

IMPLEMENTATION OF FULL COSTING AT THE UNIVERSITY OF HELSINKI

Camilla Elander, Financial Planning Manager

Zagreb, 16th June 2010



University of Helsinki in brief

Established in Turku 1640, moved to Helsinki 1828

Main tasks: research, teaching and societal interaction

Bilingual (Finnish & Swedish), tuition also in English

11 faculties

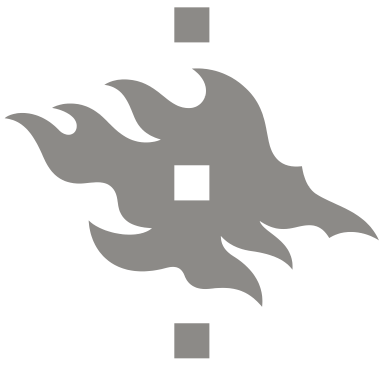
35,000 degree students, 30,000 continuing education and Open University students.

8,160 employees, including 3,930 researchers and teachers.

Budget 2010: € 644 million

Operates on four campuses in Helsinki and 17 other locations throughout Finland

Aims to consolidate its position among the best multidisciplinary research universities in the world



Branches in Finland



Four campuses in Helsinki



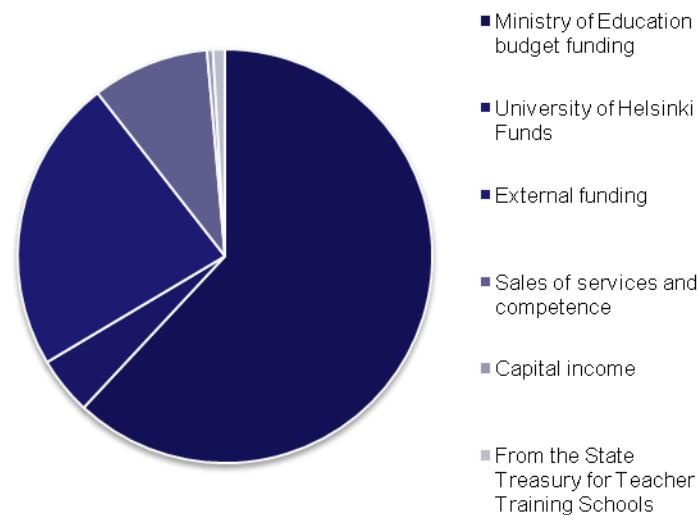
Operations in 17 locations
outside Helsinki



Financing 2010

Ministry of Education budget funding	€399 M
University of Helsinki Funds	€ 29 M
External funding	€ 148 M
Sales of services and competence	€ 59 M
Capital income	€ 3 M
From the State Treasury for Teacher Training Schools	€ 6 M
Total	€ 644 M

Financing 2010

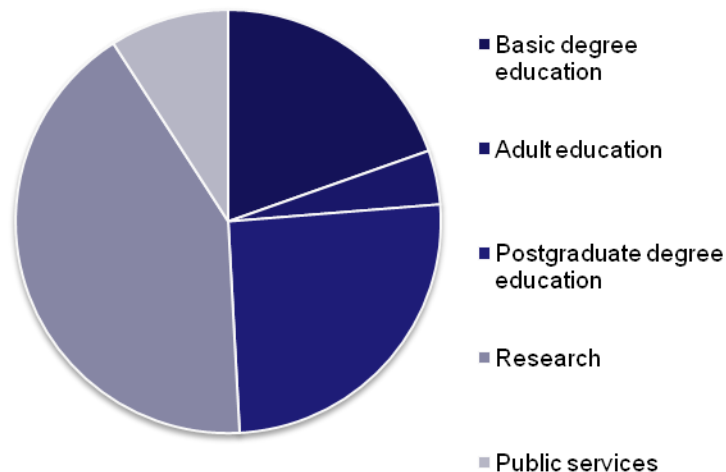




Distribution of costs 2009

	Meur	%
Basic degree education	114	20
Adult education	24	4
Postgraduate degree education	148	25
Research	243	42
Public services	53	9
Total	583	100

Distribution of costs





Why did we introduce Full Costing?

- The Ministry of Education has demanded Full Costing based reporting since 1997
- Work time allocation system was not in place
- In breach with existing collective agreements according to the unions
- Reporting has not been reliable
- The 7. Framework programmes required Full Costing based reporting 2010-
- The two main national funding bodies required Full Costing based reporting 2009/2010



Identifying the activities

- The activities (performance areas) defined by the Ministry of Education in the 1990s
 - Education
 - Undergraduate education
 - Adult education
 - Research
 - Postgraduate education and related research
 - Research
 - Societal interaction
 - Artistic activity



Work time allocation methods

1. Staff surveys
 - electronically via e-mail or an online database
2. Staff interviews
 - individual one-to-one or managerial for a unit
3. Timesheets
 - work time recording routinely, excel sheets or online
4. Profile creation for individuals performing similar tasks
5. Other techniques



Work time allocation at UH

- Information needed:
 - work time allocated to the activities, information used to identify the costs for each activity
 - work time allocated to research projects, the time reports demanded by the funding bodies
 - work time spent outside the work place on annual leave, sick leave, staff training
 - UH decided to introduce a system with online timesheets in order to meet the requirements of the funding bodies. The system will include the option to use profiles



Introducing the SoleTM soft ware

- Used by most universities in Finland
- Introduced in stages during 2008 and 2009
- Each staff member allocates work time but the accuracy varies
- The academic staff allocate effective work time for externally funded projects
- The rest of the time is recorded through a compulsory plan for the overall annual official work time 1600 hours
- Administrative and support staff allocate work time on a monthly base



-
- The main tasks in the system are the defined five activities and administrative tasks
 - The externally funded projects are listed under “research”
 - Each faculty/department/unit may define their own subtasks
 - The work time allocated is matched with the salaries in the data warehouse and the salary costs are allocated to the projects in the accounting system (SAP)



Choosing the cost drivers

- WORK HOURS (as recorded in the system)
 - personnel costs
 - other costs (including rents) within the faculty/ department/ unit
- PERSON YEARS
 - indirect costs (such as central administration and support services) allocated to faculties/ departments/ units in accordance with the proportion of person years



Activity based costs

- The activity based costs were calculated for each faculty and independent institute separately
- The costs for the central administration and support services were first allocated to the units (person years) and within the units to the activities (work hours)
- Given the faculties on each campus represent the same or similar fields of study, the cost structure was the same except for one campus



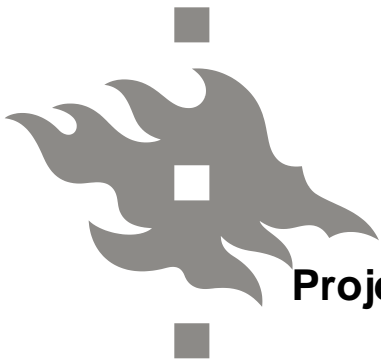
Full Costing based reporting 1

- When the total costs for research for each faculty were established, it was possible to calculate a salary on-cost flat rate
- The rate includes
 - the costs for work time not spent on research projects (annual leave, sick leave, staff training)
 - the compulsory salary on costs
- The flat rate at the moment is 53.3 % throughout the university



Full Costing based reporting 2

- general indirect cost rates were established for each campus
- the cost structure varies a lot between study fields
- the lowest indirect cost rate is 84% at the City Centre Campus. All faculties here are low cost (e.g. humanities)
- the highest indirect cost rate is 112% and used by the Faculties of Veterinary Medicine, Agriculture and Forestry and Biological and Environmental Sciences



Project cost report

Project number *****
Accumulated costs dd.mm.yy-dd.yy.mm

Salary costs, effective work time

10 000

Salary on costs 53%

5 300

Staffing costs, total

15 300

*Indirect costs 89 % * 15300*

13 600

Travel expences

2 000

Services purchased

3 000

Other costs

600

Total costs

34 500

Funding body covering e g 75%

25 900

University's own input

8 600

Work time
SoleTM,
salaries
->according
to effective work
time

Flat rates

Other costs
from the
accounting
system



Challenges

- Information needed from several IT systems
- Fortunately the data warehouse was in place
- All communication between the various systems through the data warehouse
- The university reform from 1.1.2010 necessitated many changes, such as the university's internal structure and a new accounting system (SAP)
- The opposition from the staff



What could have been done better?

- more co-ordination and input by the Ministry of Education
- all 20 universities did the same job parallel
- 20 models
- ad hoc co-operation between some universities mainly concerning the implementation of the SoleTM soft ware
- all focus on getting the reporting and the reports up and running; the strategic side of the Full Costing in the background



Who did it?

- the Financial Planning branch lies within the Finance Department
- two full time staff members with the support and input from research support staff, researchers and others from the university community
- **SUPPORT FROM THE RECTOR AND THE EXECUTIVE GROUP WAS ESSENTIAL**