



Enabling full costing at the University of Coimbra

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Portuguese higher education system

In 2010

- 294 thousand students in the public sector
- 90 thousand students in the private sector
 - 3,6% of the population
- far from the average qualification needs, but
- above market effective demand
- governmental pressure for increasing graduation rates



Portuguese higher education system

Bologna process

- decreased importance of the lowest qualification
- increased supply of master and doctoral studies



Portuguese higher education system

Research

- steady increase in recent years of
 - scientific activity
 - projects (national and international funding)
 - publications
 - number of post-graduate students
- national funding schemes in additional costs option only
- high number of research units of private nature (autonomous from universities)



Portuguese higher education system

Funding

- Last five years of
 - severe budget cuts (less than 0,7% of GDP for operation)
 - Imposition of overcosts and financial management restrictions
- Present financial crisis:
 - far from bright near-term future
- Is there autonomy with scarce funding?



Portuguese higher education system

Funding

- Positive trend for increased demand on transparency and accountability
 - for the sake of efficient use of resources
- Simultaneously
 - cuts in salaries
 - reduction of non-competitive R&D funding
 - higher demand on scientific production
 - higher demand on education quality assurance systems
- All in all, universities have to struggle even harder for funding
 - in spite of
 - delivering a public service
 - restrained autonomy



Portuguese higher education system

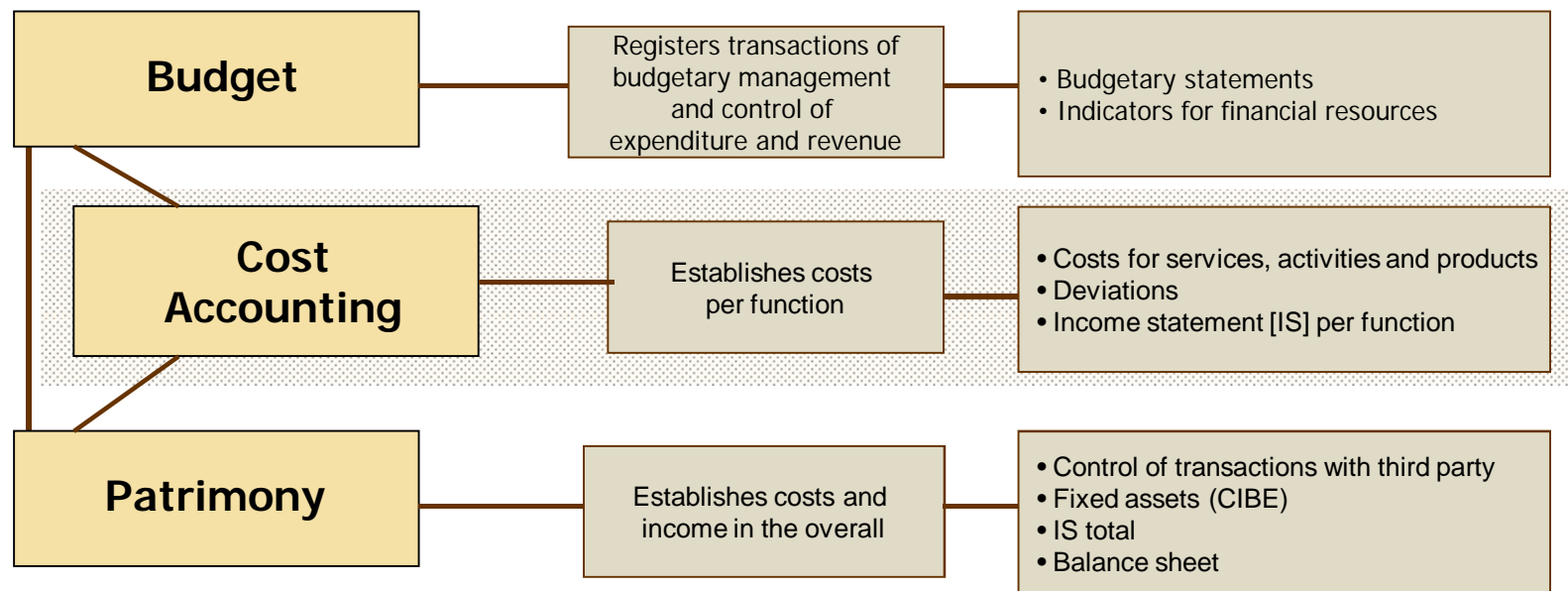
Regulation: two important milestones

- **2000:** change in the Education Accounting System (Charter of Accounts for the Education Sector)
 - specific rules for three different accounting sub-systems (including activity based costing)
 - since 1997, within a framework of autonomy of financial governance
- **2007:** change in the Portuguese Framework Regulation for Higher Education Institutions– RJIES
 - different government model
 - similar (to previous) principles of financial autonomy
- although
 - with severe budget limitations
 - subsequently, the international financial crisis



Portuguese higher education system

Accounting system for supporting decision and management, compulsory according to the Charter of Accounts for the Education Sector. CA-Education since 2000 (Order no. 794/2000, 20 Sept.)



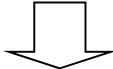
Evolution of activity costing at UC

1. Pilot project, Faculty of Economics -2002/2003
2. Spreading to five other Faculties (2 autonomous Faculties not included)
First integrated report 2003/2004
3. Monitoring and improvement
Modifications to allocation keys according to acquired experience
4. Faculty of Medicine is included - 2005/2006 (only 1 out)
5. Stabilisation of procedures
6. Regulation on project costing
7. Adjustment to Bologna structure



Rules and Guidelines for activities developed within the UC

Drivers:

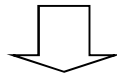
- Need of a tool for strategic management
 - support efficient resource allocation
 - understand the institutional cost drivers
 - have a coherent approach to planning, monitoring and evaluating institutional performance
 - get higher cost recovery of project cost
- 
- development of a new management model, to handle the increasing complexity of institutional activities
 - R&D competitive funding
 - Delivering highly specialised services through contracts



Rules and Guidelines for activities developed within the UC

Goals:

- Define general rules and methodologies
- Increase the involvement of researchers in european projects (namely 7FP)
- Assure technical capability (financial and management issues)
- Stimulate research teams | increase scientific production
- Increase external funding



- Focus on full costing funding schemes



Rules and Guidelines for activities developed within the UC

Where we stood and where we are now:

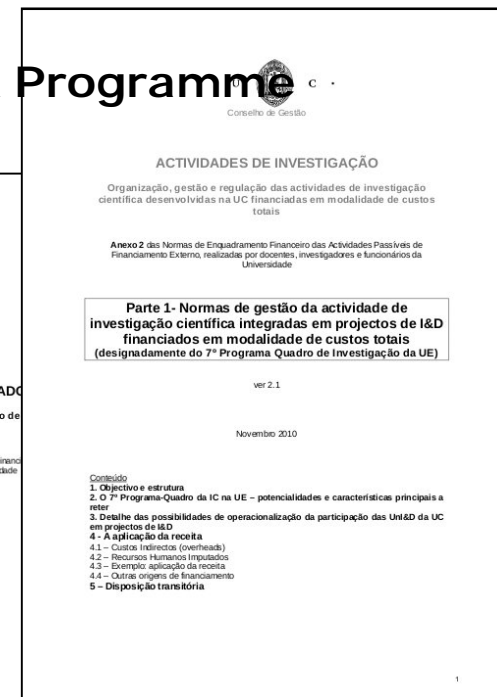
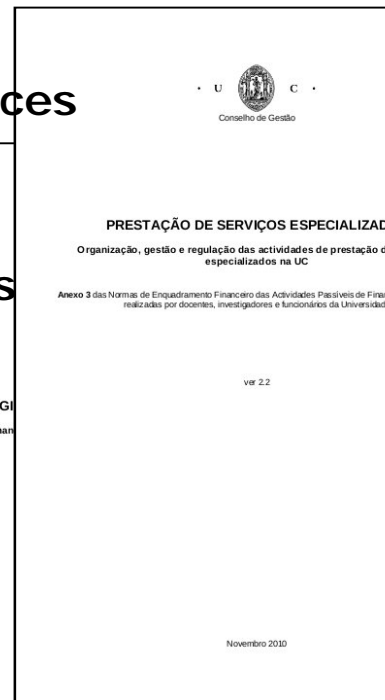
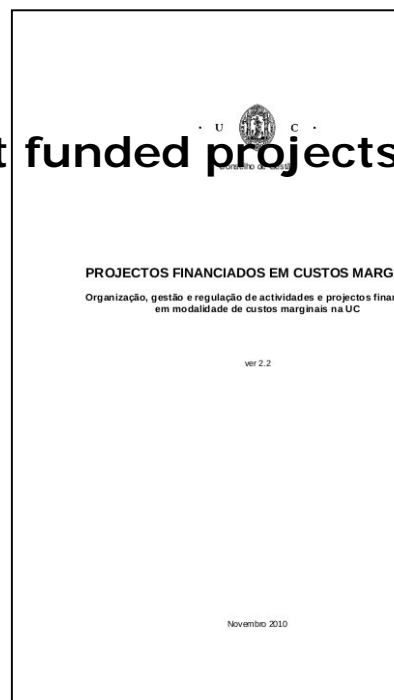
- Before:
 - Researchers predominantly used to Additional Costs (AC) funding schemes
 - Contracts for specialised services without bottom-up price setting (no personnel costs)
 - Overheads partially reimbursed to Faculties
- Now:
 - All activities based on full costs by default
 - All costs must be taken into account – all direct and indirect costs
 - No inadequate market advantage over potential competitors
 - Full cost recovery
 - Overheads strictly considered for structural cost reimbursement





UC's guidelines

- Full cost funding schemes | 7th Framework Programme
- Delivery of Specialised Services
- Marginal cost funded projects



Full cost + Project management

- Recent revision of the rules set up by the Rector, hearing the Senate
- New university administration structure:
 - Provision for a Project Management Division
 - Pre-contractual capabilities – support of proposal drafting and budgeting
 - Management of both physical and financial dimensions of projects
 - Close support to project coordinators
- Common instruments for time allocation and monitoring
- Common rules and reference values for manpower costs
- Overheads: pre-defined rate, to be improved through activity-based cost monitoring



Obstacles and threats

- Communication strategy not always easy to implement
- Resistance to change (bau is strong)
 - Usual unstructured approach to price setting
 - Lack of habit of using professional in-house support
 - Lack of insight on the advantages of the institutional approach
 - Spontaneous preference for personal advantage over additional research funding availability
- Potential of detrimental exploitation of positive results by authorities as regards to HE public funding



Benefits

- Increased capacity for project management through standardisation
- Clear rules on requirements and advantages of the adopted costing methodology
- Stimuli to researchers based on extra funding for R&D
- Clear rules for structural cost reimbursement
- Equity among researchers, Faculties, R&D units
- Funding for corporate R&D initiatives and strategy
- Additional funding for current operation



Commitment

- Activity based costing in general
 - fostered (specification, debate, dissemination, training, implementation) by the Head of Administration
 - fully supported by the Rector and Vice-Rector
 - adopted by Deans
- Full-cost based project management
 - Vice-Rector and Administration active in
 - Specification and proposal
 - Dissemination
 - Support to researchers, research units and Faculties
 - Monitoring
 - Auditing



Ingredients

- Accounting for diversity
- One strategy
- Commitment of support services
- Communication
- Diplomacy and muscle
- Perseverance



Photo credits by Petr Kratochvil

