

**OECD IMHE-HEFCE PROJECT ON
INTERNATIONAL COMPARATIVE HIGHER EDUCATION
FINANCIAL MANAGEMENT AND GOVERNANCE**

**FINANCIAL MANAGEMENT AND GOVERNANCE IN HEIS:
SWEDEN**

Staffan Sarbäck
Luleå University of Technology

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
CONSTITUTIONAL ISSUES	8
The legal status of higher education institutions.....	8
Respective roles of Government/Riksdag and higher education institutions.....	9
Governance of higher education and research	10
Higher education management	11
Ownership of assets	12
Appointment of personnel at higher education institutions	13
AIM AND DIRECTIONS OF POLICY	14
Introduction.....	14
Policies for an open university.....	14
State research policy	15
Higher education institution's duty to collaborate.....	15
GOVERNANCE BY THE CENTRAL POLITICAL AUTHORITIES	16
Philosophy of governance in general.....	17
Guidance in good practice	22
Management training for governing boards and their chairs	24
Financial and operational follow-up	24
ENSURING FINANCIAL VITALITY	28
Overview and development of financial situation	29
Measures in the event of financial problems	35
Planned and approved changes	39
THE SYSTEM OF GOVERNANCE: STRENGTHS, WEAKNESSES, OPPORTUNITIES AND TREATS.....	40
Strengths	41
Weaknesses.....	41
Opportunities	42
Threats	43
REFERENCES	45

EXECUTIVE SUMMARY

Background

1. The public higher education sector in Sweden comprises 13 universities and 23 university colleges. In addition to these, there are 13 private institutions of which 10 are very small. The institutions of higher education presently have more than 300 000 students and approximately 50 000 employees. The combined balance-sheet total for education and research at Swedish higher education institutions amounted to almost SEK 42 billion in 2002. Higher education and research is financed predominantly out of central government funds. The number of students has doubled over the past decade. New universities and university colleges have been established.

2. Higher education in Sweden today is based to a considerable extent on the 1977 higher education reform. The fundamental principles in this reform have subsequently been further elaborated and adjusted. The changes implemented at that time led to a number of post-secondary educational programmes being brought together and incorporated in the new, expanded higher education system. The 1977 reform also made the central political authorities responsible for decisions of a more general nature while widening the scope for local decision-making at universities and university colleges. This decentralisation was most marked in the area of financial management, which replaced the earlier focus on types of cost by a system closer to management by objectives. A government bill in 1988 proposed general guidelines for a new central government budget and control system, giving more responsibility to individual authorities and agencies and introducing three-year budget periods. This bill marked the start of extensive development work on the central government budget and control system.

3. One general purpose of the changes throughout the central government domain has been to achieve efficient operations promoting a high degree of goal fulfilment. An appropriate division of roles between political and other decision-making instances is seen as a means to this end.

4. As from 1993, a system of management by objectives and results was introduced for higher education, with the Government and Riksdag (Swedish parliament) setting the objectives and the higher education institutions being assigned the task of meeting the objectives within given parameters. The higher education institutions were given the right to both establish professorial positions and appoint professors. The institutions gained more far-reaching control over their premises. With regard to organisation, higher education institutions acquired increased liberty to take their own decisions about internal organisation.

5. The most important objectives of the changes approved in 1993 were, above all:

- to substantially enhance the freedom of the universities and university colleges vis-à-vis the Government and Riksdag ;

- to improve the quality of operations, make efficient use of resources, increase the number of students completing their educational programmes; and
- to harmonise the supply of educational programmes in higher education with student demand.

6. Subsequently, in the appropriation directions for 1997, the Government has emphasised the importance of higher education institutions bringing the educational supply more into line with the areas where the need for well-qualified labour is expected to grow.

Present position: division of roles between Riksdag/Government and higher education institutions.

7. With the exception of the private institutions, universities and university colleges are formally government agencies under the jurisdiction of the Government and Riksdag and are subject to the same general body of regulations as apply to other government authorities and agencies.

8. The higher education institutions are part of the public, central government administration, in terms of both organisation and function.

9. Higher education and research in Sweden is financed predominantly out of central government funds. It is the Riksdag that decide on the appropriations for universities and university colleges. The state grant that higher education institutions receive for providing higher education, except doctoral studies, depends on the results they achieve. What is meant by results is the number of full-time equivalent (FTE) students and the number of FTE study results per year. Funds for research and doctoral studies are allocated under special appropriations to each individual university and to those university colleges who have been approved for examination of doctoral students in any area of research. Research is at present divided into four such areas.

10. Management by objectives and results is conducted within the framework of the annual central government budget process. Put simply, this process is as follows. The Riksdag approves central government expenditures. The Government directs the authorities and agencies, including state universities and university colleges, on the basis of decisions made by the Riksdag. In formal terms, the Government exercises control by means of appropriation directions, special government decisions and assignments, and by its choice of managerial organisation and appointment of vice-chancellors and governing boards. The authorities and agencies report back to the Government in their annual reports. The Government reports back to the Riksdag.

11. The great expansion of Swedish higher education, along with new and augmented requirements in terms of efficiency, prioritisation and collaboration between the higher education institutions and between higher education institutions and society at large, has made the responsibilities of governing boards and vice-chancellors increasingly important. The role and responsibility of the institutions' governing boards have undergone a series of changes in recent years in tandem with the delegation of responsibilities to the institutions. The present regulations make it clear that the governing board shall supervise all the matters of higher education institutions and be responsible for ensuring that the institution performs its tasks to the full.

Philosophy of governance

12. At the heart of the changes that occurred in the 1990s lay a change in the division of roles between political bodies and the higher education institutions. The Riksdag and Government decide on objectives and specify the results required. The higher education institutions ensure that activities are carried out in the best possible manner. Management by objectives and results thus aims to delegate responsibilities and reduce detailed control of the institutions' activities while increasing requirements to report results. Objectives set by the Government and the degree of detail in these objectives are an expression of the division of roles between the central political authorities and the higher education sector.

Financial and operational follow-up

13. The statement of operations that higher education institutions are required to submit to the Government is outlined for the most part in the appropriation directions.

14. Like all other authorities answerable to central government, higher education institutions are required to prepare an annual report, an interim report and budget documentation for submission to the Government. In addition to these obligations, higher education institutions are required on four occasions to deliver a forecast of the estimated outcome for the appropriation for higher education.

15. The National Agency for Higher Education, which is the central government agency for the sector, assesses the quality of higher education. It scrutinises the quality assurance activities undertaken by the institutions themselves and considers applications for the right to award degrees.

Financial situation

16. In the mid-1990s, when cutbacks were made in many areas in the state sector for the sake of balancing the central government budget, the revenues per FTE student and FTE study result was reduced. Subsequent adjustments have followed the price and salary indexing applied by the Government. According to the annual report for 2002 prepared by the National Agency for Higher Education, resources have fallen by 17 per cent in real terms between 1994 and 2001, if compared with the central government consumption index, which closely resembles the price trend experienced by institutions of higher education. In the last years the revenues per student in some fields of study have been specially augmented.

17. Income for research and postgraduate education rose by SEK 2 200 million in constant prices over the period 1997–2001. The increase in the resources available to research is mainly attributable to a rise in external funding, which in 2002 accounted for 55% of research funding.

18. In 2002 higher education institutions had a turnover of slightly more than SEK 41 000 million. The institutions have total capital amounting to just over SEK 3 000 million. Profit/loss variance has been consistently under 1% in the last few years. The Swedish central government budget system is based on the annual advancing by the central political authorities of the resources that are required in order to achieve the objectives that have been set. Hence, to put it simply, a break-even result can be seen as a measure of good economic performance. Regulations are in force on ways of dealing with profits and losses made by the higher education institutions. The institutions do not have unrestricted control over their

own profits/losses. The Government determines the measures that are to be taken in response to the profits/losses posted.

Measures in the event of financial problems

19. On some occasions in recent years, the Government has instructed certain specifically designated institutions of higher education to deliver special reports on their financial situation to the Ministry of Education and Science. These decisions have been based primarily on the annual reports and interim reports from the institutions themselves, but also on the audit reports drawn up by the Swedish National Audit Office.

20. In cases where the Government has come to the conclusion that neither the customary required reports nor the special reporting assignments given in the appropriation directions have led to the desired result, special committees have been appointed to follow financial developments at the higher education institution concerned. The task of the committee has included reporting back to the Government. Two institutions of higher education have been affected by these special examinations.

21. On a very few occasions the Government has been obliged to supply extra funds to a higher education institution where the deficits were so large that it was considered impossible for the institution concerned to manage on its own. In one of these cases, the institution concerned was a newly started university college.

Trends and planned/approved changes

22. Both the Riksdag and the Government have repeatedly called attention to the importance of further developments in reporting procedures where the link between financial and operational reports is concerned. The political authorities consider that there is a need for better documentation of the connection between objectives, results and resources.

The system of governance: strengths, weaknesses, opportunities and threats

23. There is broad consensus that the main features of the present resource allocation system are positive. Representatives of higher education institutions are of the opinion that the vigorous expansion of higher education that took place in the 1990s would have been impossible without the increased right of autonomy and increased flexibility given by the new system. Higher education institutions have begun to make use, on an increasing scale, of the opportunities offered by the new system to make changes in priorities and resource utilisation. The highly important dialogues between leading members of the Ministry of Education and Science and representatives of higher education institutions have undergone positive development but need to evolve further. A well-developed budget dialogue improves the prospects of properly functioning management by objectives and results.

24. The system has mainly operated in a period of expansion. A decline in student demand – a reality even now in certain areas – has an immediate impact on the income of an institution of higher education, while costs cannot be cut so quickly. It has also become evident that the resource allocation system fails to function in a satisfactory manner when new higher education institutions are being established. The fact that higher education institutions have only limited control over profits brought forward means that they have inadequate scope for risk-taking and for the swift changes in priorities that can be desirable in certain situations.

25. The increased dependence on external research funding is a subject of animated discussion at institutions of higher education. Here too there is agreement about the benefits of exposing research to competition by allowing national research financier to distribute research funds after a process of application. What institutions of higher education have questioned is the loss of balance. External sources now account for 55% of research funding, as against the situation in the 1980s when direct central government appropriations contributed 66% of all research funding.

26. Another issue that is currently under discussion in the higher education sector is the relationship between the Government/Riksdag and higher education institutions. The reform carried out in 1993 was known as the Freedom Reform. “The task of the Riksdag and Government is to decide on objectives and to specify the results required. The task of the higher education institutions is to ensure that activities are carried out in the best possible manner.” Report-back requirements from the central political authorities have grown in recent years. The legislation governing institutions of higher education has also been extended. From higher education institutions’ point of view a transition to a greater degree of detailed control can create distrust and quickly destroy a desired form of management by objectives and results.

CONSTITUTIONAL ISSUES

The legal status of higher education institutions

27. With the exception of the private institutions, universities and university colleges in Sweden are formally government agencies under the jurisdiction of the Government and Riksdag and are subject to the same general body of regulations as apply to other government authorities and agencies.

28. The higher education institutions are part of the public, central government administration, in terms of both organisation and function. Hence, institutions of higher education are formally administrative agencies subject to the Government, which means that they are not able to enter into agreements outside their sphere of responsibility without prior authorisation, nor are they entitled to take legal action on their own behalf. They cannot, without the Government's decision, be registered as the owner of any foundation, company, etc., or establish such entities in their own name. They are required to follow directives issued by the Government and come under the supervision of authorities such as the National Agency for Higher Education, the Swedish National Audit Office and the Office of the Chancellor of Justice. The state universities and university colleges are thus not legal persons in their own right; along with other government authorities and agencies, they are all incorporated in the same legal person, i.e. the Swedish state.

29. In functional terms, institutions of higher education are responsible for the exercise of official authority in connection with admissions, examinations and personnel issues. In matters concerning the exercise of official authority with respect to individuals and the application of law, it is their responsibility and indeed duty to make decisions independently under the law. This independence is written into Swedish constitutional law.

30. In the view of the Government, however, universities and university colleges are more complex than government agencies in general and it is neither possible nor desirable to apply all principles pertaining to government agencies and authorities to institutions of higher education. On this account, a special regulatory system applies to higher education institutions, as formulated in a Higher Education Act and a Higher Education Ordinance. By introducing special regulations for higher education institutions, the Riksdag and Government have emphasised that their activities differ from other state sector activities. It is the Government's opinion that the agency structure applying to institutions of higher education is sufficiently flexible and enables a high degree of autonomy and freedom for education and research to be combined with influence and a high level of statutory rights for students, as well as openness to society at large.

31. Two of the private institutions of higher education now existing in Sweden came into being in 1994 when two institutions formerly in the state sector, Chalmers University of Technology and Jönköping University College, were converted into foundations with the Swedish state as principal. Each foundation then established its own company, completely owned by the foundation, whose business is the conduct of higher education and research. The Swedish state continues to provide most of the funding via education and research contracts. On account of these contracts, in all essential respects the same regulations and reporting requirements for education and research activities apply as at other institutions of higher education.

Respective roles of Government/Riksdag and higher education institutions

Management by objectives and results in Swedish public administration

32. Management by objectives and results is conducted within the framework of the annual central government budget process. Put simply, management occurs as follows:

- The Riksdag decides on central government expenditures and financial parameters for different purposes.
- The Government directs the authorities and agencies, including state universities and university colleges, on the basis of decisions made by the Riksdag. Formally, the Government exercises control by issuing appropriation directions, special government decisions, special ordinances (such as the Higher Education Ordinance) and assignments, and by its choice of managerial organisation and appointment of directors-general (vice-chancellors in the case of universities and university colleges) and members of the governing boards. An additional instrument is the informal dialogue between the Government Offices and the authorities and agencies.
- The authorities and agencies report back to the Government in their annual reports.
- The Government reports back to the Riksdag.
- The activities of the authorities and agencies are to be divided into operational domains. In each domain there are to be operational objectives, which are set by the Government.

Riksdag/Government's objectives for higher education

33. The broad objectives of higher education are stated in the *Higher Education Act*. The Act declares, among other things, that over and above conveying knowledge and skills, higher education shall give students a capacity for independent and critical thought. Activities shall be conducted so as to maintain a close connection between research and education. The Higher Education Act requires, further, that activities be “set at such a level as to ensure high quality” and that available resources be used efficiently and effectively. Institutions of higher education must take active measures to promote recruitment and broaden the student base and must observe and support equality between men and women. The Higher Education Act must be passed by the Riksdag.

34. The annual *appropriation directions*, which are formulated by the Government, express the ambitions the Government has for the higher education institutions during the period specified. The appropriation directions also require the institutions to report back to the Government and further specify the form that the financial report and reporting of results is to take for each institution of higher education. In addition, the appropriation directions indicate both the appropriations available to the different institutions for their intended activities and the borrowing framework at the National Debt Office for investments in fixed assets used in these activities.

35. In *educational assignments*, the Government state certain specific objectives and required results for each of the universities and university colleges individually.

Governance of higher education and research

Introduction

36. Higher education and research in Sweden is financed predominantly out of central government funds. It is the central political authorities – the Government and Riksdag – that decide on the appropriations for universities and university colleges. Beginning in 1993, a series of changes have been implemented aimed at giving higher education institutions greater liberty to take their own decisions about their activities.

37. The new system of resource allocation introduced for higher education, except for doctoral studies, has played a vitally important role. The transition to the new resource allocation system meant that a traditional system of appropriations based on expenditures was replaced by a system linked primarily to performance.

Governance of higher education and the resource allocation system

38. Higher education, except doctoral studies, is nearly only financed by state grants. The only exception is commissioned education, which is fully financed by the commissioner. Tuition fees are not allowed in Sweden. The description below gives a summary of the present system of governance including the resource allocation system.

39. The state grant that higher education institutions receive for providing higher education, except doctoral studies, depends on the results they achieve. The result is the number of full time equivalent (FTE) students and the number of FTE study results per year.

40. Higher education must be organised in courses, which in turn are to be classified as belonging to different fields of study. Different revenues per FTE students and FTE study results are applied to different fields of study. The unit revenues vary considerably from field to field and are set by the Government on an annual basis. The unit revenues intend to cover all kinds of costs, including the annual costs for premises, borrowing costs for fixed assets, etc.

41. The appropriation for higher education consists of what is known as a “ceiling amount”. A higher education institution can earn, at most, revenues for FTE students and FTE study result equivalent to the ceiling amount. An institution can save FTE study result or non-utilised ceiling amount, up to 10% of the ceiling amount, until the following year. The total grant, i.e. the sum of the revenues of a year, is calculated at the end of the financial year on the basis of the results reported.

42. The revenues for FTE students and FTE study results varies according to field of study, but is uniform in so far as the unit revenues per FTE student and FTE study result in the same field of study applies to all higher education institutions, irrespective of local disparities in costs.

43. In the annual appropriation directions for higher education, the Government communicates its decisions regarding activities, taking as its point of departure the opinion of the Riksdag and Government concerning higher education activities in the next financial years. The appropriation directions lay down operational objectives as well as annual objectives. A further element in the governance of higher education institutions consists in

their being given educational assignments at the start of each four-year period, stating quantitative objectives for certain types of degrees during that four-year period.

44. Most institutions of higher education also have special undertakings for which they get fixed grants.

System of governance for research and doctoral studies

45. Funds for research, including doctoral studies, are allocated under special appropriations to each individual university and to those university colleges who have been approved for examination of doctoral students in any area of research. For other university colleges there is a common appropriation for research, with each institution concerned being free to decide on the use of its own allocation. Here too, each appropriation shall cover all forms of costs that may arise in connection with the activities in question.

46. The Government specifies objectives for doctoral degrees in each of the four areas of research. Further, the Government and Riksdag have issued special decisions giving guidelines for the use of some of the increased resources that have been made available to the universities. The most recent decision is the initiative establishing sixteen schools of research and clearly indicating both the orientation for these schools and the requirements for collaboration with other universities and university colleges.

Higher education management

47. The great expansion of Swedish higher education, along with new and augmented requirements in terms of efficiency, prioritisation and collaboration between the higher education institutions and between higher education institutions and society at large, has made the responsibilities of governing boards and vice-chancellors increasingly important. By comparison with the situation in the past, higher education is now highly deregulated. Responsibility for the way in which higher education institutions structure their activities has been delegated to the institutions themselves. The existing legislation (the Higher Education Act and Higher Education Ordinance) allows institutions broad freedom to take charge of the conduct of their own activities, within given parameters.

48. The role and responsibility of the higher education institutions' governing boards have undergone a series of changes in recent years in tandem with the delegation of responsibilities to the institutions. The present regulations make it clear that the governing board shall supervise matters of the institutions and be responsible for ensuring that the institution performs its tasks to the full. They also indicate that the governing board itself is to take decisions on the overall approach of the institution to major issues connected with the internal distribution of resources or important regulations, and on matters of principle. In addition, some duties are specified in greater detail, e.g. annual reports, interim reports and budget documentation. In its "Open University" bill, the Government has further emphasised that it is important that higher education institutions' governing boards pay special attention to matters of long-term strategy and to long-term follow-up of strategic decisions, and that they take the decisions needed to enable desirable adjustments of priorities to be made.

49. The governing board of a Swedish higher education institution consists of 15 members. The Government appoints the majority of these members (eight members). Three members

represent the teachers at the institution and these are appointed by election. The students nominate a further three members. The vice-chancellor also sits on the board. Formerly the vice-chancellor was the chairman of the governing board. Since 1997 the chairman shall be a well-qualified and experienced person who is not employed at the institution in question and who is appointed by the Government.

50. The vice-chancellor is the principal representative of the organisation and head of agency, with responsibility for the direct operations and running of the university. The duties of the vice-chancellor are regulated both by the Higher Education Act and Higher Education Ordinance and by the Government Agencies and Institutes Ordinance, which applies to all heads of agencies and authorities. The vice-chancellor is responsible for ensuring that activities are conducted efficiently and in compliance with the statutes, and is also in charge of the institution's employer policy. The vice-chancellor has a statutory responsibility to keep the governing board well informed of activities and to provide the board with the material on which to base long-term and strategic decisions.

51. The vice-chancellor is appointed by the Government, and is acting on the proposal of the governing board concerned. Before the governing board presents its proposal, the students and employees shall be consulted so that the proposal has solid support throughout the university community. The Government appoints vice-chancellors for a period of at most six years, with the option of extending the appointment for at most two additional three-year terms.

Ownership of assets

Property ownership and supply of premises

52. A thorough reorganisation of the management of state properties and premises was carried out in 1993, when the National Board of Public Housing was dismantled and replaced by two limited share companies, one of which was Akademiska Hus AB, and three new government authorities.

53. Akademiska Hus AB is a company completely owned by the state. The purpose of the company is to own and manage properties used by universities and other institutions of higher education. In addition to the parent company, it consists of six subsidiaries completely owned by the parent company. The subsidiaries are owners who manage and upgrade the stock of properties in their respective geographical regions. The purchase price paid by Akademiska Hus AB when it assumed ownership of the properties was based on impartial assessments of potential returns derived from market rents. As owner of Akademiska Hus AB, the Government sets the level of required returns, which affects the principles applied by Akademiska Hus AB in deciding on rents and contract matters.

54. The company is engaged in an extensive programme of investments in new construction and alteration of present buildings for the use of higher education institutions. The level of investment in 2000 was SEK 1.9 billion. In 2001 investments amounted to SEK 2.8 billion and in 2002 the level of investment was SEK 1.8 billion.

55. Akademiska Hus AB currently owns and manages 70% of the premises rented by higher education institutions. It is mainly smaller university colleges that have landlords other than Akademiska Hus AB.

56. In conjunction with the changes implemented in 1993, each government agency and authority became responsible for its own supply of premises. Thus, the right to decide on their own premises, within given limits, was delegated to institutions of higher education. This made them free to choose whom to rent from and to decide on how large a part of the resources at their disposal should be used for premises. Higher education institutions acquired the authority to enter into rental contracts of up to ten years duration independently. The Government must confirm decisions on longer rental periods. Higher education institutions are not, however, entitled to own property themselves.

57. The purpose of the reform in 1993 was to move from a centrally controlled, monopolistic model for the supply of premises to a delegated, market-oriented system, thereby achieving efficiency and rationalisation gains in the supply of premises in the state sector and promoting more efficient property management for the Swedish state.

Other assets

58. The ownership of assets other than real estate (buildings) devolves upon institutions of higher education. The fixed assets used in operations are to be financed by loans from the National Debt Office unless they are financed by grants or donations from non-state actors. The Government sets the maximum amount of loans and credits allowable to a university by special decision. The limits for the higher education institutions' loans and credits are made clear in the appropriation instructions. Should an investment need arise that exceeds the borrowing limit assigned to the institution, the institution is required to ask the Government for an extension of its borrowing framework.

Appointment of personnel at higher education institutions

59. The Higher Education Act states that institutions of higher education are entitled to appoint professors and other teachers and determine their duties. The universities themselves acquired the right to establish professorial positions and appoint professors in connection with the 1993 reform. The special security of employment previously applying to professors under the regulations of the Higher Education Act was abolished in 1997.

60. The Higher Education Ordinance states the categories of teachers that higher education institutions can employ, namely professors, senior lecturers, lecturers, part-time teachers and guest teachers. There are also provisions concerning the recruitment procedures for certain categories of teacher. These provisions apply primarily to the use of referees when appointing professors and senior lecturers.

61. The governing board at a higher education institution is responsible for making decisions on employment arrangements, which shall contain regulations on the procedures to be followed when appointing teachers.

AIM AND DIRECTIONS OF POLICY

Introduction

62. The increased importance of higher education for the development of society has with growing intensity been emphasised by the Government and Riksdag. In the official report *Research policy 2000* it is stated that “research and education are acknowledged to have great importance for the development of society in a range of respects”. Not least where regional development is concerned, significant positive effects are expected from education and research. Establishing and expanding new university colleges has been perhaps the most important instrument of regional policy in recent years. Universities and university colleges are felt not only to have positive effects as such, but also to help create an attractive environment that is of interest to both enterprises and well-qualified people.

Policies for an open university

63. “Education and research are driving forces in the modernisation and renewal of society. Education is taking on increasingly central importance for prosperity, growth and development. Investment in education at all levels paves the way to the information society. Education broadens our outlook, contributes to personal development and better equips us to meet the major challenges of our time and the rapid changes in living conditions we are now witnessing. Bearing these points in mind, the Government’s policies are predicated on the right of all people to knowledge and development. The knowledge society must be open to all. This will be the major task of welfare policies in the future. Education also contributes towards the general objective of making Sweden an ecologically sustainable society within a generation.” (Government bill “*The Open University*”, 2001)

64. The Government and Riksdag consider that the proportion of the population with a higher education needs to rise, especially among the younger generation. The Government’s target is that 50% of those born in any given year shall have embarked on university level studies by the age of 25.

65. The vigorous expansion of Swedish higher education has opened the door for more and more people to study. In the 1990s the number of students increased by 80%. In the same period new universities and university colleges have been established. The number of student places has increased more at university colleges and the new universities than at the older, more established universities. The Government considers that there is now at least one strong higher education institution functioning as a power centre for development in every county. The regionally derived disparities in the rate of transition to higher education have been sharply reduced.

66. The Government considers it important that higher education institutions reach out to new groups when recruiting students.

67. The *Open University* bill summarises the situation in the assessment that “education should be planned on the basis of labour market needs and student demand”. The National Agency for Higher Education has an important role as regards monitoring the relation between education and the labour market, disseminating information on this and submitting proposals to the Government if special action on the part of the Government is required.

There should be follow-up at both local and central level of the labour market situation of graduates from higher education.

68. The above bill also discusses the role of the universities in lifelong learning: “Lifelong learning focuses on the educational desires and interests of the individual while also emphasising the skills development needs felt by the labour market and the business sector. In combination with the trend towards growing internationalisation, this implies that higher education must switch from being supply-driven, as has predominantly been the case, to need-driven. This will make the overhauling of content, working methods and forms of distribution a matter of vital importance”. It is noted, moreover, that more short-duration professional programmes are needed in higher education, with a variety of orientations. One fundamental principle should be a closer connection between higher education and the labour market.

State research policy

69. The objective of the Government’s research policy, which was confirmed by the Riksdag in 1999 in conjunction with the passage of the “Certain Research Issues” bill, is that Sweden shall be a leading research nation, where research of a high scientific standard is conducted. “Sweden shall be one of the most R&D-intensive countries in the world, a goal that requires sustained major investments from both the state and the business sector. All research must be of high quality and research initiatives must provide scope for both breadth and specialisation” (from the bill *Research and Renewal*, 2000).

70. If Sweden is to consolidate its position as a leading research nation, a greater focusing of efforts is needed in Swedish research. The Government is of the opinion that the institutions in Sweden must become better at setting priorities and establishing a profile in important research areas.

71. The Government’s assessment is that institutions of higher education play a crucial role in Swedish research and bear a major responsibility as conductors of research.

72. The Government considers that an increasing part of the state research funds available to higher education institutions should be transferred only after external research founders have given their approval. According to the Government, this will make it possible to sharpen the profile of the research.

73. The issue of covering the costs of different higher education activities has taken on increasing significance, with external funding accounting for a growing share. Certain higher education institutions have asserted that the reduced amount of research funding provided directly by the state has led to a sharp deterioration in their capacity to set priorities internally and to give their research activities a clearly defined profile. Higher education institutions and the Government alike agree that external funds are a valuable and important supplement to the research resources available to higher education. The full cost principle has been discussed over an extended period. In the bill *Research and Renewal*, the Government stresses that this principle must apply.

Higher education institution’s duty to collaborate

74. The importance of institutions of higher education to the development of society has long been emphasised by the Government and Riksdag. Institutions of higher education have

engaged in collaboration with society at large for many years, but it was not until 1997 that collaboration was made a requirement in the Higher Education Act. The amendment to the Act was motivated by the view that higher education institutions needed to take on a considerably greater role both as a mediator of knowledge and as a recipient of experience from outside. That said, the Government emphasises that increased collaboration must not be a constraint on the freedom of research, which is also written into the Higher Education Act.

75. The duty to collaborate extends to every aspect of the mission of higher education institutions. There is an increasing stress on the importance of a mutual exchange of knowledge between the higher education sector and society at large. The National Agency for Higher Education notes in a report published in 2001 entitled *Development of higher education institutions duty to collaborate* that “The duty to collaborate thus changes the mission of higher education in its entirety. The change is not a matter of a separate – third – task, but of new requirements for research and education activities”.

R&D and collaboration

76. The Government Bill “R&D and collaboration in the innovation system” discusses how innovation processes change and the consequences such changes have. The Government is of the opinion that several national and international studies show with overwhelming clarity that research plays an increasingly important role in companies’ innovation processes and that research in turn is increasingly influenced by the problems encountered by enterprises. The Government considers it a matter of urgency to support collaboration between universities and the society around them and to develop and make better use of the results of the research and development performed at higher education institutions. “There are obvious advantages to smooth and efficient collaboration between higher education and the business sector. In this connection the emphasis should be, not least, on the significance of academic research for economic growth in society.”

77. Some higher education institutions have been authorised by the Government to start a holding company to enable them to promote the commercial exploitation of research results. The holding companies have also been an effective tool for institutions of higher education in developing the collaboration with the business sector for which they are responsible. The Government hopes that these holding companies will play a still more active part in the commercial application of research results in the time to come. Furthermore, within the framework of holding company operations, the institutions are to establish and own subsidiaries to act as agents for educational contracts on behalf of state institutions of higher education.

GOVERNANCE BY THE CENTRAL POLITICAL AUTHORITIES

Philosophy of governance in general

78. At the heart of the changes that occurred in the 1990s lay a change in the division of roles between political bodies and the higher education institutions. The Government decides on objectives and specifies the results required, i.e. conducts management by objectives and results. The higher education institutions ensure that activities are carried out in the best possible manner. Management by objectives and results thus aims to delegate responsibilities and reduce detailed control of higher education institution activities while increasing requirements to report results.

79. The idea, naturally, has not been for the central political authorities to renounce responsibility for the total supply of education but rather to adopt a means of governing at a more general level while raising the level of follow-up and reporting required. Objectives set by the Government and the degree of detail in these objectives are an expression of the division of roles between the central political authorities and the higher education sector. The dialogue between the Government/Ministry of Education and Science and the higher education institutions are vital to the success of a system of management by objectives and results. It is in the mutual interest of the Ministry of Education and Science and the higher education institutions to develop the system of “budget dialogues”.

Political governance of higher education

Governance by resource allocation

80. The Government specifies the maximum appropriation (ceiling amount) that can be paid to each higher education institution in any fiscal year for FTE students and FTE study results. The Government also sets the level of revenue per FTE student and FTE study result for the different fields of study. Where artistic programmes are concerned, the appropriation directions issued to each institution of higher education also indicate the maximum number of FTE students that the institution is entitled to deduct for in each field of study.

81. The higher education institutions decide on how the revenues earned (the grant) are to be used for the different programmes and different types of courses etc.

Requirements regarding objectives and results

82. The National Agency for Higher Education decides which degrees higher education institutions are allowed to award. The educational assignments specify quantitative targets for certain degrees over a four-year period, and planning parameters for the subsequent four years. Targets for the number of degrees are currently specified for the Degree of Master, which is a general degree, and the degrees in engineering, nursing and teaching (with two orientations), which are all professional degrees. No economic incentives are linked to these targets.

83. The educational assignments also specify targets for the total number of FTE students and the number of students in natural sciences and engineering fields. The educational assignment given to an individual higher education institution may include further formulations concerning degree targets that the institution in question is required to take into account, e.g. “In the 2005–2008 period, the number of degrees awarded in the field of psychology should increase”.

Example: Measures to promote broader recruitment

84. The paragraphs below give an overview of some of the measures taken by the Government to achieve the objective of broader recruitment to higher education, in accordance with the “*Open University*” bill.

Amendment of the Higher Education Act

85. To achieve broader recruitment, the Government considers that it is essential that universities and university colleges actively endeavour to reach new groups and that recruitment issues should be informed by an awareness that skewed recruitment is a serious social problem. To make the importance of this task still clearer, the Higher Education Act has been amended to include a provision to this effect.

Action plans for broader recruitment

86. The Government has also announced that it will follow the development of recruitment at higher education institutions closely and it has moreover instructed the institutions to draw up plans for broader recruitment and increased diversity. The action plans should contain measurable targets. Further, the Government stresses that it is important that the plans are subject to continuous follow-up and revision. In addition, the Government considers that the National Agency for Higher Education should work with higher education institutions to develop uniform key indicators that are sustainable over time and that enable the results of these endeavours to promote broader recruitment and diversity to be followed up. Values for the key indicators are to be presented each year in the annual report on the combined activities of all higher education institutions that is prepared by the National Agency for Higher Education. The Government intends to specify targets for the work on broadening recruitment that are to be met by each higher education institution in the coming five-year period.

Establishment of a Special Committee on Recruitment to Higher Education

87. To stimulate recruitment activities at institutions of higher education, the Government has established a “Special Committee on Recruitment to Higher Education”. The purpose is to “promote commitment to and enhance the force of recruitment activities at institutions of higher education, by flexible means”. The committee has been allocated SEK 40 million over the period 2002–2004 for use in supporting development and pilot projects at higher education institutions. Institutions are required to apply to the committee for funds for their development projects.

Delegation of the right to decide on admission regulations

88. The Government has decided that the governing board of each institution of higher education is to be able to decide on the grounds for selection to be used for recruitment to at

most 10% of the places in programmes addressed to new students. Terms of eligibility are otherwise steered by the Higher Education Act and Higher Education Ordinance and apply to all higher education institutions alike.

A Swedish Net University

89. The Government considers it essential that more people and people with different backgrounds can be offered higher education and that such education must be made more widely available in time and space than is now the case. The Government has therefore decided that the IT-supported distance education provided by institutions of higher education shall be coordinated to form a Swedish Net University. The Net University consists of the courses and programmes that higher education institutions announce to the agency that is responsible for coordinating operations. In 2002–2004 a temporary scheme of compensation will apply for FTE students taking courses at the Swedish Net University.

Means of achieving the “Open University” policy objective: Summary

90. As is clear from the above account, the Government has applied a range of different methods with a view to achieving the politically set objective of broadening recruitment to higher education. Thus, the Government and Riksdag have considered this issue to be sufficiently important to warrant amending the Higher Education Act, which presents the general objectives of higher education. In addition, the Government has inserted in the appropriation directions for 2002 further descriptions of objectives and requirements for feedback related to broader recruitment. Examples of delegation of responsibilities and relaxation of existing regulations can also be found among the measures taken by the Government with a view to achieving the general objectives that have been set. To stimulate innovative thinking and to give higher education institutions the opportunity to test out new ideas, the Government has set up a special committee with a budget of total SEK 120 million, which is to be seen as “incentive money”.

Political governance of research and doctoral studies

Governance by resource allocation

91. The principle of the freedom of research that is enshrined in the law imposes obvious limits on the methods that the central political authorities can apply in steering research. The Higher Education Act states that the following general principles shall apply to research: Research problems may be freely selected, research methods may be freely developed and research results may be freely published.

92. Funds for research and doctoral studies are allotted separately from the funds allotted for other higher education. The Government/Riksdag are responsible for the general distribution of appropriations to the areas of research and for the distribution to each institution. The control exercised by the Government and Riksdag is thus primarily concerned with the volume and general orientation of research, a type of budgetary control in that the operations are influenced by the size of appropriations. The performance-related allocation of resources does not occur in research/doctoral studies.

93. The central political control over doctoral studies is exercised by the approval of university colleges to examine doctors in a special area of research and by setting special targets for numbers of degrees. The objectives set by the Government for doctoral degrees

presuppose external funding, public or private, for doctoral studies, which the Government regards as a way of increasing collaboration with society at large.

Schools of research

94. The latest research policy bill emphasises that higher education institutions should devote more attention to doctoral studies. In the view of the Government, new approaches to the structure of postgraduate education may be a means of promoting recruitment and making studies more effective. The Government takes the view, in the light of national and international examples, that an organisational model consisting of schools of research may have a positive impact on the development of doctoral studies. Within the framework of the new resources set aside by the Riksdag, the Government has therefore decided on an initiative establishing 16 schools of research. Universities and university colleges have participated in the process preceding decisions on research orientation and host university and partner institution. Special funds have been allotted to this initiative. The target for all schools of research is to award 25 doctoral degrees.

Research strategies for renewal and new priorities

95. The government bill *Research and Renewal* (2000) identified eight different areas of strategic importance to which the Government considers the Swedish Research Council and other providers of research funding should pay particular attention. These areas were chosen in part on the basis of the research strategies described in the accounts prepared by higher education institutions. In addition, the Government also stressed the need for interdisciplinary and multidisciplinary research.

96. The Government's view, as expressed in parliamentary bills, is that with regard to the task of setting priorities and redistributing resources so as to achieve renewal and ensure competitive research, the fundamental responsibility rests with the researchers and their institutions themselves. In the opinion of the Government, institutions of higher education should devote greater attention to their research profile and should make increasing use of the opportunity to engage in "prioritisation, redistribution and focusing of resources". The governing boards of the institutions have a key role to play in this process, in the view of the Government.

A new state organisation for research

97. To strengthen the organisation of research financing, the Riksdag has taken a decision to amalgamate a number of state research councils and so establish a single body, the Swedish Research Council. The purpose of the new body is to facilitate the focusing of resources in important research areas. Extra funds were made available to the Swedish Research Council in conjunction with its founding.

98. The Government considers it essential that high quality is demanded of research. The model employing national research funding institutions that distribute the available resources after scrutinising applications for research funds is seen by the Government as a means of guaranteeing that the quality of research will be kept up to a high standard. The Government takes the view that an increasingly proportion of higher education institutions' research funds should be released only on the approval of national research funding institutions.

Measures to promote increased collaboration

The task for higher education institutions

99. The appropriation directions and budget bills disclose how the central political authorities govern higher education institutions in addressing the task of collaboration that was brought in by law in 1997. The appropriation directions for 1997 took the first step by instructing institutions of higher education to “increase their collaboration with society at large”. Examples of partners for collaboration were the business sector, non-governmental organisations, cultural organisations and adult education organisations, with public administration being added in 1999. The 1999 budget bill stresses the importance of higher education institutions working actively to “consolidate and extend democracy in society”. The budget bill further elaborates the duty to collaborate given to higher education institutions by introducing aspects relating to continuing professional development and lifelong learning. The regional policy perspective is also advanced in the appropriation directives for 2000: the Government considers that the mission of institutions of higher education also includes stimulating sustainable economic growth on the basis of regional conditions. The 2002 appropriation directions gave higher education institutions the additional task of participating “on the basis of the particular circumstances of the individual institution” in the work on regional growth agreements that each county is required to draw up under the direction of the county administrative board.

Reports

100. The submission of reports of collaboration has been required since the 1997 amendment of the Act. Initially this was mostly a matter of describing plans for action on the task of collaboration. In later appropriation directions the reports required have been extended to include an account of the measures taken. The Government has announced that it intends to demand a separate account of collaboration between institutions of higher education and society at large, to be submitted every fourth year, beginning in conjunction with the annual report for 2003.

Governance by resource allocation

101. Institutions of higher education receive no direct appropriations/resources from the central political authorities to finance their task of collaboration. In 1994 the Government then in power established what were known as “Technology Bridge Foundations” whose intended purpose was to promote a more effective and active transfer of research results, etc., from higher education institutions to the business sector. Institutions are required to apply to these foundations for extra support in order to benefit from the resources that the central political authorities set aside for this purpose in 1994. In addition, a number of “holding companies” have been established within the framework of university operations to conduct the production of services and to put research results to commercial use. The universities are now entitled to represent the state in these companies, giving them the right to appoint the board, etc.

Guidance in good practice

The role of the National Financial Management Authority

102. The National Financial Management Authority is an expert agency answerable to the Government, whose principal task is to improve financial management in the central government sector in general. The National Financial Management Authority has the additional task of offering government authorities and agencies good systems for financial and personnel administration, in a simple and economical form and at competitive prices, and providing the support these bodies desire in such areas. The National Financial Management Authority helps develop and improve methods for management by results and financial management in the central government sector, at both authority and government level.

103. The Authority also issues rules for financial administration in the sector and produces generally accepted accounting principles for the central government sector. It organises an annual two-day fair, targeting all government authorities and agencies. The National Financial Management Authority, moreover, has the task of conducting an annual financial administration evaluation of all government authorities and agencies. The Government has established a council to be at the disposal of the Director-General and an accounting council on which institutions of higher education are represented.

Key indicators

104. A project is under way at the Government Offices aimed at developing indicators and key ratios for higher education and research and doctoral studies. This project began in 2000 when the Government commissioned four universities to take part in a pilot scheme reporting key ratios for doctoral studies, including cost estimates. The universities were also instructed to comment on the key indicators and propose alternative measures. Also in 2000, a further four institutions of higher education were assigned the task of working with key indicators, though in this case the project concerned higher education except doctoral studies and the cost per FTE student, with a breakdown by field of study.

105. The appropriation directions for 2001 instructed four higher education institutions to take part in a pilot scheme for reporting proposed key indicators to provide a measure of the teaching time per FTE student at different educational levels and in different fields of studies. The results of the pilot scheme have been discussed at a conference organised by the Association of Swedish Higher Education, with the participation of the higher education institutions and other institutions concerned. It is the opinion of the Government that work on key ratios and indicators should be pursued in close cooperation with institutions of higher education.

Higher Education Forum for Accounting Issues

106. Within the framework of the Association of Swedish Higher Education there is a collaborative project known as the Higher Education Forum for Accounting Issues. This collaboration began in connection with the major changes implemented in the state accounting system at the beginning of the 1990s.

107. The objective is to develop generally accepted accounting principles in the higher education area, to discuss principles for and carry out interpretations and applications of the contents of accounts and to act as a counterpart in discussions on accounting issues with the

National Financial Management Authority, the National Agency for Higher Education and the Swedish National Audit Office.

108. Activities take the form of seminars held in close cooperation with the National Financial Management Authority, the National Agency for Higher Education and the Swedish National Audit Office. Furthermore, there is some interplay with the Ministry of Education and Science on issues in the accounting area.

Working group on full cost coverage in externally financed research

109. Following an agreement between the Association of Swedish Higher Education and certain research funding institutions in April 2001, a working group was appointed at the end of 2001 with the task of considering ways of designing a system of full cost coverage. As background material for this assignment, an examination was to be made of the actual costs of individual research projects at a number of institutions of higher education. The group was also given the task of determining at what level a standard add-on amount should be set in future, and to analyse whether the add-on should be calculated as a standard rate or consist of actual amounts. In the course of 2002, the working group has studied some 20 projects at the same number of departments at six universities. The study has encompassed projects costing a total of approximately SEK 1 500 million in different disciplinary domains. After a substantial amount of work on defining and developing norms, the group has arrived at a number of conclusions and proposals aimed at developing uniform definitions and methods of calculation, which will simplify the task of both institutions of higher education and a number of major research funding institutions in the public and private sectors. Talks are under way between representatives of higher education institutions and research funding institutions, focusing in the first instance on the level of overhead costs.

110. The Minister for Education and Science responded to a major parliamentary question in spring 2002, asking what measures he proposed to take to clarify the costs included in the add-on amount approved by the Government for all externally financed research at institutions of higher education. In his response, the Minister drew attention to various Riksdag decisions and the extensive studies of cost levels that have been made. He emphasised, in conclusion: "Overheads vary in level according to area of activity and institution. Founders and researchers, like the Government, have a shared interest in the system being as non-bureaucratic and fair as possible. The parties most competent to come to an agreement about the volume of overhead costs are naturally those who conduct and finance research themselves. The Government has learned that discussions are in progress between these different stakeholders and sees no reason to intervene and control this process in detail."

111. Institutions of higher education and research funding institutions are in agreement that there is a need to find uniform, simpler administrative routines where procedures for applying for financing from funding institutions of research are concerned. The responsibility for ensuring that this is done rests on the higher education institutions. The Higher Education Forum for Accounting Issues is a suitable actor for pursuing this task in a systematic fashion. The decision that the Association of Swedish Higher Education is expected to take on this issue will merely have the status of a recommendation to members. It will then be up to the individual institutions of higher education to take the necessary formal decisions.

Management training for governing boards and their chairs

112. With increasing delegation of responsibilities and decentralisation, leadership and management training issues have come increasingly to the fore. This applies both to the training of members of higher education institutions' governing boards and the training of vice-chancellors and holders of other managerial positions at the higher education institution. Naturally, the individual institutions bear a major responsibility for such training, but the Ministry of Education and Science and the National Agency for Higher Education also have a significant role to play in this process.

113. The National Agency for Higher Education has been commissioned by the Government to promote management training in higher education. The Agency now regularly conducts academic management programmes that focus on strategic management, the role and social responsibility of higher education institutions and personal skills development.

114. The Government has had a standard policy for managers since 1995, according to which every newly appointed head of a government authority or agency is offered an individual introductory course and managerial training. The Government's policy for managers includes periodic dialogues on objectives and results between the institution's managers and senior staff at the Ministry of Education and Science, which also encompass individual talks between the minister and the vice-chancellor.

115. On several occasions the Government has pointed out the important role of universities and university colleges governing boards in an increasingly deregulated higher education system. The Government has particularly emphasised that it is important that the governing boards focus on long-term strategy issues. The Ministry of Education and Science organises annual meetings with all chairs of universities and university colleges governing boards at which major issues are taken up for discussion. In the "Higher Education Management, Teachers and Organisation" bill, the Government has stressed that it is important that all people in managerial positions in higher education have clearly defined tasks and that they are trained for their particular duties. The responsibility for this rests primarily with the higher education institutions.

116. The National Agency for Higher Education presented an evaluation of the work of higher education institutions on management training in August 2002. This evaluation revealed that most institutions have increased their efforts to support and train managers at all levels. The results also disclose wide variation between the institutions, in terms of the scope, orientation and significance of their managerial training. The outcome indicates that the personal commitment of the vice-chancellors is particularly important in management training.

Financial and operational follow-up

Statement of operations

117. The statement of operations that higher education institutions are required to submit to the Government is outlined for the most part in the appropriation directions. In the appropriation directions for 2002, the descriptions of objectives and reporting requirements occupy 18 pages for higher education institutions in general, in addition to the more exact requirements for specific institutions. Objectives are specified for higher education, research

and collaboration with society at large. There are reporting requirements for all these objectives, of various types, ranging from reports to be submitted every four years on measures and activities directed at achieving certain political objectives associated with collaboration with society at large, increased internationalisation and promotion of multi- and interdisciplinary studies, to more measurable operative activities such as the proportion of teachers who have undergone teacher training, the number of people who have started doctoral studies, changes in the number of professors employed, and so on and so forth.

118. Such reports are normally to be submitted in connection with the annual report that institutions of higher education are required to draw up and deliver to the Government each year.

Financial reports and documents

119. Like all other authorities answerable to central government, higher education institutions are required to prepare an annual report, an interim reports and budget documentation for submission to the Government. In addition to these obligations, higher education institutions are required on four occasions to deliver a forecast of the estimated outcome for the appropriation for higher education.

Annual report

120. Institutions of higher education are required to submit to the Government an annual report for the latest completed financial year, no later than 22 February each year. The annual report shall consist of a statement of operations, an income statement, a balance sheet schedule, appropriation accounting, a cash-flow statement and notes. Higher education institutions are also required to submit information regarding other circumstances of substantial importance to government follow-up and scrutiny of their operations. The income statement shall give a summary account of all the institution's income and costs, including the funds received from other sources in the form of donations and grants to finance the conduct of operations.

121. As indicated in the section above, the annual report shall also contain an account and comments comparing the results of operations to the objectives and reporting requirements set by the Government in appropriation directions or in some other form.

122. The governing board of an institution of higher education is required to approve the annual report. All members of the board, including the vice-chancellor, must sign the annual report. The annual report is ordered by and primarily addressed to the Government. The annual reports of a number of higher education institutions also contain data other than the information required by the regulations (e.g. internal objectives set by the governing boards) on which follow-up is important.

123. The Swedish National Audit Office is responsible for scrutinising the annual reports submitted by higher education institutions and drawing up an audit report.

Interim report

124. Institutions of higher education are required to submit an interim report to the Government no later than 15 August each year. The interim report shall refer to the first six months of the year. It shall consist of an income statement, a balance sheet schedule,

appropriation accounting and a forecast for the current financial year. The precision required of the interim report is not as high as in drawing up the annual report; the figures in the interim report may be based to a greater extent on estimates. The governing board of a higher education institution can delegate approval of interim reports to the chairman of the board, who may decide on the matter after consulting the vice-chancellor. Like the annual report, the interim report is subject to scrutiny by the auditors.

Budget documentation

125. Institutions of higher education are required to submit budget documentation to the Government no later than 1 March each year. The budget documentation shall contain proposals for funding for the institution's operations in the next three financial years. Proposals for increased funds shall be accompanied by proposals for reorganisation of priorities within the existing budgetary framework.

Special financial reporting requirements in appropriation directions

126. Over and above the reports that all higher education institutions are required to submit under general regulations applying throughout the central government sector and the general regulations applying to higher education institutions that are given in the appropriation directions, the Government has specially instructed certain institutions to submit additional financial information to the Ministry of Education and Science. This procedure is to be seen as an expression of the Government's view that there is reason to follow financial developments at the higher education institutions coming under these special reporting requirements particularly closely. The position taken by the Government may be motivated either by interim report or the annual report submitted by the institution for the passed year and information from the Swedish National Audit Office. The institutions singled out in this way are required to deliver to the Ministry of Education and Science firstly, a budget for operations of the institution in question, and secondly, where relevant, a programme of measures to remedy any financial deficit. Further, the institutions concerned are required to deliver quarterly budget follow-ups and comments on these follow-ups for the duration of the programme of measures.

Auditing

Swedish National Audit Office

127. The Swedish National Audit Office conducts annual audits of the operations of institutions of higher education. The Office is responsible for conducting effectiveness audits and annual audits, scrutinising operations in the central government sector and state undertakings in terms of effectiveness, examining the annual reports and underlying documentation submitted by government authorities and agencies in accordance with generally accepted auditing standards, for the purpose of assessing the reliability of these reports, and similarly examining the interim reports from these authorities. The Office is also required each year to submit to the Government audit reports on the examination of the annual reports of government authorities and a composite report on the observations made by the Office in the course of its auditing activities.

128. The Higher Education Ordinance states that the governing board of an institution is required to decide on appropriate measures to be taken in response to the audit report that has been delivered.

Internal audits

129. Internal audits at institutions of higher education are conducted with the authority of an ordinance concerning internal audits at government agencies. The ordinance applies to all universities and to certain other major institutions of higher education that are mentioned by name. In the budget bill 1994/95, in connection with the decision to require internal audits, the Government stated the most important reasons why the central political authorities consider there is a need for internal audits. The reasons adduced are, firstly, the volume of financial flows for which the agencies are responsible and, secondly, the substantial delegation of responsibilities that has occurred from the political authorities to the agencies. Under the provisions of the ordinance, it is the institutions governing boards that are responsible for internal audits. The governing board is responsible for approving both audit plans and measures arising from the scrutiny conducted in the course of the internal audit. Before the governing board approves the audit plan it must consult the Swedish National Audit Office. The ordinance also regulates the organisational procedures for internal audits in that the larger universities are compelled to have employees of their own for this purpose, while the smaller institutions are permitted to use external qualified people in all respects.

130. During 2002 the Swedish National Audit Office has conducted a study of the work situation of internal auditors in the central government sector. One of the proposals in the report that was submitted on 18 June 2002 is that governing boards at government agencies, including university governing boards, should exert stronger control over the work of internal auditing by making it clear that the internal auditors are working under the instructions of the governing board and are not to be involved at managerial level with operational issues and the like.

Quality evaluation

Task of the National Agency for Higher Education

131. The National Agency for Higher Education is a central government agency for issues concerning institutions of higher education. The National Agency for Higher Education provides data that can be used for changing, improving and renewing operations in the higher education sector. The Agency engages in supervision of higher education institutions to safeguard the statutory rights of the students.

132. The National Agency for Higher Education conducts continuous quality evaluation of higher education. Its evaluation extends to all higher education including doctoral studies. It scrutinises the quality assurance activities undertaken by the institutions themselves and considers applications for the right to award degrees. On behalf of the Government the Agency examines applications from higher education institutions for the right to give doctoral degrees in a special area of research.

Task of examining the quality of all subjects/programmes

133. In 1999 the Government instructed the National Agency for Higher Education to carry out an examination of the quality of all subjects and programmes in higher education over a six-year period beginning in 2001. This examination of quality involves both self-evaluation by the institutions concerned and assessment by external teams. The external team of assessors is to submit its report to the National Agency for Higher Education including a

statement of proposed measures. The assessments are to be based on the Higher Education Act, the Higher Education Ordinance and the circumstances and objectives on which the institutions themselves base their work. The subject and programme evaluations have three main purposes: to contribute to quality development, to examine whether the education offered matches the objectives and provisions given in the Higher Education Act and Higher Education Ordinance and to provide information to interested parties.

134. Nine evaluation teams carried out a total of 222 examinations in 2001. The annual report of the National Agency for Higher Education in 2002 states “that the evaluations have led to a series of proposals for improvements but the main impression is that the operations function well”. Only 8 of the 222 subjects/programmes examined have had shortcomings so serious that the right to award degrees has been questioned. The institutions concerned have the opportunity to correct the shortcomings noted prior to a new examination. Only after this second examination may a withdrawal of the right to award degrees be considered.

ENSURING FINANCIAL VITALITY

Overview and development of financial situation

Financial overview

135. The total costs for the higher education and research sector amounted to SEK 52 300 million in 2002, with the following breakdown:

<i>Costs (SEK m)</i>	Fiscal year 2002	%
Total cost of higher education of which	52 300	100.0
State universities and university colleges	38 400	73.4
Private institutions	3 100	5.9
Student financial support	10 300	19.7
Central government agencies	500	1.0

136. In all, this figure of SEK 52 300 million represents 2.2% of Sweden's gross domestic product in 2002. The costs of activities at higher education institutions amounted to SEK 41 500 million, which is just under 1.8% of Sweden's gross domestic product.

Table showing income statements for higher education institutions 1998-2002

Amount in SEK m, current prices

	2002	%	2001	%	2000	%	1999	%	1998
Operating income									
Central govt. appropriations	26 576	66	23 050	61	21 911	60	19 739	58	
Other income	14 749	36	14 909	39	14 665	40	14 130	42	
Total income	41 325	100	37 959	100	36 576	100	33 869	100	31 861
Operating costs									
Personnel costs	24 092	58	22 147	58	21 083	58	19 266	57	
Costs for premises	5 894	14	5 455	14	5 033	14	4 733	14	
Other costs	11 482	28	10 647	28	10 406	28	10 043	29	
Total costs	41 468	100	38 249	100	36 522	100	34 042	100	31 946
Operating outcome	-143		-290		54		-173		-85
Balance, transfers, etc	-38		19		6		-139		156
Capital change for the year	-181		-271		60		-312		71
Capital	3 263		3 444		3 715		3 655		3 967

Note: In addition to the 39 institutions of higher education, the report also includes municipal and private education providers contracted by the state to provide higher education.

137. Direct appropriations from the central government budget fund 64% of higher education activities, representing a slight increase over the past five-year period. This

increase is due largely to the increased number of students that occurred in the 1990s and the beginning of 2000s and was financed out of central government funds. Higher education funded by other sources exists only on a very small scale. Direct state financing accounted for 46% of the funding for research and doctoral studies in 2002, a considerable decline in the long-term perspective.

Developments in the funding of higher education

138. As from 1993/94, the grants voted by the Riksdag for higher education is calculated on the number of FTE student and FTE study result, using special revenues decided by Government. For 2002 the amounts below apply per FTE student and FTE study result. The column on the far right shows the breakdown by study fields of the total volume of students in 2002.

Field of study	Revenue per FTE student Amount in SEK	Revenue per FTE study result Amount in SEK	FTEs 2002 %
Humanities, theology, law, social sciences	14 704	15 394	45.2
Natural sciences, engineering, pharmaceuticals	38 408	35 122	31.8
Dentistry	34 877	43 614	0.4
Medicine	46 922	61 540	3.8
Health and social care	37 286	34 096	7.2
Teaching	27 478	34 807	7.6
Miscellaneous	32 266	27 783	2.1
Design	114 419	73 530	0.6
Art	163 163	73 552	0.2
Music	98 526	65 828	0.7
Opera	235 214	148 413	0.0
Theatre	227 958	119 494	0.1
Media	230 561	196 132	0.1
Dance	159 885	93 227	0.0
Sport	83 734	40 961	0.2

139. As is evident from the above table, most of the study fields are small. Almost half of the number of FTE students relates to education in the study fields of humanities, social sciences, theology and law. A third relates to engineering and natural sciences. In combination, these study fields thus account for nearly 80% of all state-financed education, measured in terms of FTE students.

140. In the mid-1990s, when cutbacks were made in many areas in the state sector for the sake of balancing the central government budget, the revenues per FTE student and FTE study result was reduced. Subsequent adjustments have followed the price and salary indexing applied by the Government. Compensation did not return to 1994 levels (in current prices) until 2001. In 2002 and 2003 resources are increasing due to an additional sum of SEK 200 million provided to the humanities and social sciences study fields. In 2003 there is also an additional sum of SEK 200 million provided to the study field of health and social care.

141. The changes in the resources put into the two largest study fields over the period 1994/95 to 2002 are shown in the table below (in current prices, SEK):

Field of study	1994	2000	2002	Change in %
Humanities, social sciences, etc.				
Revenue for FTE student	14 024	13 544	14 704	4.8
Revenue for FTE study result	14 349	14 179	15 394	7.3
Natural sciences, engineering				
Revenue for FTE student	38 036	36 580	38 408	1.0
Revenue for FTE study result	33 850	33 450	35 122	3.8

142. According to the annual report for 2002 prepared by the National Agency for Higher Education, resources have fallen by 17% in real terms between 1994 and 2001, if compared with the central government consumption index, which closely resembles the price trend experienced by institutions of higher education. During the years 2002 and 2003, as mentioned above, the revenue for humanities, social sciences, law, theology and for health and social care have been specially augmented.

Developments in the funding of research

143. The higher education annual reports for 2002 show that universities' and university colleges' income for research and doctoral studies totalled SEK 21 800 million in 2002. The trend in recent years, with a breakdown by different sources of funding, is shown in the table below.

Amount in SEK m, current prices

	2002	%	2001	%	2000	%	1999	%	1998	%
Total R&D income of which	21 800	100	20 448	100	19 473	100	17 844	100	16 911	100
direct central government grants	11 980	45	9 547	46	9 231	47	8 178	46	8 437	50
external funding	9 820	55	10 901	54	10 242	53	9 666	54	8 474	50

Trend in constant prices

144. Income for research and doctoral studies rose by SEK 2 900 million in constant prices over the period 1998–2002. The increased resources available to research are mainly attributable to a rise in external funding.

External funding

145. The sources of external funding include state research councils, central government agencies, local authorities, the EU, Swedish and foreign non-profit organisations, Swedish and foreign companies and the foundations set up in the mid-1990s using the resources of the wage-earners' investment funds.

Relation between direct central government grants and external funding for research

146. External sources accounted for 55% of research financing in 2002, while direct central government financing for research and doctoral studies at Swedish higher education institutions came to 45%. In 1997 the ratio was 50-50. In the longer perspective, the funding picture has undergone substantial change. At the beginning of the 1980s direct central government grants accounted for two thirds of research funding. One explanation for the increase in external funding lies in the creation of the foundations set up by the centre-right government in 1994 using the so called wage-earners' investment funds. In 2002 the research foundations were responsible for SEK 1 145 million, or 5% of all research financing. EU research programmes and the deliberate investment in state research councils on the part of the central political authorities have also contributed to the sharp increase in external financing. The public sector accounted for approximately 71% of research financing in 2002. If grants from the research foundations and EU funds received are included, the figure rises to 80%.

Distribution of research financing among higher education institutions

147. The expansion of the higher education sector in the 1990s, with a deliberate political commitment to university colleges and the initiative giving more institutions the right to award doctoral degrees, has led to a shift in the distribution of research funds. In the mid-1990s the 12 universities received virtually all research financing (over 98%). In 2001 this figure had fallen to 91%.

148. Appendix of tables 4 shows the funding picture for Swedish universities and university colleges over a five-year period.

Financial results

149. Total turnover at higher education institutions in 2002 amounted to just over SEK 41 000 million. The balance sheet totals of different institutions vary widely, from Lund University, with a balance sheet total of SEK 4 682 million, to the University College of Opera, with SEK 18 million. The 12 major universities have a combined balance sheet total of nearly SEK 32 000 million. The combined balance sheet total of the newer universities, university colleges and university colleges of arts (a total of 27 institutions) is no more than SEK 9 000 million. The total capital of the higher education institutions – i.e. the sum of capital changes brought forward from earlier years and capital change in 2002 – amounted to just over SEK 3 000 million. This corresponds to nearly 8% of the combined total costs at institutions of higher education. In absolute terms too, the large universities account for a major part of the surplus. The surpluses at the universities add up to around SEK 2 600 million. Relative to the balance sheet total, the total profits/losses posted by the higher education sector are very low.

150. Over the last four years there has been a profit/loss variance of less than 1%. Profit/loss variance was considerably greater during the first five years after the 1993 reform. Initially large surpluses were registered, which gave way to heavy deficits in the mid-1990s. The deficits in the mid-1990s are largely attributable to the economy measures that hit higher education institutions, in common with other state activities, in the attempt to balance the central government finances. Another explanation for the minimal profit/loss variance now seen may be that the higher education sector has adjusted its operations in response to student demand. Improvements in the internal management of operations and more precise forecasts have also helped to promote better accuracy.

151. Profit/loss variance for different institutions ranges from -6% to +13% in 2002. The total surpluses shown by higher education institutions, as per 31 December 2002, vary widely, ranging from 0 to 26% of their latest total costs. Only two university colleges post a negative overall result.

152. Appendix of tables 1 shows the turnover, capital and profit/loss trend at the 39 institutions of higher education for the 1998–2002 period.

What are good and bad financial results?

153. The Swedish central government budget system is based on the annual advancing by the central political authorities of the resources that the Riksdag considers are required in order to achieve the objectives that have been set. Hence, to put it simply, a break-even result can be seen as a measure of good economic performance. The central political authorities do not aspire, and have never aspired, to allow government agencies to have more capital at their own disposal than they need to carry on their activities. The performance-related resource allocation system used in the higher education sector and the high degree in which operations have external funding are the factors behind the special regulations limiting the opportunities for higher education institutions to carry surpluses and losses from operations forward and to utilise such resources.

Regulations concerning profits/losses made by higher education institutions

154. Regulations are in force on ways of dealing with profits and losses made by central government agencies. Apart from the general regulations in the central government sector regarding fee-earning activities, the Government has established the following rules for the core activities of higher education institutions, i.e. education and research, and has communicated these rules via the appropriation directions:

“For activities not financed by fees, proposals regarding the application of the entire cumulative surplus shall be submitted, provided that the cumulative surplus exceeds 10% of the total operating costs during the last year of operations for which accounts have been rendered. Surpluses shall be explained and commented upon. Any deficit shall be explained and commented upon. If the deficit is not covered by a surplus that has been brought forward, proposals for remedial measures shall be submitted”.

155. This provision, which is known as the “10% rule”, should be seen as a limit rule. Institutions of higher education are allowed to utilise surpluses up to a certain limit. In cases where the surpluses are too large, accounts shall be rendered to the Government for the whole of the cumulative surplus that has arisen. Deficits must always be discussed in the annual

report, even in cases where they are covered by surpluses generated in earlier years. The regulations on how to deal with surpluses and deficits shall apply irrespective of the source of funding. The rule for fee-earning activities in the central government sector is that all costs must be covered but fees must not be set so as to give rise to surpluses. The rule regarding full cost coverage applies to institutions operations with external funding. These limitations on the free utilisation of any surpluses that arise give the central political authorities control over the profit/loss trend at institutions of higher education. On one occasion, in the mid-1990s, the Government demanded repayment from a number of institutions of higher education because it considered their cumulative surpluses to be too high.

Balance sheet schedule for higher education institutions

156. All higher education institutions, like other government agencies, are required to prepare an annual report containing a balance sheet schedule, income statement and other information. The annual report, year-end accounts and current accounting records must be drawn up following generally accepted accounting principles. The sections of the annual report must give an accurate picture of the operating profit/loss, along with costs, income and financial position.

157. The accounting model incorporating a balance sheet schedule was introduced at the beginning of the 1990s, to provide a solid foundation for internal management in the central government sector. The balance sheet schedule and income statement document thus represents a transition from appropriation accounting to a more business-like accounting system. The balance sheet schedule shows the “financial position”, i.e. assets, capital and liabilities. The balance sheet schedule has set headings and items (e.g. accruals and deferrals), which must be valued in a consistent manner. This enables balance sheet comparisons to be made between agencies and between years. The balance sheet schedule is nevertheless incomplete from a business economics point of view. Valuations are to be made applying internal prices for the state sector (FTE-revenues, no pension liabilities, etc.), and as a result the balance sheet does not reveal the true value of any agency. The real focus is on the costs and sources of funding in the income statement, and it is this information that attracts the interest of the central political authorities.

158. Like all government authorities and agencies, the 36 state universities and university colleges belong to the central government sector. The actual implication of a balance sheet schedule is that the organisation/company concerned has control over the assets reported in the schedule, but higher education institutions, like other central government agencies, have limited control over the assets listed in their balance sheet schedules. Assets and equipment can be sold, to be sure, but they are intended “for permanent use in operations”. Capital gains from investments financed out of appropriations must be paid in to the state. Moreover, institutions of higher education do not own their own premises; instead, they rent the properties needed to carry out their operations. Consequently, the balance sheet schedules of higher education institutions show relatively low totals. An overview of the balance sheet schedules of the 13 state universities (these 13 universities combined account for nearly 80% of the entire higher education sector) is given in appendix of tables 5. As this overview shows, total fixed assets amount in 2002 to SEK 5 941 million. Agency capital amounts to SEK 2 687 million, of which capital changes brought forward total SEK 2 464 million. It is this last item over which the institutions of higher education have a certain right of disposition.

Measures in the event of financial problems

Introduction

159. As stated in the account given in section 3, higher education institutions are obliged to submit reports on a continuous basis on both the operational and financial aspects of their activities. The Government, as commissioning party, thus receives information in order to monitor activities at higher education institutions. Over and above this, the political authorities have issued clear regulations for annual and internal audits. The Government also decides on the measures that need to be taken in response to the audit reports that are submitted.

Special instructions in appropriation directions

160. As indicated previously, on some occasions in recent years, the Government has instructed certain specifically designated institutions of higher education to deliver special reports on their financial situation to the Ministry of Education and Science. These decisions have been based primarily on the annual reports and interim reports from the institutions themselves, but also on the audit reports drawn up by the Swedish National Audit Office.

161. The appropriation directions for the period 1998–2002 reveal that the following institutions have been instructed to deliver continuous reports on their financial situation and on measures planned and taken.

University/University College	1998	1999	2000	2001	2002
Dalarna University College	X	X			
Örebro University	X	X	X		
Stockholm Institute of Education	X			X	
Mid-Sweden University College	X	X			X
Södertörn University College	X	X	X		
Gotland University College		X	X	X	X
Royal University of Music in Stockholm		X	X		
Stockholm University College of Acting		X			

162. It may be noted that two of the institutions that have received such instructions during the last five-years have been newly started university colleges (Södertörn University College and Gotland University College) and that two more (Örebro University and Mid-Sweden University College) are institutions that have been engaged in considerably more vigorous expansion than other Swedish higher education institutions, and have besides been striving to obtain university status.

163. The approach taken in responding to these special instructions varies from one institution to another, partly due to the particular cause of the problems that have arisen but also because of differences in the attitude taken by the management at different universities to the Government decision in question.

Specially appointed Government Committees

164. In cases where the Government has come to the conclusion that neither the customary required reports nor the special reporting assignments given in the appropriation directions have led to the desired result, special committees have been appointed to follow financial developments at the higher education institution concerned. The task of the committee has included reporting back to the Government.

165. The Government has resorted to this option on two occasions in the past five years. In all, three institutions of higher education have been affected by these special examinations.

What is a Government Committee?

166. A committee is a group of people called in by Government decision and given the task of investigating a certain issue. A committee can also be described as a government authority set up on a temporary footing for the purpose of establishing the grounds for taking a political position. The task of a committee is to gather and analyse data and to present proposals. This is the procedure followed in preparing various Government measures in a range of different areas. In Sweden committees are carrying out most of the basic work for major reforms. This is one reason why Swedish government ministries are small compared with their counterparts in other countries.

167. The committees receive their directions from the Government in the form of committee terms of reference. When an investigation has been completed, the committee publishes the results of its work in one or more reports.

Committee on support to Örebro University and Södertörn University College

Terms of reference

168. The Government decided in 1999 to call in a special committee with the tasks of following and supporting efforts to improve the management and control of operations and developing the financial administration function. The terms of reference also included submitting a report to the Government with an assessment of results achieved by the measures taken. The committee consisted of four members, two of whom were heads of administration at other universities.

169. The reason for the Government decision was that the Swedish National Audit Office had made critical comments on the institutions' budget processes, follow-up and management of operations for several years, without the problems having been solved. The two higher education institutions had similar problems in a number of areas, with respect to internal controls, the quality of internal management, shortcomings in the budgetary documentation and a lack of precision in forecasts. However, there was one major difference, namely, the scale of the negative trend. Where Södertörn University College was concerned, there was a forecast cumulative deficit of SEK 150-200 million, a figure that should be set against the turnover Södertörn had at that time, namely, SEK 220 million. Södertörn University College received an audit report criticising it on the grounds that "essential information for understanding the institution's financial results is missing from the annual report".

The committee report

170. In the report that it submitted in November 1999 (Swedish Government Official Reports 1999:135), the committee noted that where Örebro University was concerned, the university had “taken steps to correct the failings found by the audit and made creditable efforts to improve the management and control of operations”.

171. In contrast, the committee found that Södertörn University College had not managed to do all that was required in order to deal with the underlying problems. The committee also took the view that the institution was incapable of making good the deficit it had at that time by its own efforts; a reorganisation was therefore recommended. The committee expressed the opinion, further, that it was important in this connection to determine a set level of ambition and clear parameters for future activities at the university college.

Position taken by the Government

172. The Government decided in autumn 2000 to supply SEK 100 million to Södertörn University College to enable the institution to make plans to deal with its estimated cumulative deficit, which at the time was calculated at SEK 154 million. In the budget bill for 2001, the Government emphasised that Södertörn University College had a responsibility to keep its finances in balance in the future. The Government also expected Södertörn University College to take the measures needed to ensure that internal management and control can be deemed satisfactory, so as to avoid a recurrence of similar problems.

173. Södertörn University College’s annual report for the 2001 financial year reveals that the institution posted an operating loss of SEK 3.3 million and that it had capital amounting to SEK 33.3 million. Södertörn University College has also achieved considerable improvements in terms of internal management and control. In the annual financial administration evaluation carried out by the National Financial Management Authority, the grade awarded to Södertörn has gone from “failing” in 1999 to “pass with distinction” in 2001.

Budget dialogue

174. The planning and follow-up process is very important in the present system of management by objectives and results. Dialogues between the Government, represented by the Ministry of Education and Science, and the various institutions of higher education have a great strategic role to play in the development of this system. Higher education institutions and the Ministry of Education and Science alike agree that the “budget dialogues” that have been held have improved but still need further development.

175. The budget dialogues have provided the Ministry of Education and Science with a means of monitoring the financial situation both at the institutions of higher education that have been subject to special reporting requirements and in higher education more generally. These occasions have allowed opinions, comments and advice to be offered in a relatively informal manner.

Other measures

176. In formal terms, the Government controls institutions of higher education by means of appropriation directions, special government decisions and assignments, and by its choice of managerial organisation and appointment of the vice-chancellors, chairs of governing boards and the majority of other board members at the institutions. The Government is thus able,

without restriction, to resort to these instruments in situations where institutions of higher education fail to carry out the tasks set by the Government. So far no vice-chancellor or governing board has been forced to resign on account of financial or other mismanagement. In isolated cases the Government has been obliged to intervene when relations between the vice-chancellor and the chair of the governing board have malfunctioned, but in such cases the reason has not been an inability to establish conditions for balanced finances.

Lessons from the action taken

177. As noted before, the higher education sector underwent major changes in the 1990s. These changes involved both a substantial deregulation, accompanied by increased local influence and self-determination, and a new system for the allocation of resources, which stepped up requirements for reporting on goals achieved and financial reports. The new resource allocation system brought a sharp reorientation from one financial year to the next. The appropriations system in force until 1993, in which the range of operations at institutions of higher education was controlled in a highly detailed fashion, was replaced by a new system of resource allocation inspired to some extent by the “buying and selling system” that had then begun to be introduced in other parts of the public sector. The change this entailed was that institutions of higher education had to change their planning systems very quickly, so as to move from a “supply philosophy” to more of a “demand-driven supply”. The focus was now intended to be on student demand. Changes were also required in the area of financial administration, as institutions of higher education, like other government agencies, faced stiff requirements in terms of administrative activities. Requirements to draw up regular annual reports, interim reports and forecasts, cash management, stiffer accounting requirements, etc., are just a few examples of the changes that occurred in the 1990s.

178. In the light of these changes, the actions that the Government Offices have been compelled to take in order to bring about order or financial balance in the finances of higher education institutions have been minor. It has to be considered that from a financial perspective, the higher education sector, with its very extensive and complex operations, has managed the process of deregulation very well. The cases where the Government has taken actual measures have been very limited relative to the volume of operations as a whole. Only in one case has the Government been obliged to intervene financially to give a single institution a reasonable chance to sort out a troubled financial situation. On that occasion, moreover, it was a newly started university college that was involved. The Government also concedes that the present resource allocation system has shortcomings where new foundations are concerned, as noted in the budget bill for 2000: “The Government has, however, observed that in cases where new institutions of higher education are being built up, major difficulties arise in covering planning and educational expenses, as well as borrowing costs, within the framework of the ordinary amounts of revenues for different fields of study”.

179. Typical features of higher education institutions that have been subject to special observation are that

- they are relatively small in size (in terms of turnover),
- they are in an expansion phase,
- they are relatively young, newly started institutions,

- research accounts for a small proportion of their total activities which means that direct government appropriations dominate, and
- they are very dependent on a good influx of students

Experiences of the higher education institutions that have been subject to special reporting requirements

180. Interviews have been conducted with people in leading positions at most of the higher education institutions that have been subject to extra scrutiny, with a view to obtaining opinions both on the reactions of individual institutions to the decision by the Government and on their experience of the work done in response to the decision.

181. By and large, the higher education institutions concerned have fully recognised and understood the need to take forceful action to bring their operations into financial balance. Most of them assert, moreover, that such action would have been taken even without the “interference” of the Government. In most cases the Government’s decision has been used by the management teams at the higher education institutions to promote greater awareness of the crisis internally in the organisation. The issue of human resources is a general point emphasised by all institutions. What is involved here is the importance of every institution of higher education having a professional administrative staff with a thorough knowledge of financial management and understanding of and knowledge about the resource allocation system. The significance of a well-functioning dialogue between the Ministry of Education and Science and all levels at the higher education institutions concerned has been stressed.

182. One interesting point that has emerged is that those who consider that they have succeeded in the task of balancing their finances point to the commitment of the governing board and the responsibility it has assumed as factors underlying their success. In these cases the vice-chancellors, above all, have felt they have enjoyed strong support in the reorganisation and efficiency measures that have been required. The knowledge of external board members and their experience of similar situations has been particularly valuable.

Planned and approved changes

Focus on follow-up and evaluation

Riksdag desires better statements of operations

183. The Budget Act requires the Government to report to the Riksdag on the objectives aimed for and results achieved in different areas of activities, including higher education and research. In various connections in recent years, the Riksdag has requested more clearly defined objectives and better accounts of results. The Riksdag decided in 2001 to concentrate the time devoted to budget issues and thus devote more time to follow-up and evaluation. As a step towards integrating follow-up and evaluation into the budget process, the Riksdag has also requested the Government to submit annual results documents to the Riksdag.

The Government desires changes in reports

184. The Government takes the view that there is a need for development in reporting procedures where the link between financial and operational reports is concerned. The

reasons are the Government's need for better documentation of the connection between objectives, results and resources, and that this constitutes an essential part of budget preparation. As mentioned earlier, a development project has begun at the Ministry of Education and Science, aimed at identifying a number of key indicators for describing activities. In connection with this project, the Government considers that results criteria should be discussed. Underlying this idea, the Riksdag and Government requires statements of operations that include targets that are suitable for measurement and follow-up and relevant reporting back requirements.

185. There is an expressed wish to further develop the ability of institutions of higher education to forecast the outcome of their operations. The present resource allocation system, previously described, leads to a demand of great precision at every stage in the forecasting process. The decline in the pressure of applications to higher education and the difficulties encountered in recruiting students to programmes in the engineering and natural sciences areas have led to a situation where Swedish higher education institutions in total fail to reach the "ceiling amount". There are cases, on the other hand, where specific higher education institutions would be able to educate more students were it not for the limit imposed by the ceiling amount at that particular institution. The Government has on some occasions decided on a redistribution of "study places", in an attempt to adjust the allocations to match student demand. The Net University initiative also took place within the framework of resources allotted by the Riksdag to higher education.

Planning and follow-up processes at institutions of higher education

186. The importance of the budget dialogue between the Ministry of Education and Science and higher education institutions has already been underlined. To further develop the present system of management by objectives and results, the planning and follow-up process also needs development at higher education institutions. Development efforts on a varying scale are under way in this area. In general, however, it can be said that the planning process in particular has been developed to focus more closely on operational objectives and results. Within the institutions, dialogues between administrations and those responsible for operations are now a tried and tested management tool. What has at present come to claim more attention in the higher education sector is the capacity to follow up the operational objectives set and financial developments.

THE SYSTEM OF GOVERNANCE: STRENGTHS, WEEKNESSES, OPPORTUNITIES AND TREATS

Strengths

Contributed to enabling the expansion which took place in the 1990s

187. In 1999 the Government appointed a special investigator to examine certain issues concerning the governance of higher education. The report, entitled Governance of higher education – an evaluation, had as its point of departure that “present objectives and results-based systems for allocating resources and governing higher education should remain essentially unchanged”. The committee report stated that there is general agreement that the present system of resource allocation and governance functions well on the whole. There is broad consensus among institutions of higher education that the large increase in the number of students that occurred in the 1990s would not have come about without the increased right of autonomy and the system for resource allocation that was introduced in 1993. The freedom to design courses and programmes according to the wishes and needs of the students and of society is clearly an important contributing factor. Having control over the resources needed to conduct their activities is also of major significance. This applies particularly to higher education institutions taking responsibility for their own supply of premises. The Government notes in its response to the above-mentioned report that “The current performance-related resource allocation system for higher education institutions under the Ministry of Education and Science should remain largely unchanged”. The total consensus regarding the main features of the present system of governance is the system's greatest strength. There is clearly a strong interest on the part of higher education institutions to accept the Government's challenge to shoulder greater responsibility for how the politically defined objectives are to be achieved. The changes that have been made over the years are generally to be regarded as technical corrections. This has led to increased confidence in the system on the part of higher education institutions.

Greater efficiency

188. One of the aims of the reform in 1993 was to enhance efficiency in government administration. Developments in the financing of higher education and research over the last ten years indicate that efficiency has been enhanced. Expenditure per student has decreased. It is difficult to tell whether this has had an effect on quality. Evaluations conducted by the National Agency for Higher Education indicate that in most areas quality has been maintained or even improved. In certain small specific areas, however, it appears that necessary rationalisations have been difficult to achieve and in this context the National Agency for Higher Education has drawn attention to quality shortfalls.

Weaknesses

A decline in student demand gives a direct effect on income

189. The system of resource allocation, which was introduced in 1993, has mainly been tested during a period of expansion in higher education. As some institutions now have

experienced, a decline in student demand has an immediate impact on the income of an institution of higher education. At the same time, expenditure cannot be reduced as quickly, given that higher education institutions have long-term financial obligations both with regard to security of employment for staff and rental contracts. What is taking place is mainly a general reduction in demand resulting from a combination of the vigorous expansion of the higher education sector and smaller youth cohorts. There can also be the fact that there is a discrepancy between student demands and the objectives set up by the Government, which are based on the needs of the labour market.

The resource allocation system does not work when setting up new higher education institutions

190. During the time the resource allocation system has been in place, it has become evident that it has not worked when setting up new higher education institutions, as shown under section “*Governance by the Central Political Authorities*”. The Government stated in the “*Open University*” bill, that “allocations must initially be based on more than the present resource allocation system”. What is recommended in these situations is well-considered evidence for a consequence estimate for decision-making purposes. In these cases resources should be allocated using methods or systems other than a performance-related system.

Higher education institutions need larger reserves

191. The income received by higher education institutions for higher education is entirely dependent on student performance and has a direct impact on the year’s operations whereas their operation costs are not as easily adapted during the year. This situation has highlighted the need for a long-term economic perspective. Higher education institutions have only a limited right of disposition over profits brought forward. These problems were highlighted in the report *Governance of higher education – an evaluation* conducted in 2000. The report notes that the option that institutions now have to carry forward up to 10% of their balance sheet totals does not help to solve the problems that may emerge in a deceleration phase. The report recognises that “for reasons of principle this matter is of significance for the whole of the government administration system and a general solution should therefore be found”. This is an essential issue for higher education institutions if they are to fulfil the Government’s intentions concerning, e.g., more extensive renewal, re-ordering of existing priorities and profiling. According to higher education institutions, this would require the higher education sector being given more freedom to build up larger reserves that would enable it to meet future investment needs with regard to knowledge and technology as well as to manage adjustment costs.

Opportunities

Re-ordering priorities

192. Although the resource allocation system in Swedish higher education is relatively recent and has not been extensively evaluated, the general response to it has been positive. Initially, higher education institutions were criticised for not taking more advantage of the opportunity to re-order their priorities. They have subsequently begun to develop their capacity to establish their own priorities. This is most evident with regard to the management of the resource allocation system for higher education; more institutions today apply internal revenues that differ from those specified in the appropriation directions. Local needs determine to an increasing extent how revenues for education activities are distributed. Work

has also begun in the field of research where many of the larger universities are reviewing their existing operations in order to define new priorities that will lead them in their chosen direction.

Matching operational assignments and higher education institutions

193. Today the higher education sector in Sweden constitutes a very extensive and complex operation. There are 36 state universities and university colleges, which differ in size, age, traditions and content. The universities in Lund and Uppsala enjoy traditions that are over 400 years old in practically all the faculties and have turnovers of billions of Swedish kronor; university colleges of arts have turnovers of under SEK 100 million. The differences between them are great. Consistently applying the same rules and demands to all higher education institutions, regardless of size, complexity and activity is, from the institutions' point of view, not desirable. The higher education institutions demand a highly developed model of management by results that proceeds from an extended budget dialogue, which creates favourable conditions for better operational assignments based on the institutions' unique characteristics and orientation.

Threats

Short-sighted solutions – immediate benefit before long-sightedness

194. The present resource allocation system whereby higher education institutions are entirely dependent on student performance to finance higher education activities can result in a situation where these institutions' activities will concentrate on areas of education for which student demand is strongest at the time. This will occur, therefore, without the needs of the labour market or a specific institution's competence profile or desired profile being taken into account.

195. The Government's explicit desire to see higher education institutions taking an active role in regional development was made even clearer in the latest appropriation directions in which they were instructed to participate actively in the work being done on producing regional growth agreements. It has further been proposed that the strategies of higher education institutions should be developed in connection with regional growth programmes. In this context, higher education institutions risk being regarded as merely one of several political instruments for regional development. This could result in higher education institutions neglecting their responsibility for the long-term development of knowledge in society and the search for new knowledge. Similarly, the responsibility of universities for conducting research in areas that are vital for Swedish society and the business community may be neglected when the focus is on regional and short-term development.

196. The present system of governance with its performance-related funding of higher education, along with a reduced level of direct funding for research and increasing external funding, may result in an unfavourable situation.

Increasing demand for reports, more statutes and regulations

197. The purpose of the changes made during the 1990s was to shift from regulatory and budgetary control to management by objectives and results. At the heart of the reforms lay a change in the division of roles between political bodies and government authorities. The

Riksdag and Government decide on objectives and specify the results required. The higher education institutions ensure that activities are carried out in the best possible manner.

198. Since the implementation of the current system, descriptions of objectives in the appropriation directions and reporting requirements have increased. During this time, the Higher Education Act and the Higher Education Ordinance have been extended. From higher education institutions' point of view a transition to a greater degree of detailed control can create distrust and quickly destroy a desired form of management by objectives and results.

REFERENCES

Government Bill 1996/97:141 Högskolans ledning, lärare och organisation (Higher education management, teachers and organisation)

Government Bill 2000/01:3 Forskning och förnyelse (Research and renewal)

Government Bill 2001/02:15 Den öppna högskolan (The Open University)

Swedish Government Official Reports 1996:21 Reform och förändring (Reform and change)

Swedish Government Official Reports 1997:96 Lokalförsörjning och fastighetsägande (Supply of premises and property ownership)

Swedish Government Official Reports 1998:138 Forskningspolitik (Research policy)

Swedish Government Official Reports 1999:135 Stöd till Örebro universitet och Södertörns högskola (Support to Örebro University and Södertörn University College)

Swedish Government Official Reports 2000:82 Högskolans styrning (Governance of higher education)

Swedish Government Official Reports 2000:101 Högskolans ledning (Management of higher education)

Budget Bill, expenditure areas 15-16 (1999, 2000, 2001, 2001)

Appropriation directions concerning appropriations to higher education institutions, financial years (1998–2002)

National Agency for Higher Education, Utveckling av högskolans samverkansuppdrag, 2001:24R (Development of higher education's duty to collaborate)

National Agency for Higher Education, Högskolans arbete med sin samverkansuppgift, 2000:2 AR (Action by higher education to address its duty to collaborate)

National Agency for Higher Education, Supervisory Function, major decisions 2000–2001

National Agency for Higher Education Annual Report, Institutions of Higher Education (1998, 1999, 2000, 2001, 2002)

National Agency for Higher Education, Ledarutveckling – ett styrinstrument, 2002:19R (Management training: an instrument of governance)

National Agency for Higher Education, NU database <http://nu.hsv.se/nu/index1.html>

Swedish National Audit Office, Internrevision i staten, Report 2002-06-18 (Internal auditing in the central government sector)

Fritzell & Birath, Utbildning, utbyggnad, urholkning, Swedish Association of University Teachers Publications Series XXIV (Education, expansion, erosion)

Mid-Sweden University Collage, Annual Report 2001

Bo Sundqvist, Högre utbildning och forskning under det senaste decenniet – en statistisk översikt (Higher education and research in the past decade: a statistical overview)

Christina Ullenius and Bo Sundqvist, Lätta på banden till universiteten, UNT 12 September 2002 (Relax controls on the universities)

Lena Marcusson, Högskolans associationsform ur ett förvaltningsperspektiv, 17 May 2002 (Form of association of higher education institutions from an administrative point of view)

Johnny Andersson, Självständiga universitet – en idéskiss, April 2002 (Independent universities: a draft)

Higher Education Act (1992:1434)

Higher Education Ordinance (1993:100)

Government Agencies and Institutes Ordinance (1995:1322)

Ordinance concerning the Supply of Premises to Central Government Authorities (1993:528)

Appropriations Ordinance (1996:1189)

Capital Supply Ordinance (1996:1168)

Fees Ordinance (1992:191)

Annual Reports and Budget Documentation Ordinance (2000:605)

Internal Audits at Government Agencies Ordinance (1995:686)

Instructions for the Parliamentary Auditors Act (1987:518)

TABLE 1 Financial overview, results 1998–2002

Universities/University colleges	Costs SEK m	Capital SEK m	Capital %	Annual result SEK m	Annual result SEK m	Annual result SEK m	Annual result SEK m	Annual result SEK m
	2002	31/12/02	2002	2002	2001	2000	1999	1998
Universities								
<i>State sector</i>								
Uppsala University	3 739	281		7,5	-7	9	-41	-73
Lund University	4 682	635	13.6	29	-13	-28	-140	28
Göteborg University	3 794	114	3.0	80	0	26	29	-29
Stockholm University	2 583	190	7.4	4	-2	10	-12	22
Umeå University	2 602	408	15.7	-51	55	24	15	25
Linköping University	2 345	217	9.3	11	-15	-4	-54	-59
Karolinska Institute	3 657	410	11.2	-232	-152	187	-6	32
Royal Institute of Technology	2 702	43	1.6	-44	-16	-15	-23	-109
Luleå University of Technology	1 102	88	8.0	-1	-1	0	9	30
The Swedish University of Agricultural Sciences	2 166	78	3.6	-31	-89	38	24	5
Karlstad University	683	51	7.5	19	18	-8	-22	-4
Växjö University	558	50	9.0	29	-9	-9	3	23
Örebro University	733	104	14.2	37	20	43	24	8
<i>Private sector</i>								
Chalmers University of Technology	2 112	107	5.1	-40	-58	-83	-52	-2
Stockholm School of Economics	-	-	-	-	-	-	-	-
University Colleges entitled to award postgraduate degrees								
Bleking Institute of Technology	334	25	7.5	-7	6	9	5	-1
Kalmar University College	498	61	12.2	35	13	-15	-3	15
Malmö University College	779	77	10.0	49	19	-12	-34	11
Mid-Sweden University College	743	-10	-1.3	-5	-6	-29	21	7
Mälardalen University College	596	36	6.0	9	-9	-21	-7	27
<i>Private sector</i>								
Jönköping University College	483	26	5.4	-1	1	8	30	26
University Colleges								
Borås University College	399	33	8.3	-6	10	2	5	14
Dalarna University College	404	26	6.4	11	7	3	9	5
Gotland University College	117	-12	-10.3	2	4	-9	-7	5
Gävle University College	416	55	13.2	5	-5	10	4	5
Halmstad University College	311	56	18.0	27	12	-2	-14	16
Kristianstad University College	323	20	6.2	-7	8	5	0	-13
Skövde University College	279	74	26.5	4	17	-4	20	18
University College of Physical Education and Sports	69	14	20.3	-3	-4	1	2	3
Stockholm Institute of Education	495	72	14.5	64	3	-21	12	8
Södertörn University College	500	3	0.6	-30	-3	81	1	-24
Trollhättan/Uddevalla University College	295	15	5.1	5	-5	-4	1	4
University Colleges of Arts								
University College of Dance	32	8	25.0	2	2	1	0	1
University College of Film, Radio, Television and Theatre	81	13	16.0	-	-3	1	-2	2
University College of Arts, Craft, Design	128	38	29.7	-	6	2	7	7
University College of Fine Arts	64	14	21.9	-	0	-2	-1	1
University College of Music	124	20	16.1	15	3	1	0	-4
University College of Opera	18	4	22.2	-	0	1	-4	-2
University College of Acting	29	2	7.1	-	1	0	-1	1
TOTAL	41 978	3 448	8.2	-28	-196	146	-234	135

TABLE 2 Operating costs in 2002, breakdown for higher education and research

Universities/University colleges	Costs SEK m	Costs higher education SEK m	%	Costs Research SEK m	%
	2002	2002		2002	
Universities					
<i>State sector</i>					
Uppsala University	3 739	1 209	32	2 530	68
Lund University	4 682	1 629	35	3 053	65
Göteborg University	3 794	1 555	41	2 239	59
Stockholm University	2 583	1 003	39	1 580	61
Umeå University	2 602	1 144	44	1 458	56
Linköping University	2 345	1 197	38	1 448	62
Karolinska Institute	3 657	689	19	2 968	81
Royal Institute of Technology	2 702	897	33	1 805	67
Luleå University of Technology	1 102	577	52	525	48
The Swedish University of Agricultural Sciences	2 166	580	22	1 586	73
Karlstad University	683	471	69	212	31
Växjö University	558	379	68	179	32
Örebro University	733	518	71	215	29
<i>Private sector</i>					
Chalmers University of Technology	2 112	678	32	1 434	68
Stockholm School of Economics	-	-	-	-	-
University Colleges entitled to award postgraduate degrees					
Blekinge Institute of Technology	334	237	71	97	29
Kalmar University College	498	398	80	100	20
Malmö University College	779	654	84	125	16
Mid-Sweden University College	743	495	67	248	33
Mälardalen University College	596	506	85	90	15
<i>Private sector</i>					
Jönköping University College	483	251	52	232	48
University Colleges					
Borås University College	399	353	88	46	12
Dalarna University College	404	335	83	69	17
Gotland University College	117	104	89	13	11
Gävle University College	416	346	83	70	17
Halmstad University College	311	249	80	62	20
Kristianstad University College	323	289	89	34	11
Skövde University College	279	236	85	43	15
University College of Physical Education and Sports	69	54	78	15	22
Stockholm Institute of Education	495	428	86	67	14
Södertörn University College	500	249	50	251	50
Trollhättan/Uddevalla University College	295	248	84	47	16
University Colleges of Arts					
University College of Dance	32	28	88	4	12
University College of Film, Radio, Television and Theatre	81	76	94	5	6
University College of Arts, Craft, Design	128	122	95	6	5
University College of Fine Arts	64	55	86	9	14
University College of Music	124	116	94	8	6
University College of Opera	18	16	89	2	11
University College of Acting	28	25	89	3	11
TOTAL	41 978	18 396	44		56

TABLE 3 Operating income in 2002, breakdown by source of funding

Universities/University colleges	Total income SEK m	Direct gov. appropriation s SEK m	%	External funding SEK m	%
	2002	2002		2002	
Universities					
<i>State sector</i>					
Uppsala University	3 732	2 297	61.5	1 435	38.5
Lund University	4 711	2 788	59.2	1 923	40.8
Göteborg University	3 874	2 580	66.6	1 294	33.4
Stockholm University	2 587	1 688	65.2	899	34.8
Umeå University	2 551	1 753	68.7	798	31.3
Linköping University	2 356	1 580	67.1	776	32.9
Karolinska Institute	3 425	1 680	49.0	1 745	51.0
Royal Institute of Technology	2 658	1 417	53.3	1 241	46.7
Luleå University of Technology	1 101	729	66.2	372	33.8
The Swedish University of Agricultural Sciences	2 134	1 193	55.9	941	44.1
Karlstad University	702	547	77.9	155	22.1
Växjö University	587	470	80.0	117	20.0
Örebro University	770	642	83.4	128	16.6
<i>Private sector</i>					
Chalmers University of Technology	2 071	957	46.2	1 114	53.8
Stockholm School of Economics	180	51	28.3	129	71.7
University Colleges entitled to award postgraduate degrees					
Blekinge Institute of Technology	333	240	72.0	93	28.0
Kalmar University College	533	407	76.4	126	23.6
Malmö University College	828	693	83.7	135	16.3
Mid-Sweden University College	738	553	74.9	185	25.1
Mälardalen University College	606	494	81.5	112	18.5
<i>Private sector</i>					
Jönköping University College	482	381	79.0	101	21.0
University Colleges					
Borås University College	393	337	85.8	56	14.2
Dalarna University College	415	334	80.5	81	19.5
Gotland University College	119	82	68.9	37	31.1
Gävle University College	421	353	83.8	68	16.2
Halmstad University College	339	280	82.6	59	17.4
Kristianstad University College	316	274	86.7	42	13.3
Skövde University College	283	246	86.9	37	13.1
University College of Physical Education and Sports	66	44	66.7	22	33.3
Stockholm Institute of Education	559	456	81.6	103	18.4
Södertörn University College	470	227	48.3	243	51.7
Trollhättan/Uddevalla University College	301	262	87.0	39	13.0
University Colleges of Arts					
University College of Dance	33	30	90.9	3	9.1
University College of Film, Radio, Television and Theatre	81	73	90.1	8	9.9
University College of Arts, Craft, Design	128	114	92.7	14	7.3
University College of Fine Arts	63	53	84.1	10	15.9
University College of Music	140	121	86.4	19	13.6
University College of Opera	19	18	94.7	1	5.3
University College of Acting	28	28	100.0	-	-
TOTAL	41 133	26 472	64.4	14 661	35.6

TABLE 4 Research funding in 2002

Universities/University colleges	Research income SEK m 2002	National share % 2002	Govt. approp SEK m 2002	Share approp % 2002	External funding SEK m 2002	Share external % 2002
Universities						
<i>State sector</i>						
Uppsala University	2 582	11,5	1 258	50	1 270	50
Lund University	3 082	14,0	1 364	44	1 718	56
Göteborg University	2 281	10,3	1 172	51	1 109	49
Stockholm University	1 587	7,2	907	57	680	43
Umeå University	1 423	6,4	812	57	611	43
Linköping University	1 140	5,2	499	44	641	56
Karolinska Institute	2 739	12,4	1 095	40	1 644	60
Royal Institute of Technology	1 764	8,0	638	36	1 126	64
Luleå University of Technology	534	2,4	225	42	309	58
The Swedish University of Agricultural Sciences	1 461	6,6	721	49	740	51
Karlstad University	214	1,0	123	58	91	42
Växjö University	192	0,9	127	66	65	34
Örebro University	223	1,0	134	60	89	40
<i>Private sector</i>						
Chalmers University of Technology	1 400	6,3	379	27	1 021	73
Stockholm School of Economics	-	-	-	-	-	-
University Colleges entitled to award postgraduate degrees						
Blekinge Institute of Technology	96	0,4	55	57	41	43
Kalmar University College	100	0,4	52	52	48	48
Malmö University College	129	0,6	70	54	59	46
Mid-Sweden University College	246	1,1	109	44	137	56
Mälardalen University College	90	0,4	31	34	59	66
<i>Private sector</i>						
Jönköping University College	94	0,4	33	35	61	65
University Colleges						
Borås University College	45	0,2	26	58	19	42
Dalarna University College	72	0,3	33	46	39	54
Gotland University College	13	-	4	31	9	69
Gävle University College	69	0,3	34	50	35	50
Halmstad University College	62	0,3	31	50	31	50
Kristianstad University College	30	0,1	23	77	7	23
Skövde University College	36	0,1	20	56	16	44
University College of Physical Education and Sports	14	-	6	43	8	57
Stockholm Institute of Education	69	0,3	23	33	46	67
Södertörn University College	247	1,1	20	8	227	92
Trollhättan/Uddevalla University College	40	0,1	18	45	22	55
University Colleges of Arts						
University College of Dance	4	-	3	75	1	25
University College of Film, Radio, Television and Theatre	4	-	3	75	1	25
University College of Arts, Craft, Design	6	-	4	67	2	33
University College of Fine Arts	9	-	2	22	7	58
University College of Music	13	-	4			
University College of Opera	2	-	2	100	-	-
University College of Acting	3	-	3	100	-	-
TOTAL	22 061	100	10 163	46	11 898	54

TABLE 5 Balance sheet schedules, the 10 largest state universities, 2002,

M SEK	Uppsala University	Lund University	Göteborg University	Stockholm University	Umeå University	Linköping University	Karolinska Institute	Royal Institute of Technology	The Swedish University of Agricultural Science	Luleå University of Technology	Total
ASSETS											
Intangible fixed assets	2	-	10	3	3	6	2	12	2	-	40
Tangible assets	830	719	719	301	322	283	611	571	462	97	4 915
Financial assets	12	55	252	4	9	7	621	7	12	7	986
Stocks	-	2	2	-	4	-	-	-	14	2	24
Receivables	120	170	136	50	82	90	138	91	115	54	1 046
Accruals and deferrals	195	575	239	376	132	117	185	278	163	132	2 392
Settlement of accounts with the State	-23	-7	-	4	-90	-2	-1	-113	-	-35	-267
Cash and bank balances	809	1511	948	588	915	480	1130	337	460	179	7 357
Total assets	1945	3025	2306	1326	1377	981	2686	1183	1228	436	16 493
CAPITAL AND LIABILITIES											
Agency capital	312	684	115	194	414	221	414	43	191	99	2 687
Provisions for pensions	7	21	60	3	1	-	-	16	3	-	111
Liabilities	687	787	792	408	416	391	482	630	517	161	5 271
Accruals and deferrals	939	1533	1339	721	546	369	1790	494	517	176	8 424
Total capital and liabilities	1945	3025	2306	1326	1377	981	2686	1183	1228	436	16 493