Financially Sustainable Universities

In-depth analysis

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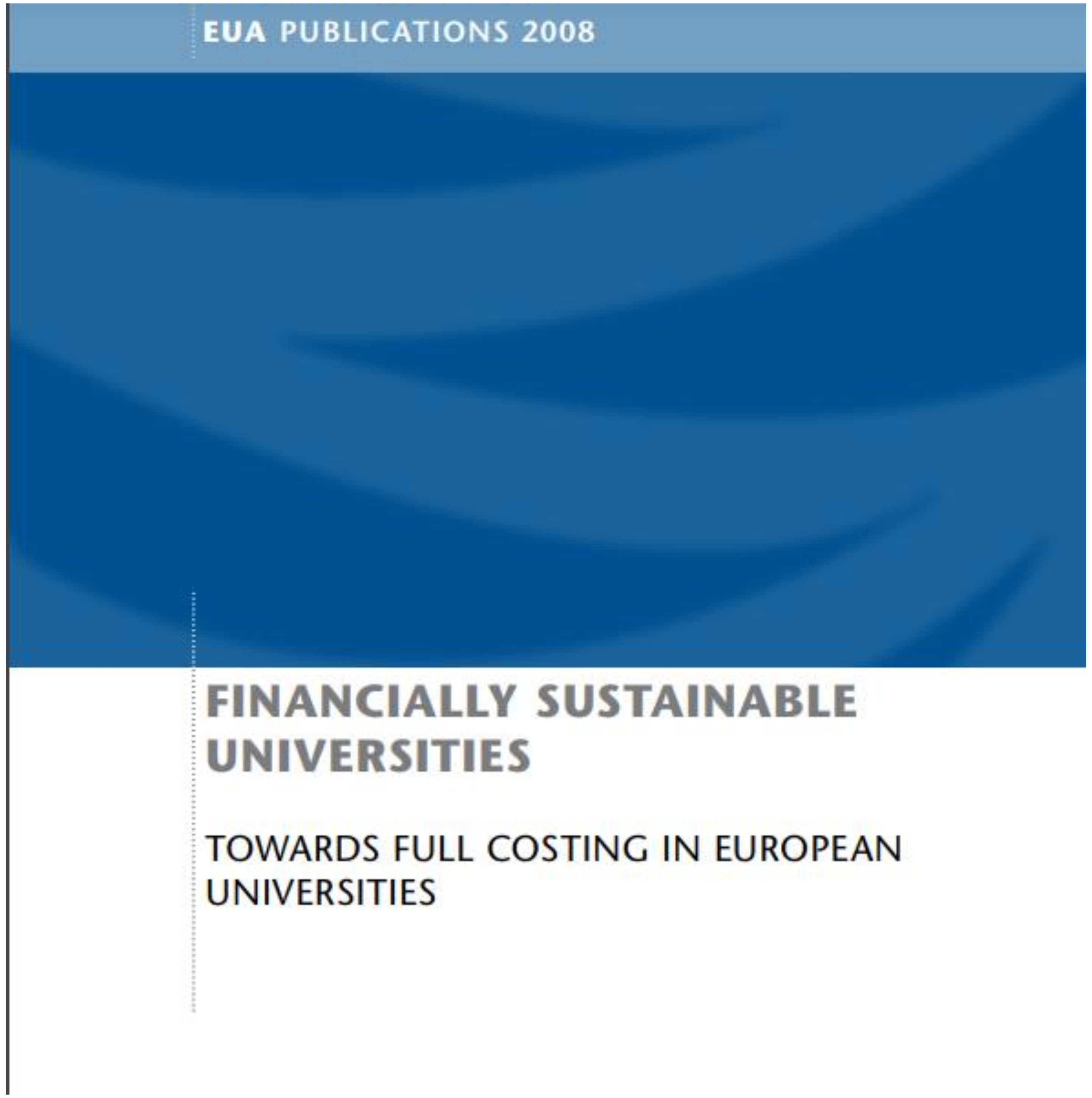
3 October 2024 | Funding Forum

Agenda

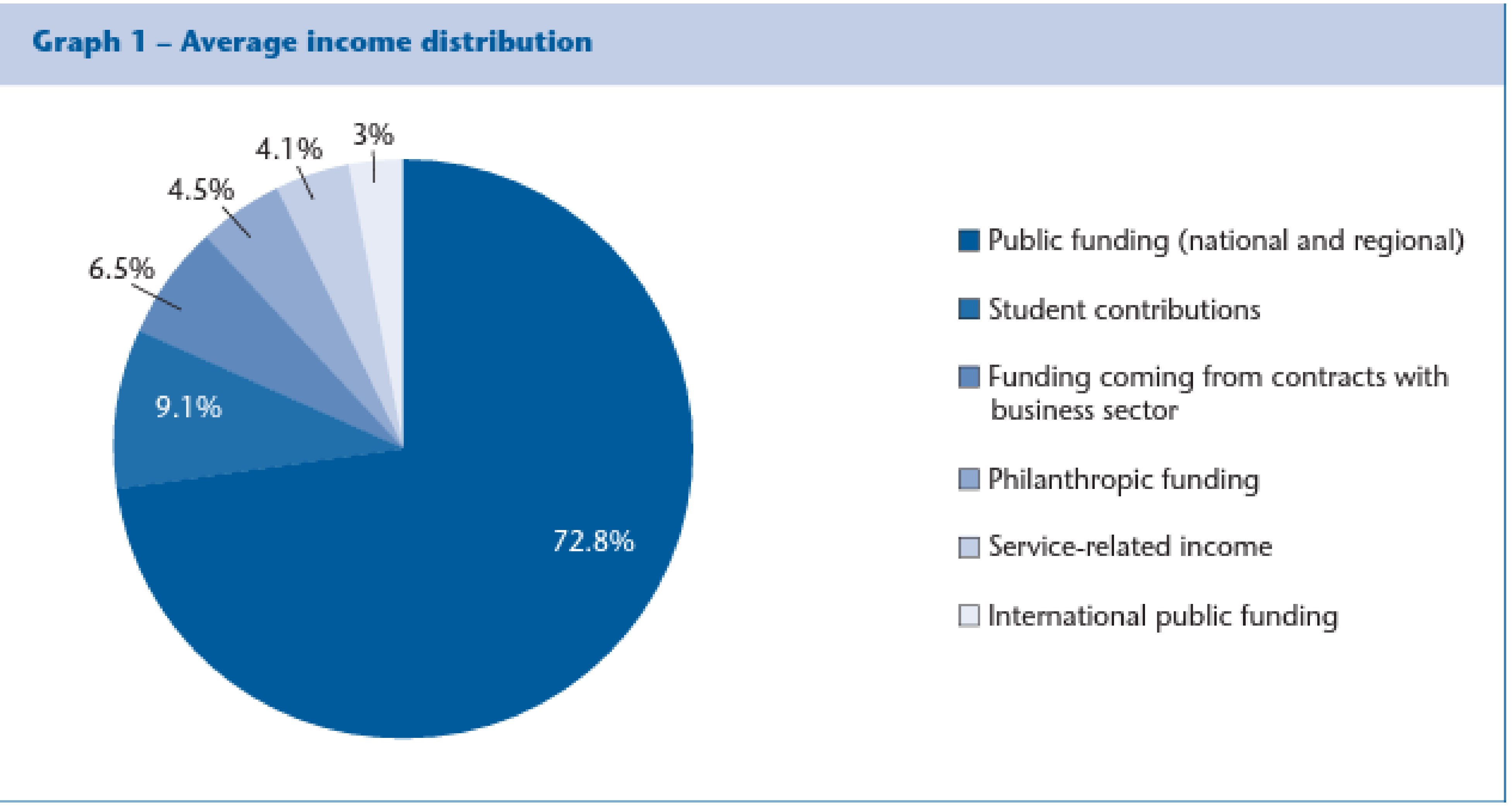
- EUA's work on FSU
- Financial management
- Efficiency
- Borrowing
- Income diversification
- Fundraising
- Co-funding

Financially Sustainable Universities



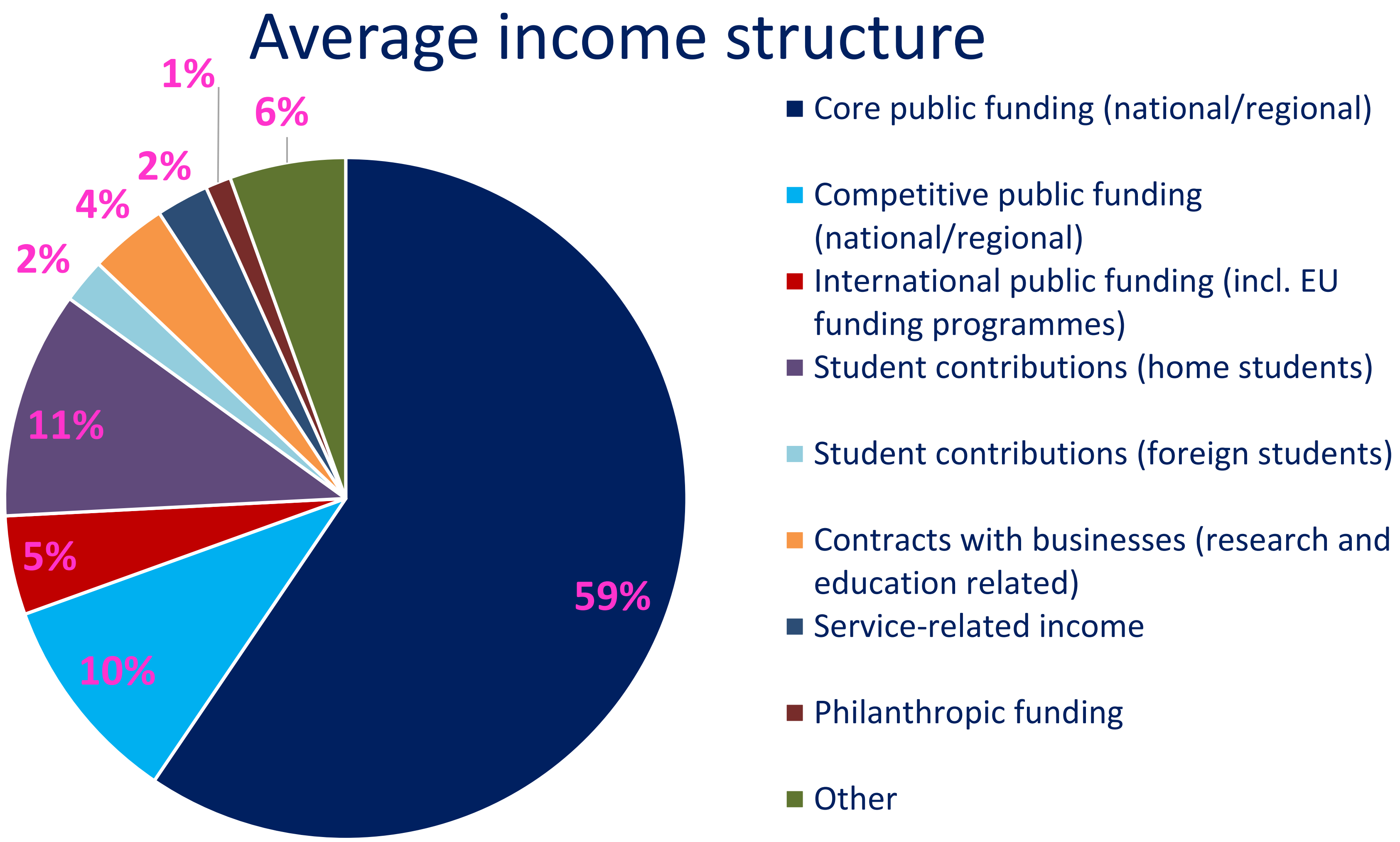
Financially Sustainable Universities

2011



N= 100

2024



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Source: EUA Financially sustainable universities II

Financial management

Relationship between internal allocation model and public funding allocation modalities

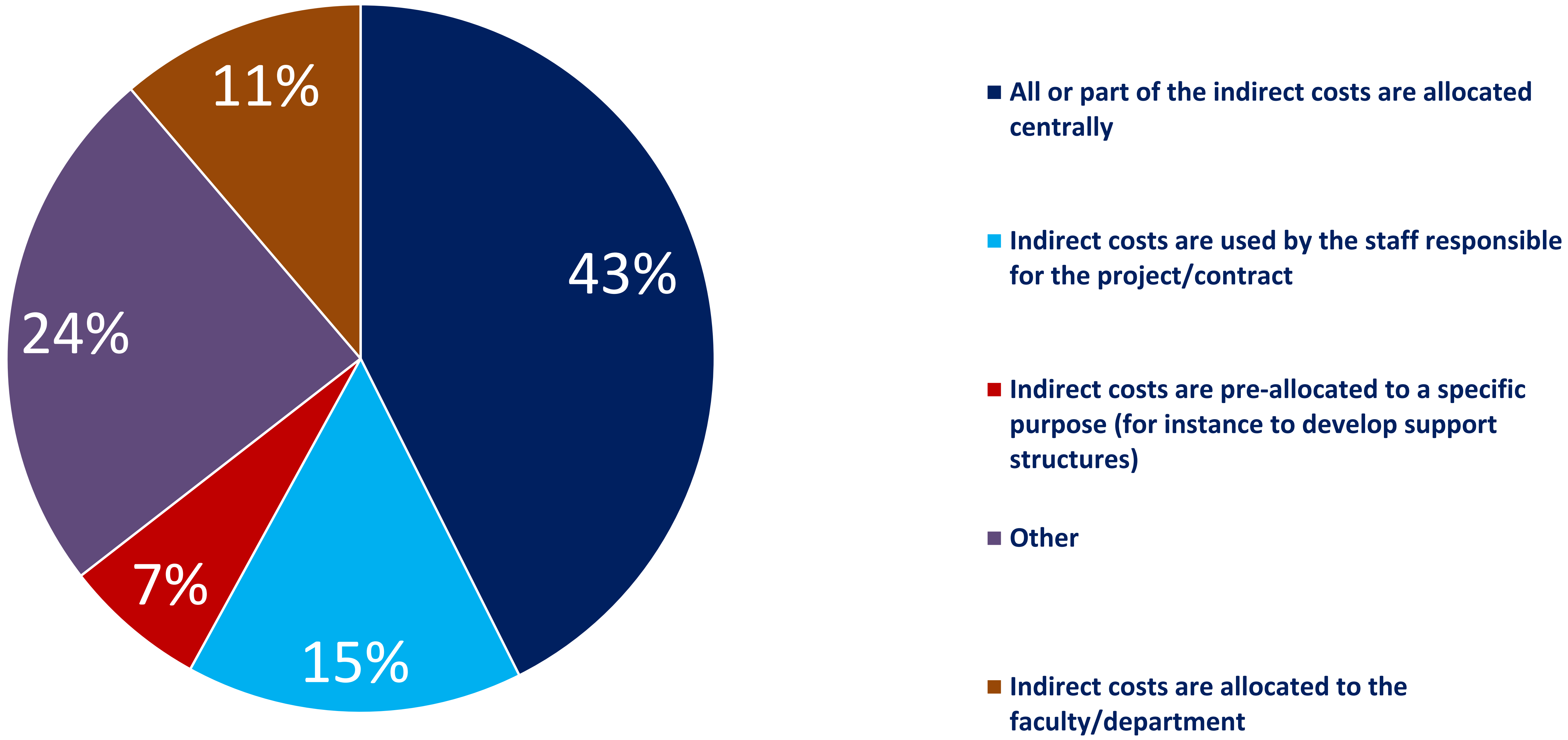
Most respondents stated that their internal modes largely, or to some extent, mirror public funding modalities.

In a few cases, public universities are obliged to follow the public funding model

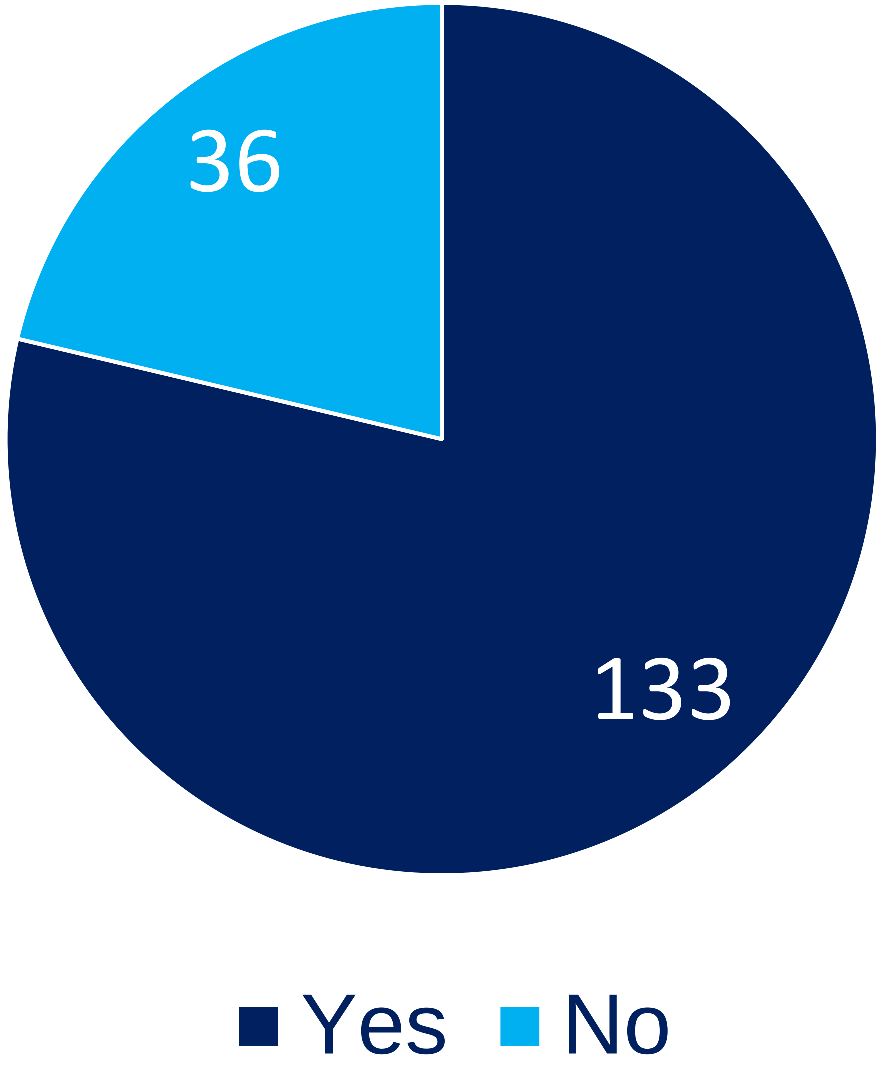
In cases where universities partially align their internal allocation with public funding modalities, the goal is to make internal funding distribution more flexible and aligned to institutional priorities. The complexity of the public funding models seem to be one of the most common reason why universities have different systems in place

Competition is another reason why universities choose to differentiate their internal funding model – either due to the competitive nature of the national model or to make internal resource allocation more competitive.

Internal allocation of indirect costs from project/contract funding

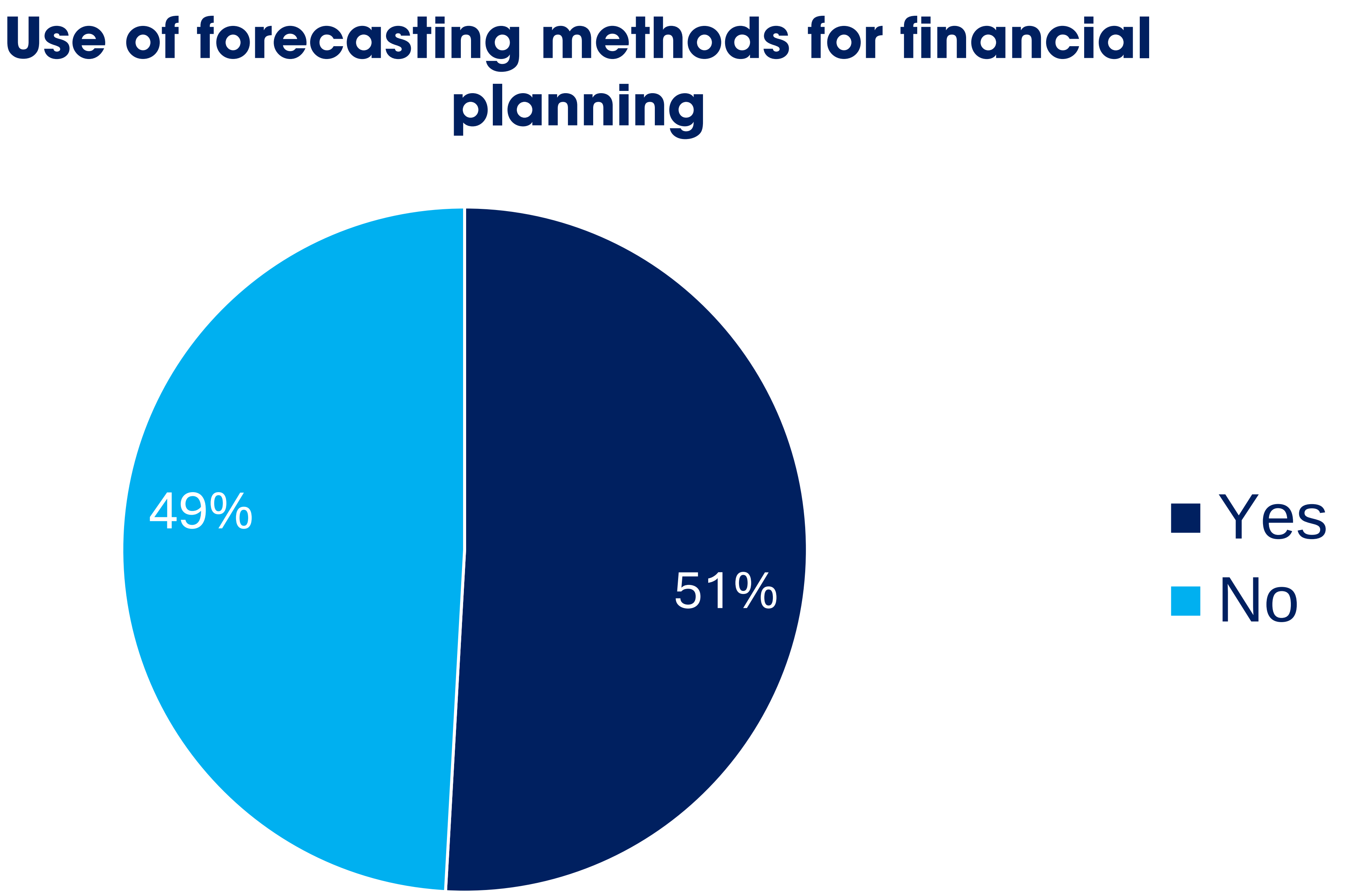


Use of financial indicators to assess financial sustainability

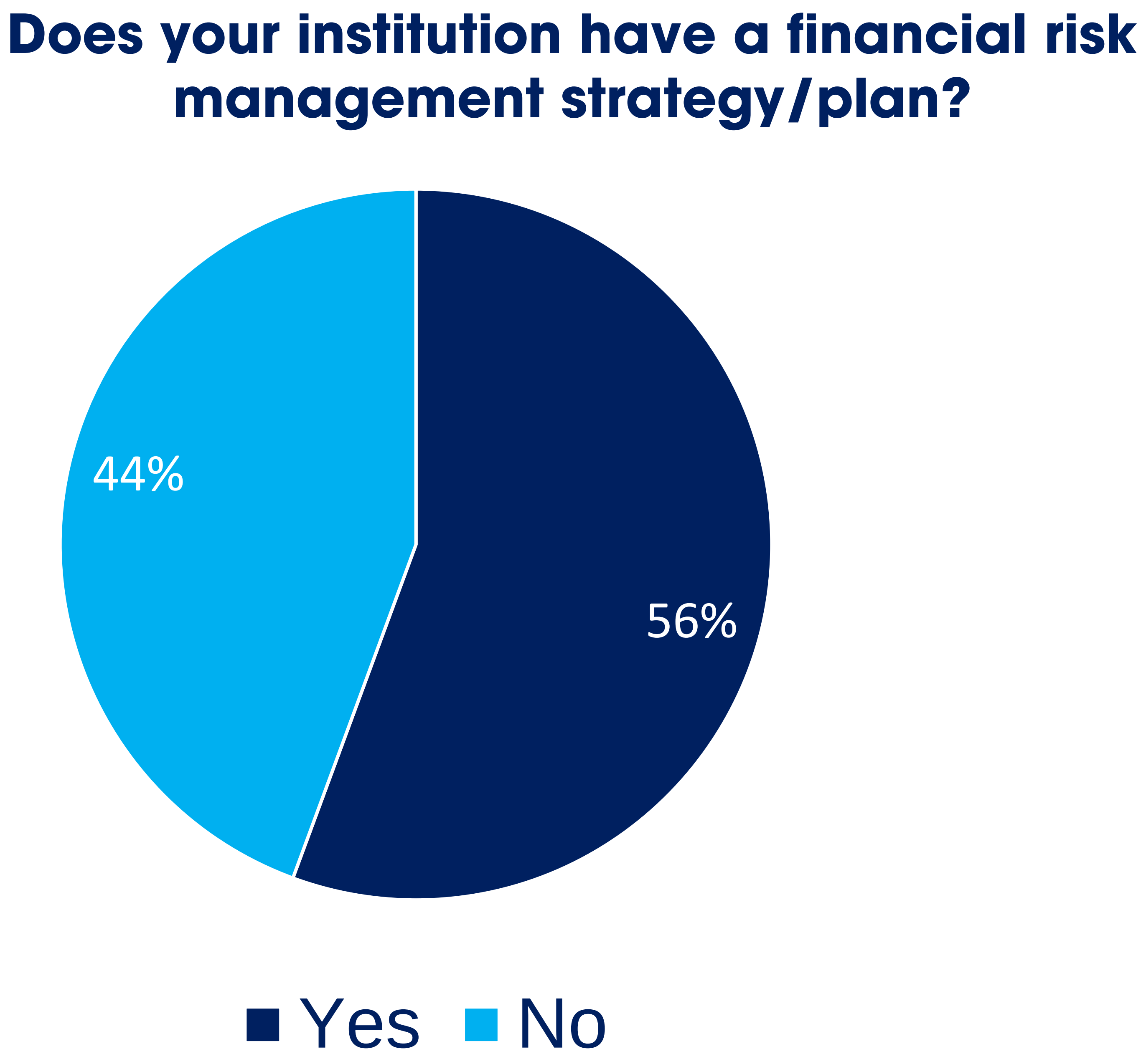


Who decides on indicators?

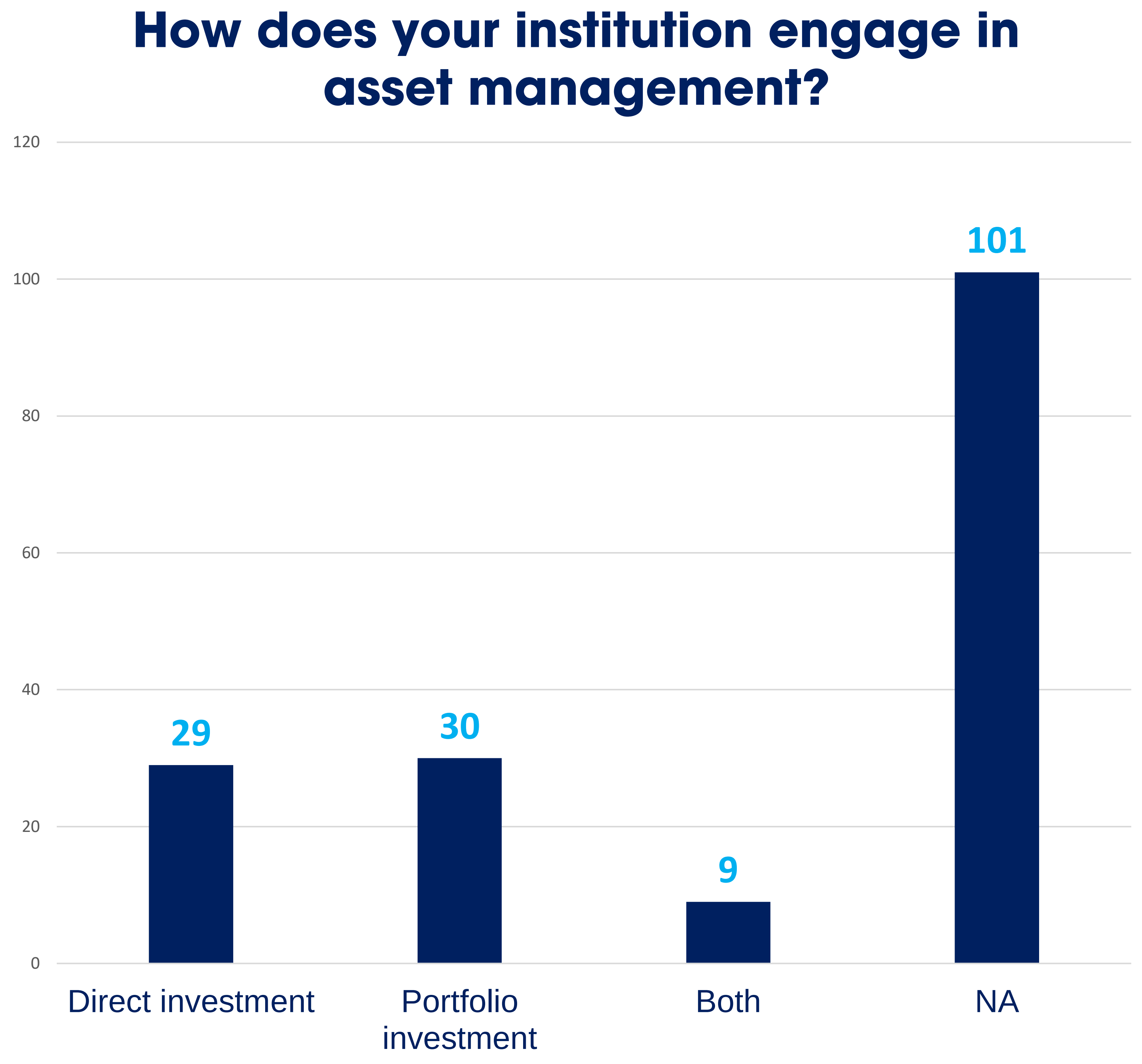
The responses were nearly evenly split on whether the indicators were determined internally or externally. The largest share(42%) indicated that the indicators were set by external authorities, while 36% reported they were designed internally, and 22% stated that it was a combination of both. In the latter case, universities typically have to comply with formal regulations to some extent, but they can also adopt their own approach in alignment with their strategy.



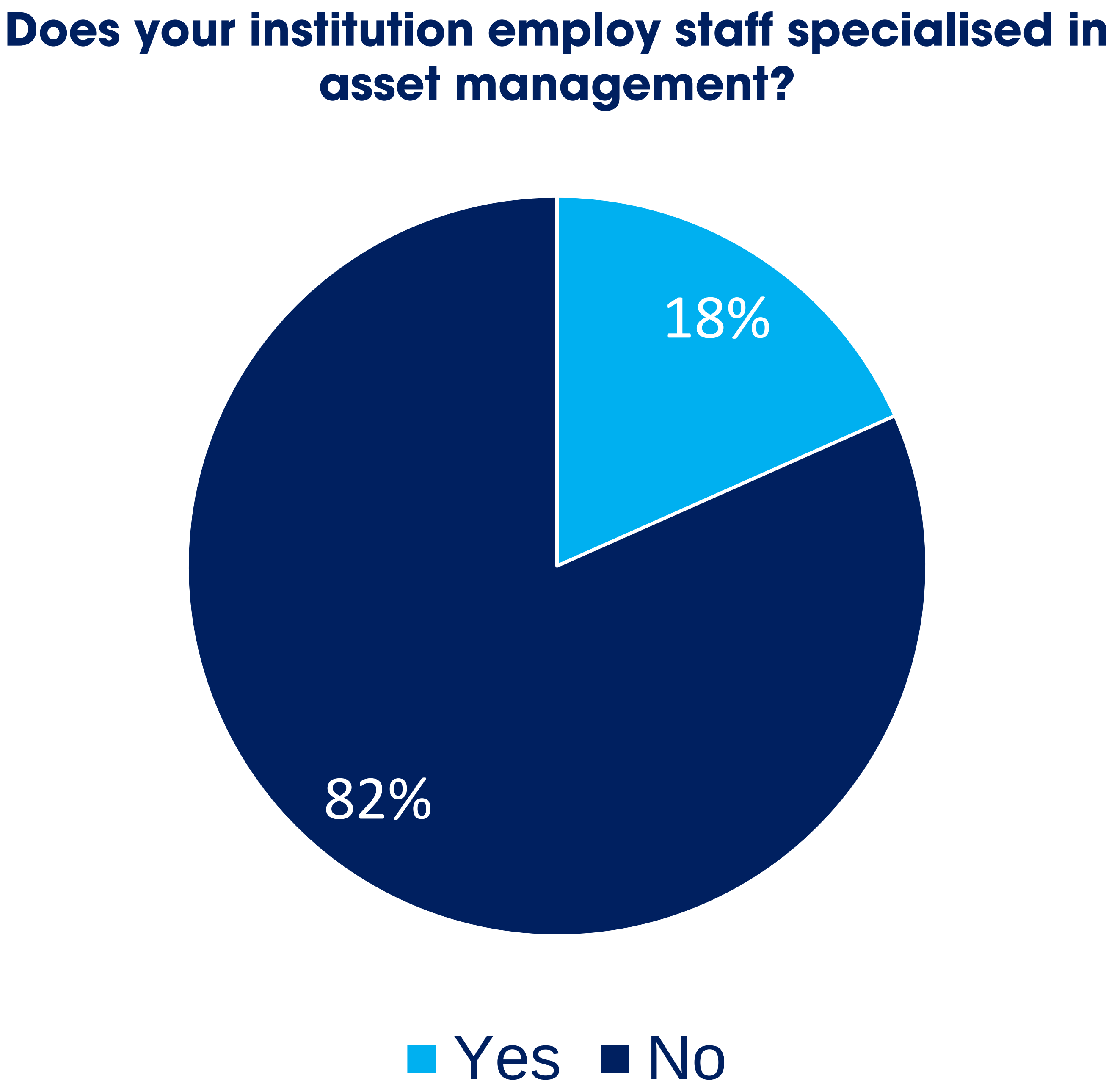
Use of forecasting methods for financial planning
49%
51%
Yes
No



Does your institution have a financial risk management strategy/plan?
44%
56%
Yes
No



How does your institution engage in asset management?
120
100
80
60
40
20
0
29
30
9
101
Direct investment
Portfolio investment
Both
NA



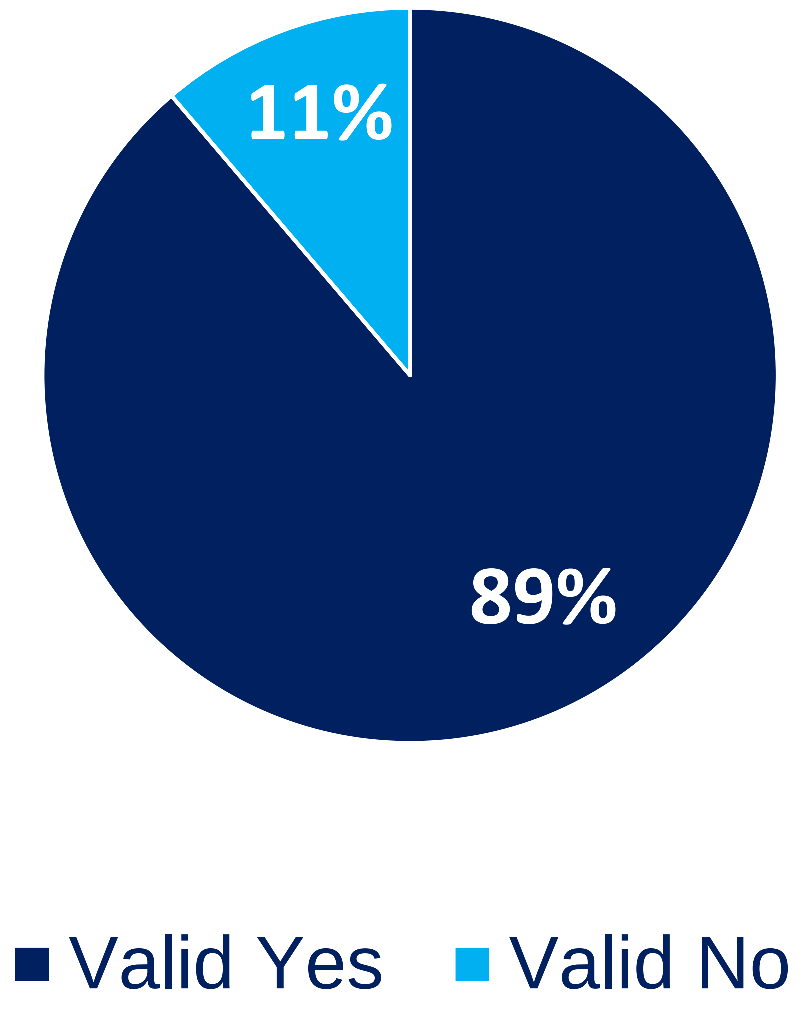
Does your institution employ staff specialised in asset management?
18%
82%
Yes
No

Questions

- How has your financial planning changed over the past few years? What has driven those changes?
- Can internal funding allocation models support the institutional strategy?

Efficiency

Is efficiency a strategic consideration / priority of your institution?



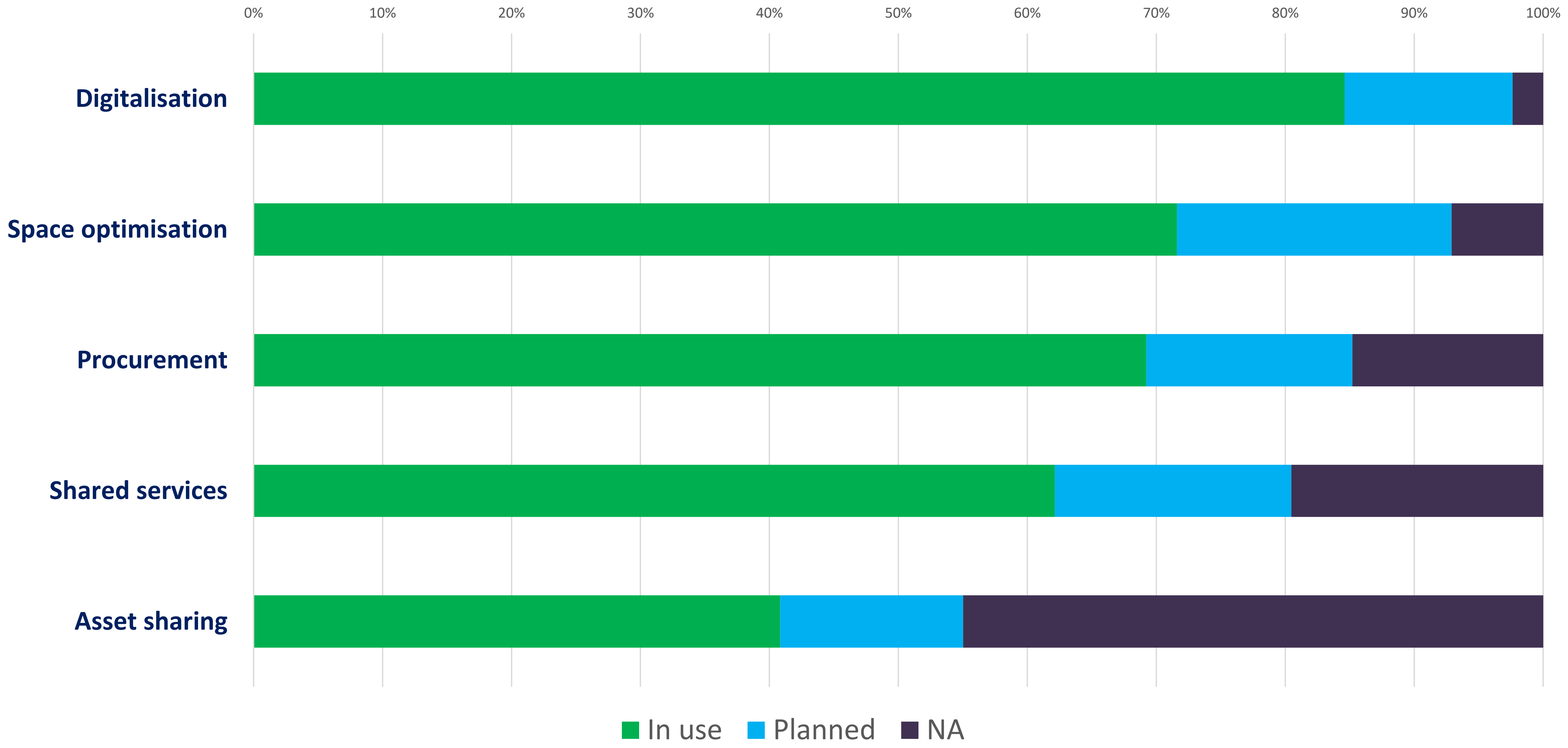
Yes, efficiency is a key component of the university's long-term strategy, particularly in the following areas:

Cost reduction through digitization: A more efficient institution can better utilize its resources, which can lead to lower costs. This can be achieved through initiatives such as streamlining administrative processes, adopting digital tools for teaching and learning, and optimizing energy usage.

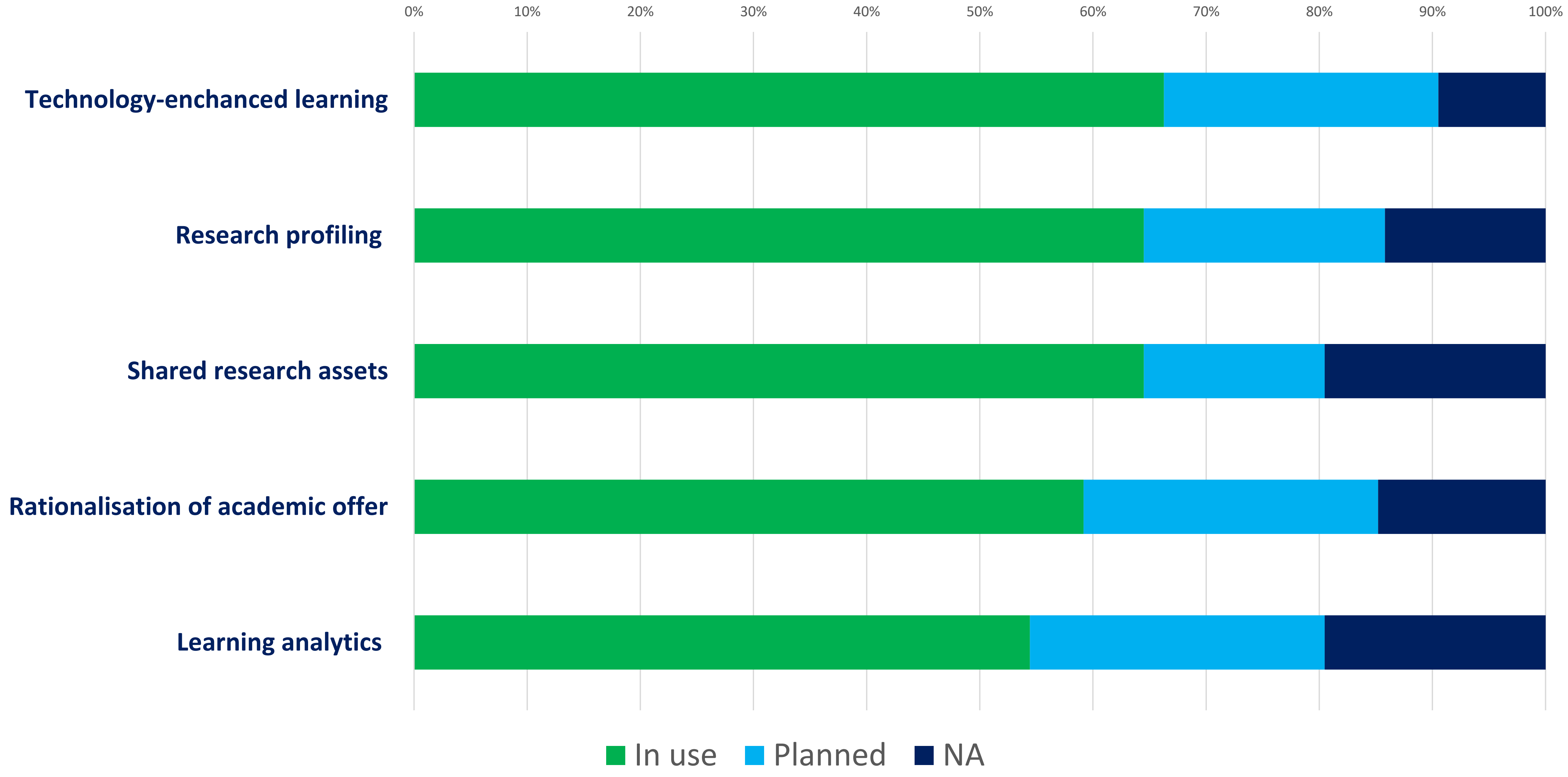
Improved customer service: Enhancing the quality of activities and implementing quality control measures will enable the university to better meet the needs of its customers (students, lifelong learning participants, research partners), which can lead to improved customer service and a more efficient way of working. This may involve initiatives such as simplifying admissions procedures, providing more responsive student support, and enhancing communication with stakeholders.

By focusing on these areas, the university can achieve greater efficiency and effectiveness, leading to a more sustainable and successful institution

Activities implemented in management for greater efficiency

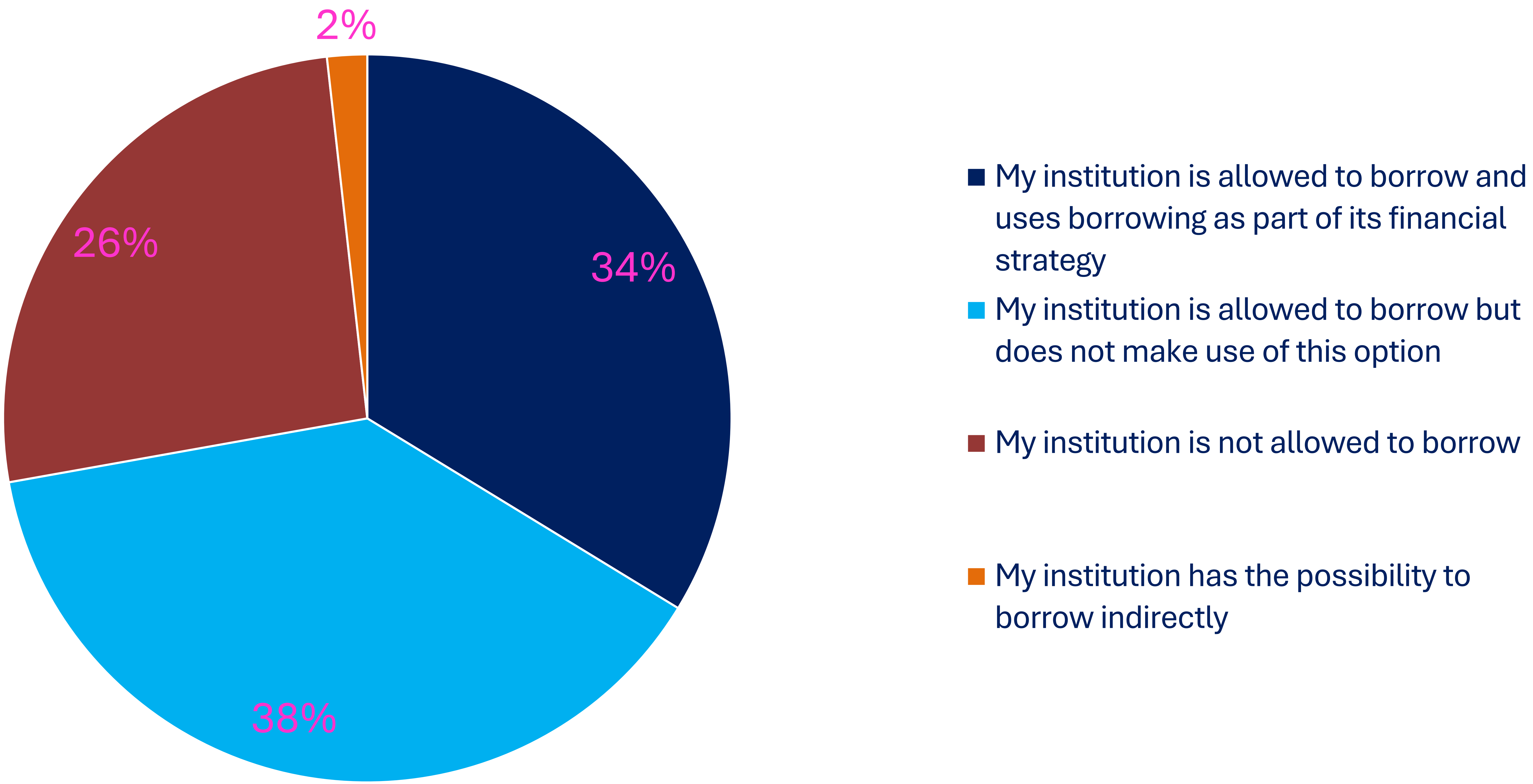


Activities implemented in the academic field for greater efficiency

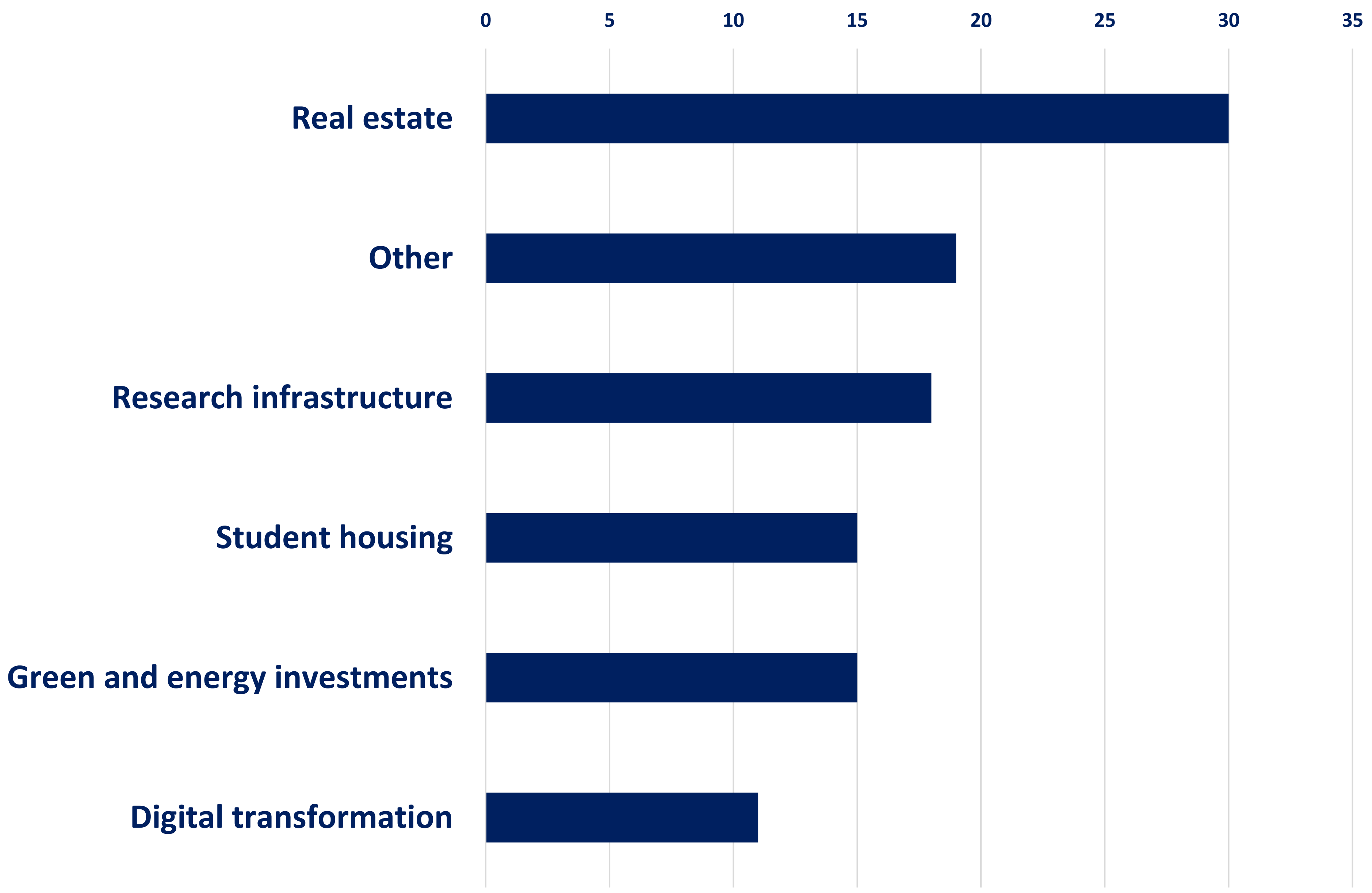


Borrowing

Borrowing framework



Purposes of borrowing

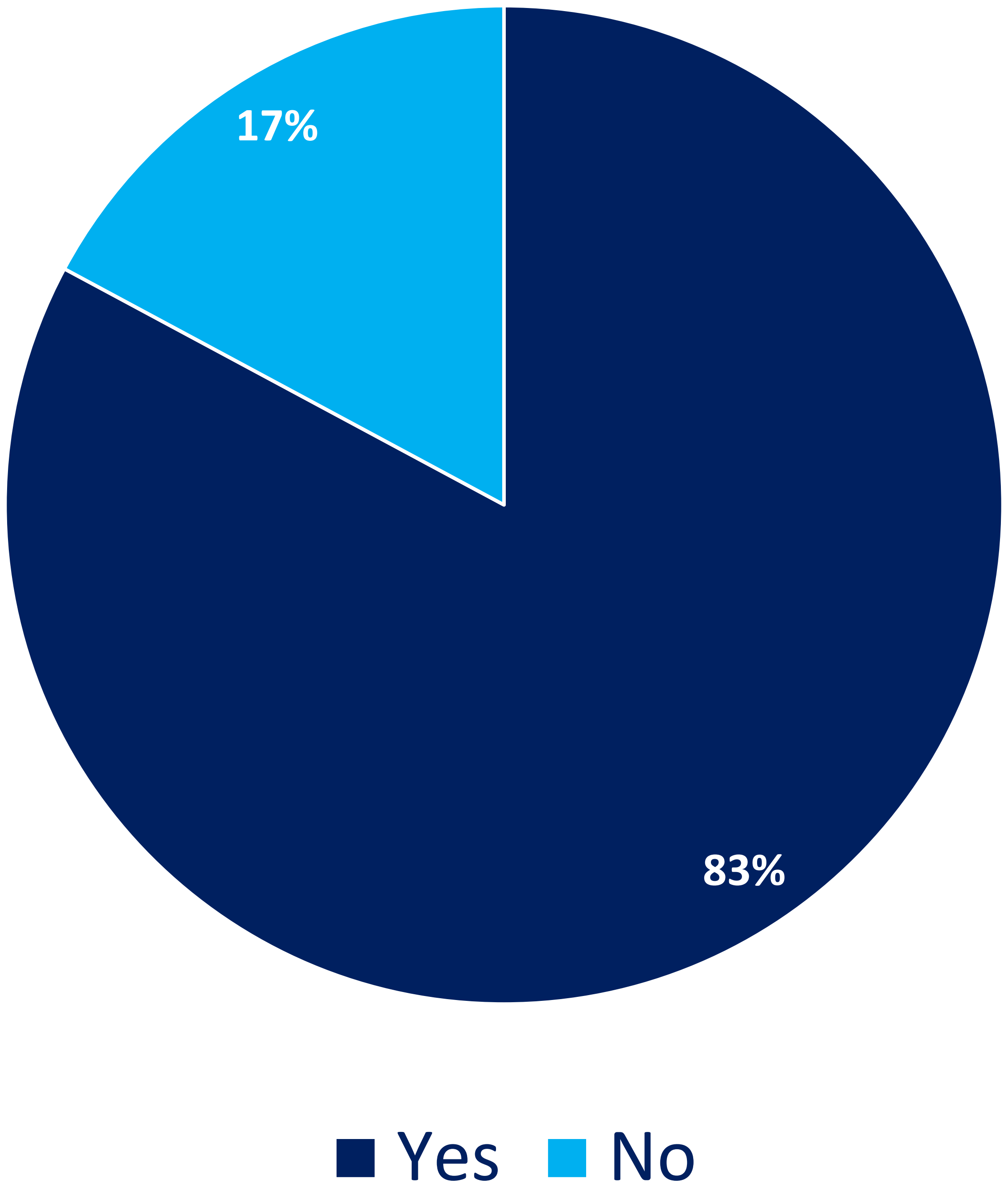


Questions

- Borrowing may be possible but not used: why?
- Is ‘efficiency’ part of the narrative at system level / at your institution?

Income diversification

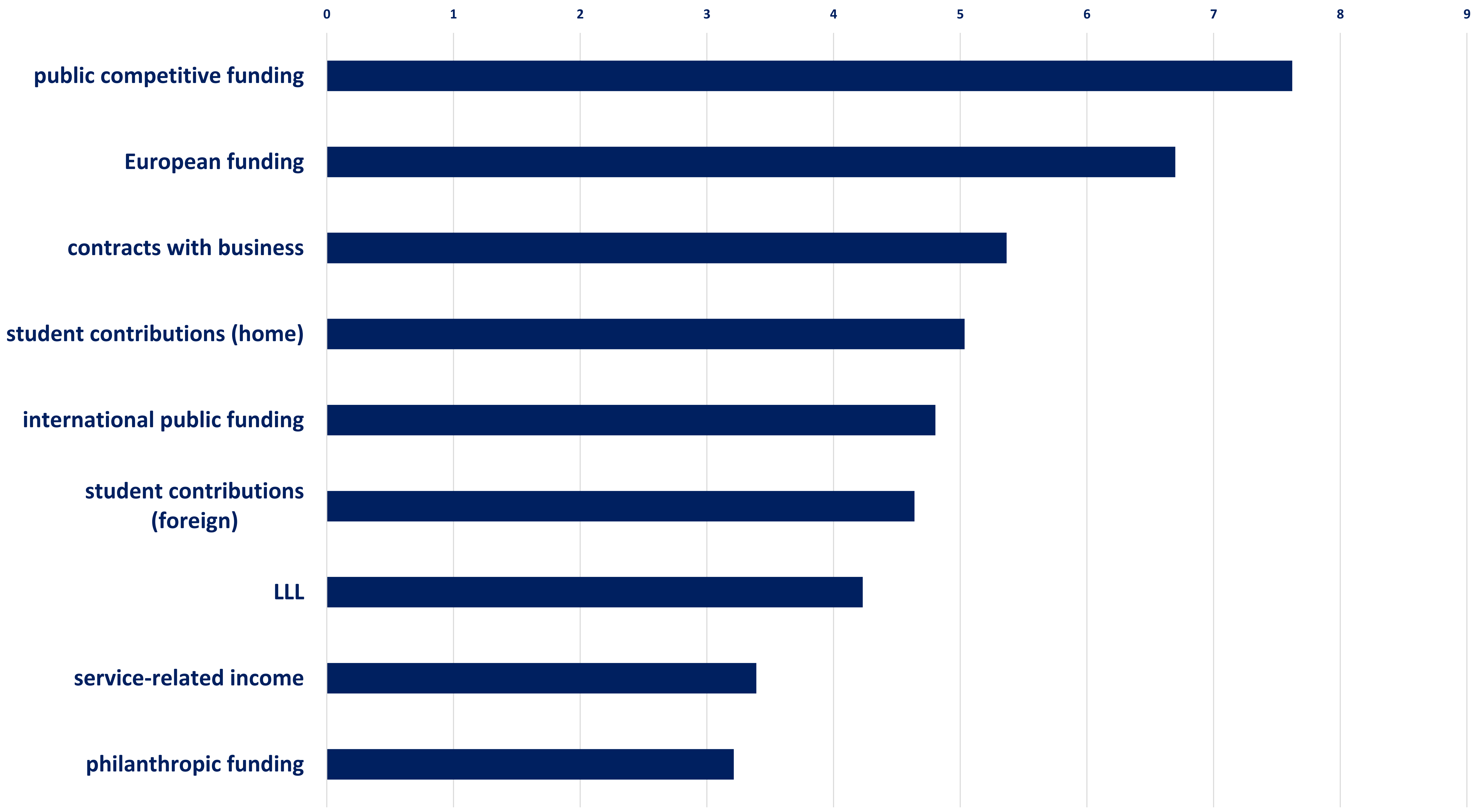
Does your institution actively seek to diversify its funding sources?

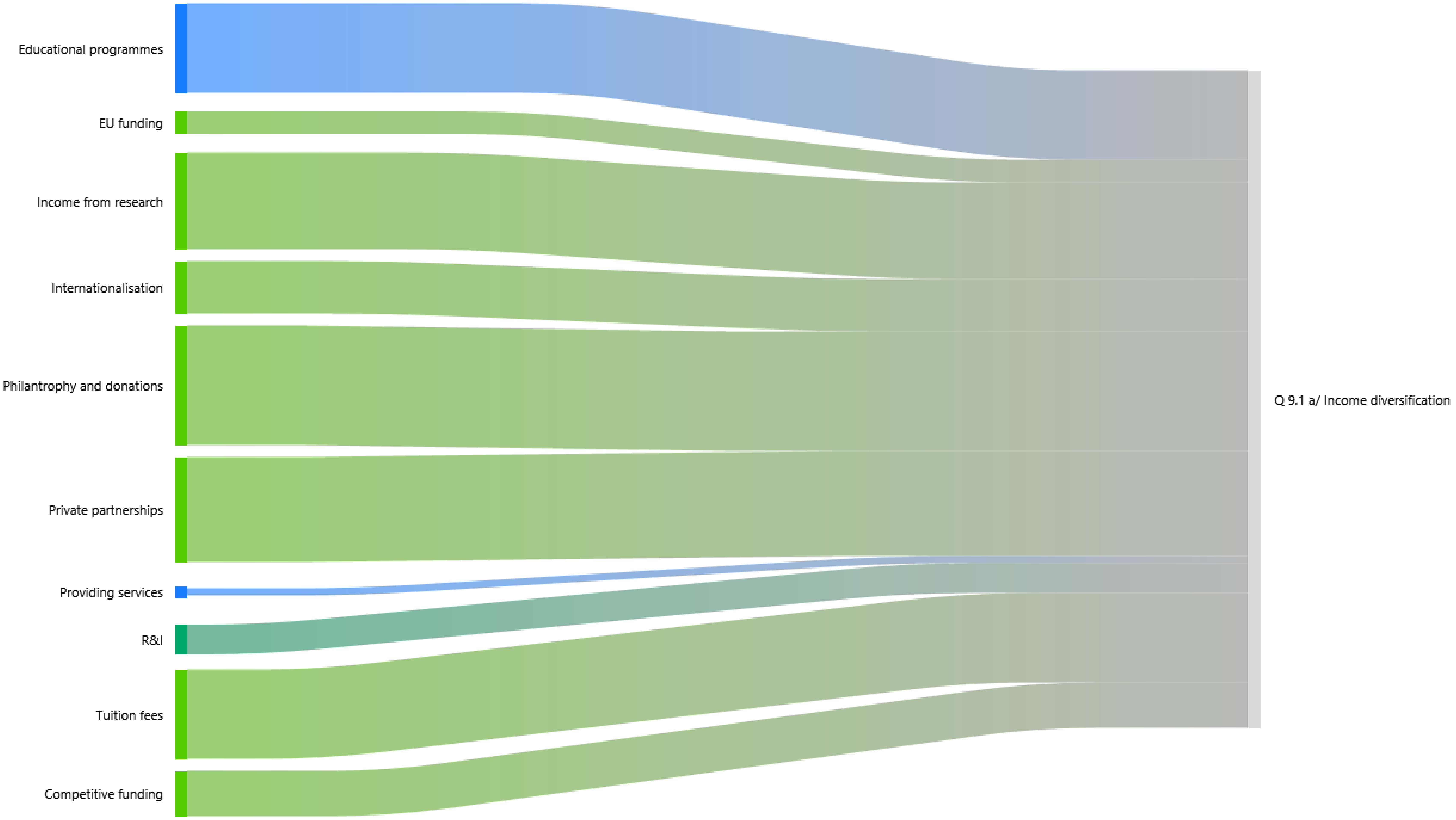


Income diversification:

Generation of additional income (through new or existing funding sources) that contributes to balancing the income structure of the institutions

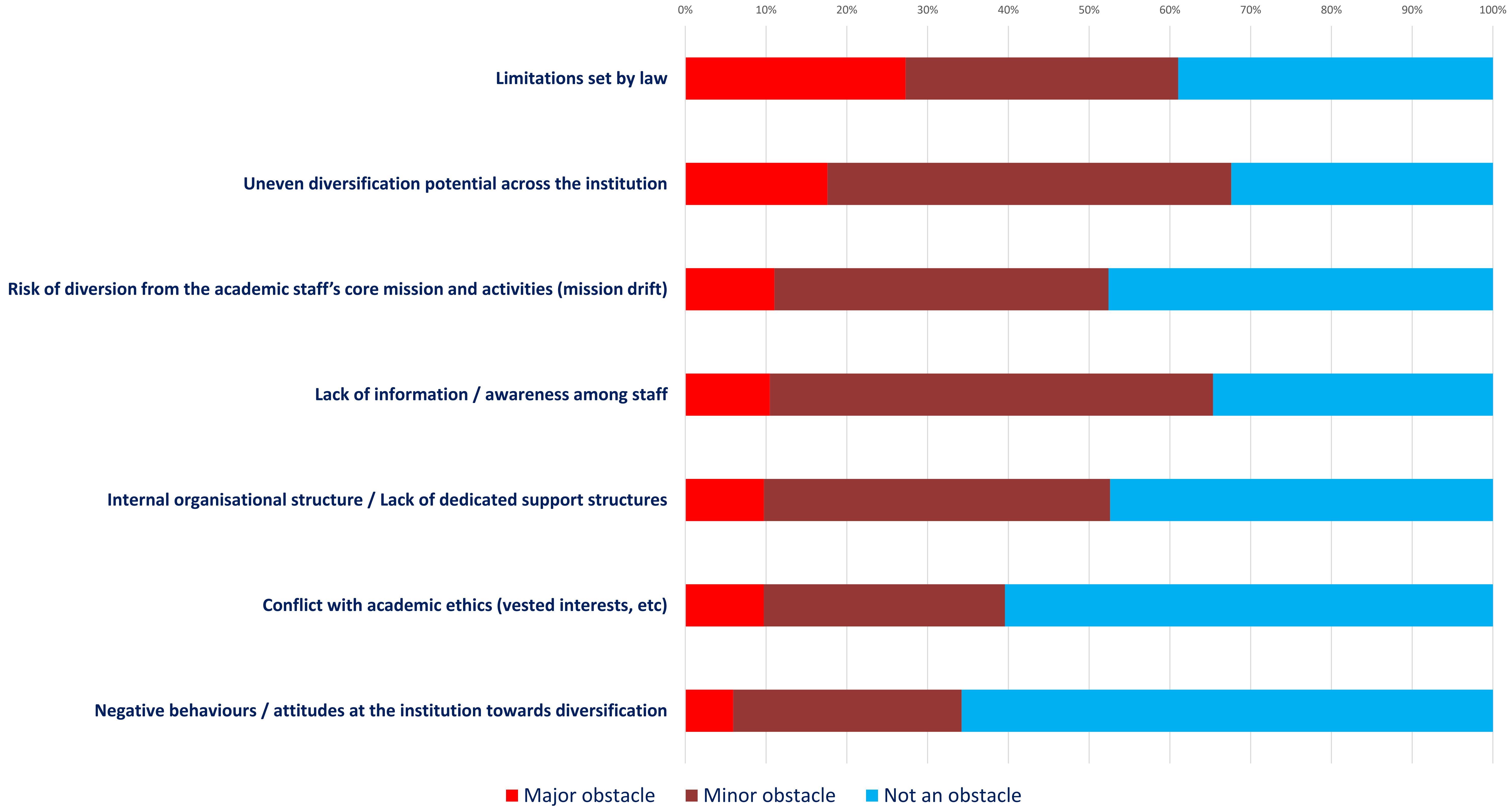
Ranking of priorities for diversification

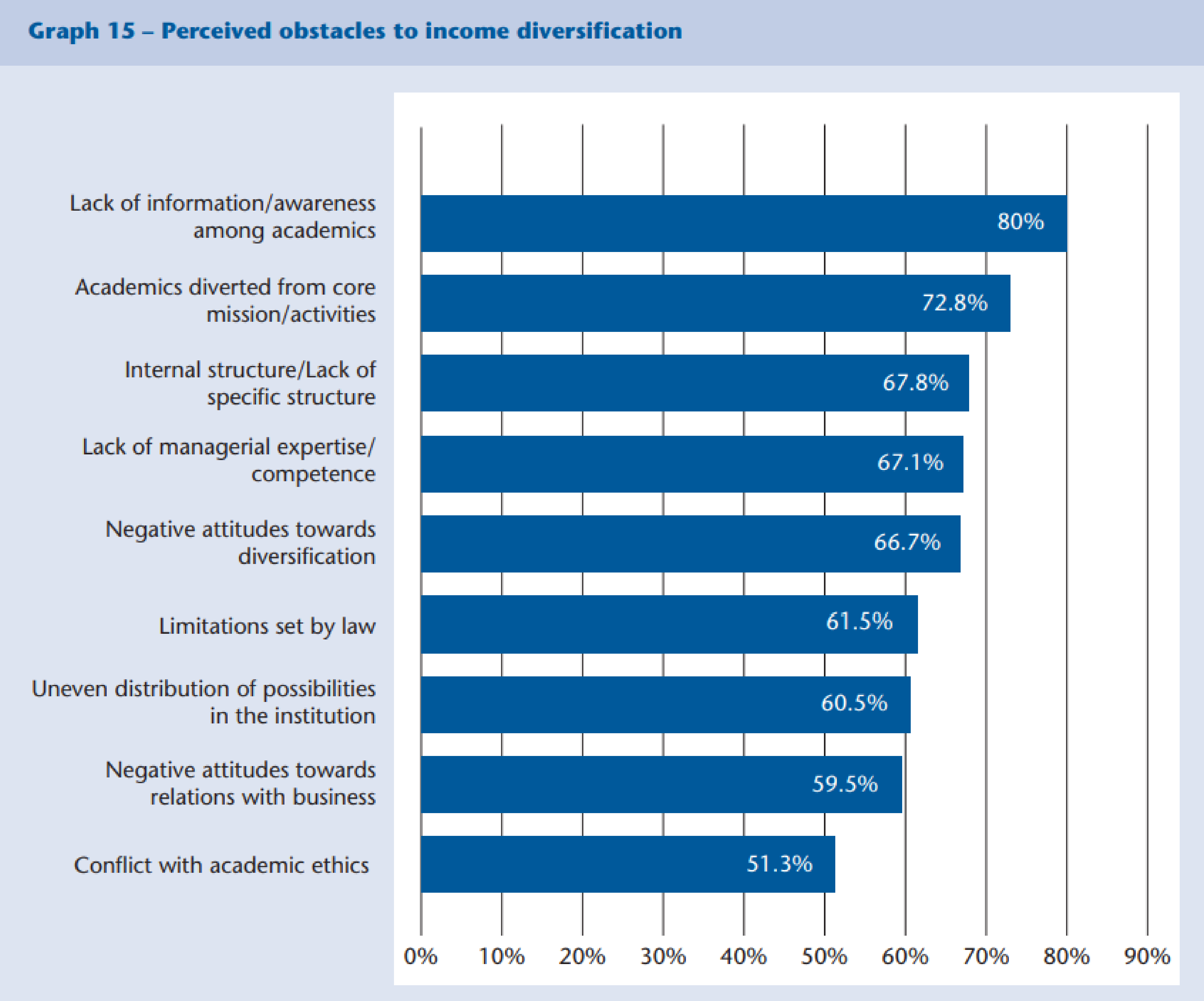




Educational programmes
EU funding
Income from research
Internationalisation
Philantrophy and donations
Private partnerships
Providing services
R&I
Tuition fees
Competitive funding
Q 9.1 a/ Income diversification

Are the following seen as obstacles to the implementation of the diversification strategy?

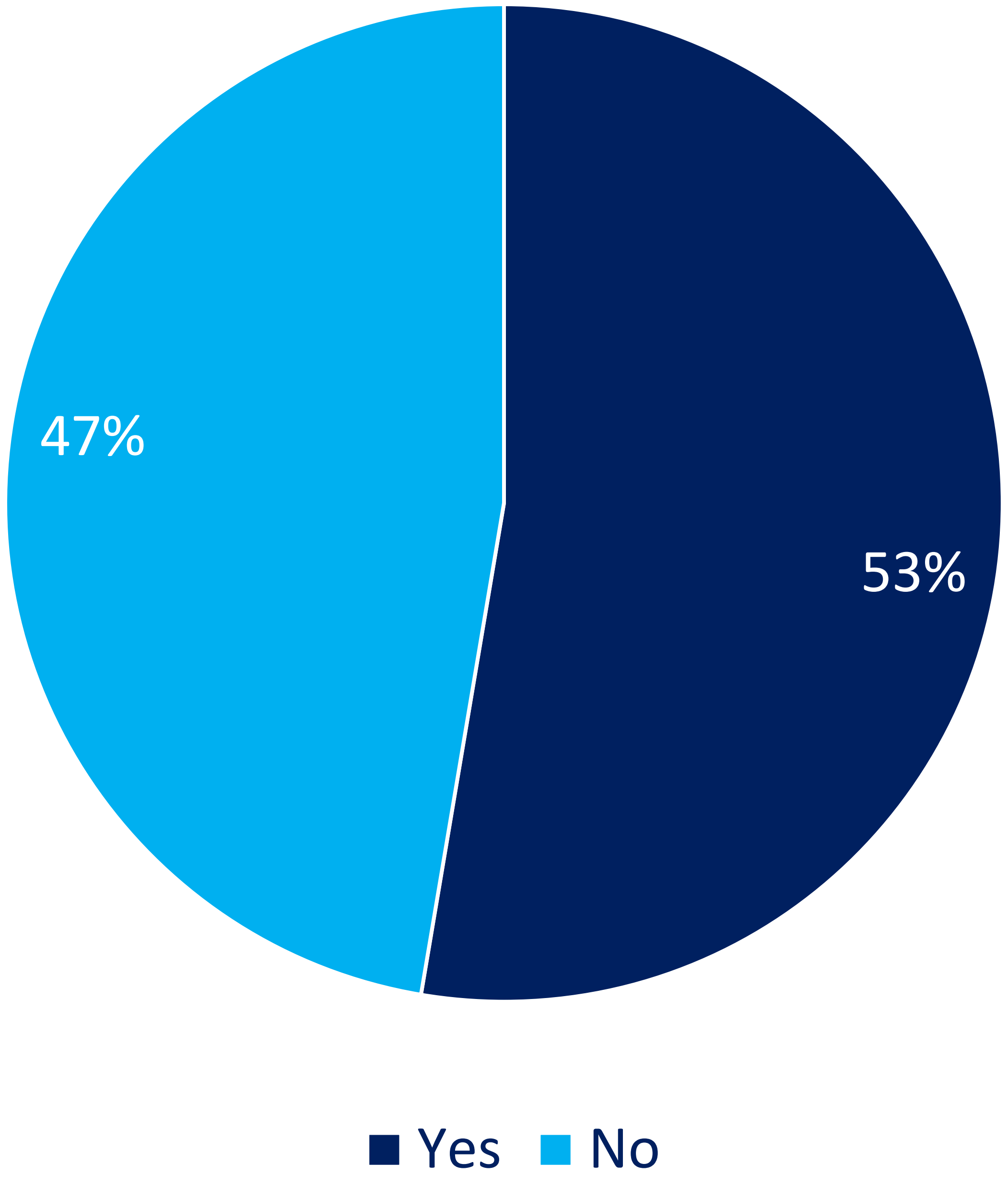




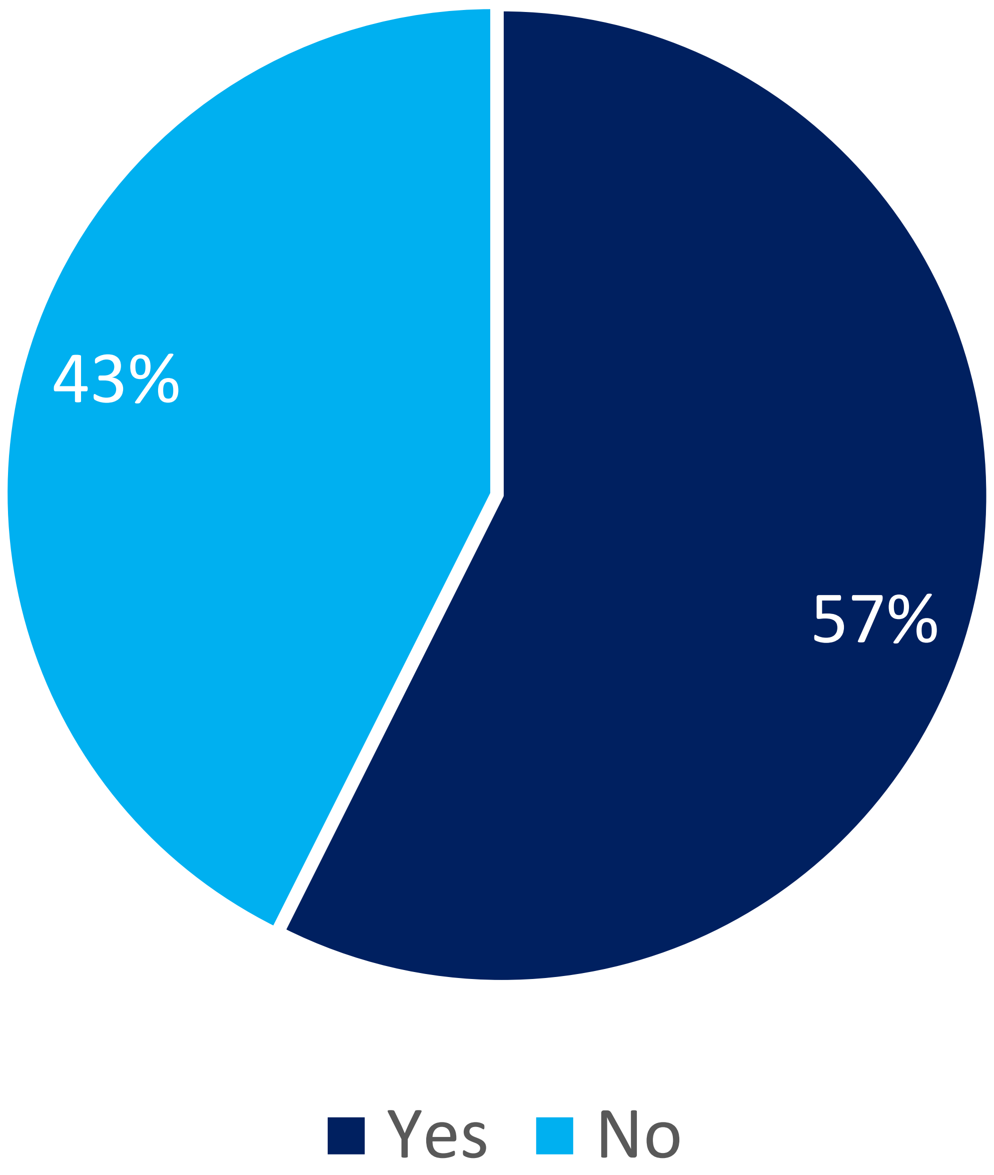
Source: EUA Financially sustainable universities II

Fundraising

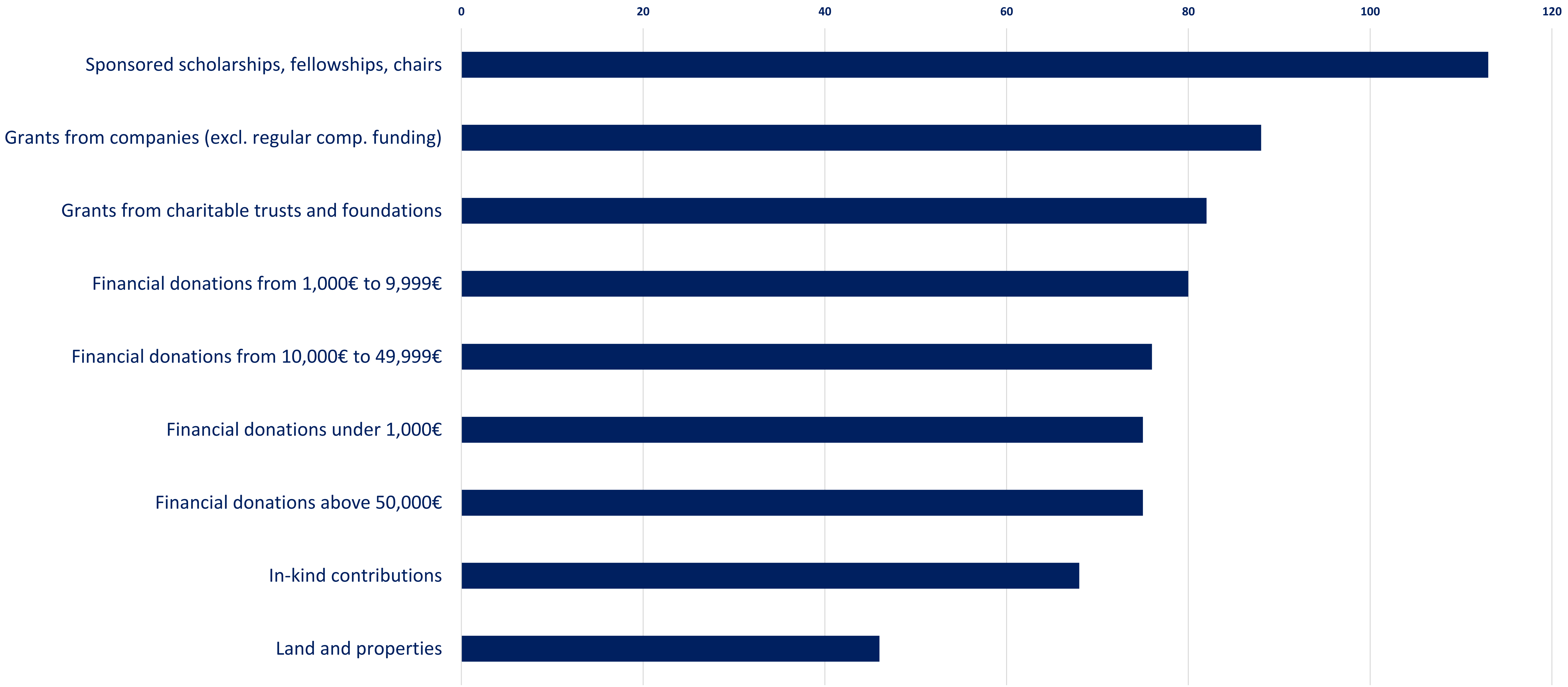
Does your institution have a fundraising strategy?



Does your institution have structures dedicated to fundraising?



Types of contributions secured by the institution



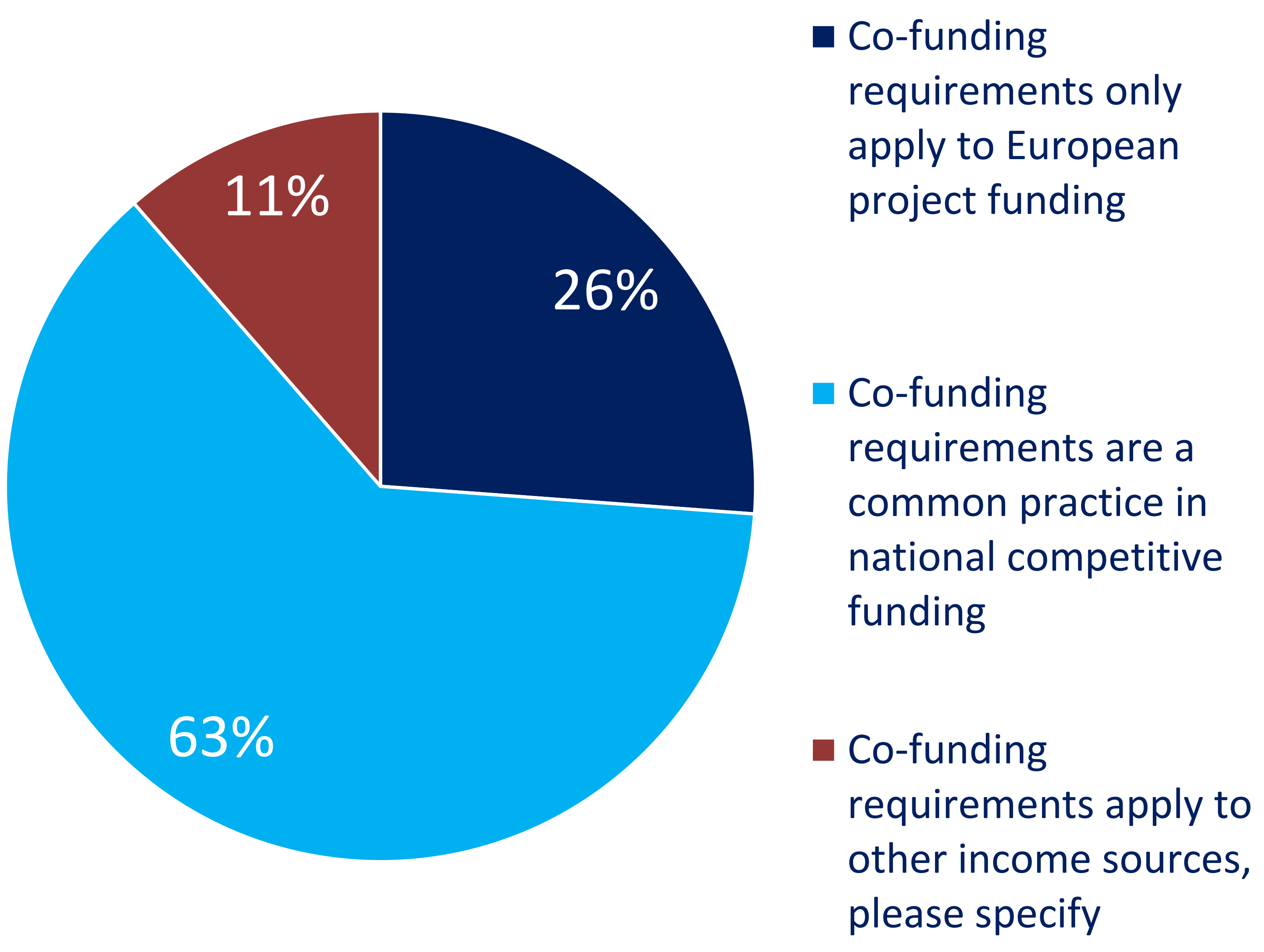
Questions

- Is there potential for further development of fundraising at universities in Europe? Is there a 'cultural wall'?

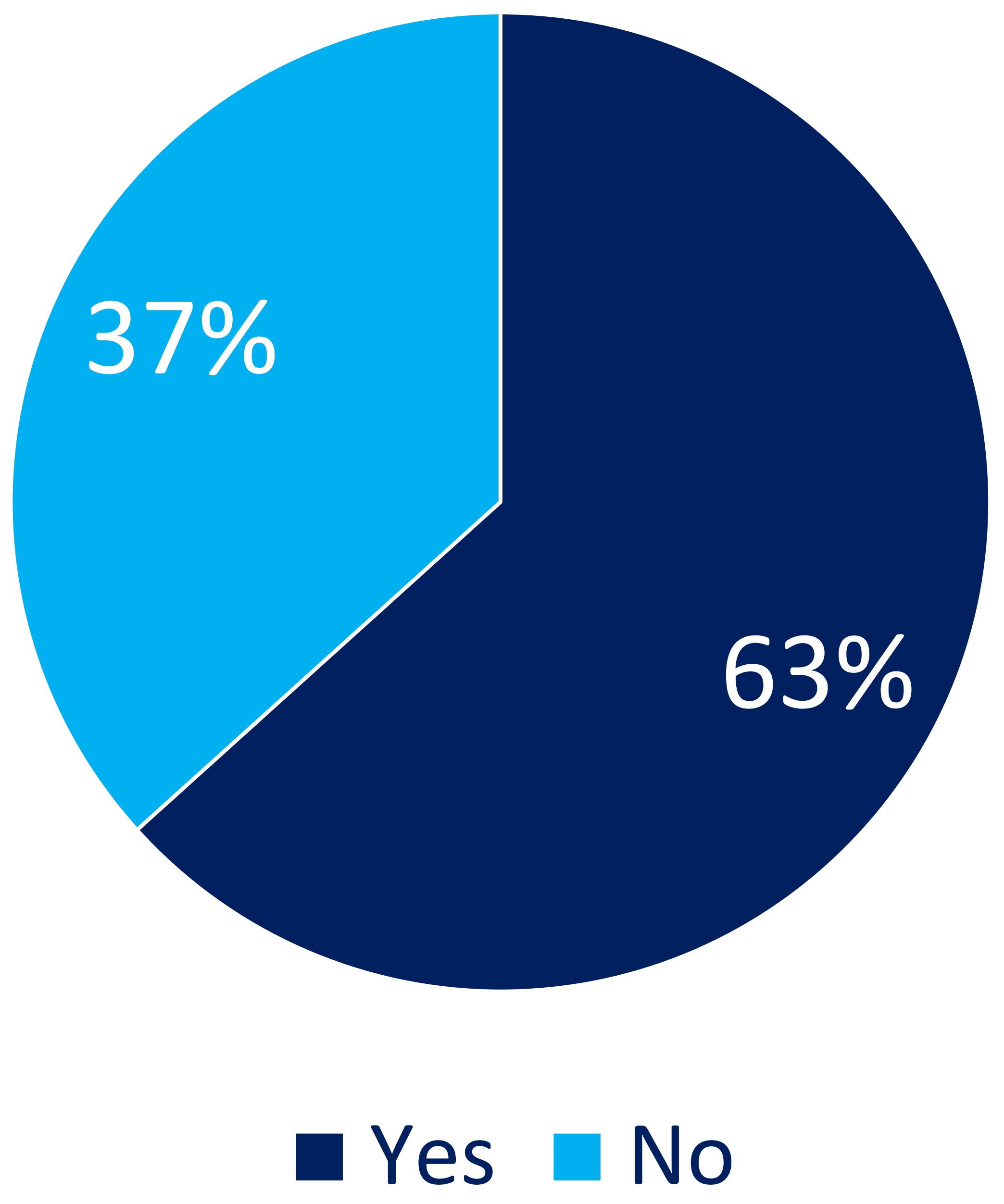
- Diversification is increasingly acknowledged as a risk-mitigation measure, but the pie charts do not look very different from over 10 years ago: what are possible explanations?

Co-funding

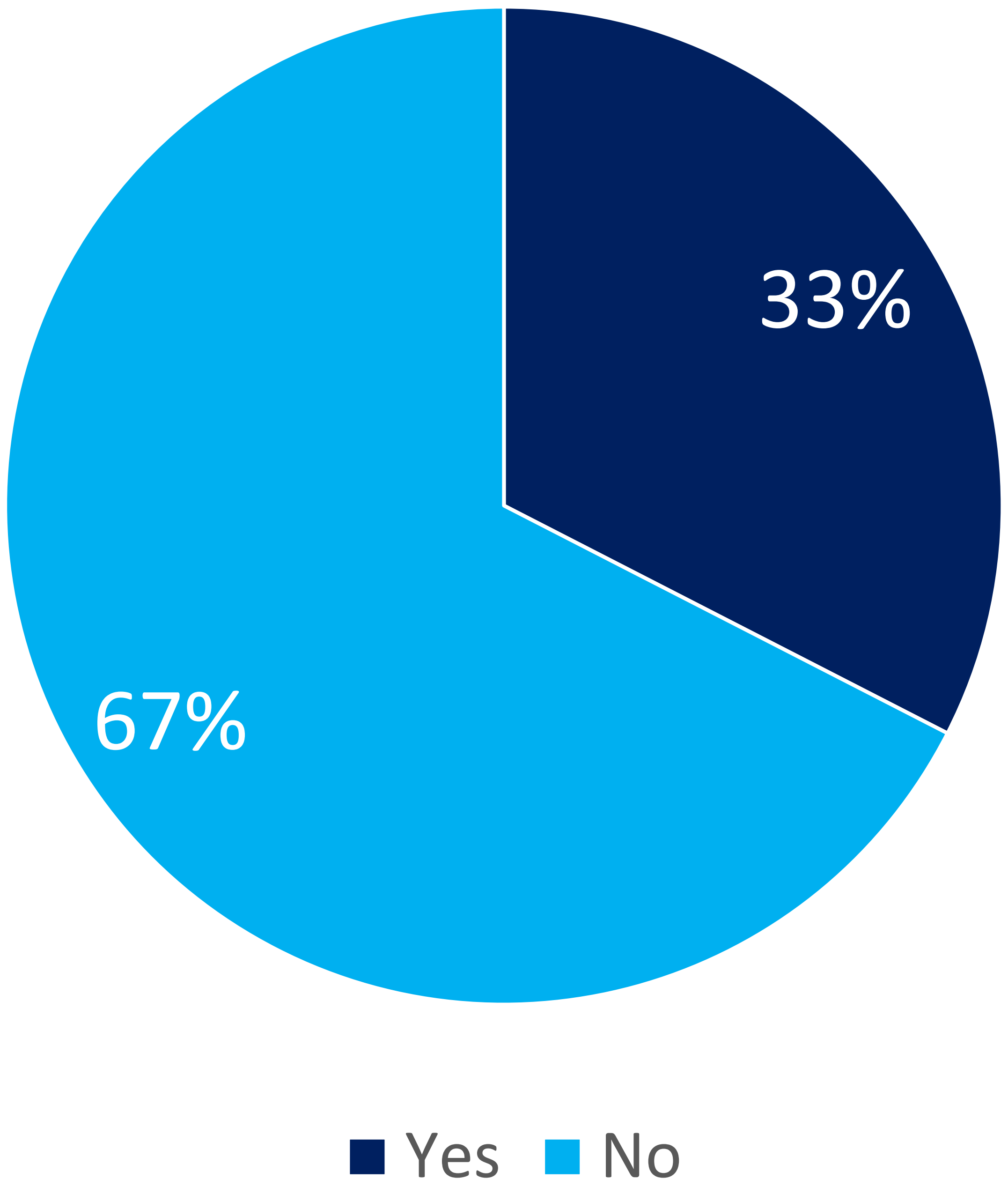
How frequent are co-funding requirements in your funding ecosystem?



Has the amount of activities requiring co-funding increased at your institution?



Has your institution developed a policy regarding co-funding requirements?



- No policy because not a sufficiently recurrent issue
- Case by case practice
- Policies involving fixing a maximum share of own contribution
- Responsible body at central level deciding on the matter
- Practice to co-fund through working time
- Institutions underlining that there is limited relevance for own policy as this is dictated by funders.

Questions

- Are we overestimating the resource-intensiveness of bringing income sources together? Is co-funding a danger for long-term financial sustainability?
- Where can we make real ‘synergy’ gains?

What is next?

Summer 2024

Collecting and cleaning the data

Autumn 2024

Analysis underway
Presenting preliminary findings

Throughout 2025

Publishing a series of briefings and active dissemination

Thank you!