

Annex No.7

Plan for Finance Management 2016–2020

The Plan for Finance Management of the Latvian Academy of Culture 2016–2020 (hereinafter the Plan for Finance Management) has been formulated to provide financial management of the LAC in compliance with the new financing model and an economically effective, stable and transparent study process.

The Latvian Academy of Culture is the highest management institution of its structural entity the **Latvian Culture College**, as well as the decision-making body on strategic, financial and economic issues.

The present Chapter includes the following:

1. Substantiation of the formulation of the Plan for Finance Management.
2. Description of the financial activity of the Latvian Academy of Culture and the Latvian Culture College, including the description of the revenue structure, financial stability and transparency, financial management in line with the new financing model, result-based funding, including the expenditure structure, the impact of the form of internal organisation on costs, and risks.
3. The Strategic Part of the Plan for Finance Management 2016–2020, including the aim, main results and the finance management plan.

1. Substantiation of the formulation of the Plan for Finance Management

The Plan for Finance Management of the Latvian Academy of Culture has been formulated in compliance with normative acts of the Republic of Latvia (the Law on Accounting, the Law on Structure of Public Administration, the Law on Public Agencies and the Law on Budget and Financial Management), requirements of the Ministry for Culture of the Republic of Latvia and the Ministry for Education and Science of the Republic of Latvia, including Order No.333 of the Cabinet of Ministers “On Implementation of a New Model for Finding Higher Education⁵⁶ as well as the Constitution of the Republic of Latvia, the Strategy for 2015–2020 and the Operational and Development Strategy 2016–2020 of the LCC.

⁵⁶ Par jauna augstākās izglītības finansēšanas modeļa ieviešanu Latvijā. MK rīkojums Nr. 333, Rīgā 2015.g. 29.jūnijā (prot., Nr. 28 27§). Available at: <http://likumi.lv/ta/id/274944-par-jauna-augstakas-izglitibas-finansesanas-modeļa-ieviesanu-latvija>

2. Description of the financial activity of the Latvian Academy of Culture and the Latvian Culture College

2.1. Revenue structure

The budget of the Latvian Academy of Culture is constituted by the following:

- 1) Base funding for the LAC and its structural entities;
- 2) Performance funding for research activities;
- 3) Other incomes (earmarked funding for creative and research projects)
- 4) Paid services and other own revenues (including tuition fee revenues).

Table No 1: Budget revenues of the Latvian Academy of Culture and the Latvian Culture College in 2015

		2015	%
1.	Total base funding for the LAC and its structural entities	2171656	56.33%
1.1.	Base funding for the Latvian Academy of Culture	1501966	
1.2.	Base funding for structural entities:	669690	
1.2.1.	Latvian Culture College	389925	
1.2.2.	Research Centre	14387	
1.2.3.	E. Smiļģis Theatre Museum	178421	
1.2.4.	Riga Film Museum	86957	
2.	Performance funding for research activities	148268	3.85%
3.	Other incomes (for creative, research projects)	696407.9	18.06%
3.1.	SEDA funding for the LAC	274711.45	
3.2.	SEDA funding for the LCC	25386	
3.3.	Funding of the Latvian Science Council	35161	
3.4.	Funding of the MES for National research programmes	56626	
3.5.	State Culture Capital Foundation (SCCF) for the LAC	100405	
3.6.	State Culture Capital Foundation (SCCF) for the LCC	1386	
3.7.	Latvian National Culture Centre	13723	
3.8.	Ministry for Culture of the Republic of Latvia for the LAC	110867	
3.9.	Ministry for Culture of the Republic of Latvia for the LCC	28543	
3.10.	Riga City Council	31664.45	
3.11.	Other local governments	6700	
3.12.	<i>Kulturkontakt Nord</i>	11235	
4.	Paid services and other own revenues	838828	21.76%
4.1.	Revenues of the LAC	642839	
4.1.1.	Tuition fee revenues	539757	
4.1.1.1.	Tuition fees	517084	
4.1.1.2.	Revenues for educational services	22673	
4.1.2.	Other revenues	103082	
4.2.	Paid services and other own revenues at the LCC	195989	
	Revenues total of the LAC and the LCC	3855159.9	100%

Source: LKA, 2016.

In 2015 funding from the State Culture Capital Foundation and the Riga City Council allocated on a competitive basis was attracted for preparing and producing creative works of students while financial resources (performance funding) allocated by the MES by Order No 490 in November 2, were channelled for development of students' research and research-based creative work. It must be noted that performance funding was allocated only at the end of 2015; therefore resources for the above support items are also to be expanded in 2016.

In 2015 the remuneration of the academic and administrative personnel of the LAC remained at the level of the preceding year; however, the above performance funding is used for stimulating and motivating the teaching staff to engage in research, in particular promoting participation at international conferences and in creative research projects, supporting work on publications as well as academic mobility in general.

In 2015 the base funding allocated by the state to the LAC was 1 509 060 EUR, including 20 000 EUR for improvement of the technical basis. In 2015 the MES allocated base funding in the amount of 14 387 EUR for the operation of the Research Centre of the LAC. According to Order No. 490 of the MES issued in November 2, 2015, "On Allocation of Funding to Higher Educational Institutions and Colleges for Research Activity in 2015" the LAC was allocated 148 268 EUR. Likewise the LAC received 270211.45 EUR from the State Education Development Agency (SEDA) for the implementation of the Programme Erasmus+ in 2015.

In 2015 the project of the Latvian Science Council implemented by the LAC ("*Vidzemes Svētupe mītiskajā un reālajā kultūrtelpā*") was allocated 35 161 EUR, the National research programmes LETONIKA – 15 536 EUR and HABITUS – 41 090 EUR. The SEDA financed the project *OSMOSIS* implemented by the LAC by allocating 2 500 EUR, it also allocated 2000 EUR to support the Research Centre of the LAC that worked on the project *CoHere (Critical Heritages: Performing and Representing Identities in Europe)* supported within the frame of the EU Research and Innovation programme "HORIZON 2020".

In 2015 the State Culture Capital Foundation financed creative projects developed by the LAC by allocating 100 405 EUR while the Latvian National Culture Centre allocated 13 723 EUR to the RC of the LAC for the organisation of the Creative Camp for Ethnic Minorities. In 2015 the Ministry for Culture allocated 130 460 EUR to the LAC for the implementation of various projects. The Riga City Council supported the creative projects of the LAC by a grant of 31 664. 45 EUR, other local governments provided funding in the amount of 6700 EUR and KULTURKONTAKT NORD allocated 11 235 EUR.

In 2015 the LAC failed to receive the projected tuition fee revenues, there was 1% increase in comparison with 2014.

The revenues of **the Latvian Culture College** are constituted by the following:

- the grant from the national basic budget;
- own revenues from paid services:
- tuition fee revenues (paid studies, courses of further education in the form of direct payments and co-funding);
- revenues from the organisation of courses and seminars;
- revenues from the European Union Structural Funds, initiative programmes and local public funding;
- financial resources granted by cooperation partners in support of specific target

programmes.

In the 2015/2016 study year 193 students were enrolled in the LCC, of whom:

- 58 students were enrolled in budget-funded groups;
- 135 students were fee-paying students.

In 2015 130 students graduated from the LCC.

2.2. Financial stability and transparency

The LAC and the LCC maintain accounting and report on the spending of financial resources in compliance with requirements prescribed by the Law on Accounting, the Law on Structure of Public Administration, the Law on Public Agencies and the Law on Budget and Financial Management and requirements of the finance management of the LAC. The LAC and the LCC maintain accounting by applying the accounting programme “Horizon”, which is uniform for all institutions subordinated to the MC. The LAC and the LCC will continue to use an integrated consolidated accounting system in line with requirements of the MC.

Upon the close of the fiscal year the LCC draws up and submits the annual report on the spending of the budget resources of the College to the Rector of the LAC. The management of the LAC prepares the Consolidated Management Report and the Financial Statement of the Latvian Academy of Culture together with other structural entities of the LAC and subsequently they are published on the LAC homepage.

The number of study places annually financed by national budget grants is stipulated by the Agreement on Training Specialists and Ensuring Development of Scientific, Creative and Artistic Activity for National Budget Funds at the Latvian Academy of Culture that is concluded by the MC, the MES and the LAC and by the Memorandum of Understanding on training a certain number of specialists.

Every year the LAC and the LCC train the number of specialists prescribed by the Agreement.

Table No 2: Fill-in of budget-funded study places at the Latvian Academy of Culture, 2011–2015, %.

	Agreement with the MC on the number of budget-funded study places per year	Actual fill-in of budget-funded study places in percentage terms (calculated according to methodology prescribed by the MC)
2011	97	100%
2012	89	100%
2013	106	100%
2014	97	100%
2015	101	100%

Source: LAC, 2016.

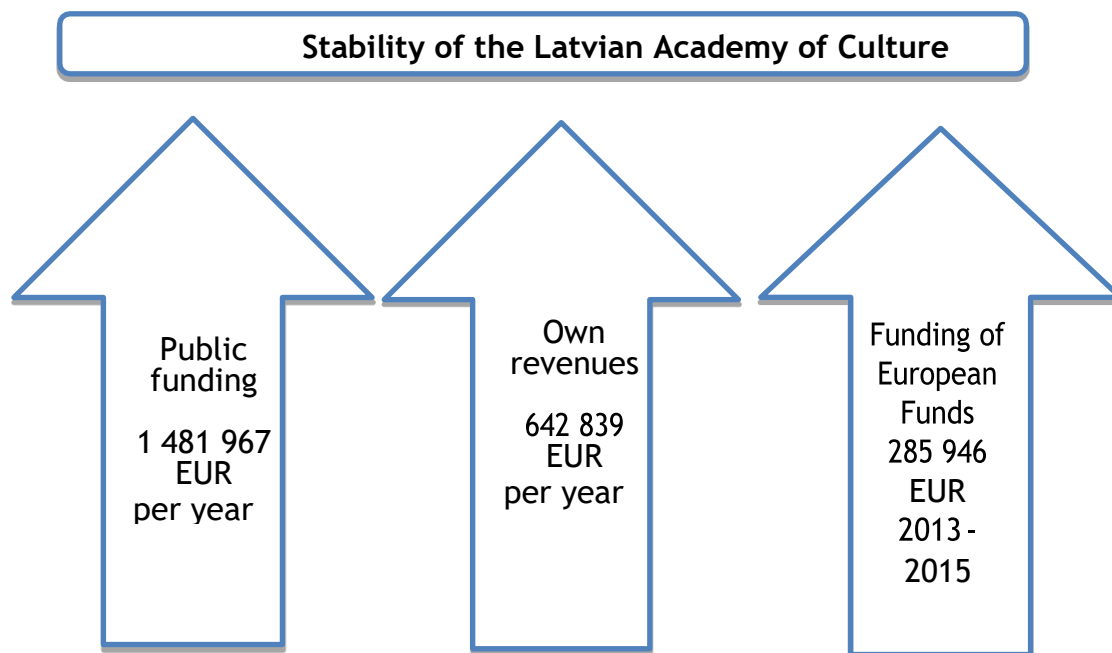
Table No. 3: Fill-in of budget-funded study places at the Latvian Culture College, 2011–2015, %

	Agreement with the MC on the number of budget-funded study places per year	Actual fill-in of budget-funded study places in percentage terms (calculated according to methodology prescribed by the MC)
2011	62	100%
2012	57	100%
2013	43	100%
2014	45	100%
2015	53	100%

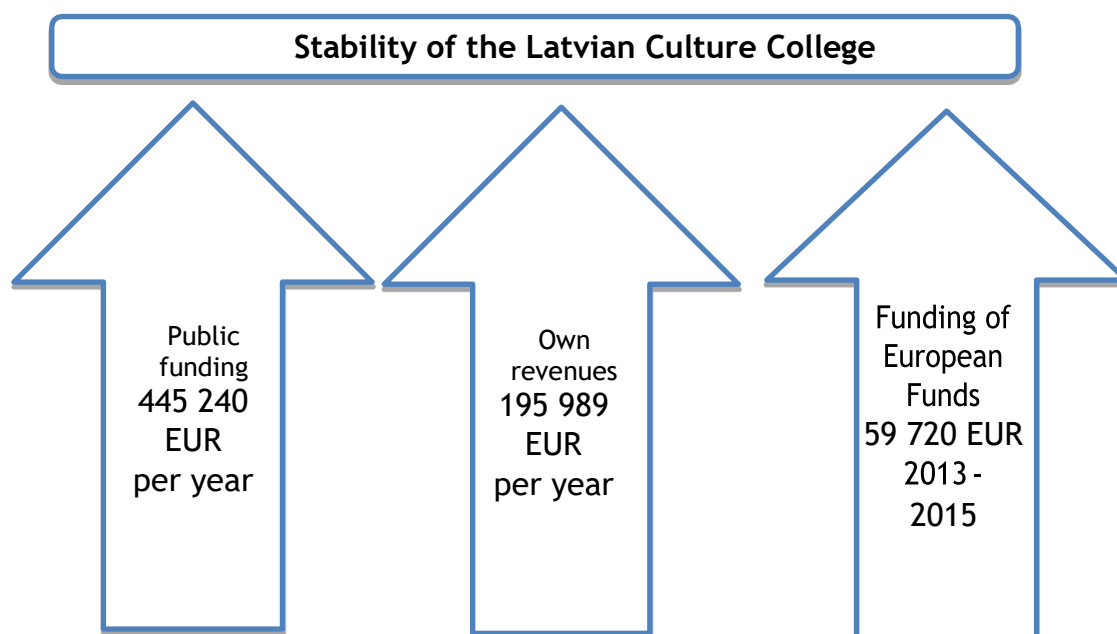
Source: LAC, 2016.

The financial stability of the LAC and the LCC is provided by the diversification of financial sources. Table No 1 shows that the base funding provides only approximately half of the revenues. A significant part of the revenues is formed by various target funding for creative and research projects of the LAC and the LCC. It is planned that in the following years the funding of the EU and other international programmes will be increased. Likewise it is planned to increase tuition fee revenues, in particular in study programmes of creative industries.

**Picture No 1: Stability of revenues of the Latvian Academy of Culture:
diversity of income sources in 2015**



**Picture No 2: Stability of revenues of the Latvian Culture College: diversity of income sources
in 2013 - 2015**



2.3. Finance management according to the new financing model

The Latvian Academy of Culture has been gradually implementing⁵⁷ the three-pillar financing model that allows aligning the offer of higher education with the development needs of the Latvian national economy and the labour market as well as to provide quality research-based content of higher education and outcome management.

The base funding for studies is allocated by the national budget according to the specific number of study places in programmes implemented by the LAC and the LCC. It is established in the Agreement on Training Specialists and Ensuring Development of Research, Creative and Artistic Activity for National Budget Funds at the Latvian Academy of Culture concluded among the MC, the MES and the LAC; the allocated amount of funding is specified on annual basis in the Annex to the said Agreement – the Memorandum of Understanding. The Agreement and its Annexes on the funding allocated by the national budget and the number of study places in programmes implemented by the LAC and the LCC is signed by the Rector of the LAC.

In 2014 and 2015 the MES allocated funding to the LAC in compliance with Order No 490 “On Allocation of Funding to Higher Educational Institutions and Colleges for Research Activities in 2015”. Performance funding is allocated for results of research, creative and artistic activity achieved during the preceding year, adding results of study, research, creative and artistic work to performance indicators. The LAC has formulated Regulations “On Allocation and Expending of Performance Funding” and “On the Amount of Work, Establishment of the Wages, Assessment of Work Performance and Material Stimulation of the Academic Personnel at the Latvian Academy of Culture” for successful integration of studies, research, creative and artistic activity as well as for the effective expending of performance funding.

The LAC and the LCC proceed towards the implementation of the new model in their operation, complying with aspects of funding higher education in Latvia (public funding instruments, diversification of financial sources, financial autonomy of higher educational institutions and support to students) that ensue from policy guidelines for higher education and research in Latvia and corresponds to aims of the strategic development of the LAC and the LCC, namely, to improve the quality of higher education and the link with the labour market, to improve the quality of research and (international) competitiveness, to promote the effectiveness of the sector of higher education, to develop technologies, innovations, creativity and entrepreneurship, to rejuvenate and develop human resources of higher educational institution, to stimulate accessibility of higher education, to promote the international recognisability of higher education, to strengthen the financial basis of higher education, to develop a new and transparent quality assurance system for higher education.

⁵⁷ Par jauna augstākās izglītības finansēšanas modeļa ieviešanu Latvijā. MK rīkojums Nr. 333, Rīgā 2015.g. 29.jūnijā (prot., Nr. 28 27§).
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2.4. Result-based funding, including the cost structure and the impact of the form of internal organisation on costs

Finance management implemented by the LAC and the LCC performs three functions.

The planning function. This function is the most important. Tasks for distribution of financial resources and activities to be performed by the LAC and the LCC are planned in line with the strategic aims. Budget formulation provides numerical certainty to projected activities identified by strategies; all costs and outcomes are expressed in monetary terms.

The accounting function. The annual statement provides a truthful and clear overview on the financial situation, changes in the situation as well as the result of the operation of the institution. The accounting system of the Accounting Department must maintain accurate records of the actual financial performance in compliance with the Law on Accounting and the Law on Budget and Financial Management, reflecting performance of structural entities by type of goods, services and fixed assets that are in the safe-keeping of the person who bears material liability. The accounting system indicates all items listed in the explanation to the annual statement:

1. Intangible investments.
2. Fixed assets.
3. Accruals.
4. Debtors-creditors.
5. Turnover of fiscal resources.
6. The budget execution result.

The control function. The result of budget execution is determined by the calculation of the actual difference between revenues and expenditures of the reporting year by budget type. Budget planning allows establishing any deviation from the budgeted profit or loss.

2.5. Risks

The main risk is related to the possible future decline in the number of students that will be affected by the overall demographic trends. To reduce this risk the LCA develops study programmes in line with the most recent trends in the European labour market, updates study programmes for creative industries as well as other study programmes, develops an appropriate study environment. Thus it is planned to retain the base funding at the level of 2015 also in the following years, to increase revenues from educational services, including tuition fee revenues. Likewise to reduce the given risk the LAC management actively follows the process of formulating National Development Plans and identifying priorities, demonstrating and reminding the society and involved parties about the significance of the sector of culture and art in strengthening the national identity. It also participates in associations that

unite resources of representatives of the sector and opinion leaders.

The role of research is also planned to be increased in the work of the higher educational institution in order to increase performance funding.

Another risk is related to the possible decrease in the amount of funding for creative and research projects that currently constitute a significant part of the revenues of the LAC and the LCC (approximately 18%). Timely identification of possibilities to attract co-funding from EU funds and programmes as well as other resources for implementation of activities included in the Strategic Action Plan is planned to reduce this risk. Attraction of the funding from the EU Research and Innovation programme “HORIZON 2020” is particularly important.

Insufficient funding for implementation of separate activities is yet another potential risk. The following activities are planned to reduce this risk: to exercise constant control over funding required for implementation of activities listed in the Strategic Action Plan; to detect in due time insufficiency of funding and other resources required for the implementation of projected activities, to inform the Rector’s Office of the LAC on a regular basis; to identify the actual and planned possibilities of attracting external resources.

3. Strategic part of the Finance Management Plan 2016–2020

3.1. Aim of the Plan for Finance Management

To develop financial management of the LAC and its structural entities according to the three-pillar financing model and to ensure an economic effective, stable and transparent organisation of study processes.

3.2. Main results of the Plan for Finance Management

1. Provision of diversity and stability of income sources, including financial management according to the new financing model (base, performance, development).
2. Transparent financial management has been provided.
3. Result-based and economically effective financing has been provided.

3.3. Plan for Finance Management 2016–2020

Tasks	Activities	Deadline or period	Responsible party	Performance indicators
(U1) To ensure diversity and stability of income sources, including financial management according to the new funding model (base, performance, development)	(P1.1) To upgrade STEM study programmes by attracting a stable, growing number of budget and fee-paying students	2016–2020	LAC management, LCC management, LAC departments, Accounting Department	(R1.1.1) Stable and growing number of students in upgraded STEM study programmes
	(P1.2) To mobilise non-budgetary incomes that may ensure growth of the amount of financial resources	2016–2020	LAC management, LCC management, departments, RC, Creative Activity Centre, other structural entities	(R1.2.1) Earmarked funding attracted for creative and research projects
				(R1.2.2) Funding of EU and other international financial instruments attracted for study, creative and research projects
				(R1.2.3) Funding attracted for contract projects
	(P1.3) To coordinate financial planning of EU and other international financial instruments and projects and the procedure of their implementation	2017	LAC management, LCC management, departments, Accounting Department, Maintenance Department, Department of Communication and International Cooperation	(R1.3.1) A management model has been developed for efficient financial planning and implementation of projects
(P1.4) To involve private capital in developing new educational programmes	2016–2020	LCC management	(R1.4.1) Private capital has been involved capital in developing new educational programmes	
(U2) To provide transparent financial management	(P2.1.) To exercise systematic control over the rational expending of financial resources and their economy	2016–2020	LAC management, LCC management, Accounting Department, heads of departments, project managers	(R2.1.1.) Regular (monthly, annual) (R2.1.2.) monitoring of financial resources and monitoring result-based decision-making have been implemented
		2017	LAC management, LCC management, Accounting Department	(R2.1.2) An efficient financial management model has been developed

	(P2.2) To provide efficient financial management, including resource planning, accounting	2016–2020	LAC management, LCC management, Accounting Department	(R2.2.1) Accounting is maintained in compliance with normative documents and requirements of the MC as the oversight institution
(U3) To ensure result-based and economically effective funding	(P3.1) To ensure the economic effectiveness of the organisation of study programmes and directions	2016–2020	LAC management, LCC management, Study Department of the LAC	(R3.1.1.) Monitoring of the economic effectiveness of the organisation of study programmes and directions and decision-making on the basis of monitoring results
	(P3.2) To assess achievable results set by the Strategy	2016–2020	LAC management, LCC management	(R3.2.1) Regular assessment of achievable results in compliance with the procedure laid down in the Development Strategies of the LAC and the LCC
	(P3.3) To ensure optimisation of budget expenditures	2016–2020	LAC management, LCC management, Accounting Department	(R3.3.1) Regular assessment (once in a quarter) of possibilities of optimizing budget costs

