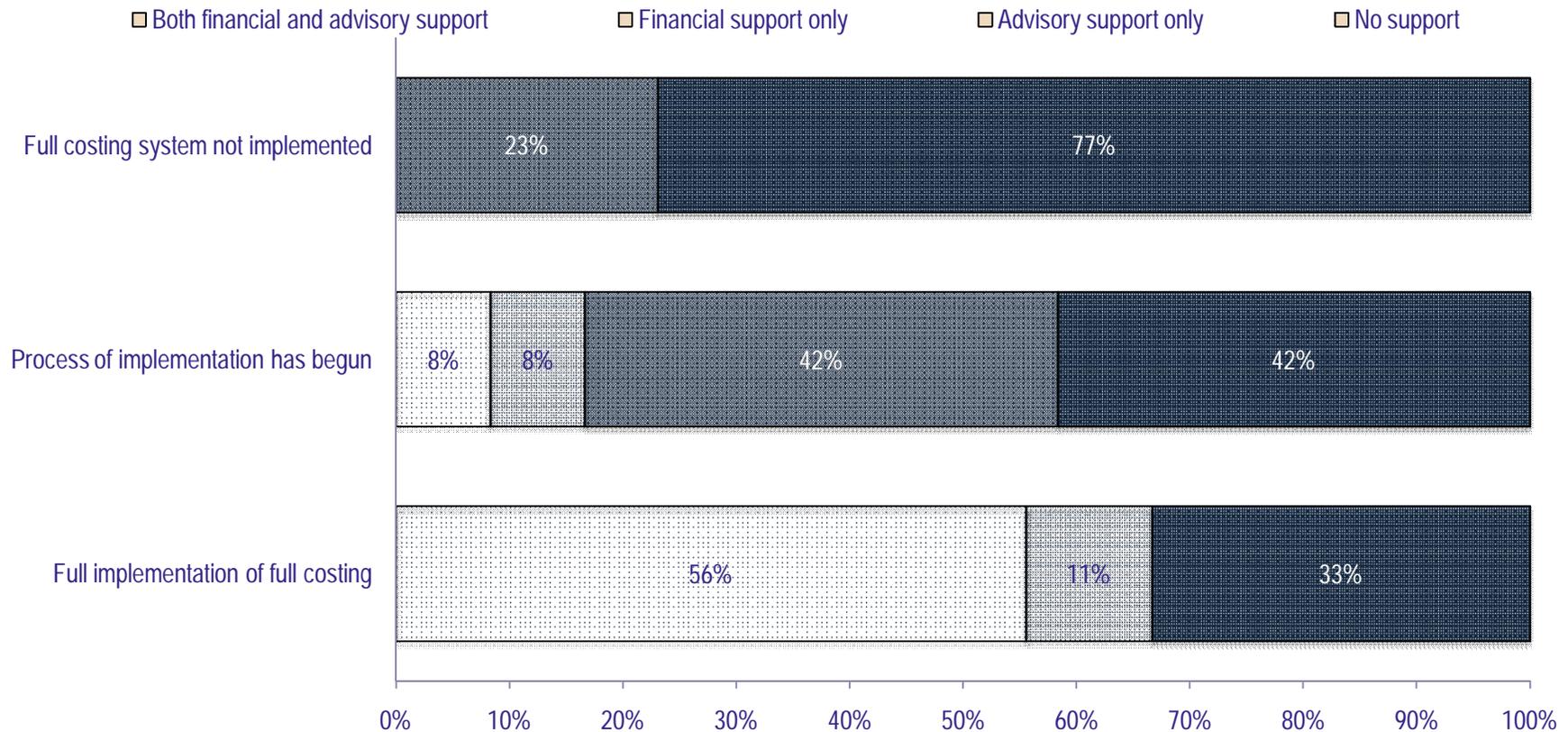
### External obstacles

- Lack of support from governments
- Lack of trust between stakeholders
- Lack of autonomy and other legal barriers
- Risk of complexity
- Low cost culture/restricted markets & pricing

## The role of external support



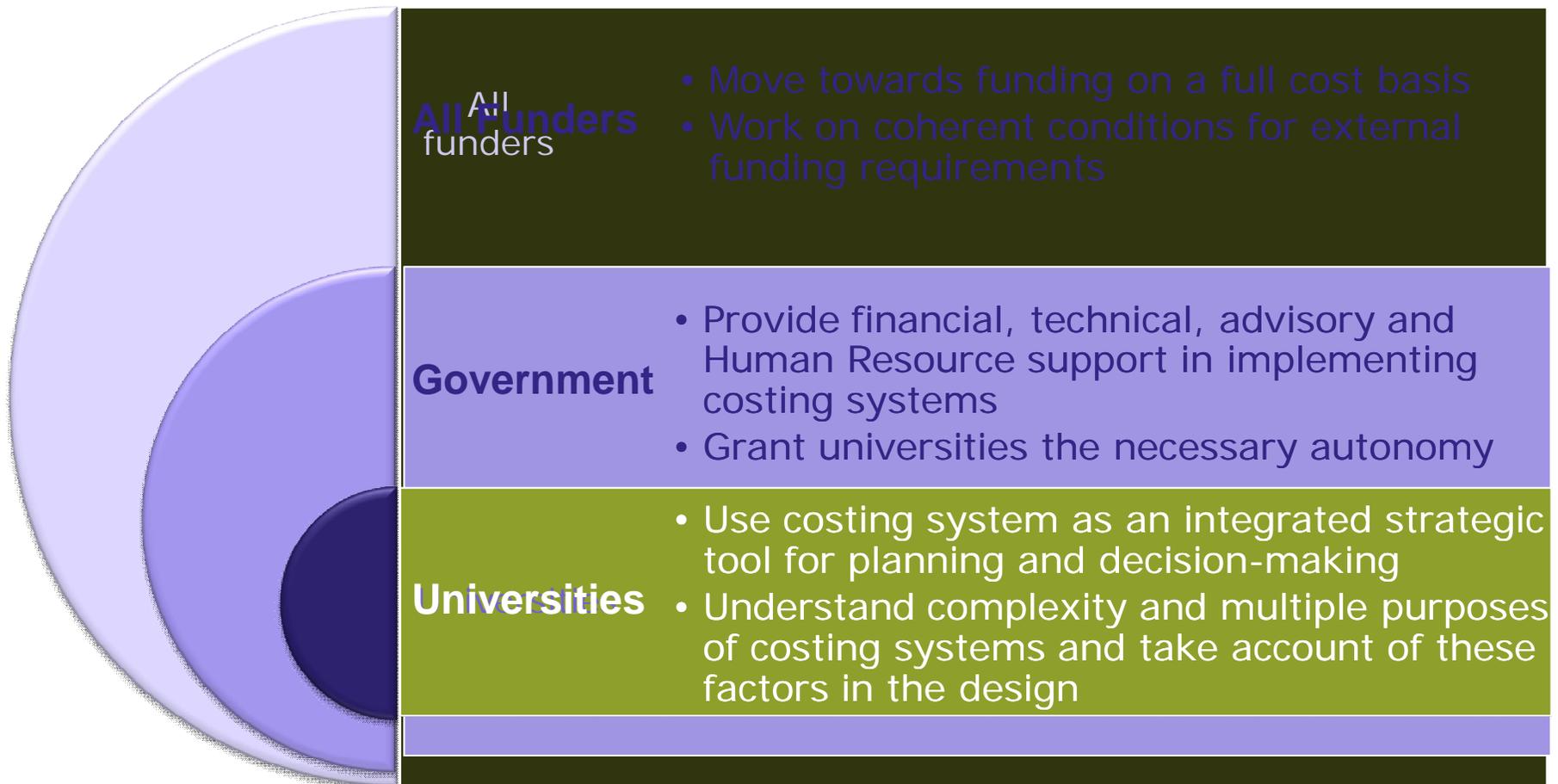
## The role of external support



## **Coordinated approach to full costing**

- **Coordination of all stakeholders**
    - ✓ Among universities
    - ✓ With other stakeholders: government, national funding agencies and other funding bodies
  - **Best practice exchange but respect for diversity of approaches**
  - **Increases efficiency of the implementation process**
  - **Better outcomes**
    - ✓ Stakeholders' ownership of the project
    - ✓ Increases transparency
    - ✓ Increases trust of funders
    - ✓ Opportunity for simplification of funding rules and procedures
    - ✓ Coherent approach among funders
-

## Multi-level recommendations



# THANK YOU!

For more information please contact:

[Thomas.ester mann@eua.be](mailto:Thomas.ester mann@eua.be)

*or*

[Euima-fullcosting@eua.be](mailto:Euima-fullcosting@eua.be)

