ADOPTED BY the Council of the University of Tartu Resolution no. 16 of 26 October 2015 (effective as of 1 January 2016)

University of Tartu Financial Strategy Until 2022

Adopted based on clause 14 (3) 3) of the Universities Act and clause 10 2) of the Statutes of the University of Tartu.

The Council of the University of Tartu has decided to adopt the University of Tartu Financial Strategy Until 2022.

I. Description of situation

1. Nearly 90% of the revenue of the University of Tartu (hereinafter: the university) comes from the public sector. For this reason the university depends greatly on the economic success and higher education and research policy of Estonia and the European Union in general.

I.1. Estonian higher education and research policy

2. In 2006 Riigikogu approved the Higher Education Strategy for 2006–2015. In order to implement the strategy, the Republic of Estonia significantly increased investments into higher education studies in the period 2011–2015. Today Estonia contributes to higher education considerably more than OECD countries on average—measured in relation to the GDP. Expenses per student as absolute numbers, however, are still smaller than the average in OECD countries.

3. In February 2014 Riigikogu approved the Estonian Lifelong Learning Strategy 2020. The most important objectives for the higher education sector are:
   3.1. developing a reasonable division of tasks and clear areas of responsibility between higher education institutions;
   3.2. implementing funding principles which support cooperation between Estonian higher education institutions and international cooperation and introducing their performance monitoring;
   3.3. moving in the direction that students from admission to graduation reflect society’s structure, incl. gender, language and socioeconomic dimensions, and students receive support in choosing areas which are important for the state;
   3.4. the percentage of adults in lifelong learning will increase to 20% (currently 12.9%);
   3.5. the percentage of students who do not finish their studies decreases below 15% (currently 21.3%);
   3.6. the percentage of graduates in the specialisations of natural and exact sciences, technology, production and construction increases to 25% (currently 22%);
   3.7. monitoring and developing the students’ need based allowance and loan scheme and the scholarship system.

4. In 2007 Riigikogu approved the Estonian research and development and innovation strategy for 2007–2013 “Knowledge-based Estonia”. State funding of research improved only with the help of European Union Structural Funds. The growth rate of funding remained below the target set in the strategy.
5. The Estonian research system stands out among other countries by being highly project based, which is a great mechanism for quality competition but it also has its drawbacks: great administrative burden for researchers, difficult to set long-term operational objectives and the subject diversity of research is in danger.

6. In January 2014 Riigikogu approved the Estonian research and development and innovation strategy for 2014–2020 “Knowledge-based Estonia”. The strategy sets four important objectives for Estonia:
   6.1. Estonian research is high level and diverse;
   6.2. research and development activity is done in the interests of Estonian society and economy;
   6.3. research and development activity makes the economic structure more knowledge extensive;
   6.4. Estonia is active and visible in international research and development and innovation cooperation.

I.2. University’s internal environment

7. In 2012 and 2013 the university analysed its progress and weaknesses, the situation in higher education and research in Estonia and internationally and compiled a new strategic plan until 2020. In order to implement the strategic plan, it was considered important to implement the administrative and structural reform which resulted in new academic units that are larger and more viable.

8. In June 2015 the Estonian Higher Education Quality Agency’s higher education assessment committee decided to accredit the University of Tartu for seven years. The decision outlined the University of Tartu’s strengths but also areas that need improvement and recommendations.

9. The University of Tartu used a great part of the financial measures from the European Union budget period 2007–2013 to improve international relations, develop doctoral studies, build study and research facilities and acquire research devices.

10. The university’s labour costs ratio to the total costs in the last six years has remained between 46.2% and 49.9%.

11. The University of Tartu has practiced a strict financial policy so that the average ratio of expenses and revenue in recent years has remained at 96%.

12. In recent years, the University of Tartu’s loan burden has fallen below 10% of annual operational costs.

II. Objectives

13. The aim of the university’s financial strategy is to ensure the university’s long-term financial sustainability and increase the efficiency of the university’s activity in all research areas.

II.1. Principles of the university budget

14. The financial strategy contributes to achieving the university’s mission, vision and the targets listed in the University of Tartu Strategic Plan Until 2020 (A2020). The university creates a development fund in its budget and uses it to co-finance important developments.
15. In addition to A2020, the priorities for preparing the budget of the university are the following:
15.1. fulfil the targets set for the higher education sector by the Estonian Lifelong Learning Strategy 2020 which are stated in clause 3 of this strategy;
15.2. fulfil the goals set by the Estonian research and development and innovation strategy 2014–2020 “Knowledge-based Estonia” which are stated in clause 6 of this strategy;
15.3. allocate money for the improvement activities and recommendations outlined in the accreditation decision of the Estonian Higher Education Quality Agency’s higher education assessment committee;
15.4. develop the research and development activities and innovation focus areas approved by the university’s senate.

16. The university’s priorities in including the measures from the European Union Framework Programme for Research and Innovation Horizon 2020 and Structural Funds are directed to the areas of smart specialisation:
16.1. information and communication technology (ICT) horizontally through other sectors, incl. using ICT in industry, developing cyber security and software;
16.2. health technologies and services, incl. biotechnology and e-medicine;
16.3. more efficient use of resources.

II.2. General objectives

17. The university intends to keep the growth rate of revenue higher than the nominal GDP of Estonia.

18. The university ensures competitive salaries for its employees and creates the prerequisites and provides the measures for the development of an organisation with a good quality working environment. When labour productivity and efficiency increases, salary costs increase at a quicker rate than other costs.

19. The budget is prepared based on financial restrictions which ensure that each year the university’s fiscal year report indexes comply with the following requirements:
19.1. the university’s cash flows from economic activities are positive each year;
19.2. the university’s net assets form at least 75% of the balance;
19.3. the university’s loan burden does not exceed 25% of the annual revenue of the university.

20. The budget is compiled based on financial restrictions which ensure that for the period 2014–2022 the following requirements are complied with summarily:
20.1. the positive cash flows from the university’s economic activities exceed the depreciation of fixed assets for the same period;
20.2. the ratio of expenditure and revenue does not exceed 98%.

21. Adhering to the limits set in clauses 19 and 20 ensures that the university’s summarised budgetary position for the period 2014–2022 is positive.

22. The university uses the money of the European Union budget period 2014–2020 to efficiently improve studies and research. All academic units shall organise their work so that the transition to the European Union budget period 2021–2027 is smooth, i.e. in a situation where the measures of the Structural Funds will decrease significantly, sustainable studies and research work is ensured in the structural unit.
III. Courses of action

23. In order to achieve its objectives, the university focuses its financial policy in four courses of action:
   23.1. diversification and focusing of revenue;
   23.2. implementation of austerity measures;
   23.3. the continuous management of the policy for covering indirect expenses;
   23.4. improving the efficiency of financial management on all management levels.

III.1. Diversification and focusing of revenue

24. In order to increase the university’s revenue, the percentage of financing from the private sector and international funds in the university’s revenue is increased significantly. The university creates managing conditions for structural units and motivation schemes for employees which ensure the employees’ interest to
   24.1. increase the university’s revenue by including money from the Horizon 2020 programme and other international funds;
   24.2. increase the university’s revenue by including money from the private sector in research activity, incl. applied research.

25. The job requirements for professors, research professors and senior research fellows are made more flexible. It is possible to reduce studies-related obligations with the successful performance of research and development agreements.

26. The re-election of heads of institutes and institutions takes into consideration the efficiency of the structural unit in acquiring and performing research and development agreements.

27. The university contributes to the development of lifelong learning in all its diversity. Considerable importance is given to increasing revenue from continuing education and re-training.

28. University employees abstain from competing with the university in areas which are the university’s core activities.

29. The university promotes the activity of their employees outside the university if it creates added value to the employee and the university or strengthens the relation between the university and society.

III.2. Implementation of austerity measures

30. The actual work load of academic staff is aligned with the obligations set in the employment contract, i.e. heads of structural units ensure the fair contribution of academic staff in teaching, research and administrative work.

31. The curricula reform is implemented. The main aim of the curricula reform is to improve the quality of curricula and studies and relate it more closely to society’s needs. Quality is ensured by decreasing the number of curricula which creates the prerequisites for better financing of important and viable curricula.

32. The university implements methods to decrease and avoid the fragmentation of activities and resources. Doubling in studies is decreased and the use of research equipment is made more efficient, incl. cross-using for different research groups.
33. The university transfers assets not required for the university’s statutory activity. At least once a year the council reviews the list of immovable property not required for the university’s statutory activity and makes a decision regarding further action.

34. The administrative burden which the university has established is decreased, i.e. the regulations and procedural rules established in the university are reviewed in order to decrease overregulation.

35. The university promotes the development of e-services.

36. The university contributes to increasing energy efficiency, especially energy saving in heating.

III.3. Continuous management of the policy for covering indirect expenses

37. In order to cover central indirect expenses, the general fund has been created with the aim to:
   37.1. cover the expenses of the council, senate and the Rector’s Office;
   37.2. cover the expenses of the university’s support units which arise from providing services to the university’s academic units;
   37.3. cover the expenses of university-wide projects in a separate budget line of the university’s budget;
   37.4. cover the expenses of the library, museum, natural history museum and botanical garden;
   37.5. cover the university’s institutional membership fees in organisations and associations;
   37.6. establish the reserve of the rector, vice rectors and director of administration;
   37.7. cover the expenditure of the capital budget; i.e. investments into immovable property and servicing loans.

38. Only the activities listed in clause 37 are financed from the general fund. The general fund budget is adopted by the council of the university and it does not exceed the planned expenditure.

39. The rector establishes the principles of financing and using the general fund, proceeding from the aim to ensure the realisation of the interests of the university as a whole in the best possible way.

40. Faculty councils establish the principles for covering the indirect expenses of faculties. Faculty councils together with the Finance Office analyse the indirect expenses of the faculty at least once a year.

III.4. Improving the efficiency of financial management

41. The university implements the principles of performance financing in managing academic units. The university implements the principles of performance management in academic as well as non-academic units. An important input in organising performance management is indexes and indicators which the university agrees upon in agreements concluded with the state.

42. The increase of competence in financial management is ensured on all levels of management and in all structural units of the university. Each year the Finance Office organises internal trainings in the university with the aim to:
   42.1. introduce the financial regulations effective in the university and their amendments;
42.2. introduce the finance software used in the university and how it is used;
42.3. provide an overview of the most important financial analyses.
43. The head of finance and Finance Office regularly monitor how the structural units adhere to financial discipline and deadlines of contracts.
44. In remuneration policy, salary rise is linked to performance indicators. Equal pay for women and men for the same or equivalent work is monitored more efficiently.
45. The performance pay of leaders is also linked to financial indicators. The important criteria for evaluating the financial performance of deans and heads of institutes and institutions include:
   45.1. adhering to financial discipline;
   45.2. the salary rate of the academic staff of the unit;
   45.3. increase of the structural unit’s revenue.
46. The university launches new projects and signs new agreements only when covering all arising costs, incl. indirect costs, is guaranteed. The rector establishes the rules of making exceptions for each budget year.
47. Heads of structural units are responsible for the reporting of projects and agreements, incl. financial reporting, quality and timely submitting, in their structural unit.
48. The university’s loan burden remains at a level where the university is able to repay the loans without refinancing them and the loan repayment schedules with banks are agreed upon accordingly.

III.5. Other activity

49. The university considers it very important to financially support the Student Council—a strong student body is an important partner in creating a better university.
50. The university considers it important to complete the new building of the IT centre by the end of 2019 in the framework of the ASTRA programme.
51. In the future, the University of Tartu will not participate in the establishment of such foundations which exist on the basis of the support from the university.

IV. Service to society in other activities

52. The university considers it important to popularise science and introduce their more significant research achievements to the public.
53. The university actively provides its knowledge to influence processes in society.
54. The university continues to finance its museums. The size of funding is determined for each year in the university budget.
55. The university develops sports activity in the interests of the public and its members by forming sports habits and providing the necessary conditions for studies and research through the University of Tartu Academic Sports Club. The size of support is determined for each year in the university budget.
56. The university supports culture and creative activities through the Tartu Student Club. The size of support is determined for each year in the university budget.

V. Implementing provisions

57. The resolution takes effect on 1 January 2016.