

Management in Higher Education

University of Kassel

Financial Management and Budgeting in HE – Funding Allocation as a Method of Facilitating and Steering HE

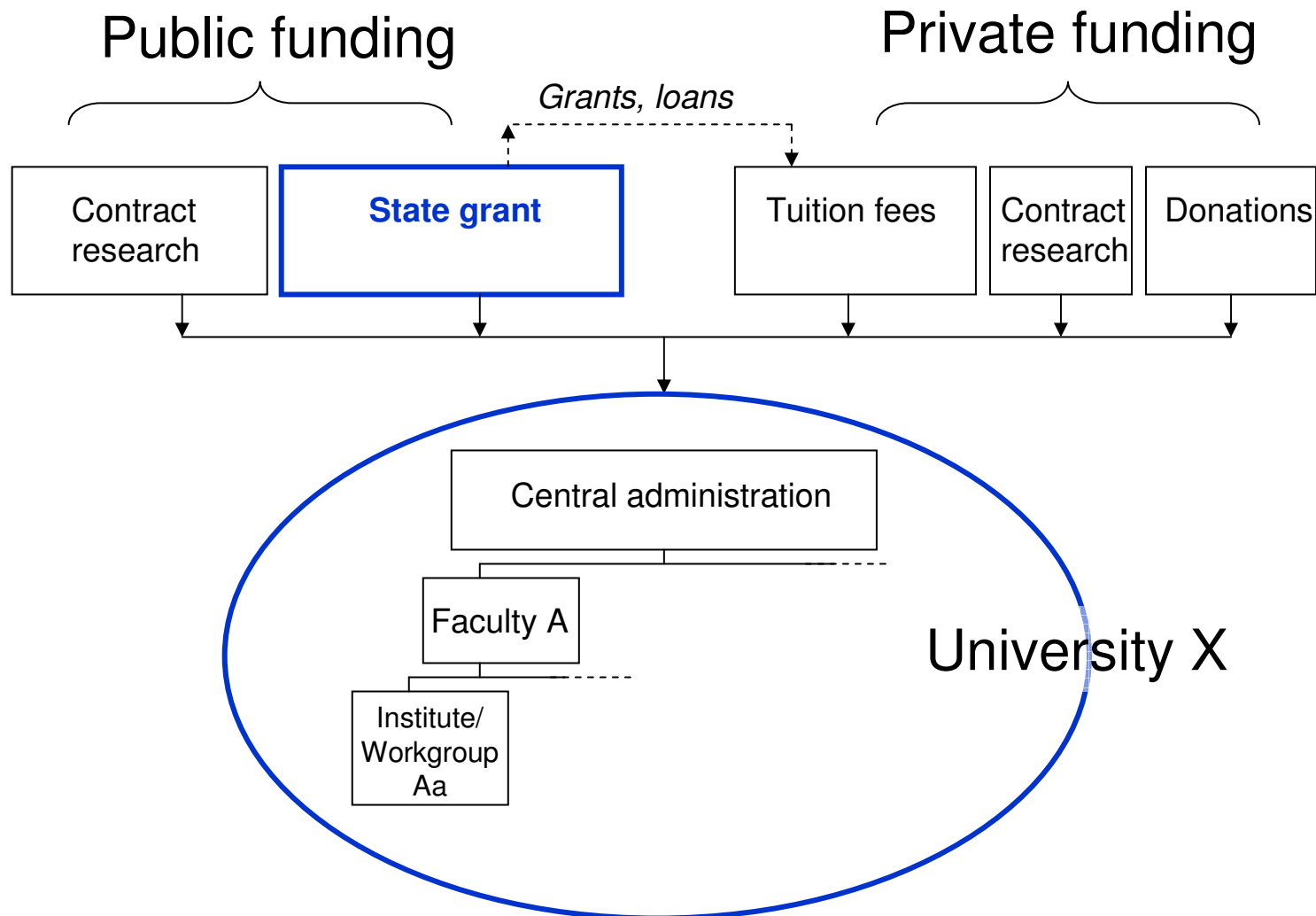
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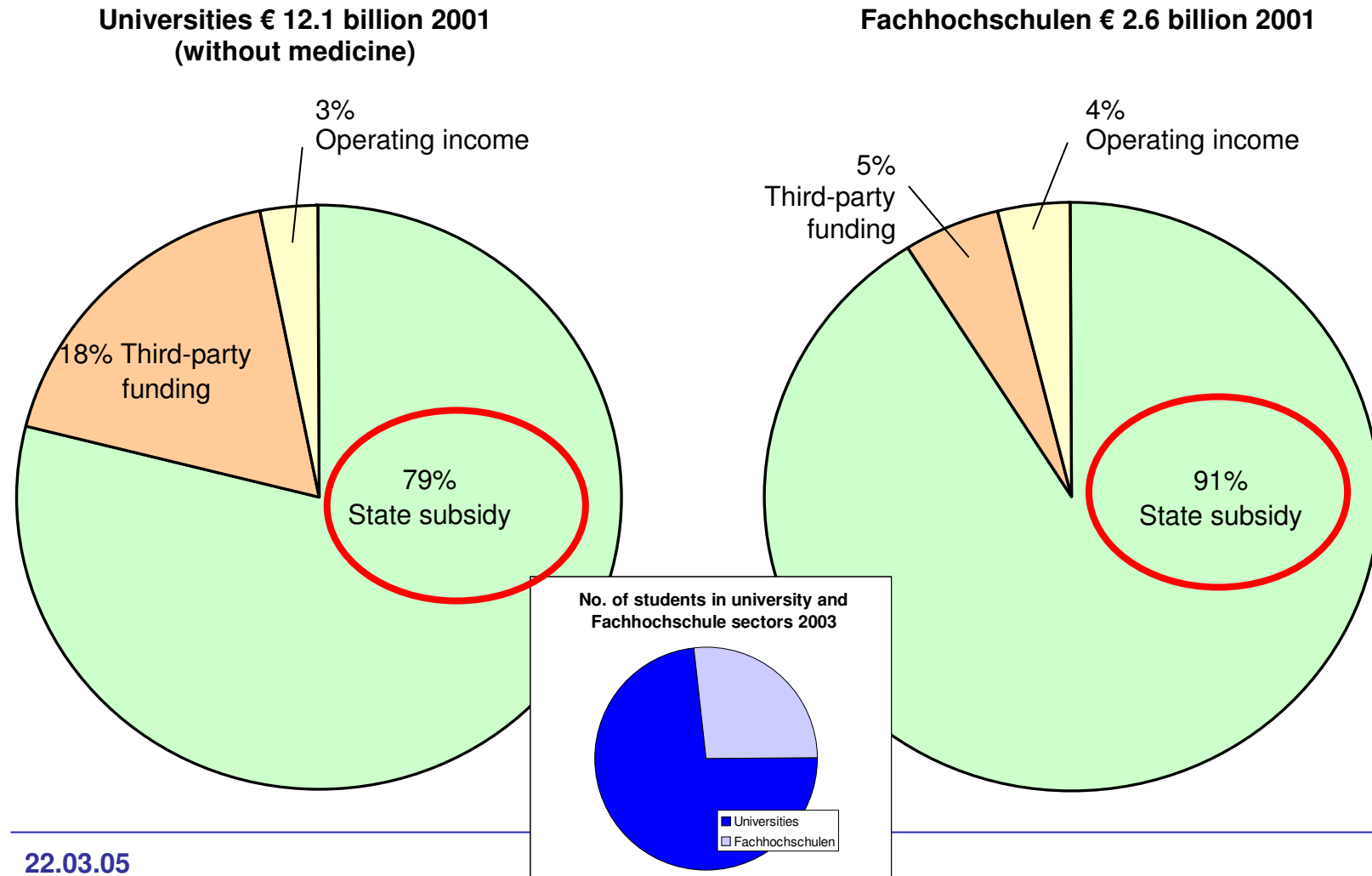
Overview

- ⊕ Main elements of HE funding
- ⊕ Income streams for public universities: UK, USA, Germany
- ⊕ State funding of HE
 - ⊕ Principles and associated instruments
 - ⊕ Architecture of funding systems in international comparison
 - ⊕ Goal-based agreements (management-by-objectives)
 - ⊕ Indicator-based funding
- ⊕ Internal budgeting
 - ⊕ Options and examples
 - ⊕ Issues

Main elements of higher education funding

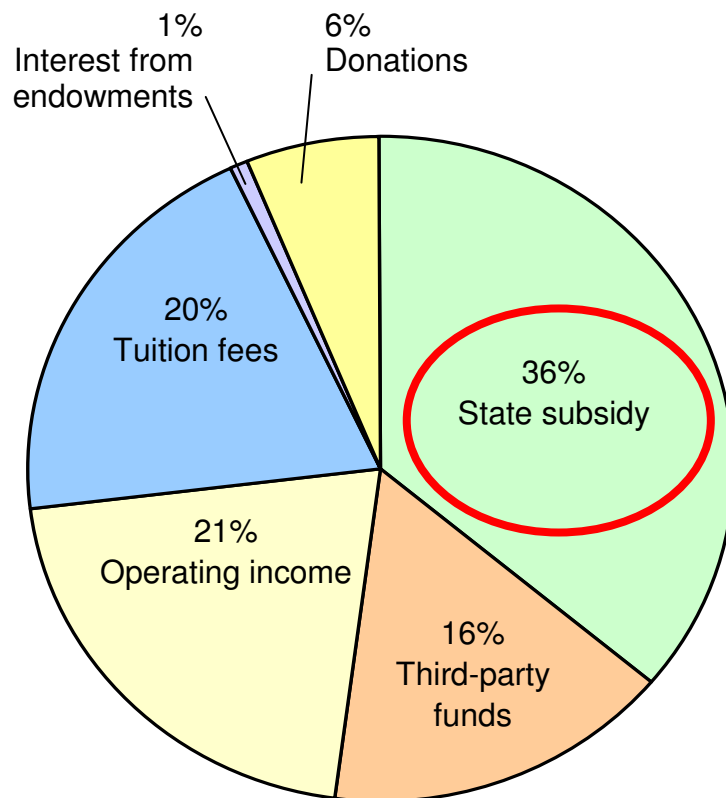


Sources of higher education funding in Germany

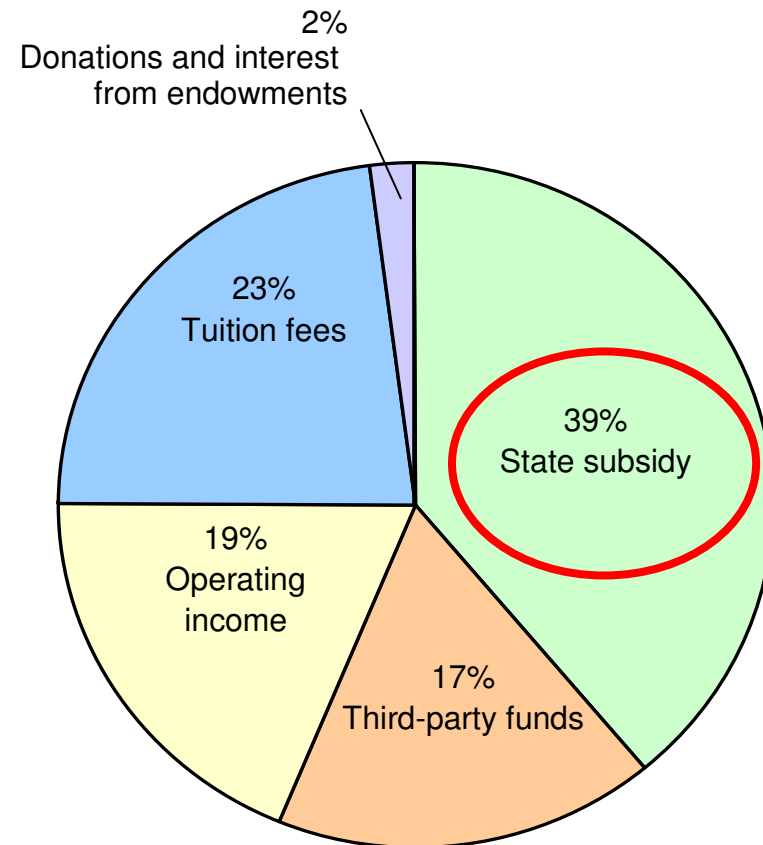


Sources of higher education funding in UK & USA

USA (public universities without medicine)
€ 124.5 billion 2000



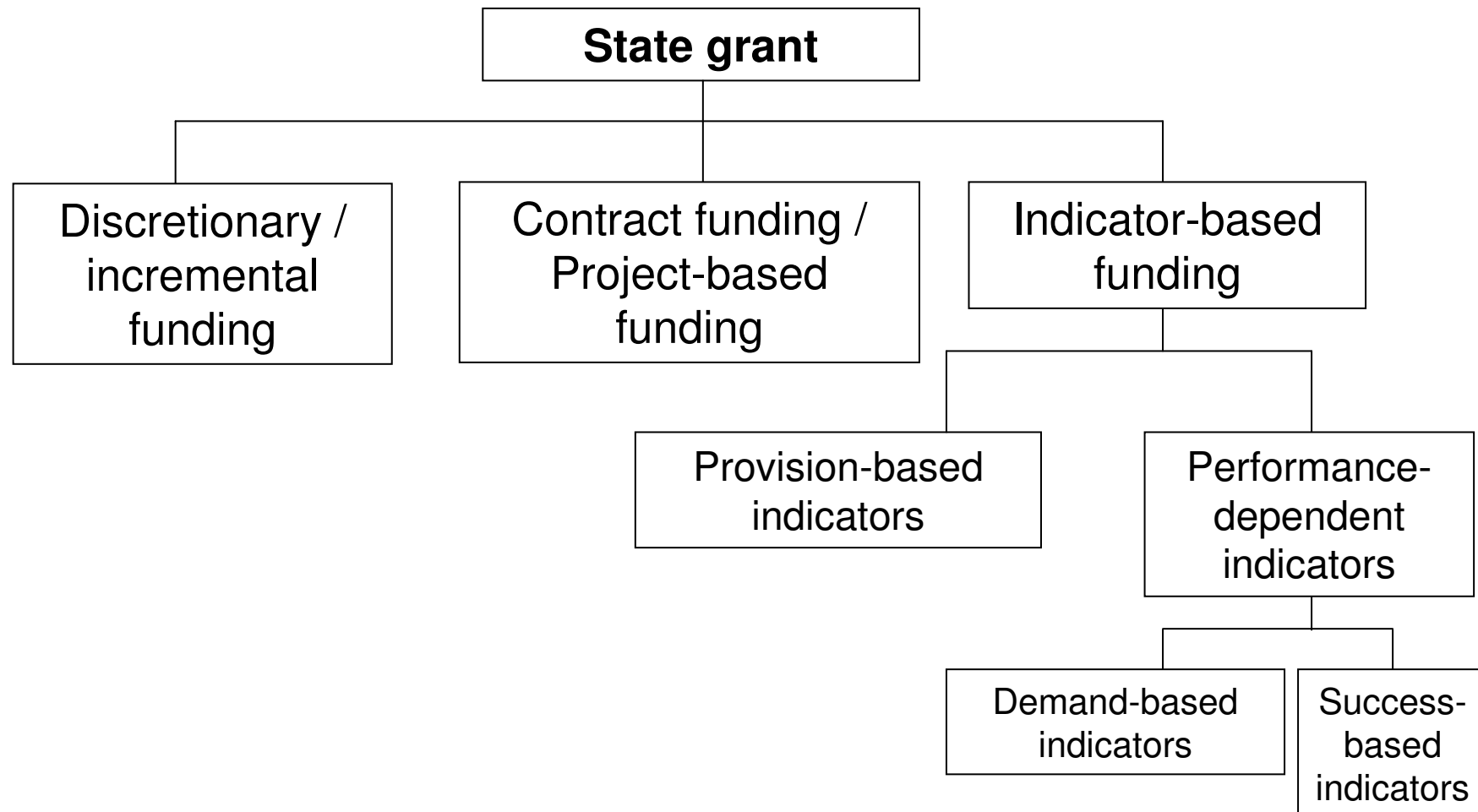
UK (public universities *with* medicine)
€ 21.7 billion 2001



State funding: Principles and associated instruments

Funding principle	Guiding question	Basis of decision	Goal(s) of funding	Possible instruments
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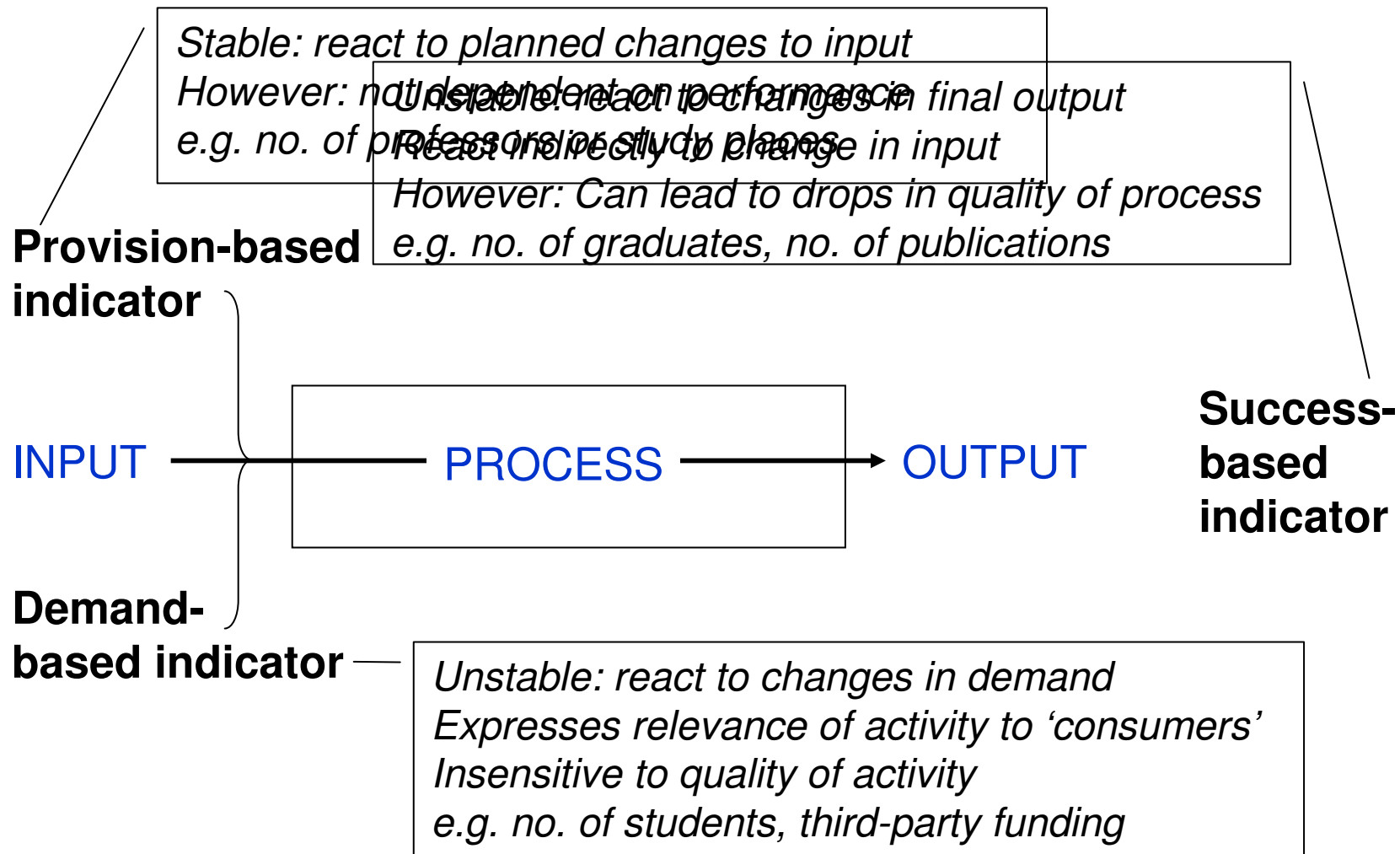
Architecture of funding systems: basic scheme



Goal-based agreements

- ⊕ Monetary vs. non-monetary agreements
- ⊕ Goals vs. measures
- ⊕ Contract-based funding vs. project-based funding
- ⊕ Definition of agreements – 3 options
 - Initiative of academics – project proposal
 - Initiative of state, but competition for money
 - Individual agreement between state and university

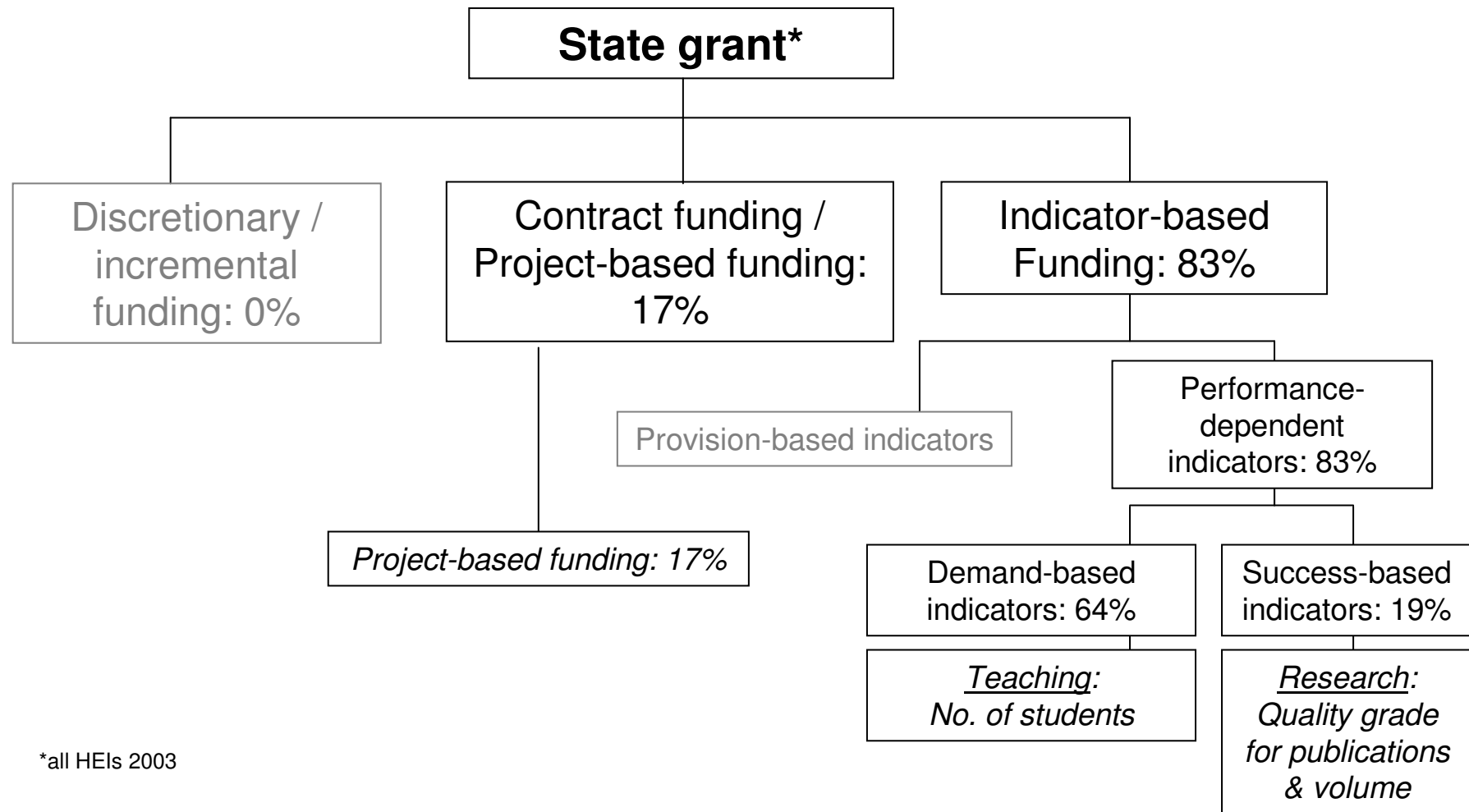
Indicator-based funding I



Indicator-based funding II

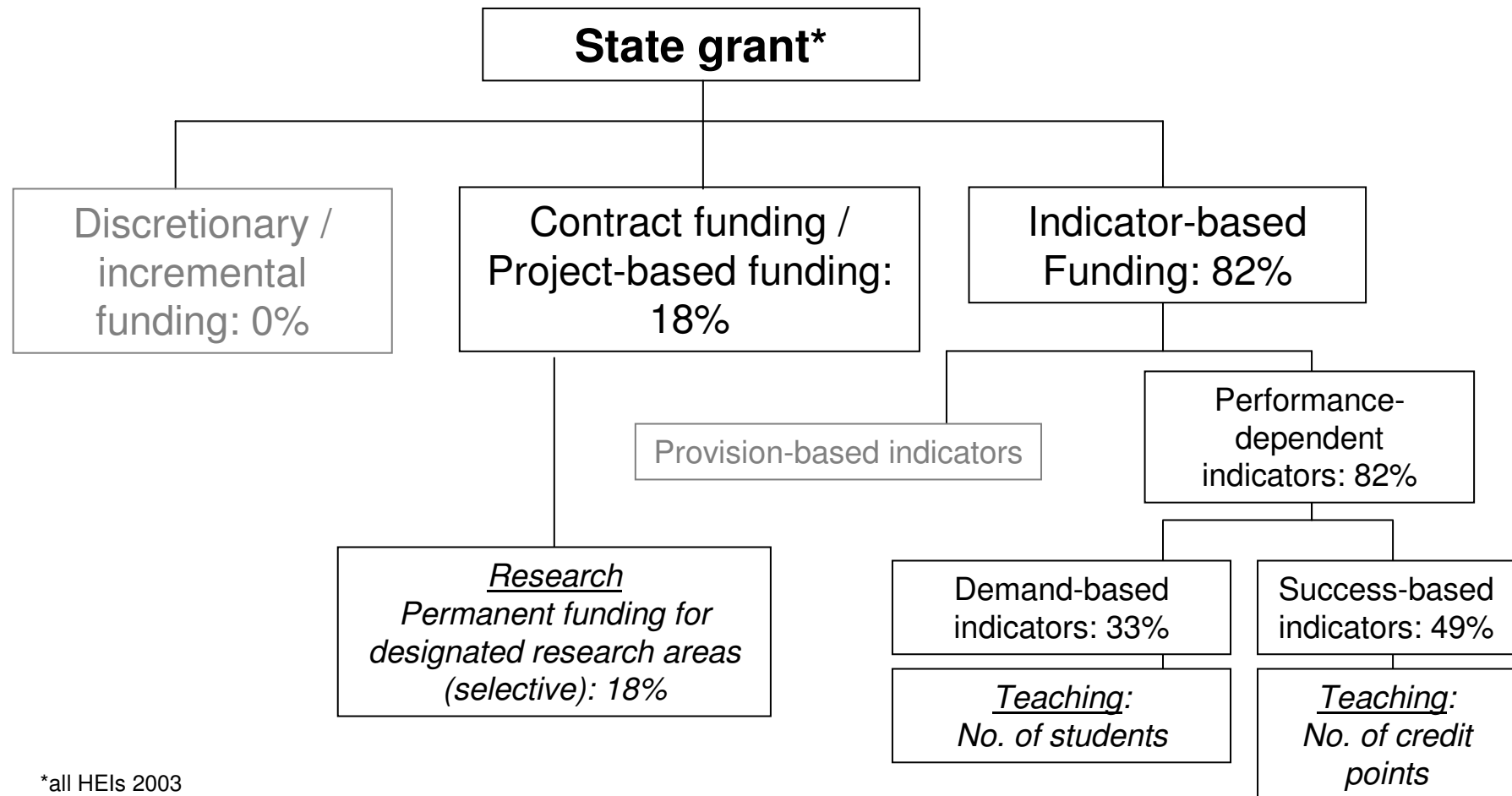
- ⊕ Weighting of indicator-types: provision, demand, success
- ⊕ Actuality of indicator values: annual or multi-year values
- ⊕ Absolute numbers vs. quotas
- ⊕ Weighting of individual indicators: performance goals

Architecture of funding systems in comparison: England



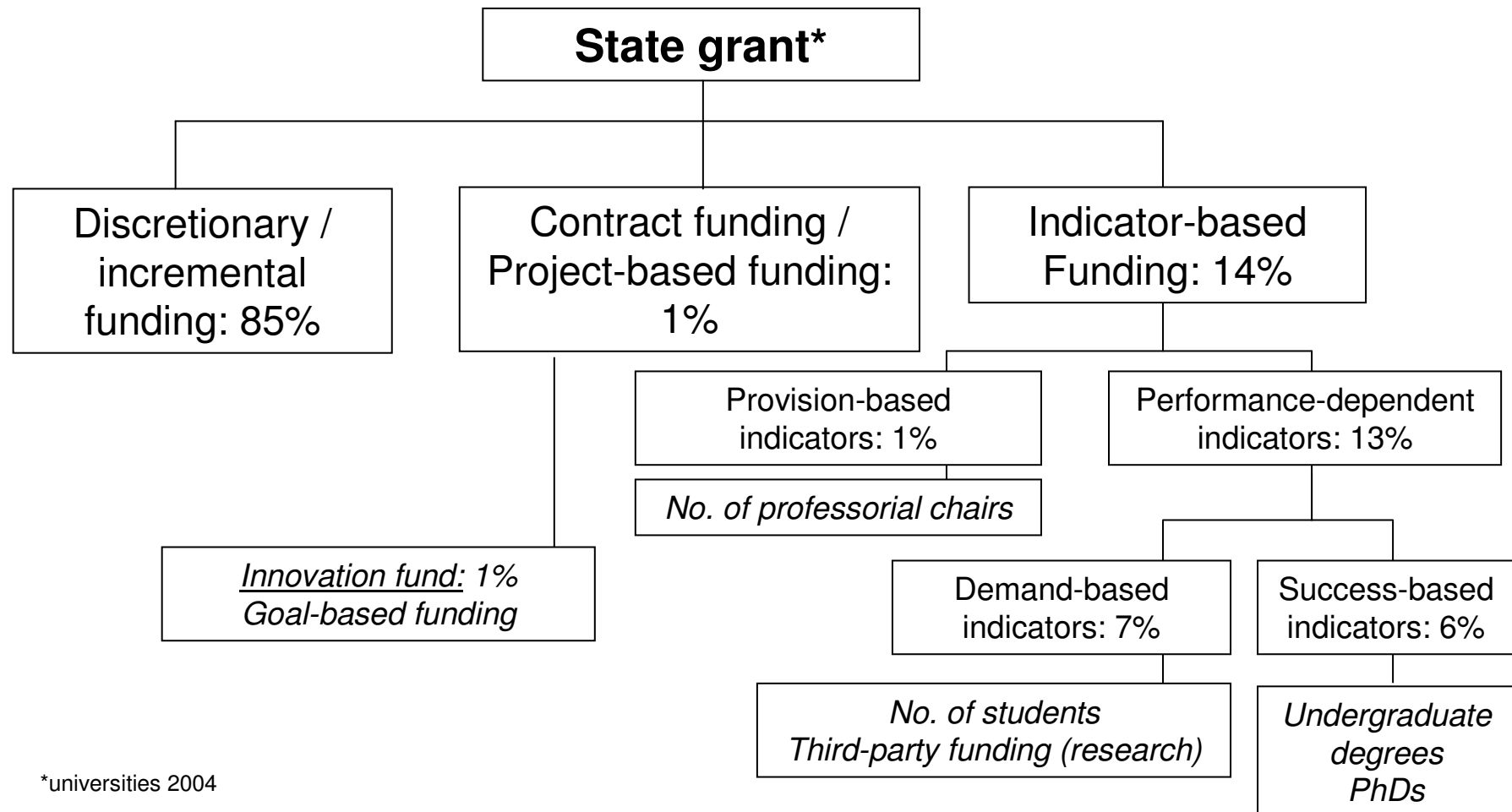
*all HEIs 2003

Architecture of funding systems in comparison: Sweden



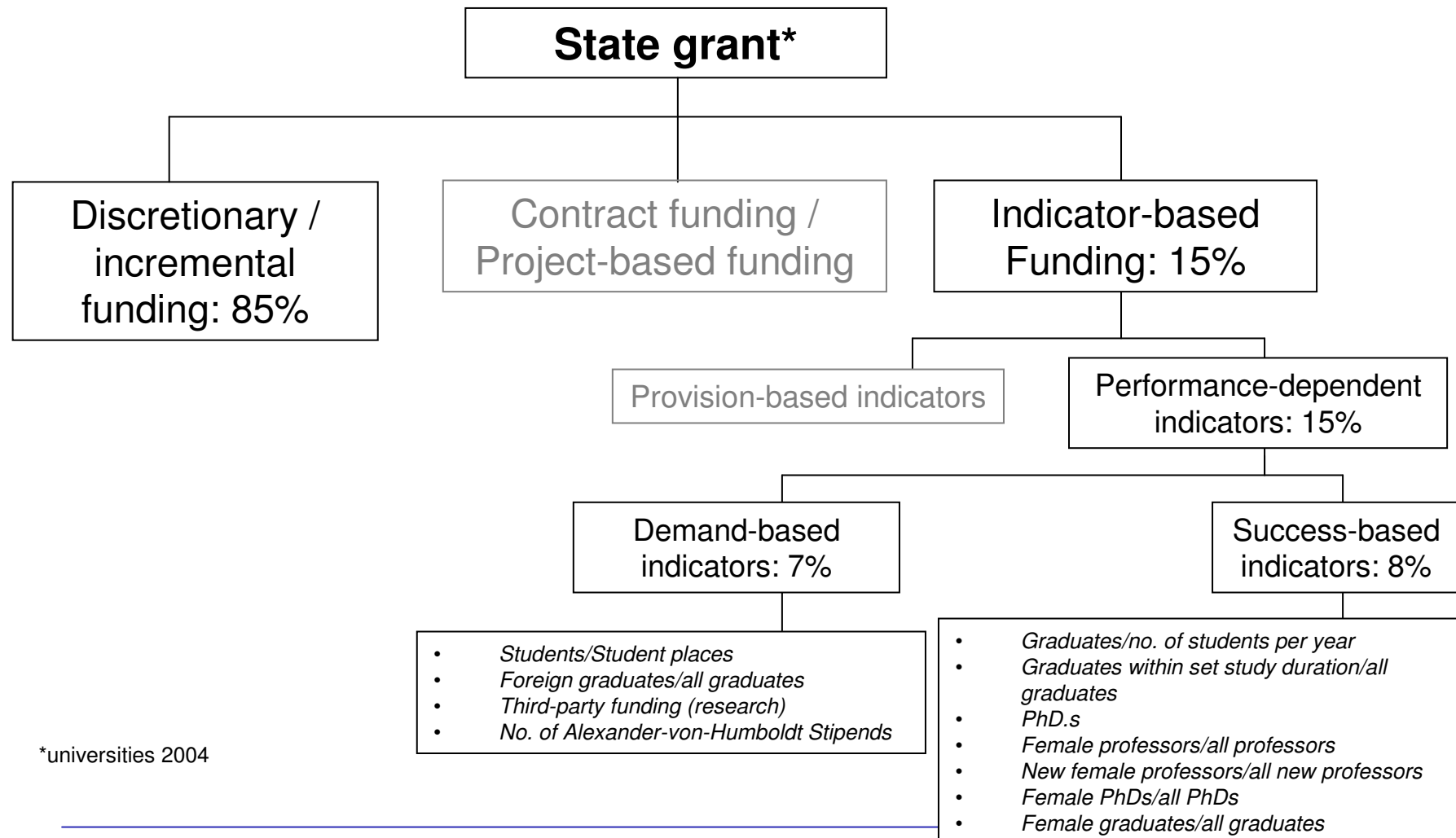
*all HEIs 2003

Architecture of funding systems in comparison: North Rhine-Westphalia



*universities 2004

Architecture of funding systems in comparison: Berlin



Architecture of funding systems in comparison: Components

Component	Discretionary / incremental	Contract funding / project-based funding	Indicator- based funding
Orientation	Needs-based	Future performance	Past performance
England	0%	17%	83%
Sweden	0%	18%	82%
NRW	85%	1%	14%
Berlin	85%	0%	15%

Architecture of funding systems in comparison: Indicators

Orient- ation	No. of indicators	Provision- based	Demand-based	Success- based
England	2	0%	77%	23%
Sweden	2	0%	40%	60%
NRW	5	7%	50%	43%
Berlin	11	0%	47%	53%

Architecture of funding systems in comparison: Issues for discussion

- ⊕ Treatment of institutional differences
- ⊕ Level of stability in funding allocations
- ⊕ Enactment of mid-term HE policy
- ⊕ Treatment of research and teaching

Internal budgeting: Income streams and income receiver

Source of funding	Private	Public	"performer"/receiver
State grant		X	Central administration
Donations	X		Central administration
Investment and Interest / General operating income	X		Central administration

Internal budgeting: Options and examples

All vs. proportion of income to decentral budgets

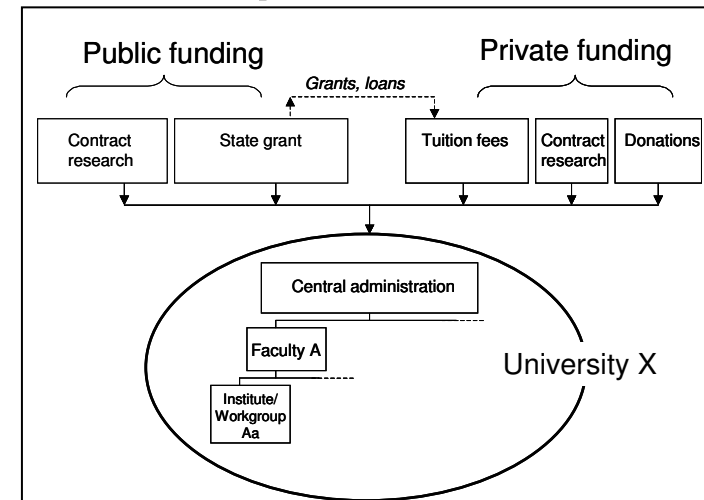
*Heidelberg (G): 37%, Copenhagen (DK): 65%,
Leeds (GB): over 60%, Oxford (GB): 77%*

Top-slice vs. cost-recovery for central services

*Top-slice: Heidelberg (G), Copenhagen (DK)
Cost-recovery: Leeds (GB), Oxford (GB)*

Receiver of decentral funds

*Faculty: Copenhagen (DK), Leeds (GB),
Oxford (GB)
Institutes: Heidelberg*



Internal budgeting: Issues

- ⊕ Steering
 - Reaction to external stimuli (e.g. via state grant)
 - Setting further internal stimuli (e.g. strategy)
 - Short-term reaction vs. long-term strategy

- ⊕ Facilitation – making activities and performance possible
 - Sensitivity to disciplines' cultures
 - Promoting future performance

- ⊕ Funding 'ownership' – tension
 - Organisational culture – top-down vs. bottom-up
 - Communication and transparency

The Higher Education Policy Institute "slammed" middle managers [in universities] because their "loyalties often lie primarily with their subject or their teams". Am I missing something?

Reader's letter on recent report on human resource management in English universities. From: Nigel Morris, Lincoln University, Published: 18 March 2005
Times Higher Education Supplement