

# **Comparative Analysis of Financial Autonomy in Lithuania, Scotland, Sweden, Denmark and Romania**

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# Financial Autonomy



Refers to a university's right to organize its activity independently and to manage its finances, within the legal limits.

# Financial Autonomy



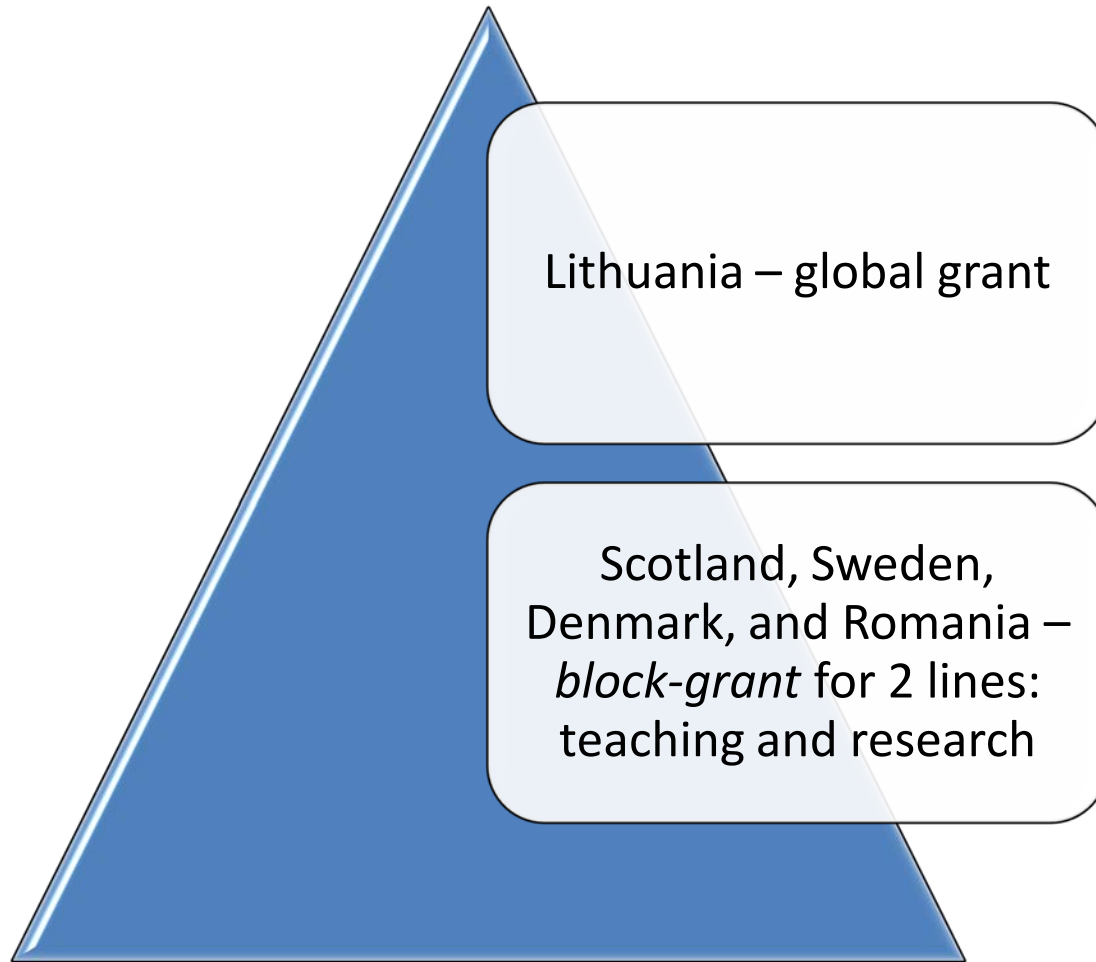
University capacity to decide on (Estermann and Nokkala, 2009, 2011):

- the extent to which they can accumulate reserves and keep surplus on state funding
- the ability of universities to set tuition fees
- their ability to borrow money on the financial markets
- their ability to invest in financial products
- their ability to issue shares and bonds
- their ability to own the land and buildings they occupy

# Benchmarking indicators and subindicators

#	Indicator	Subindicator
1.	Model of financing higher education	Study funding
		Research funding
2.	Financial mechanisms in higher education	
3.	Allocation of public funds to universities	
4.	Calculating the cost (price) of preparing one student	
5.	Funding from private sources and their monitoring	
6.	Ability to borrow money on national and international markets	
7.	Extent to which universities are free to set the maximum limit for tuition fees	
8.	Transferral of surplus funds from one year to the next	
9.	Capacity (freedom) to own real estate	
10.	Tuition and fees policy for international students	
11.	Student scholarships and other types of financial support	
12.	Allocation of financial resources within the university	

# 1. Model of financing higher education



# 1.1. Funding of study



In Lithuania – number of actual students (by vouchers).



In Scotland – number of equivalent students (FTE).



In Sweden – contract between ME and university for education activities for 3 years. The amount is calculated according to the number of credits gained by the student in one year and the actual number of students.

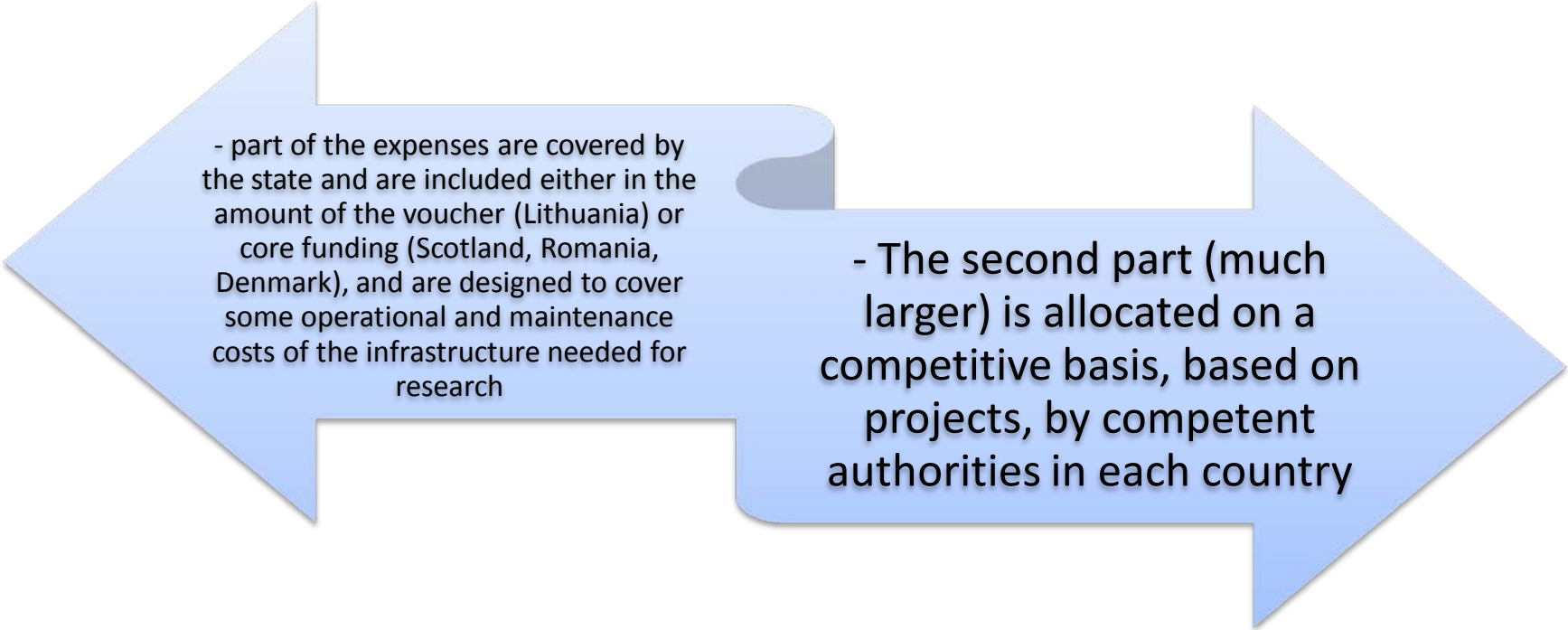


Denmark takes into account only successful students (taximeter system).



Romania – equivalent students in proportion of 70% and 30% based on relative quality indicators.

## 1.2. Research funding (dual system)

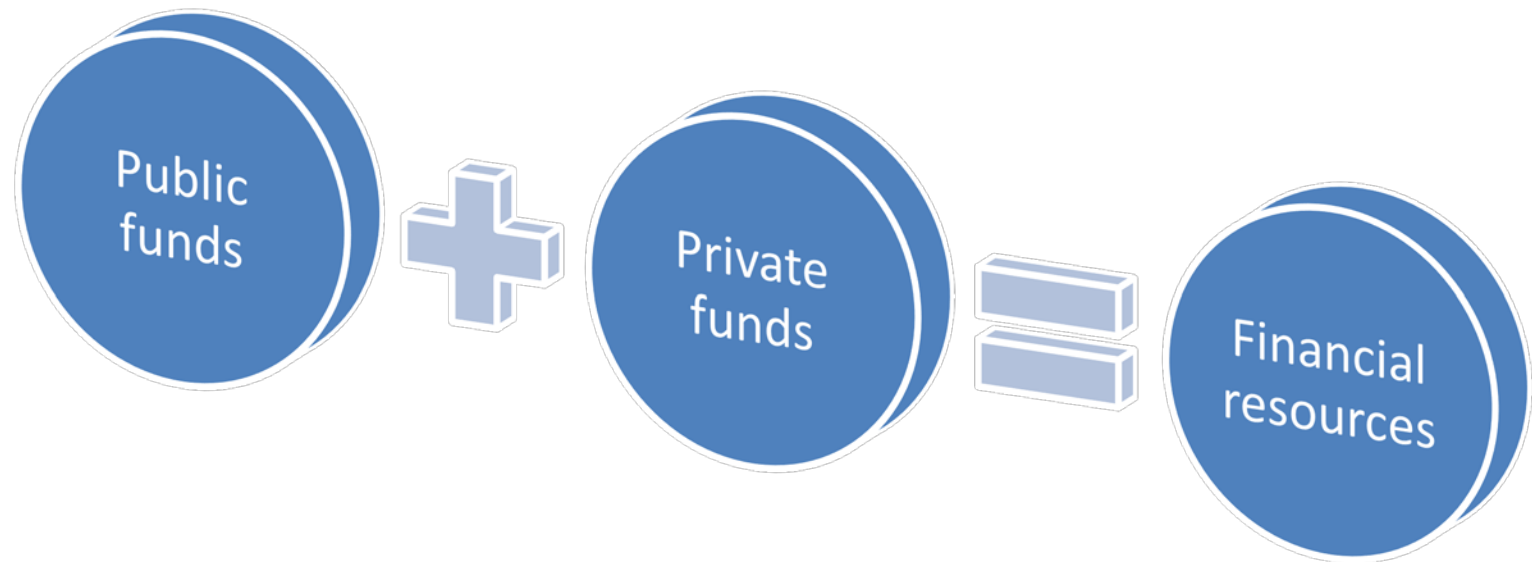


The diagram consists of two large, light blue arrows pointing in opposite directions, one to the left and one to the right, which are joined at their bases. The left arrow contains text describing state-covered expenses, and the right arrow contains text describing competitive allocation.

- part of the expenses are covered by the state and are included either in the amount of the voucher (Lithuania) or core funding (Scotland, Romania, Denmark), and are designed to cover some operational and maintenance costs of the infrastructure needed for research

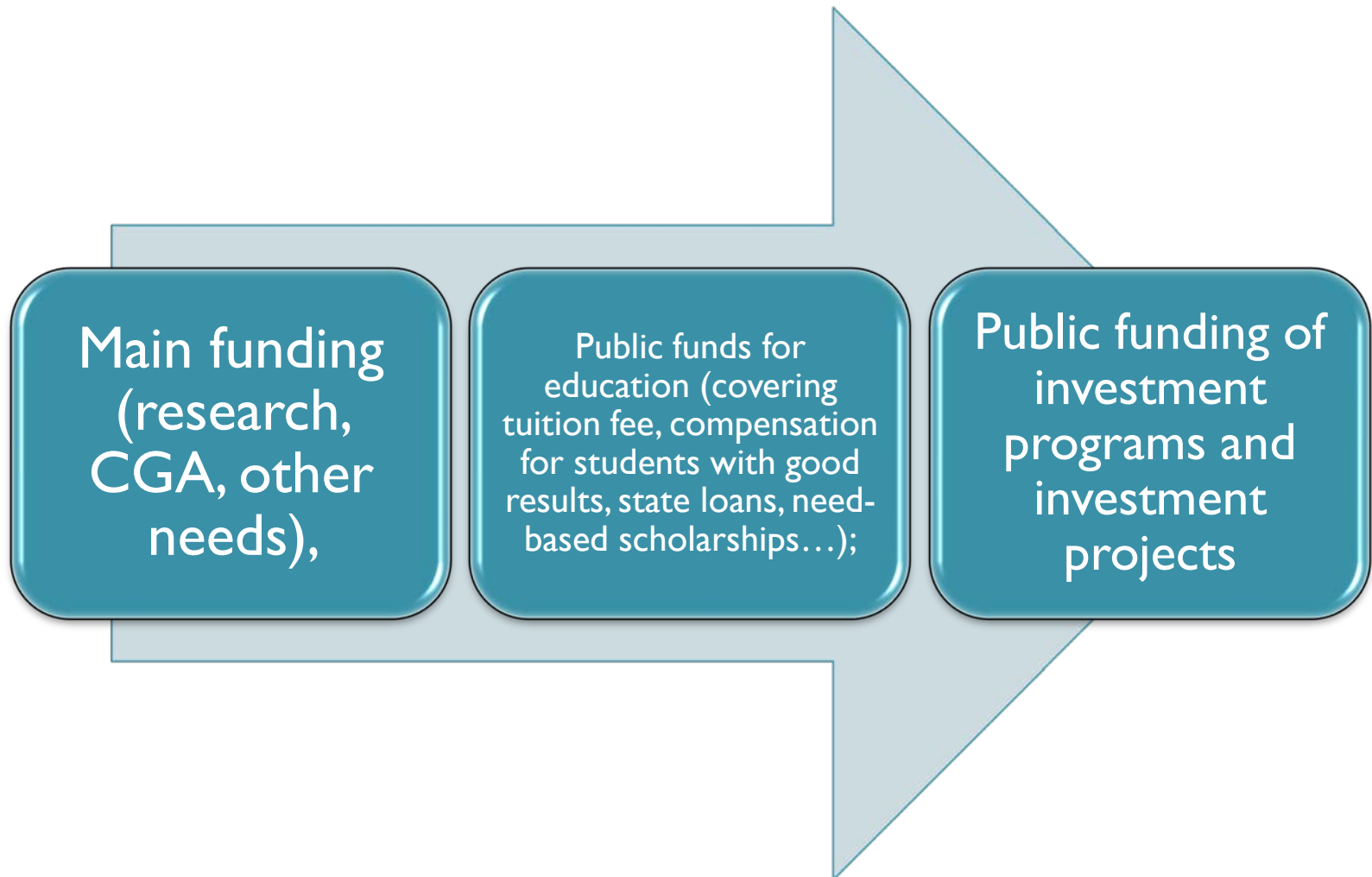
- The second part (much larger) is allocated on a competitive basis, based on projects, by competent authorities in each country

## 2. Mechanism of funding in higher education

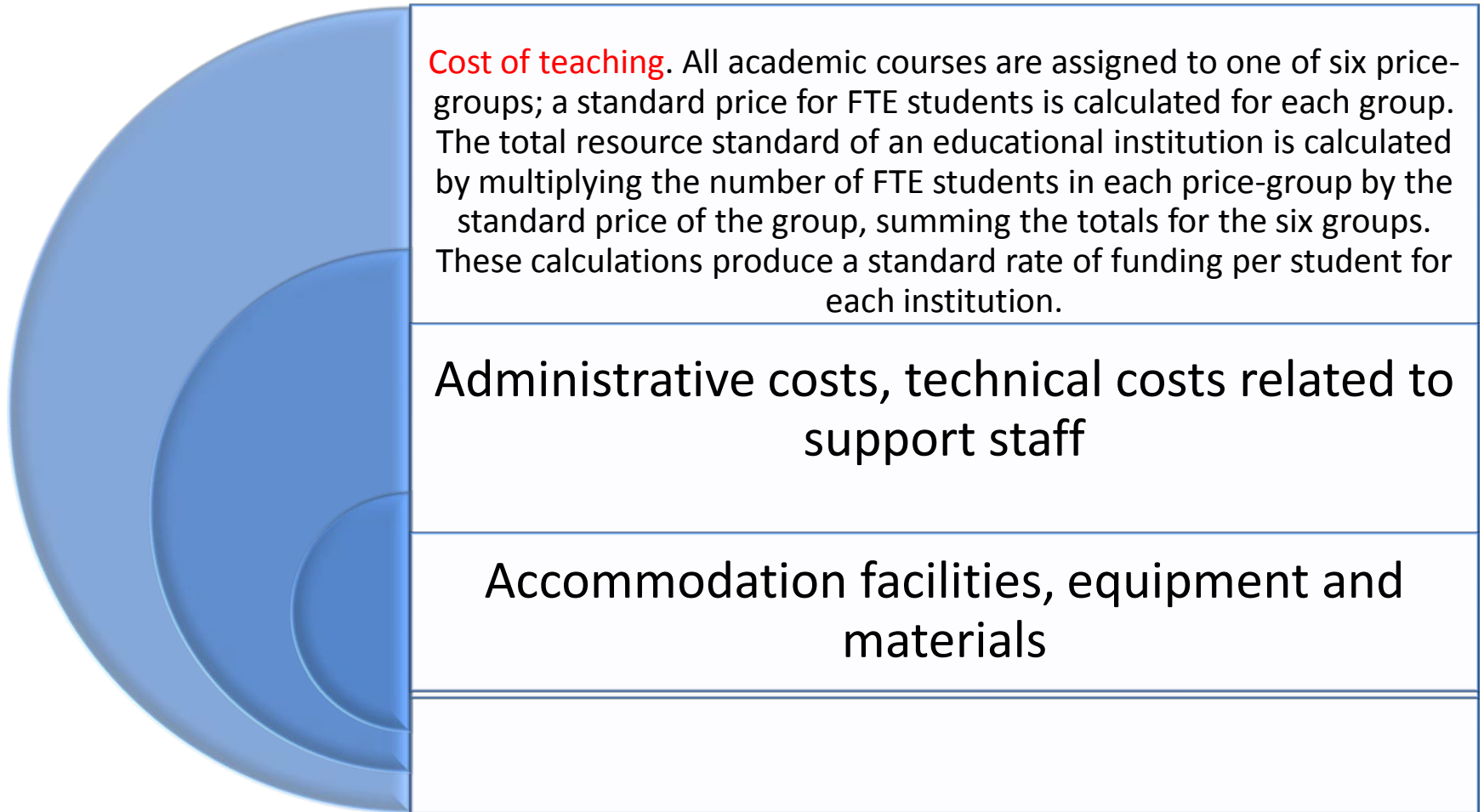




# Funding mechanism. Lithuania



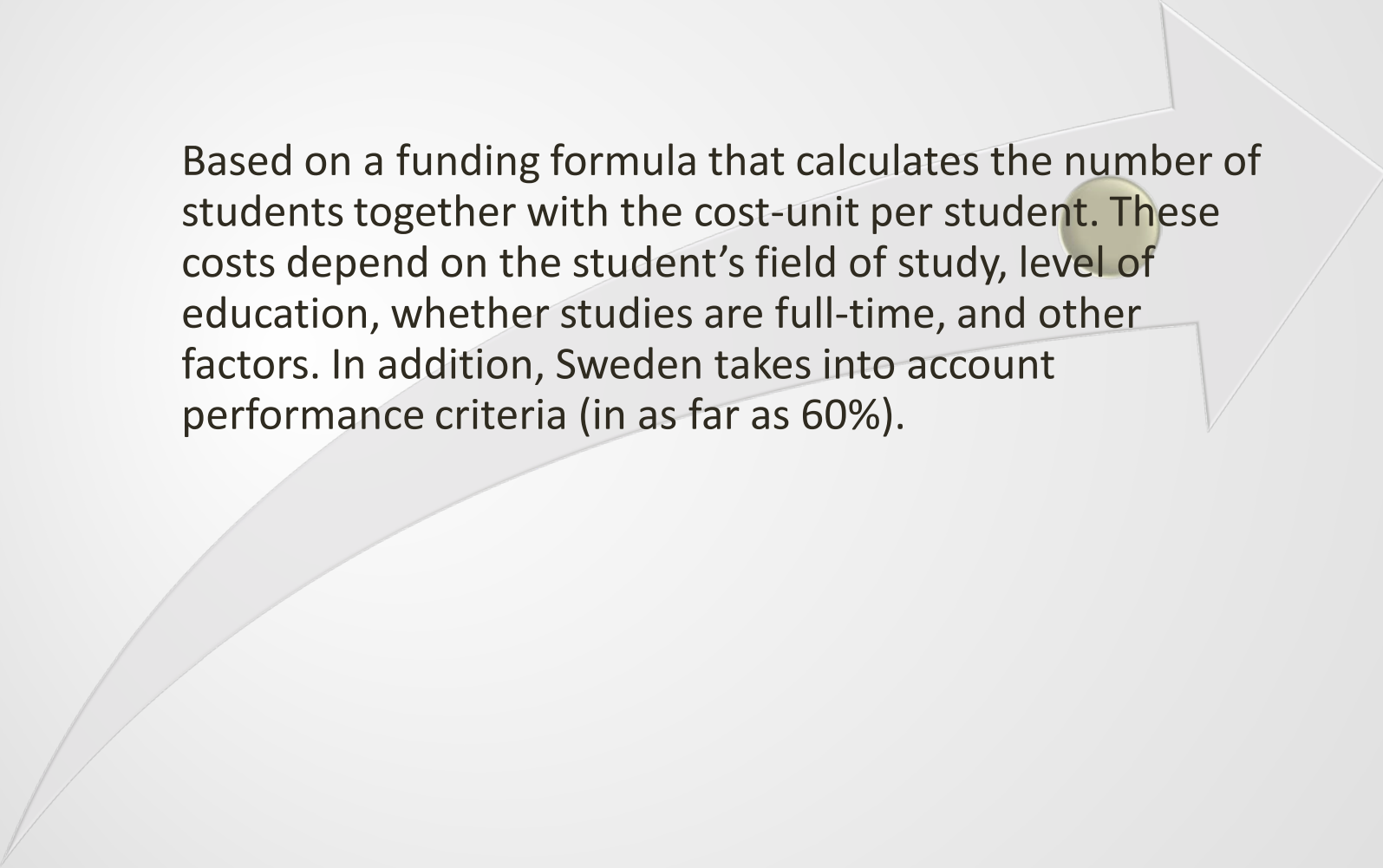
# Funding mechanism. Scotland



# Funding mechanism.

## Sweden

Based on a funding formula that calculates the number of students together with the cost-unit per student. These costs depend on the student's field of study, level of education, whether studies are full-time, and other factors. In addition, Sweden takes into account performance criteria (in as far as 60%).



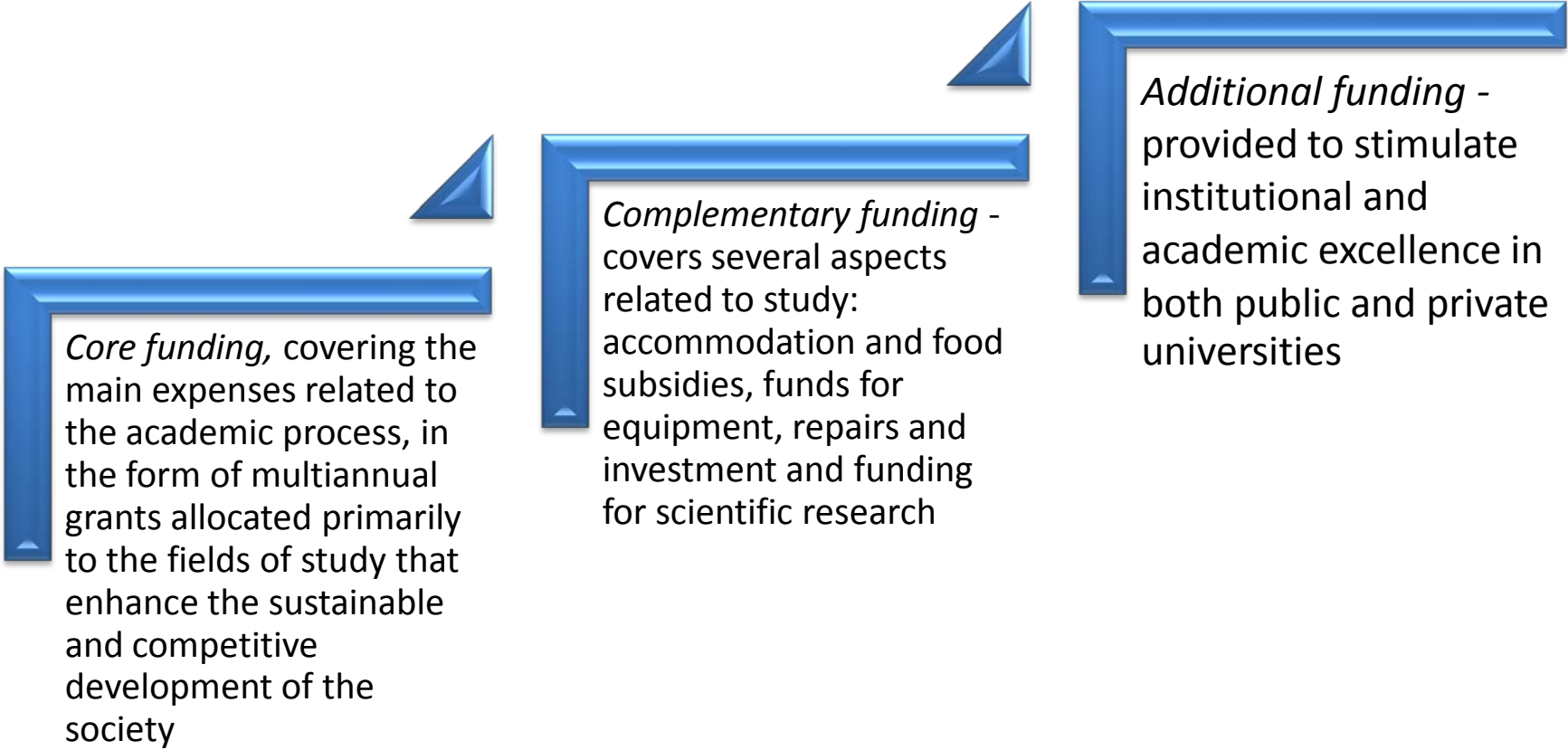
# Funding mechanism.

## Denmark

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- ❧ The fundamental principle is “money follows work”
- ❧ The system is based on three basic fees:
  1. Teaching taximeter – covers expenses directly related to teaching, such as salaries, equipment and teaching materials
  2. Construction and maintenance taximeter – a grant covering capital costs, such as building rental, interest and mortgage debt, and expenses related to building maintenance
  3. Collective expenses taximeter – covers types of expenses that can not be properly related to individual educational programs such as administration and management expenses, etc.
- ❧ Bonuses for completion - encourage students to reduce the length of studies

# Funding mechanism. Romania

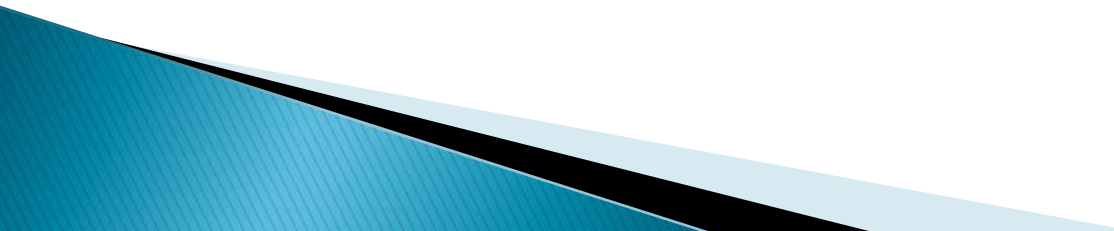


*Core funding*, covering the main expenses related to the academic process, in the form of multiannual grants allocated primarily to the fields of study that enhance the sustainable and competitive development of the society


*Complementary funding* - covers several aspects related to study: accommodation and food subsidies, funds for equipment, repairs and investment and funding for scientific research

*Additional funding* - provided to stimulate institutional and academic excellence in both public and private universities

### 3. Allocation of financial resources

- ▶ In *Lithuania* – according to the principle “money follows the student”.
  - ▶ In *Scotland* and *Sweden* the allocation depends largely on allocations from previous years and the current state budget. Each year, the Scottish Funding Council signs an agreement with each university setting out the terms for allocations.
  - ▶ In *Sweden* allocations are planned for a period of three years, specifying the amount of each year. Financial resources are distributed by the ministry based on calculations.
  - ▶ In *Denmark*, the system of allocating financial resources is based on outputs. The Ministry allocates resources based on the number of FTE and cost of a student in that academic field for: study, basic research.
  - ▶ *Romania* allocates resources to universities based on contracts with the Ministry of National Education. The methodology is based on formulas and is reviewed annually.
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## 4. Calculating the cost of educating a student



In Scotland the cost of educating a student is calculated according to the so-called TRAC methodology. It makes it possible to take into account all costs of organization, direct and indirect, to be analysed and attached to activities in a fair and reasonable manner.
Sweden and Denmark use the Full Costing methodology that takes into account all direct and indirect costs of educating a student incurred by the university. This total cost is divided by the number of students, taking into account the field of study and form of education. Education in humanities is the standard for calculating the cost per student, while programs using advanced technological components include a coefficient depending on complexity. The calculation is based on full-time students; part time represent 0.75 of a unit (Sweden).
Romania uses a methodology based on formulas that take into account all expenses incurred at the university level.



## 5. Forms of private funding and their monitoring

- Income from contract-based research;
- Donations;
- Interest on cash balances and investments;
- Teaching contracts for specific customers;
- Income from tuition fees;
- Income from fees on short courses;
- Private sources are used depending on the strategy adopted by the university. Monitoring of the use of resources is performed by the internal financial audit, and also by the external financial audit by various overseeing agencies specific to each country, which verify that financial resources are used according to the destinations determined in the university plans. So in terms of university financial autonomy, income from private sources is not particularly monitored.



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- Scotland – position sponsorships (especially for teaching positions that are often for a pre-determined period of time)

## 6. Freedom to borrow money on financial markets



Lithuanian higher education institutions have the right to take out loans, to sign loan contracts, finance leases, within the legal limits approving the financial indicators of the state budget and municipal budgets.



In Scotland the university may borrow money from banks only after providing a justification and with the consent of the Scottish Funding Council.



In Sweden universities can borrow money from the financial market, but only from the bank designated by the responsible authority.

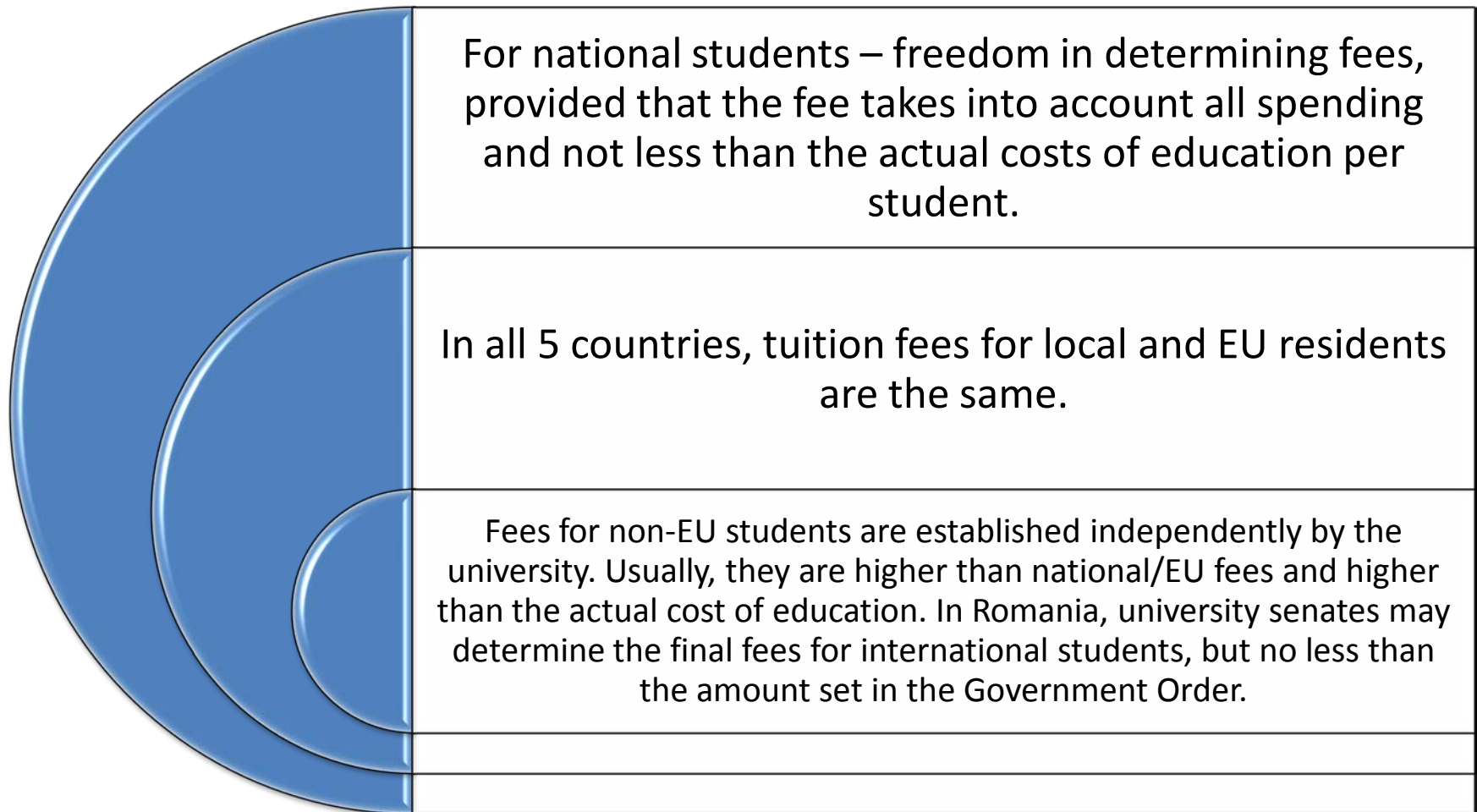


In Denmark universities are allowed to borrow money from the financial market without restrictions.

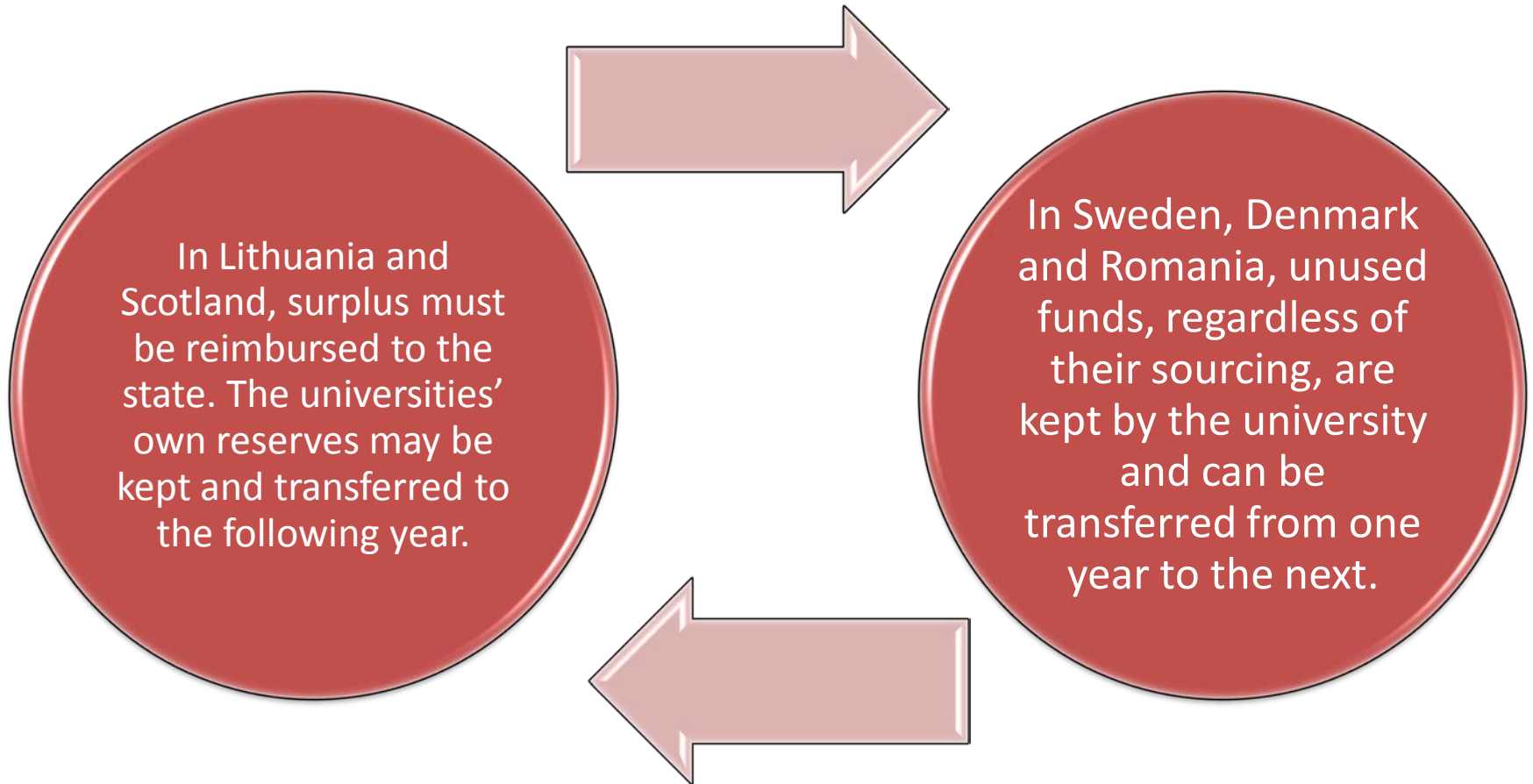


The Romanian legislation permits universities to borrow money.

## 7. Universities' level of freedom in setting tuition fees



## 8. Transfer of surplus to the next year



## 9. Universities' capacity (freedom) to own real-estate



Universities in Lithuania, Romania, Denmark can own buildings that are purchased from their own resources. Those purchased with public funds belong to the state.



In Sweden, universities do not have ownership of the buildings. They are renting space from a state agency that manages these buildings.



In Scotland, universities are only managers of the property, but may obtain CSF's approval to sell state-owned buildings

## 10. Tuition fees for international students

- Universities independently determine the fees for non-EU students. They are usually higher than resident fees and than the actual cost of education (in Scotland, by 65%). In Romania university senates may determine the final amount of the fee for international students, but it needs to be above the limit given by Government Order.

# 11. Scholarships and financial support for students



Merit and need-based scholarships (Lithuania and Romania). Lithuania - performance - tax exemption



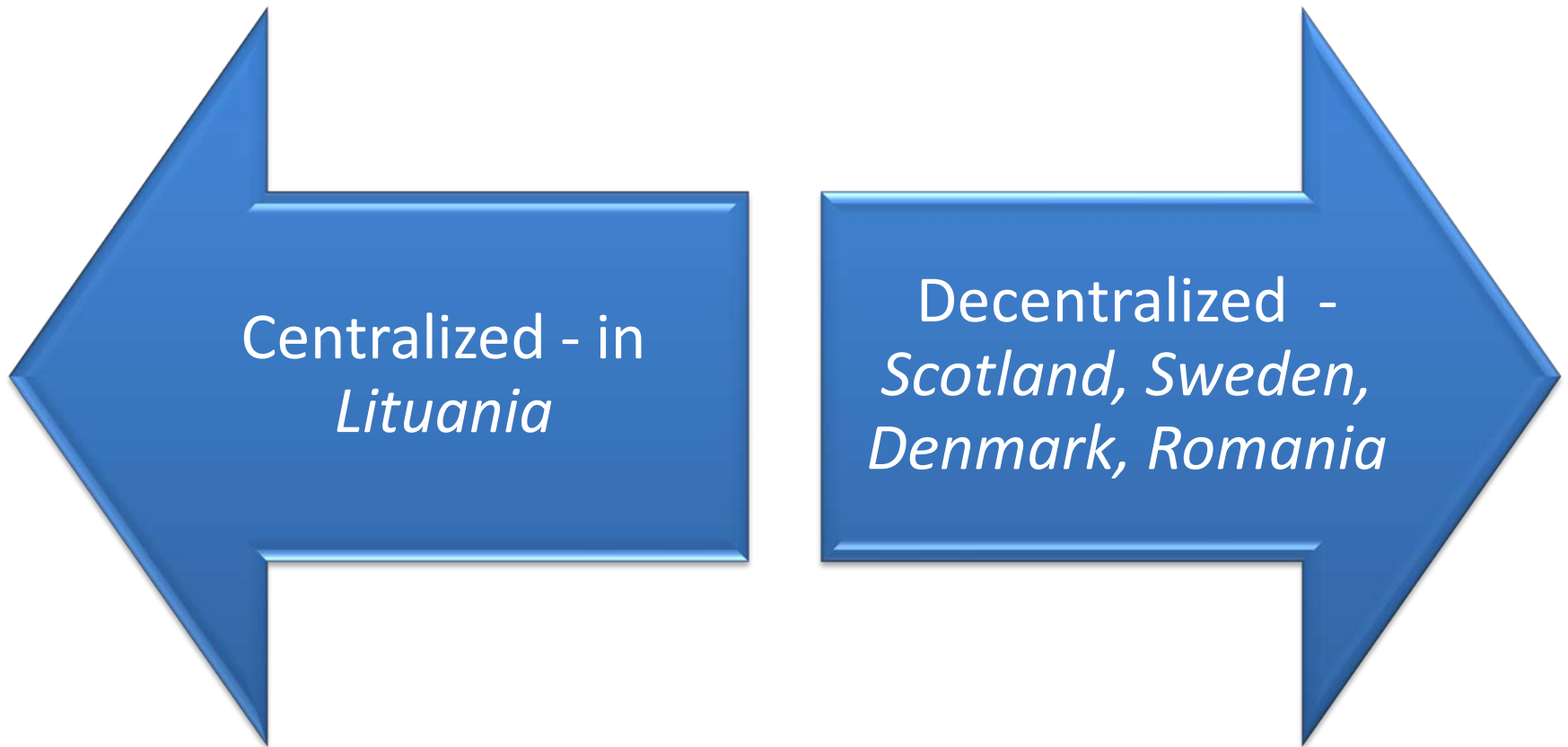
Loans backed by the state to cover study costs, living expenses, partial studies under international agreements (Lithuania).



Grants and loans under certain conditions (Scotland, Sweden and Denmark). Thus, in Denmark and Scotland loans should be repaid for 15 years after graduation, and in Sweden - for 25 years, repayment starting only after reaching a certain level of income.



## 12. Distribution of financial resources within the university



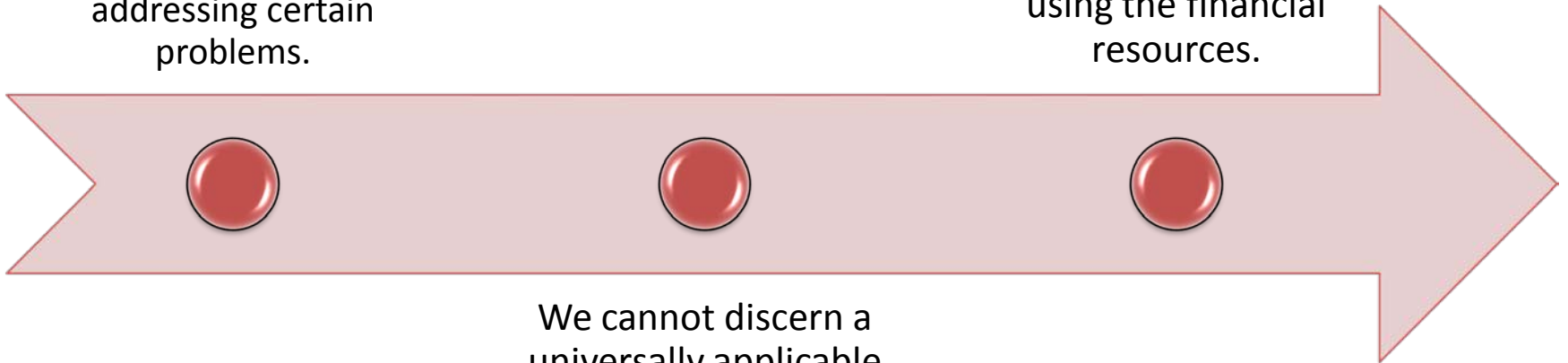


# Conclusions

Financial autonomy is inherent to all universities in these countries. What differs is the degrees of freedom they have in addressing certain problems.

The high level of responsibility universities have in using the financial resources.

We cannot discern a universally applicable model. Each one stems from the university's specific traditions and historical development.



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de 100 g de apă, amestecându-se cu vârful degetelor,  
într-un pahar, amestecându-se cu vârful degetelor,  
până la obținerea unei paste omogene de culoare  
albă. Se amestecă și se amestecă, astfel.

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