

The SUHF-model – a full costing method (The Association of Swedish Higher Education)

What is full costing and why is it important?

There are no free lunches – somebody
always has to pay the bill...

(...in a visible or invisible way)

What is full costing?

For an activity (project, cost unit) the full cost – both direct and indirect costs – should be shown

- **Direct cost:**

directly related to the cost unit

- **Indirect cost:**

common for several or all cost units

- **Direct cost:** "You Get What You Pay For"
directly related to the cost unit
- **Indirect cost:** "Real Costs of Doing Business"
joint for several or all cost units

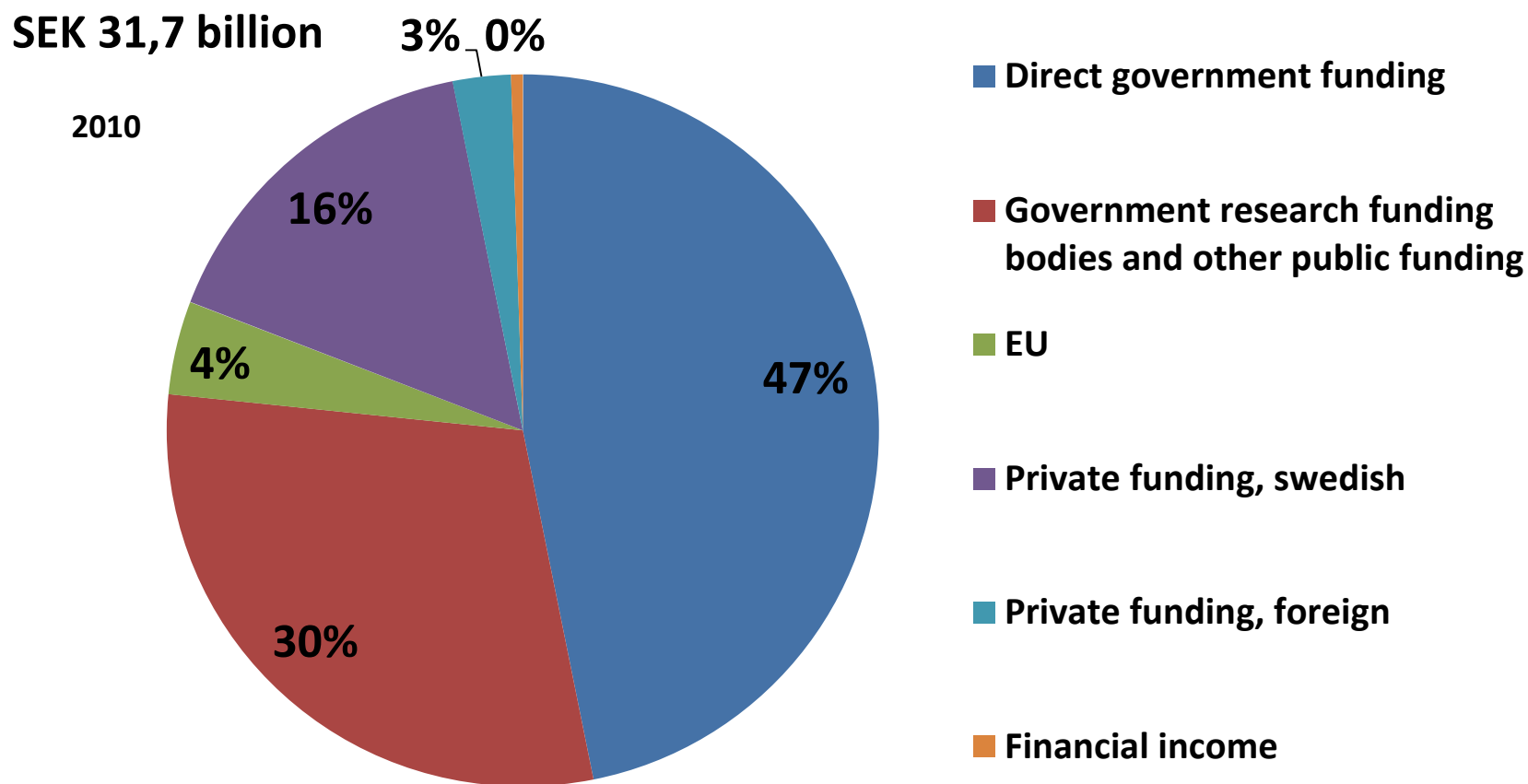
Benefits of full costing

1. More activity based accounting
2. Efficient allocation of internal resources
3. Supports strategical management decisions
4. Benchmarking possibilities
5. A better base for negotiations and pricing decisions
6. Transparency -better understanding and trust

It's also important with full costing at the universities, because...

...it gives us information about the total cost for an activity and what we have to finance in one or another way.

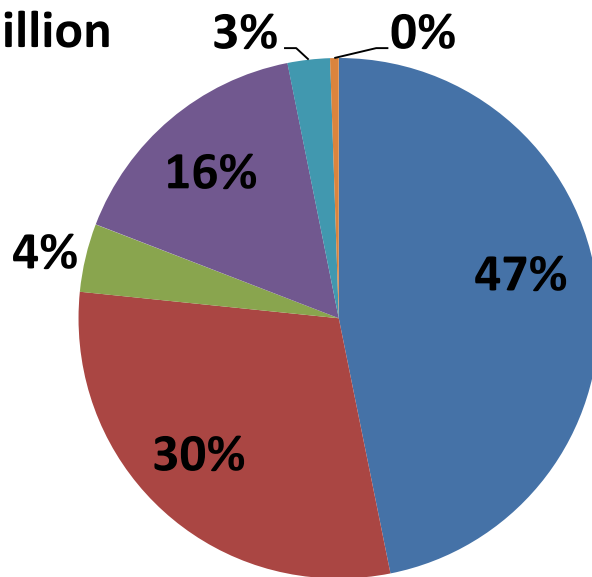
Research funding?



Who pays the rest of the bill?

What others doesn't pay is mainly covered by government funding

SEK 31,7 billion



- Direct government funding
- Government research funding bodies and other public funding
- EU
- Private funding, swedish
- Private funding, foreign
- Financial income

Swedish government guidelines

**Finance indirect costs in the same proportion
as for direct costs!**

i.e. proportional financing of total costs in
accordance with the SUHF-model

SUHF-model

An accounting model for indirect costs which shows the full cost of education and of research at Higher Education institutions in Sweden.

The SUHF-model is implemented at all swedish HE-institutions.

core operations

Direct costs

Staff

Operations

Premises

Depreciations

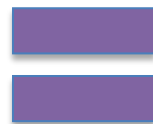
support activities

Indirect costs

University level

Faculty level


Department level



Total costs (cost unit) = Direct costs + Indirect cost

Indirect costs support activities

- Management*
- Education- or research support*
- Accounting- and HR*
- Infrastructure and service*
- Library*
- Others*



Indirect cost are carefully divided between and allocated to education or research

* incl. premises

Indirect costs are allocated to research-projects and cost units as calculated markups

On direct salaries costs (+40-50%)

or

On direct salaries and operating costs (+30-40%)

(allocation bases, cost drivers)

Project calculation

Salaries

Operation

Premises

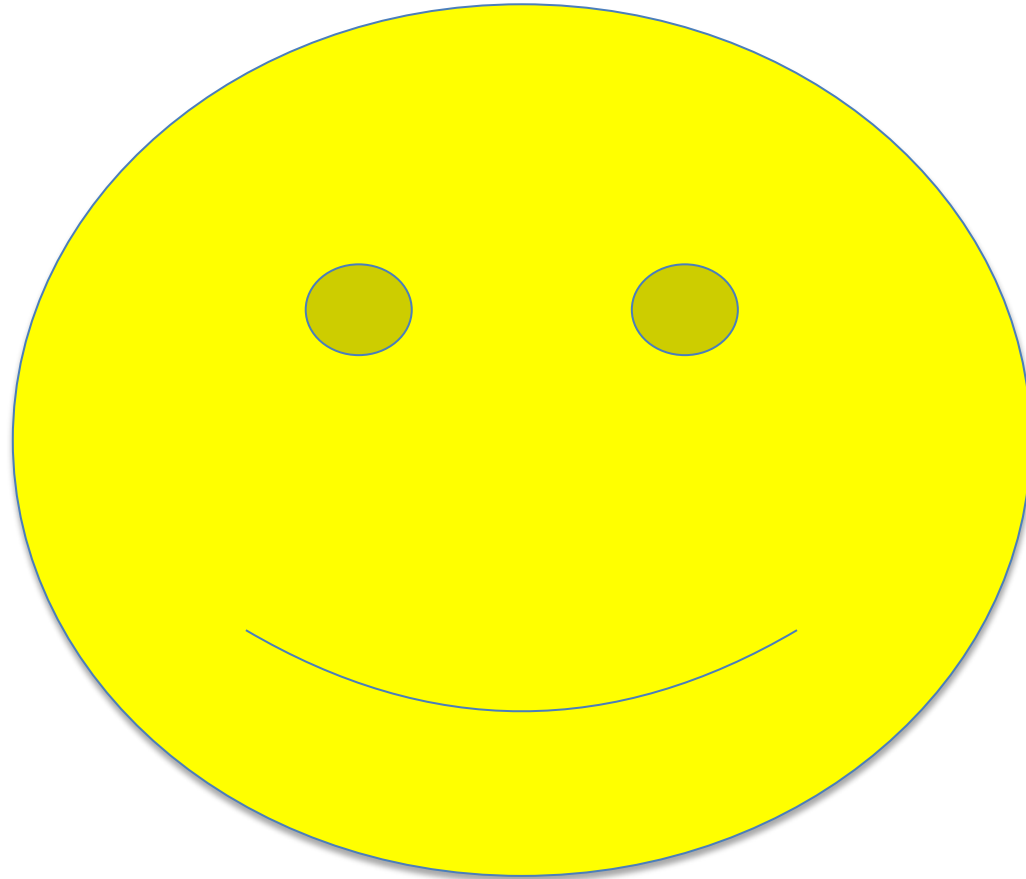
+Depreciation

= **direct costs**

+ indirect costs rate % x direct costs

= **total costs**

Some funders finance the total cost



Some funders don't cover the total cost

- Sorry, we can't accept the money
- Yes, thank You, but then we have to share the costs



Cost sharing (co-funding)

Cost sharing = Underfinancing

- Is mostly financed by government funding = less room for free research.

core operations

Direct costs

Staff

Operations

Premises

Depreciations

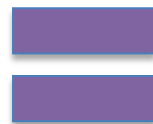
support activities

Indirect costs

University level

Faculty level

Department level



Total costs (cost unit) = Direct costs + Indirect cost

External
funding

Co-funding

The important thing is

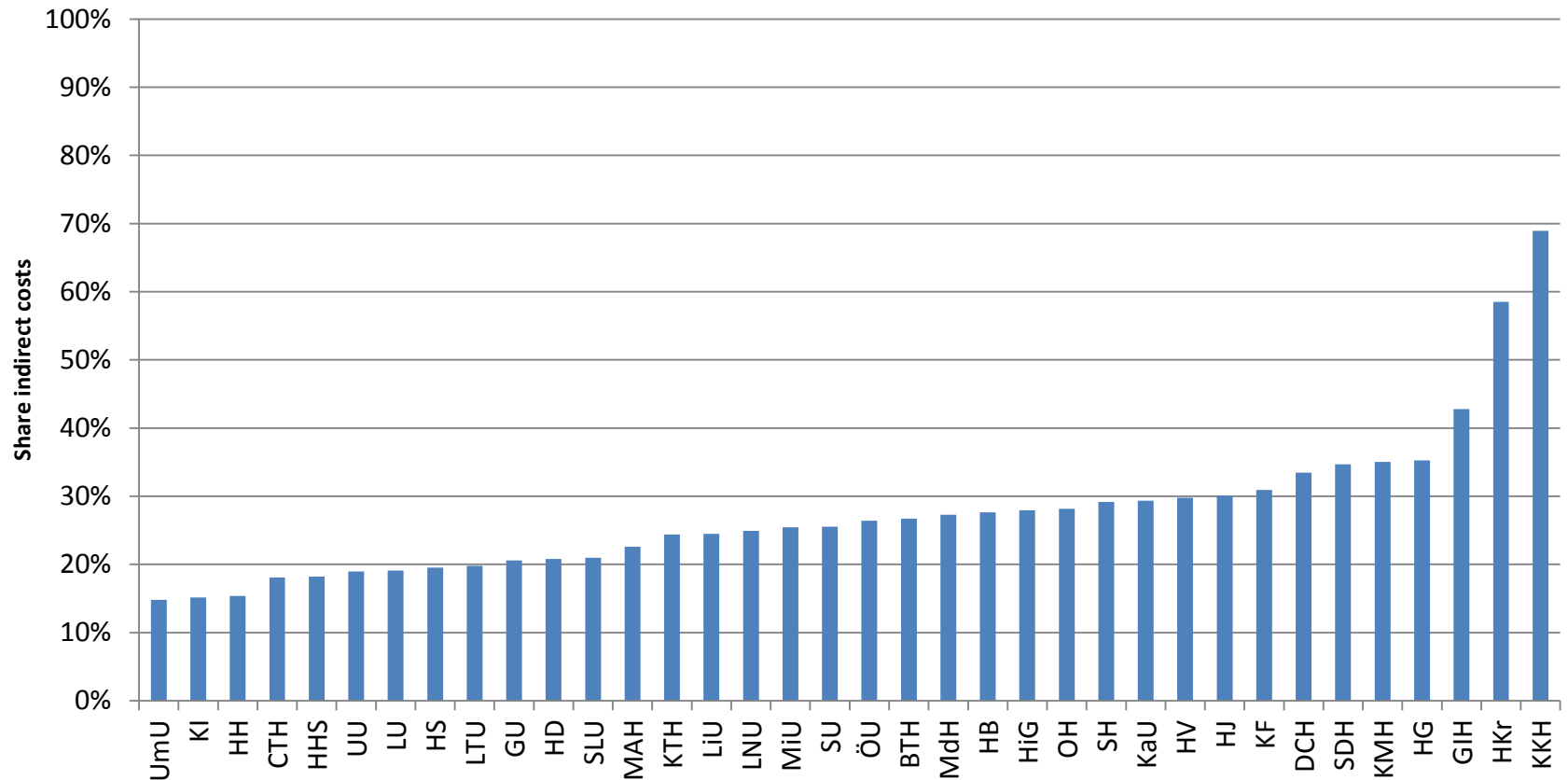
that the funders agreed on the principles of full costing (that all direct and indirect costs are included).

It is another thing

to what extent these full costs are financed.

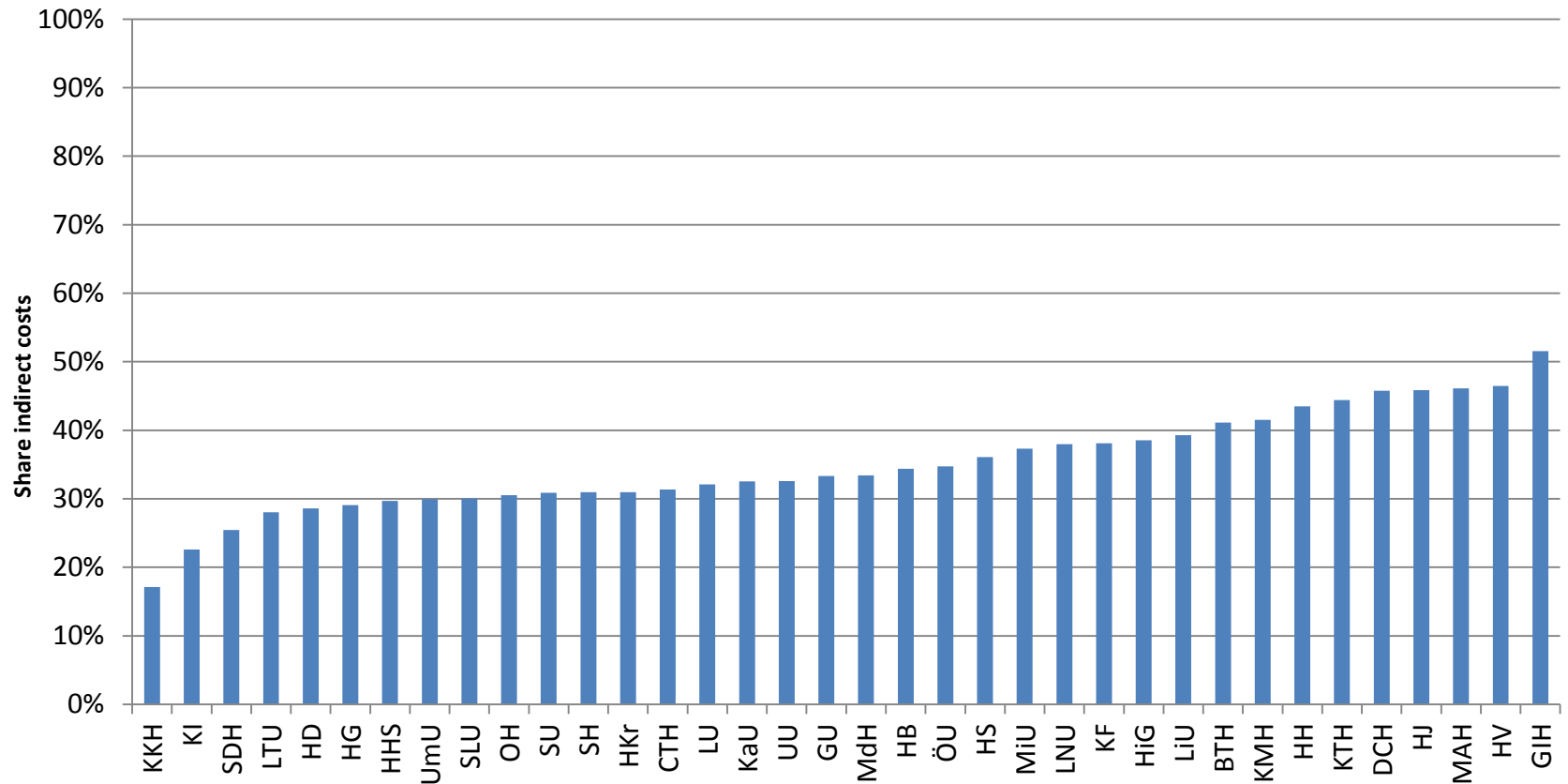
proportion - indirect costs

Research 2012

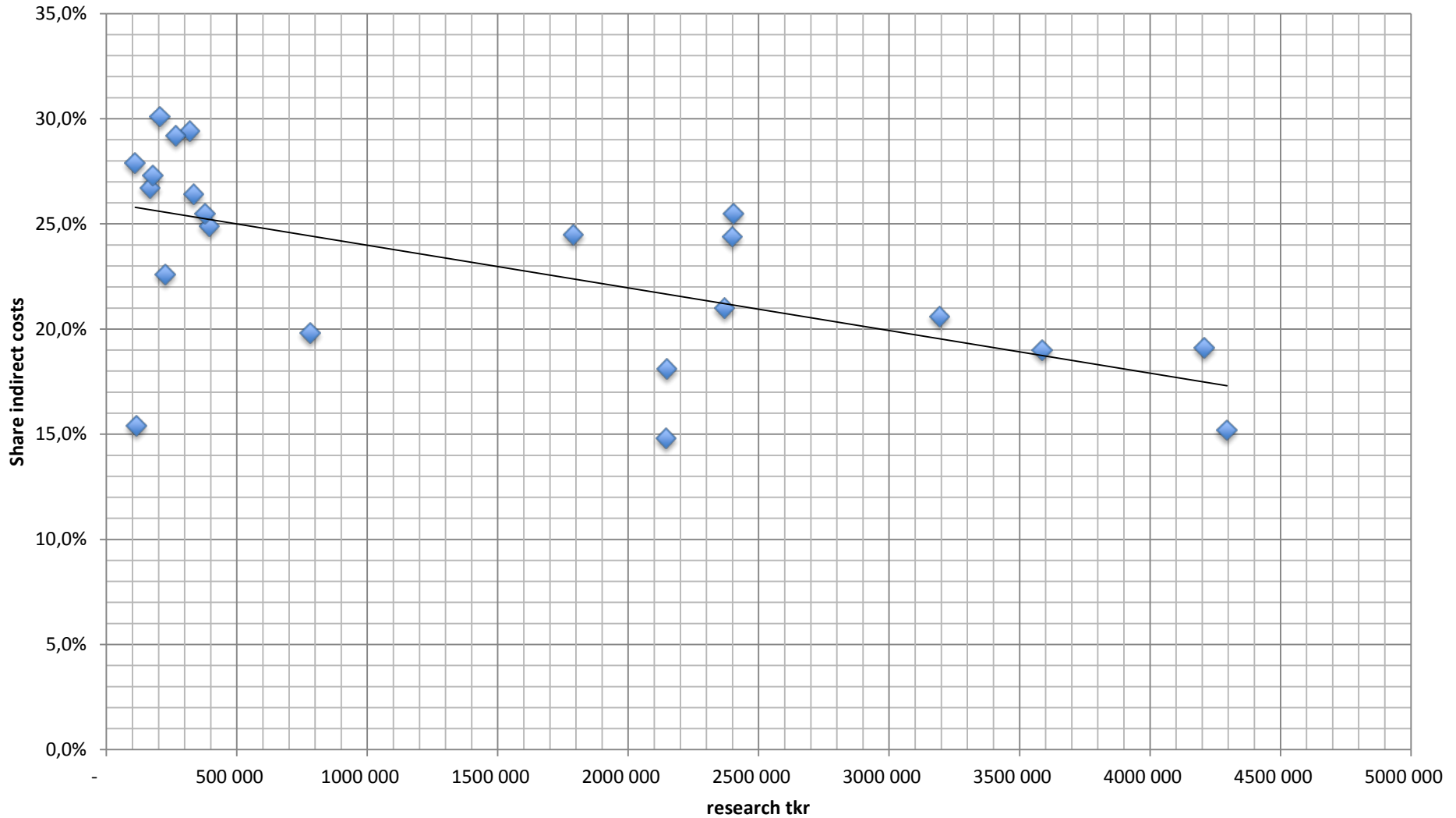


proportion - indirect costs

education 2012



proportion - indirect costs (>100 mnkr research)



Benefits of full costing

1. More activity based accounting
2. Efficient allocation of internal resources
3. Supports strategical management decisions
4. Benchmarking possibilities
5. A better base for negotiations and pricing decisions
6. Transparency -better understanding and trust

Financially Sustainable Universities – Towards full costing in European universities



14 european countries

EUA

- Underfinancing is a general problem
- Full costing is important to show the total costs
- Most developed: Great Britain, Ireland, Finland, Sweden, Netherlands, USA, Australia, Canada.

EUA

Obstacles to full costing

- Internal
 - Resistance against change, New Public Management (NPM)
 - Concerns over time-accounting
 - Lack of support from the management
- External
 - To less autonomy
 - Lack of trust from funders
 - No financial support for implementing full costing

EUA

Success factors

1. Coordinated approach
2. Enough autonomy
3. Financial support for development and implementation
4. Funders have rules that support full cost accounting
5. Education and staff training
6. Management commitment and effective internal and external communication
7. Administrative staff communicate effectively with academic staff

With full costing we will all be happy

