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Supporting and understanding  
financial sustainability

## Management Information Portfolio

**Optimising programme efficiency:  
course costing**

June 2011

# EXECUTIVE SUMMARY

## Introduction

The aim of course costing is, quite simply, to understand the nature and level of resources required to deliver a course, module or other unit of teaching.

The ability to understand the cost of course provision lies at the heart of an institution's capacity to make effective decisions, to manage resources and to achieve financial sustainability. It is also an essential precursor to prioritising resources efficiently and to making effective pricing decisions.

This guide brings together the experience of institutions across the higher education sector and provides you with valuable guidance on developing/enhancing and implementing an approach to course costing in your institution.

There is, however, no 'one size fits all' approach to course costing. Institutions will need to decide for themselves what they want to achieve, what resources they can devote to it and what data they have available.

## Understanding course costing

When developing an approach to course costing, institutions need to have a clear understanding of what they want it to achieve. Course costing can help institutions to:

- make better decisions;
- manage and reduce costs and deliver better value for money;
- make informed pricing decisions and understand their impact; and
- assess and understand the financial sustainability of teaching provision.

Course costing is not, however, an end in itself. It will help you to make informed decisions about course provision, cost management and sustainability, but it will not – and, indeed, should not – make these decisions for you. Other factors such as demand, quality, strategic priorities etc. should also be considered.

## Approaches to course costing

In determining the cost of courses, institutions will need to allocate academic and support staff costs as well as other course-related costs, such as equipment and consumables. They will also need to attribute overheads, such as indirect and estates costs, to determine the full cost of individual courses.

In developing an approach to course costing, institutions should:

- start by doing the best they can with the data that they already have;

- draw on Transparent Approach to Costing (TRAC) data wherever possible;
- use standard costs and assumptions, to keep the process simple and efficient; and
- get support for their approach from academic and administrative staff alike.

Institutions should also recognise that it is not realistic to try to cost courses to the pound. A simple methodology that everyone can understand and accept, and which gives the institution an acceptable level of accuracy in the costs for different courses, is significantly more helpful than a highly complex approach that few are able to understand and that requires significant resources to develop and operate.

## Using costing data effectively

When presenting costing information, institutions should consider carefully who will be using the information and what they will be using it for. In most institutions, there will be a range of users, both academic and administrative and at senior and operational levels, each of which will have their own particular needs and preferences.

When presented to users, cost information should be:

- **clear**, in that it is set out in as simple a way as possible, while also explaining any assumptions that have been made or any limitations to the information and its use;
- **focused**, by providing specific users with the information that they need, rather than providing everyone with all the information that is available;
- **accessible**, so that people can understand what the information is telling them. Institutions should try to find innovative ways of presenting data, such as dashboards, hurdle rates and other techniques;
- **timely**, so that information is up to date and available when users need it.

Institutions should ensure that costing information is presented alongside other relevant information, to facilitate balanced decision making. They should also seek feedback on the use of costing information. This will allow institutions to improve their costing approach over time and to make it more responsive to users' needs.

## Implementing course costing in the real world

To get the most out of course costing requires strong leadership, a high level of senior management involvement and effective engagement with everyone involved in the costing process.

Institutions can secure engagement and commitment by getting people involved, making the process accessible and easy to use, and providing appropriate training and demonstrations. Institutions should make every effort to 'sell' the benefits of course costing to their staff. They may also find it useful to start small by piloting course costing in a number of departments first, before rolling it out across the institution, so that the approach can be 'fine-tuned' if necessary.

Institutions may encounter a number of barriers to the successful implementation of course costing, such as resistance to change and lack of confidence in costing data. However, these barriers can be overcome if addressed promptly and proactively.

Summarised below are the five things to do first when implementing course costing:

- 1) Decide why you want to do course costing and what you hope to get out of it.
- 2) Get senior management buy-in and identify a 'course costing champion' who can help to get things done.
- 3) Find out what data you already have available and think about how you could use it.
- 4) Work with colleagues in planning, finance, estates, IT, marketing and academic departments to develop a costing approach and template.
- 5) Decide what you are going to cost first and get on with it.

### **Top tips identified by institutions that have successfully implemented course costing**

We have summarised below the top tips that institutions have identified, based on their experience of implementing course costing:

- Be clear on why you are doing course costing
- Decide whether you are costing one cohort, one academic year or one course life cycle. Then tailor the costing model to fit that
- Look at the TRAC data that you have and start with that
- However you choose to approach course costing, get senior management approval and support before you progress any further
- Remember – course costing is not an exact science
- When forecasting student numbers, think whether these are really 'additional' students or students attracted from other courses
- If you use TRAC data in your approach to course costing, do so consistently across the institution
- Use the TRAC cost drivers to allocate costs to the lowest level possible
- Do not try to run before you can walk. Accept the limitations in the available data in the short term, even if that means that you cannot yet cost at the level you may want to
- Consider the value added by course costing. Ensure that information is clearly meaningful to all users, rather than simply a final hurdle before course ratification
- Present results in their full context – this may mean that course costs need to be presented alongside other information
- The support and interaction of academics is vital to the success of course costing
- Senior Management buy in is required to ensure that appropriate resources and data can be obtained
- Keep the process simple and get the buy in of senior staff, otherwise the process risks failure

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## INTRODUCTION

### What is course costing?

The aim of course costing is, quite simply, to understand the nature and level of resources required to deliver a course, module or other unit of teaching.

The ability to understand the cost of course provision is a key factor in an institution's capability to make effective decisions, to manage resources and to achieve financial sustainability. It is also a material precursor to prioritising resources efficiently, taking decisions over the course portfolio and to making effective pricing decisions.

However, course costing does not need to be complicated.

### How this guide can help you

This guide brings together the experience of institutions across the higher education sector in developing and implementing approaches to course costing. Whether you are a senior manager, an academic, a planner or a member of the finance team, it will help you to:

- determine what you want to achieve with course costing;
- understand the differences between costing new and existing courses;
- identify the best approach for your institution;
- decide what you need to do first;
- get the most out of your course costing data; and
- implement course costing effectively across the institution.

#### Four reasons why you should do course costing

1. Make more effective, evidence-based decisions when planning activities, allocating resources and developing course portfolios.
2. Further manage costs and incentivise innovation and efficiency by measuring and comparing costs across your institution.
3. Use costing data to inform pricing decisions.
4. Help to ensure financial sustainability by considering the cost implications when introducing new courses or reviewing existing ones.

Course costing also requires clear ownership and support that will drive the process, delivering clear and effective outputs that satisfy users and stakeholders across the institution. However, there is no 'one size fits all' approach. Institutions will need to decide for themselves what they want to achieve, what resources they can devote to it and what data they have available.

While this guide may not be able to give you all of the answers, it can certainly tell you what the important questions are and how other institutions have approached them. In doing this, we hope that you will be able to learn from their experiences and to build on their success.

## About the guide

We have designed this guide to be of interest to anyone involved in course costing in higher education, from senior managers to individual academics and members of finance and planning staff.

To help readers to get the most from this guide, we have included a number of features designed to highlight key ideas.

We have included at the start of each chapter a short summary of the main points covered. This is aimed specifically at senior managers, who may wish to understand the key principles but are unlikely to want to go into too much detail.

For those of you who want the detail, there is the rest of the guide. We have drawn on the experiences of institutions already working on course costing to bring you a range of ideas, suggestions, examples and case studies. We have also included within the text some 'top tips' from these institutions.

We have highlighted the case studies in green boxes and put the top tips in speech bubbles. We hope that they are both helpful and thought provoking.

We have also included in this guide three appendices, setting out guidance and tools that institutions can use when implementing course costing in practice:

- A. Five things to do first;
- B. Three approaches to costing; and
- C. Determining the full cost of a course.

*High level chapter summaries look like this.*

### Top tip

'Top tips' look like this.

### Case study

Case studies look like this. They are all anonymised, but have been provided by real institutions working to develop and implement course costing.

## A note on costing

Throughout the guide, we have referred to the costing of specific courses. We recognise, however, that institutions may wish to cost their teaching provision at other levels, such as programmes or modules.

We have referred to 'course' costing because that is the level at which most institutions have chosen to cost their activities; however, the principles, ideas and approaches put forward in this guide are applicable to costing at any level of provision.

## Acknowledgements

We would like to express our gratitude to those institutions and their representatives, who have given so generously of their time, skills and experience to contribute to the preparation of this guide.

### *Working group leaders*

University of Bath  
University of Leicester

### *Working group members*

University of Chester  
City University  
Courtauld Institute of Art  
University for the Creative Arts  
University of Derby  
University of Exeter  
Keele University  
Lancaster University  
University of Leeds  
University of Nottingham  
Roehampton University  
Sheffield Hallam University  
University of Southampton  
University of Westminster  
University of Worcester  
York St John University

### *Other contributors*

University of Abertay, Dundee  
Buckinghamshire New University  
Edinburgh Napier University  
University of Hull  
Royal Holloway, University of London  
Southampton Solent University  
Teesside University

## UNDERSTANDING COURSE COSTING

*Before institutions start to develop and implement an approach to course costing, they should think carefully about what they want to achieve. Course costing can help institutions to make better decisions, to manage costs, to inform pricing decisions and to ensure the financial sustainability of teaching provision. Being clear on why you are interested in course costing is essential if you are to find the best way to approach it.*

*Course costing will not in itself make things more efficient or lead to savings or efficiencies. However, it can give institutions the information that they need to achieve these things. In order to gain maximum benefit from course costing, institutions should consider what they want to achieve, where they are now and the level of resources, data and commitment that they have available. Intrinsic to this assessment of overall aims is, among other factors, whether the institution wishes to determine the cost of new courses, existing courses or both.*

### What do you want to achieve?

When developing an approach to course costing, institutions need to have a clear understanding of what they want it to achieve.

Institutions currently using or developing approaches to course costing are using it for a variety of purposes. Being clear from the start about what they want to achieve has helped these institutions to find the best approach for them and to improve its chances of successful implementation.

There are four key areas in which course costing can help an institution.

**Making better decisions** – having a clear and robust understanding of the costs and contribution of modules, courses or programmes can support managers at a departmental and an institution level in their decision making when planning activities, allocating resources and developing course portfolios.

**Managing costs** – by measuring and understanding the nature and level of the costs of different courses, and by comparing them over time and between courses and departments, institutions can identify where cost reductions and efficiencies can be achieved.

**Informing pricing decisions** – while the level of an institution's tuition fees will be determined by a variety of factors, consideration of the actual cost of each course is essential to ensuring that teaching provision remains financially sustainable.

**Ensuring financial sustainability** – institutions should consider the cost of courses, together with the likely or actual student demand for them, when approving new courses and reviewing existing ones. This will help the institution to ensure that courses are financially sustainable. Where courses are not set to break even, institutions should consider carefully whether and how such courses should be run.

#### Top tip

Be clear on why you are doing course costing

## Being realistic: What course costing will not do

Having decided what you want, it is equally important to be clear about what you can actually achieve. We have explained above some of the significant benefits that course costing can bring to your institution, but it is important to remember that it is not an end in itself or a panacea for all problems that institutions may face.

Course costing will help you to make informed decisions about course provision, cost management and pricing strategies, but it will not – and, indeed, should not – make these decisions for you. Other factors, such as demand, quality and strategic priorities, will also come into play.

We have considered above what course costing can do. But it also has its limitations.

Course costing will not...

- ...tell you which courses to run and which not to run. It will tell you which are likely to make a positive contribution, provided your estimates of student demand are reasonable, but it should not be the deciding factor in which courses to keep and which to discontinue. Some courses may be vital to a department or to an institution, even if they do not break even, and are worthy of subsidy.
- ...instantly make your institution's teaching more efficient or yield automatic cost savings. All it will tell you is how much things cost. It is up to you to decide what costs are reasonable and to identify scope for efficiencies and savings, if indeed there are any.
- ...tell you what fees to charge for a particular course. While cost is an important factor in pricing decisions, understanding the cost and setting a price are two different things. Institutions should bear in mind a number of other considerations, such as how the institution wishes to position itself strategically, future capital requirements and relevant government regulations or guidelines.
- ...provide you with 100% accuracy. To make course costing work in the real world, you will need to make assumptions and use estimates. You will also have to rely on data provided by various parts of the institution, which will be of varying degrees of reliability. Even with the greatest effort, the data will not be perfect. But on the other hand, course costing data does not need to be accurate to the pound in order to fulfil its purpose. Reconciliations, verification and materiality can be used to ensure an

### Case study

#### Why course costing will not make the decisions for you

Suppose you accurately calculate the cost of a course and the associated income and find that it makes a loss of £100k per year. What do you do with that piece of information?

The obvious action is to withdraw the course. However, on closer inspection you may find that most of the modules are also part of other courses, some of which make a positive contribution; some are taught by members of staff who are specialised in that area and it is one where increasing research activity is unlikely to generate significant income; there is a laboratory module whose withdrawal would simply reduce the laboratory occupancy rate; and so on.

This is why it is important to use costing information intelligently when making decisions and to take account of non-financial factors, too.

acceptable level of confidence is achieved.

- ...tell you anything about the quality of teaching. Course costing is purely quantitative, telling you how much each course costs. It will not tell you whether that course is a worthwhile investment in terms of teaching quality or learning outcomes.
- ...be an instant success. Even basic course costing models take time, effort and several iterations to get right. And the process will be much less painful if everyone recognises and accepts this at the outset.

## Some key questions (and the impact of your answers)

The institutions that have contributed to this guide have found that their chosen approaches to course costing, and the effectiveness of the approaches that they have adopted, have been influenced by a number of factors.

It is important that institutions recognise these issues and bear them in mind when deciding how to approach course costing. In order to help you to do this, we set out here some key questions to consider.

*Is your institution teaching intensive or research intensive?*

The most significant direct cost for most courses is academic staff time. Teaching intensive institutions have generally found it easier to develop arrangements for course costing, as their academic staff tend to have more structured processes, specific contracted hours and a set teaching schedule, so that it is possible to determine more easily the time spent by each member of staff on each course. In research intensive institutions, the situation can be more difficult, with academic staff often not having quantified hours.

### **Case study** **Appraising new courses**

Several institutions use course costing to determine the cost of new courses as part of the approval process.

This appraisal usually involves working out how many students will be required for the course to break even, i.e. to cover its costs.

This break-even point is then compared with forecast student numbers, to see whether the course is financially viable.

The fact that academic staff may also participate in various activities besides their teaching duties, such as research, scholarship and commercial activities, may add a further complication to any approach to course costing.

Information on teaching workload, however, is generally available at departmental level in the institutions involved in this study and is a valuable data set to use in the course costing model.

*Do you want to cost new courses, existing courses or both?*

Many institutions include a financial appraisal as part of the approval process for new courses. This includes an estimate of likely student numbers – and, therefore, tuition fee and grant income – and the preparation of a budget for the cost of the course, so that the financial viability of the course can be assessed.

This costing of proposed courses requires input from

academic and finance staff, but can be integrated into the course approval process. If an institution wanted to cost all existing courses to a similar extent, however, then this would be an altogether more time and resource intensive exercise.

In practice, the costing of new and existing courses may follow a similar approach, though the data analysis processes, the focus of the information, the audience and the way in which it is presented will vary depending on the use to which it is to be put.

We set out in the table below a summary of the main differences between costing new and existing courses, based on the experiences of institutions that have done both.

<b>Costing new courses</b>	<b>Costing existing courses</b>
An investment appraisal to assess the financial viability of proposed new courses.	A comprehensive mechanism to understand and interpret costs and to use them for strategic decision making.
Forward looking, based on estimates and future projections.	Draws on actual data, with use of appropriate cost drivers.
One of several factors in the wider new course approval process.	A broad-ranging project drawing from and feeding in to other institutional processes and systems.
Likely to be operated at a 'local' level within departments, supported by finance staff.	Likely to be a centralised process run by a dedicated resource.
Looks at one course at a time.	Looks at many or all courses simultaneously.
Relatively light touch once the process has been established.	An intensive annual exercise, likely to require significant and sustained input of resources.
Outputs consider the financial viability of a given course.	Outputs will vary depending on the institution's needs, with different users requiring different information.
Comparisons can be made only with other courses.	Underpins institutional data through reconciliation with TRAC, subject FACTS and financial ledger. Provides benchmarking opportunities and year on year trend analysis. Final outputs support academic planning and the process of new course costing.

*Do you want to cost at course or module level?*

The greater the level of detail to which your institution decides to cost, the more complex and resource intensive the exercise is likely to be.

Costing at module level is likely to provide information at a more granular level, especially where courses share modules or draw on modules from a variety of departments. However, this approach will require you to collect detailed data on how members of staff spend their time and where costs are incurred, or at least to be comfortable with some informed and pragmatic assumptions.

**Top tip**

Decide whether you are costing one cohort, one academic year or one course life cycle. Then tailor your costing model to fit that.

Costing at a course level may be less precise, and will require greater use of estimates and assumptions, but may be easier for most institutions.

In general, however, the purpose for which the costing information is to be used will help to inform the level at which the costing should be undertaken.

*What data do you have available?*

Course costing requires a certain amount of data in respect of academic and support staff time, other direct costs, timetabled hours, indirect costs and estates costs. Those institutions that already have this data available at course or module level will be at a considerable advantage.

Data collected as part of the Transparent Approach to Costing (TRAC) processes, such as the time allocation survey, work load planning process and teaching-specific indirect and estates costs, are likely to play a significant role in determining the cost of courses. Institutions can also draw on workload planning or management models at course or module level or departmental timetabling information.

**Top tip**

Look at what TRAC data you have and start with that.

If your institution does not have this data available at course or module level, however, then do not despair. While it may mean that you need to do a little more work, it will still be possible to implement course costing effectively. It just means that you may need to make greater use of estimates and averages, rather than actual costs.

*How committed is your institution to implementing course costing*

The development and implementation of a robust and effective course costing model will take time, effort and resources. It will also require close and sustained collaboration between academic staff, senior management, finance, planning, information technology and estates teams.

And once a costing model has been developed, it will need to be communicated, used, monitored and acted upon.

Developing and implementing an approach to course costing is more than simply a financial exercise. It requires a high level of commitment and support at senior and operational management levels. If your institution does not have this level of commitment, it is important to generate it before you go any further.

## APPROACHES TO COURSE COSTING

*Institutions should seek to determine the full cost of courses. This includes all costs associated with the course, such as academic staff time, materials and consumables, indirect and estates costs. Other approaches, such as direct costing or marginal costing, may be useful in certain limited circumstances, but full costing is essential to ensure the financial sustainability of teaching provision.*

*In allocating costs to courses, institutions may be able to draw on the TRAC Time Allocation Schedule (TAS), workload planning and management data, timetabling information or other data already available. They may also need to obtain additional data, which will require robust arrangements for collecting it and ensuring that it is sufficiently accurate. Institutions should bear in mind, however, that there is a limit to how accurate the costing data can be, given the assumptions and estimates that will be required. This is the nature of costing, however, and does not detract from the validity and usefulness of the costing process and of the resulting information.*

### Costing methods

There are many ways to approach course costing. The key thing, though, is to make sure you understand the full cost of teaching. This is the approach adopted by the overwhelming majority of institutions involved in this study, and is the only way to enable the financial sustainability of provision.

#### Top tip

However you choose to approach course costing, get senior management approval and support before you take it any further.

#### Case study Determining the full cost

Working out the full cost of a course:

- Academic staff time
- + Academic support staff time
- + Other non-pay costs
- + Indirect costs
- + Estates costs
- + TRAC adjustments / Sustainability factor
- = Full cost

#### Full costing

The full cost of a course is exactly that. It is an assessment of all costs relating to the provision of the course, including costs incurred by departments in running the course as well as a proportion of indirect and estates costs incurred by the institution.

Full costing is essential for informing pricing decisions, as it brings together all costs associated with each course. It is also the only way to ensure that the course is financially sustainable, by comparing the planned full cost of the course with actual or projected income from fees and grants.

Full costing includes both fixed and variable costs associated with the course to be costed. Fixed costs are exactly that, as they remain fixed regardless of how many students participate in a particular course.

Variable costs depend on the number of students on each course, with the costs increasing proportionally as the number of students increases.

There can be some initial resistance when allocating the indirect and estates costs to courses, often due to the significance of these costs. However, the courses could simply not be run without these costs being incurred by the institution, so although there can be some debate about the different allocation methods, it is important that explain to users of the information why it is valid to allocate these costs to courses.

It is important to remember, though, that the course cost determined using full costing methods does not tell the institution how much it could save by not running a particular course. Most costs will be fixed, at least in the short term. For example, if a member of academic staff spends a quarter of their time on a given course, then they are still employed by the institution (and, therefore, need to be paid) whether or not that course is run.

Most institutions contributing to this guide have opted for a full costing approach, drawing extensively on Transparent Approach to Costing (TRAC) data to measure academic staff time spent on particular courses and to apportion indirect and estates costs to these courses. We will look at how they have achieved this later on in this chapter.

### *Marginal costing*

Marginal costing is another approach to costing that focuses on the additional cost of providing one more 'unit' of whatever is being costed. For teaching provision, this could include determining the marginal cost incurred as a result of running an additional course, such as set-up and approval costs, course materials and the cost of any visiting/associate lecturing staff (where there is known capacity in both the estate and teaching staff). Alternatively, it could involve calculating the marginal cost of allowing one additional student on to a course, by looking only at the variable costs associated with that course, up to the deemed maximum group size.

Such an approach is helpful in only a limited range of circumstances, such as certain aspects of decision making and cost management. Marginal costing is **not** suitable for pricing decisions or for ensuring financial sustainability, as it does not include all costs associated with courses, such as indirect and estates costs. We would strongly recommend that institutions carefully select the costing method according to what they want to use the information for.

## The numbers involved

We consider in this section the different costs that institutions are likely to incur in providing courses, together with how these can be allocated or apportioned to specific courses.

Bear in mind, though, that you do not need to strive for perfection. While cost information needs to be robust, it really is not realistic – or necessary – to try to cost each course to the pound.

### **Top tip**

When forecasting student numbers, think about whether these are really 'additional' students or students attracted from other courses.

### **Top tip**

Course costing is not an exact science.

When assigning income and costs to individual courses, institutions will need to make a range of estimates and assumptions and to draw on a range of cost drivers. It is important that institutions check these estimates, assumptions and cost drivers for reasonableness before using

them in course costing, to ensure that the resulting costing information is as realistic and reliable as possible.

Institutions should also seek to clarify which costs are included where, so that they can ensure that all costs are included and that double counting is avoided. This is particularly relevant to academic support staff and direct non-pay costs, which could be included individually or within the TRAC indirect costs for teaching.

### *Income*

Institutions will no doubt wish to match income to specific courses. This income will include grant funding, tuition fees and other sources of funding for individual courses.

It may be difficult to forecast the level of grant funding or fees for specific courses in anything but the short term. However, the biggest difficulty faced by institutions so far in determining income is in predicting student demand for a particular course, especially new ones.



Most institutions ask the members of academic staff proposing the course to provide an estimate of student demand. Others find that input from the institution's planning and marketing teams, perhaps supplemented by comparison with relevant existing courses, can help to develop robust student number forecasts for individual courses.

### *Academic staff costs*

Academic staff time is likely to be the most significant direct cost for each course. Therefore, it is important to allocate such time to individual courses in a fair and robust way.

When first introducing course costing, institutions can make a number of assumptions to simplify the allocation of staff cost/time to courses. A common approach is to assume that X course credits equals Y hours of teaching time (including preparation, direct teaching, assessment, etc.) and to then match these standard hours to the members of staff teaching on a particular course.

At a more advanced level, institutions may be able to allocate academic staff salary and other costs directly to courses on the basis of Time Allocation Schedule data, workload planning or management models, or timetabling information. To be useful, though, the data source used must be current and should ideally go down to the level of individual courses or indeed modules.

An alternative approach is to ask individual departments to estimate the proportion of time that each member of staff spends on each course that the department runs. The accuracy of the data provided may be variable, but some basic checks and comparisons can help to make sure that it is sufficiently robust.

Where staff time is allocated to courses, institutions will need to determine the financial cost of this time. One way to start is to calculate a 'standard' hourly cost for a typical member of staff (usually senior lecturer grade) and to use this standard cost to convert teaching hours to pounds. To take this approach one stage further, institutions could calculate a standard cost for each grade of teaching staff, and use this to determine the cost of specific grades of staff teaching on each course. It is important to strike an appropriate balance here between complexity and convenience, as the level of detail applied is likely to have a particular impact on the quality and usefulness of the outputs produced.

**Case study**  
**Appraising new courses**

Most institutions include course and module development costs in the cost of courses, but usually spread over three to five years rather than all in year one.

An alternative approach would be to calculate actual hourly costs for individual members of academic teaching staff, based on historical or budget data. However, while this approach will result in a more accurate course cost, it is likely to be particularly time consuming to prepare and to update the relevant salary data and depends on the institution knowing exactly which members of staff will be teaching on particular courses. Furthermore, it may have data protection implications if the salary details of individual members of staff are to be made available to a wide audience.

We set out below a brief case study setting out how institutions can determine a standard academic hourly pay cost for use in course costing.

## Case study

### Determining a standard academic hourly pay cost

#### 1. Identify a standard academic annual pay cost

When determining the cost of an hour of academic staff time, all of the on-costs should also be included, e.g. national insurance, pension, etc.

Institutions can take the average of pay bandings including academic on-costs. When costing a course an assumption would be made on the pay banding of the academic delivering the course.

Alternatively, institutions may prefer to determine an average pay cost for an academic department. This method may be of more use to institutions where one of several academics could be allocated to the course via workload planning.

#### 2. Determine standard academic annual hours

Where there is a workload planning system in place, the institution can use the data to determine the average academic annual hours. Alternatively, some teaching intensive institutions have a contracted annual hours agreement. If neither of these is available, the institution should use the 1650 annual hours as per the Time Allocation Survey.

#### 3. Calculate the standard academic hourly pay cost

Using the data collected, institutions can calculate the standard academic hourly pay cost as follows:

$$\text{Standard academic hourly pay cost} = \frac{\text{standard academic annual pay cost}}{\text{standard academic annual hours}}$$

As the full year academic activity is used to calculate the standard academic hourly rate, the hourly rate must be applied to full teaching hours, i.e. teaching contact hours plus an allowance for preparation and assessment.

### Academic support staff costs

Unless institutions already collect data on how members of academic support staff spend their time, down to the level of individual courses or modules, then they are likely to have to allocate or apportion this time to courses in some way. Such costs may include those associated with student facing staff such as laboratory technicians, departmental support staff and admission staff.

It is important to determine, however, whether these costs are already included in the TRAC indirect costs for teaching, if the latter have been calculated for use in course costing. If academic support staff costs are

#### Top tip

If you use TRAC data in your approach to course costing, do so consistently across the institution.

relatively uniform across departments and courses, then these could best be left in the indirect cost rate. However, if the use of such staff varies significantly across courses, it may be more appropriate to exclude these costs from the indirect cost rate and to allocate or apportion them directly to individual courses using an appropriate cost driver.

Similar considerations to those outlined above in respect of academic staff time will apply here, too. In general, institutions have found it simplest to allocate academic support staff costs to courses on the proportion of academic staff time/cost. However, institutions may be able to adopt a more refined approach to allocating these costs if they have sufficient data available.

#### *Direct non-pay costs*

Direct non-pay costs are any other costs that relate to a specific course, media equipment, placements, criminal records checks, distance learning materials, course specific bursaries and agency fees. Depending on the course, these costs can be significant.

The extent to which these can be allocated to the relevant courses depends on how institutions record this expenditure. Some institutions contributing to this guide record costs at a course level in their financial systems, so it is relatively straightforward to identify and allocate the costs involved.

Others record these costs at a departmental level, meaning that they then need to be apportioned across courses on a reasonable basis. This could, include, allocating costs using student numbers on each course, or alternatively on the basis of academic or academic support staff time. It is up to each institution to determine how best to apportion these costs, based on a clear understanding of the factors that drive them – the key is to decide on an approach and to then use it consistently over time and across the institution.

As with academic support staff costs, it is important to determine whether these costs are already included in the TRAC indirect costs for teaching. If such costs are relatively uniform across departments and courses, then these could best be left in the indirect cost rate. However, if they vary significantly across courses, it may be more appropriate to exclude these costs from the indirect costs and to allocate or apportion them directly to individual courses using an appropriate cost driver.

### *Indirect and estates costs*

The apportionment of indirect and estates costs to individual courses can quickly become a problematic area, with institutions generally opting for a relatively simple approach.

Most institutions draw on the indirect and estates costs for teaching determined as part of the TRAC process, apportioning them to courses using an appropriate cost driver. Some, for example, split courses in to a small number of categories and then apportion indirect and estates costs to courses using some form of weighting for each category. Others apportion indirect and estates costs to individual departments then apportion them to individual courses or modules on the basis of student numbers.

#### **Top tip**

Use the TRAC cost drivers to allocate costs to the lowest level possible

### *TRAC adjustments / Sustainability factor*

It is important that institutions understand the ‘full’ cost of its courses. In this context it is appropriate for institutions to consider the amount in excess of the actual costs that needs to be generated in order to enable the continued investment in the institution. The importance of institutional sustainability is something that has been promoted for some time, but is brought into sharper focus with the removal of a significant proportion of capital funding, thus needing institutions to generate its own funds for investment.

Institutions should consider whether to include the TRAC infrastructure adjustment and the return for financing and investment in their course costing information to enable this. The aim of these adjustments is to help institutions to understand the full economic cost of their activities and to promote financial sustainability.

Consequently, most institutions contributing to this guide have chosen to include them in course costing information. Others present costing information both with and without the adjustments. It is up to individual institutions, though, to decide for themselves whether to include these adjustments in the costing of individual courses.

Alternatively, from the financial forecasting / financial strategy of the institution it may be possible to identify a simple percentage of the total costs that needs to be added to create a ‘full sustainable cost’ of each course.

### *A note on using student numbers as a cost driver*

Using the number of students on each course to apportion costs assumes that teaching a student on each course requires equal time and effort. For example, it assumes that teaching a home student at level one on course A requires the same effort as teaching an overseas student at level three on course B.

Where this is not the case, institutions can improve the quality of their course costing data by using academic judgment – at a departmental or an institutional level – to weight the student load data. For example, postgraduate teaching may require more effort than undergraduate teaching, so the student load for postgraduate courses could be increased by a factor of, say, 1.2 to compensate for

this. An intelligent weighting of cost drivers can improve significantly the validity of the resulting costing information.

A further consideration when using student numbers as a cost driver is to be clear about when it is most relevant to use student 'headcount' –v- Full Time Equivalent (FTE). IN this regard it is important to consider whether it is the physical student that drives the cost or simply the proportion of their time that influences the cost.

## Data collection

Even if institutions have a detailed workload planning or management model and a ledger structure that goes down to course or module level, they are likely to have to collect additional data to facilitate course costing.

Most institutions have found it helpful to develop templates to collect the information that they require. This allows them to be clear about the information that they require and to ensure that it is collected consistently across the institution. These can then be completed individually by members of academic staff, centrally within departments or collaboratively with academics and members of the finance team.

For any large scale data collection exercise, the support of those providing the information can make the exercise much more straightforward and productive. We consider later in this guide how to get people on board with the course costing process.

It is also important to try to ensure that the data collected is of sufficient quality for use in course costing. Some techniques used by institutions to improve the quality of data include:

- triangulating data by obtaining it in more than one way, for example by comparing Time Allocation Schedule (TAS) results or the workload information system with the timetabling system or with course data provided by departments;
- comparing data provided by different academic departments, to identify any 'outliers' and to understand whether this is due to genuinely different circumstances or due to data error;
- increasing the level of 'granularity' in financial ledger systems, so that costs can be recorded against individual courses or modules; and
- requiring heads of department or school to approve and sign off the data provided by individuals within their department or school.

When making any changes to improve data collection, however, institutions should ensure that the cost of making these changes will be worthwhile in terms of the improvements that they will bring.

## Some tips on understanding and allocating costs

We set out here a number of hints and tips for dealing with costs, which have been put forward by those institutions that have already got some way through the course costing process.

- **Start with what you have.** At the beginning, do the best you can with the data that you already have. Once you have developed a basic approach to allocating and apportioning costs, you can develop it further, provided the institution agrees that the benefits of a more comprehensive approach will outweigh the costs of implementing it.
- **Use standard costs and assumptions where possible.** This will help you to make the course costing more efficient and less burdensome on those providing data. However, these costs and assumptions must be realistic and kept up to date.
- **Get support for your approach.** The costing methodology has to be accepted by academic management and staff, in order to secure their buy-in and to ensure that you can get access to the data you need.
- **Do not overcomplicate things.** A simple methodology that everyone can understand and accept, and which gives the institution an acceptable level of accuracy in the costs for different courses, is significantly more helpful than a highly complex approach that few are able to understand and that requires significant resources to develop and operate.

### Top tip

Do not try to run before you can walk. Accept the limitations in the available data in the short term, even if that means that you cannot yet cost at the level you may want to.

### Case study

#### Why it is important to look critically at the data you have collected

All courses for one department in a large research intensive institution appeared to be highly profitable. The main cost related to academic time, the underlying TRAC data suggested a 60:40 split between teaching and research.

Analytical review of the research income compared to research time allocation suggested a mismatch as research income was minimal. This comparison allowed the finance representative to discuss openly with the department whether the TRAC data was correct or not. The Head of Department felt that a more reasonable split would be 80:20.

It became apparent in conversation that academics were completing TAS data more in line with what they thought they should be doing, rather than what they were actually doing. This was leading to an understatement of time allocated to teaching and therefore increasing course profitability.

The TRAC team arranged to visit the department and train staff in TRAC to improve future data quality. Course costings were adjusted to agree to the Head of Department's revised time allocation.

## Working from the TRAC (T) costs

We have focused so far on the 'attributive' costing of courses, whereby costs are attributed to individual courses. A small number of institutions, however, have chosen to implement a more 'analytical' approach.

The essence of this approach is to start with the TRAC (Teaching) cost per student at the subject level, using the Subject-FACTS (Full Average Cost of Teaching a Student) data from the institution's TRAC return, and to then use this to calculate the cost of a particular course on the basis of actual or weighted student numbers.

### Top tip

The 'analytical' approach is very 'broad brush', but can give you reasonable numbers very quickly.

### Case study

#### An analytical approach based on TRAC (T) costs

One large research intensive institution has tried an alternative approach. The TRAC exercise gives a total teaching cost for each academic school and this can be parcelled out among the various modules according to the size of the module, the number of students taking the module and the type of teaching on the module, e.g. lectures, seminars, laboratory classes.

One issue was differentiating between fixed and variable costs – costs that are associated with mounting a module and don't vary with the numbers of students taking the module, such as lecture delivery costs, and costs that do vary with the numbers on the module, such as assessment costs. This split was estimated using some detailed analysis done for one school by an MBA student.

Once module costs were identified, these could be aggregated up to courses depending on the numbers of students on a course taking each module.

Such an approach is not necessarily as refined as a more detailed 'attributive' approach, but it has a number of clear advantages, for example:

- it is quick;
- it is easy to understand;
- it uses data that you already have; and
- it requires little in the way of additional resources.

It is however very important to note that the definition of a Subject FACT does not include all costs and is reliant on the quality and reliability of the TRAC model, specifically the quality of the judgements that have informed the selection of cost drivers and whether or not a weighting has been applied to the apportionment of costs between Teaching non-publicly funded and Teaching publicly funded.

If your institution just wants a basic course cost for a full-time home undergraduate student, and provided the courses within each subject area are broadly similar in terms of resources used (and that you are able to attribute courses and students to each subject area), then this sort of approach may be perfectly sufficient for your needs. It provides a good 'sense check' for cost information arrived at through 'attributive' costing.

## Other issues that may arise

In implementing course costing, institutions may encounter general or other course-specific issues, such as external placements, NHS funding, collaborative provision and distance learning. In such circumstances, as with the issues above, institutions should think carefully about:

- a. whether these costs or income need to be included in the cost of courses;
- b. who should bear the costs or receive the income; and
- c. how these costs or income can best be matched to courses.

As with all aspects of course costing, institutions should seek to identify an approach to dealing with such issues that is simple, fair and uses, where possible, data that is already available.

The institutions that have contributed to this guide have come across a range of issues that they have needed to address. The types of issue that you may face will be determined in some cases, by the chosen approach to course costing. These issues include:

- **service teaching**, where one department delivers modules on behalf of another. This is similar to the issue of shared modules, though is usually based on a more formal agreement between departments. Some institutions have sought to instigate a suite of standard one-off fees across the institution for the use of different types of service courses, which has helped to streamline the process and encourage the use of taught modules already available. This approach also makes it significantly easier to cost courses, as all of the costs (and the income) remain with the providing department;
- **shared modules**, where a module delivered by one or more departments contributes to courses run by a range of other departments as well. In such cases, the same considerations apply as for service teaching. Institutions have sought to apportion the costs of these modules across the departments benefiting from them or have simply costed courses at a school level;

### Case study Dealing with shared modules and service teaching

In order to encourage use of modules already available in other departments, one institution has established a standard one-off fee for use across the board.

This helps to:

- minimise negotiation time between departments;
- maximise use of internal intellectual property and minimise external writing fees; and
- simplify course costing assumptions.

There are three levels of fees: undergraduate, PG standard, PG specialised/PGR, with a standard cost for every 10 credits. The fee covers the right to use the material; payment for delivery is based on teaching load.

- **teaching across more than one campus**, where each campus may have a different cost profile. The question here is whether to incorporate these costs (usually estates costs) in to the cost of the different courses, or to use standard estates costs across campuses. It is important at this point to recognise that departments are not always able to control certain estates costs, such as the cost of maintenance of and repair if they are based in an older building. This sort of situation can easily lead to tensions if not addressed effectively, so institutions should refer back to why they are doing course costing and identify a resolution that is fair and justifiable;
- **internal charges between departments**, for example when one department is charged for using space or equipment housed within another department. This may apply particularly to the use of facilities during vacation periods, when they may be used for other purposes such as conferences or other commercial activities. While this is not in itself a course costing issue, institutions should endeavour to ensure that course costing information is not distorted artificially by such internal charges, particularly when the cost of teaching space and facilities may already be included in the estates cost rate.

## USING COSTING INFORMATION EFFECTIVELY

*When presenting costing information, institutions need to consider carefully who will be using the information and what they will be using it for. In most institutions, there will be a range of users, both academic and administrative and at senior and operational levels, each of which will have their own needs and preferences.*

*It is also worth bearing in mind that only a small proportion of users are likely to be finance professionals, so institutions should ensure that information is clear, focused and accessible. Some institutions have found that things like high level summaries, dashboards and a mix of printed and online presentation of data can be particularly effective. Institutions should also seek to ensure that costing information is provided in a timely manner and that it is kept up to date.*

### Considering the needs of users of the information

In addition to determining how best to measure the cost of courses, institutions will need to consider how best to communicate this costing information to those who need it.

The first thing to think about is who will be using the information. It is likely to have a broad audience, both centrally and within departments, from senior managers, deans and heads of departments to individual academics, planning and finance staff.

Give thought also to what users will be using the information for. This will help you to determine the nature and level of information to be provided to each user. For example, senior managers will probably want high level information covering the entire institution, whereas the head of a particular department will be looking for detailed information relating to their own department or courses.

It may be useful at this point to look at other information currently provided to users, such as financial reports, to see how much information they receive and how it is presented. You could also ask them, or a representative sample, what information they need and how they would like it to be communicated to them.

In determining how to present information, think back to why your institution is implementing course costing in the first place. Link everything back to this aim, so that users of the information know what it is telling them and how they can use it.

### Being clear about assumptions and limitations

We have discussed previously in this guide some of the assumptions that you may have made in developing and implementing your institution's approach to course costing. We have also referred to some of the limitations that are inherent to various aspects of course costing.

Assumption and limitations are a necessary part of course costing. However, it is important to make it clear when presenting this costing information what assumptions have been made and to communicate to users any limitations in the information presented.

For example, if you have assumed three hours of teaching time per credit point, or if you have used a generic institution-wide estates rate to calculate the full cost of courses, then you should make users aware of this.

## Developing appropriate outputs

As we mentioned above, outputs from the course costing process should be tailored to the needs of the users of the information and what they will use it for.

In order to ensure this, outputs should be:

- **clear**, in that it is set out in as simple a way as possible, while also explaining any assumptions that have been made or any limitations to the information and how it should be used. For example, the high level data could be presented on a single sheet, with more detailed data in an appendix and information on the methodology available online for anyone who wants to know more;
- **focused**, by providing specific users with the information that they need, rather than providing everyone with all the information that is available. While a head of department may wish to know the cost of every single module in his or her department, for example, the Vice Chancellor would probably prefer information to be presented at a higher level;
- **accessible**, so that people can understand what the information is telling them. Not everyone is, or aspires to be, an accountant, so presenting lists of financial data may not be the most effective way of communicating information. Some institutions have developed dashboards of key indicators to communicate information at a high

### Top tip

Consider the value added by course costing. Ensure that information is clearly meaningful to all, not just a final hurdle before course ratification.

### Case study

#### Using costing information to approve new courses

One institution requires all new courses to be fully costed prior to approval. This costing is undertaken using a standard template, which is then reviewed by the finance team before being presented to a senior management panel.

The template costs courses over a five year period and shows how many students are required for the course to break even, how many students are expected to take the course (with evidence to support this assumption), and the projected financial surplus or loss for the course each year. There are controls over the student number estimates and their validity to prevent this becoming the balancing number.

In order to be approved, all courses must cover their full cost unless there are exceptional circumstances justifying why the course should be subsidised by the institution.

level, for example, while others have developed contribution 'hurdle rates' for new courses and other techniques to focus peoples' attention on the things that matter.

- **timely**, as the more current the data is, the more useful it will be and the more likely it is to be accepted across the institution. How frequently institutions are able to update course costing information will depend on the approach they have taken. Whilst it would be great to have real time costing data, in practice – partly due to how the data is collected and partly because institutions operate on an annual cycle – an annual refresh of the data is likely to be the most practical option.

## Interpreting costing information effectively

Institutions should be mindful when interpreting course costing information of what it is telling them. In particular, costing information on its own does not always tell the full story.

For example:

- a high level of contribution from a particular course may mean that it is run efficiently and that it is likely to be financially sustainable, but it could also mean that it is under-resourced in terms of teaching staff and that teaching quality is suffering; or
- a particular course may be making a negative contribution to a department's finances and so may look like it should be withdrawn, but it could be that this course is an essential component of the institution's strategic offering or that there are other genuine reasons for continuing to run it.

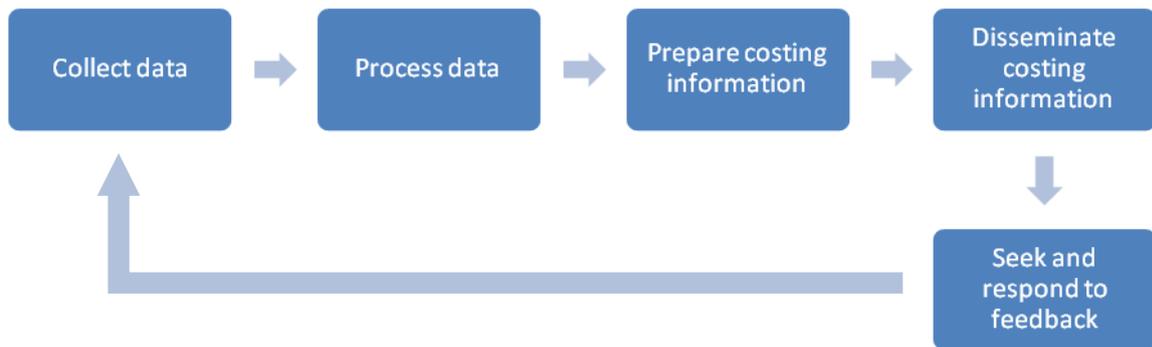
### Top tip

Present results in their full context.

However course costing information is presented, users should always be given sufficient contextual information to make balanced decisions. In practice, this is likely to mean presenting costing information alongside course specific non-financial information, such as widening participation outcomes, National Student Survey results and any link between the course and the institution's strategic objectives.

## Seeking feedback on how information is used

Having prepared and presented costing data, it is also useful to seek feedback on whether and how it is being used across the institution. This will allow you to improve the costing approach over time and to make it more responsive to users' needs.



### **Incorporate a feedback loop into your approach to costing**

If you are using a costing template to determine the cost of new courses before they are approved, then it will be fairly straightforward to monitor and seek feedback on its use. Where the use of costing information is less obvious, though, such as where it is issued to academic departments or committees, it may prove beneficial to consult with users of the data – either individually or in focus groups – to get their comments and to identify scope for improvement.

## IMPLEMENTING COURSE COSTING IN THE REAL WORLD

*In order to get the most out of course costing, institutions will need to have the support of academic and administrative staff alike. This will be facilitated by strong leadership, a high level of senior management involvement and effective engagement with everyone involved in collecting, processing, analysing and using costing data and information.*

*Institutions can engage people in the course costing process by getting them involved, by making everything accessible and easy to use, and by providing appropriate training and demonstrations. Institutions should make every effort to 'sell' the benefits of course costing to their staff. They may also find it useful to start small by piloting course costing in a small number of departments first, before rolling it out across the institution.*

*Institutions will encounter a number of barriers to the successful implementation of course costing, such as resistance to change and lack of confidence in costing data. However, these barriers can be overcome if addressed promptly and proactively.*

### The importance of engaging and communicating with people across the institution

If your institution is to implement course costing effectively and to realise the benefits that it offers, then it is vital that it has the support of senior management, operational departments and academic staff. In order to ensure this level of support, a high level of engagement and communication will be required.

Firstly, course costing needs strong leadership. While many people will see course costing as essentially a financial project, it is much more than that. Consequently, the institution's work should be led by a senior member of academic management, such as a Pro-Vice Chancellor or other member of the Vice Chancellor's team.

Secondly, you need to get senior administrative and academic management actively involved with the work. Once you get their buy-in and commitment, it is likely that ownership, implementation and good practice will follow.

Finally, you should engage with those involved in providing costing data and with the end users of the course costing information, such as members of academic staff likely to be developing new courses, so that they can understand how course costing will work and what it will be used for.

#### Top tip

The support and interaction of academics is vital to the success of course costing.

#### Top tip

You need senior management buy-in, too, so that you can get the resources and data that you need.

## How to get people on board

Institutions have developed a variety of ways of engaging with those likely to be affected by course costing. Here are some of the ones that have proven to be most effective.

1. **Get people involved.** Get out there and explain to people what you are doing and why you are doing it. Get their feedback and their suggestions. Ask them what they need and how they want it provided.
2. **Make everything really easy to use.** When you need people to give you data, give them a clear form or template to complete. Be consistent in your approach to course costing across the institution. And when you are providing users with information, make it clear, focused and accessible. Any electronic systems should work properly and not need detailed work-arounds.
3. **Embed course costing in existing processes.** Rather than developing course costing as a stand-alone system, try to integrate it into existing processes and activities, such as new course approval processes and departmental financial reporting. This will help to engage people with course costing and will make it easier to embed course costing information into decision making processes.
4. **Provide training and demonstrations.** Show people how course costing works and how it can help them. Give them real examples using real data. Develop costing champions who can then promote course costing in their own departments. Provide training online, in groups and individually. Make sure people know what is expected of them and how the data that they provide will be used.
5. **Sell the benefits.** Explain to people how course costing information can help to ensure that resources are allocated effectively. Let them see that it is easy to use and that it will help them to make better decisions. Show people how it can be used to make informed decisions on strategic relationships between financial and non-financial factors.
6. **Start small and then grow.** Pilot in a small number of departments first. Go with the energy. Start with a part of the institution which has asked for help or appears to be struggling, perhaps linking in with a departmental review. Use the positive results from pilot departments to sell the approach to the others.

### Top tip

Whatever your institution is proposing to do, keep it simple and get high level buy in from the start, otherwise it will never get off the ground.

### Top tip

Articulate clearly the benefits of course costing without getting into the technical detail.

## Common barriers and how to overcome them

In developing and implementing their chosen approach to course costing, institutions will face a number of barriers. Here are some of the difficulties that the institutions contributing to this guide have encountered, together with how they have overcome them.

Barrier	How to overcome it
<b>Defensiveness and resistance to change.</b>	<p>Listen and respond to their concerns.</p> <p>Explain why course costing is being introduced, how it will work and what benefits it will have.</p> <p>Outline the benefits</p> <p>Explain any assumptions and how they have been arrived at.</p> <p>Share data and explain how it will be used.</p> <p>Keep the costing process open and transparent.</p> <p>Have a high level of senior management support.</p>
<b>Lack of skills, expertise or resources.</b>	<p>Don't take on more than you can achieve with the resources you have available.</p> <p>Keep the costing methodology as simple as possible.</p> <p>Draw upon the expertise within academic departments.</p> <p>If necessary, seek external support.</p>
<b>Lack of confidence in the underlying data.</b>	<p>Develop robust processes for collecting data, including clear definitions and quality control arrangements.</p> <p>Review data when it has been submitted and try to identify any obvious errors.</p> <p>Allow departments to see 'their' data and give them the opportunity to identify any problems with it.</p> <p>Triangulate the data with other data sets to provide a 'sense check'.</p>
<b>Organisational barriers.</b>	<p>Have a high level of senior management commitment and involvement.</p> <p>Start off with a simple approach to course costing that can be applied to all departments.</p> <p>Try to link course costing to existing processes.</p>

**Excessive procrastination.**

Recognise that you will never have the perfect course costing system.

Keep things as simple as possible.

Focus on why you are implementing course costing.

Try to use the same approach for all departments, rather than tailoring things to particular circumstances.

As we reach the conclusion of this guide, we would reiterate our assertion that there is no 'one size fits all' approach to course costing. It is for individual institutions to develop and implement an approach that works for them, based on what they want to achieve through course costing, what resources they can devote to it and what data they have available.

While this is no simple task, we hope that this guide will help to make it a little easier.

## **APPENDICES**

Appendix A Five things to do first

Appendix B Three approaches to costing

Appendix C Determining the full cost of a course

## Appendix A

### FIVE THINGS TO DO FIRST

- 1 Decide why you want to do course costing and what you hope to get out of it.
- 2 Get senior management buy-in and identify a 'course costing champion' who can help to get things done.
- 3 Find out what data you already have available and think about how you could use it.
- 4 Work with colleagues in planning, finance, estates, IT, marketing and academic departments to develop a costing approach and template.
- 5 Decide what you are going to cost first and get on with it.

## Appendix B

### THREE APPROACHES TO COSTING

We set out here three different approaches to course costing, starting with the easiest and then working towards a robust full costing model.

#### Option 1: The 'analytical' approach using TRAC (T) total costs

Take the relevant cost per student at subject level (i.e. Subject-FACTS, from your TRAC data) and multiply by the number of students on the course.

N.B. This approach gives a basic course cost, based on the definition of a Subject FACT, for a full-time home undergraduate student, provided the courses within each subject area are broadly similar in terms of resources used and that the institution is able to attribute courses and students to each subject area.

#### Option 2: The half-way house

Academic staff time	Make appropriate assumptions about: <ul style="list-style-type: none"><li>the number of teaching hours (including preparation, direct teaching, assessment, etc.) per course credit; and</li><li>the hourly cost of a 'standard' academic.</li></ul> Multiply the estimated teaching hours by the 'standard' cost per hour to get a rough estimate of the academic staff cost.
Academic support staff time	Leave this in the indirect costs.
Direct non-pay costs	If these costs are already available at course level, then allocate them directly. If not, then apportion across courses on the basis of student numbers.
Indirect costs	Apportion the indirect cost rate for teaching (from TRAC return calculations) to courses on the basis of student numbers. Use a consolidated publicly funded teaching / non-publicly funded teaching cost rate using an appropriate institutional split.
Estates costs	Apportion the relevant laboratory or non-laboratory estates cost rate for teaching (from TRAC return calculations) to courses on the basis of student numbers. Use a consolidated publicly funded teaching / non-publicly funded teaching cost rate using an appropriate institutional split.

TRAC adjustments / Sustainability factor	If the TRAC adjustments are to be included, apportion them across courses on the basis of student numbers –or- if a sustainability factor is applied, add this to the course costs as calculated.
<b>Option 3: The thorough approach</b>	
Academic staff time	<p>Use Time Allocation Survey, workload information or timetabling data to determine academic staff time spent on the course/module (including preparation, direct teaching, assessment, etc.) to be costed.</p> <p>Determine a ‘standard’ hourly rate for each grade of staff teaching on the course.</p> <p>Multiply the estimated teaching hours for each member of staff by the ‘standard’ cost per hour for their grade to get the academic staff cost.</p>
Academic support staff time	<p>If there is significant variation in academic support staff time spent on different courses, split this out from indirect costs and allocate to courses on the basis of academic support staff time.</p> <p>Otherwise, leave these costs within indirect costs.</p>
Direct non-pay costs	Allocate or apportion these costs across courses on the basis of appropriate cost drivers.
Indirect costs	<p>Apportion the indirect cost rate for teaching (from TRAC return calculations) to courses on the basis of staff and/or student numbers. When apportioning costs on the basis of student numbers, use a consolidated publicly funded teaching / non-publicly funded teaching cost rate using an appropriate institutional split.</p> <p>Institutions may wish to allocate indirect costs to staff-related and student-related cost pools, and to then develop two cost rates, one driven by staff numbers and one driven by student numbers.</p>
Estates costs	<p>Apportion the relevant laboratory or non-laboratory estates cost rate for teaching (from TRAC return calculations) to courses on the basis of staff and/or student numbers. Use a consolidated publicly funded teaching / non-publicly funded teaching cost rate using an appropriate institutional split.</p> <p>Institutions may wish to allocate estates costs to staff-related and student-related cost pools, and to then develop two cost rates, one driven by staff numbers and one driven by student numbers.</p>
TRAC adjustments	If these are to be included, apportion them across courses on the basis of appropriate cost drivers.

## Appendix C

### DETERMINING THE FULL COST OF A COURSE

<b>INCOME</b>		£	£
Tuition fees	X students @ £ Y p.a.	£XX,XXX	
HEFCE Grant	X students @ £ Y p.a.	£XX,XXX	
Other income		£XX,XXX	
<b>Total income</b>			<b>£XXX,XXX</b>

<b>EXPENDITURE</b>		£	£
<b>Academic staff costs</b>			
Grade of staff, e.g.	Hours @ Rate per hour		
Professor	X hours @ £ Y p.h.	(£X,XXX)	
Senior Lecturer	X hours @ £ Y p.h.	(£X,XXX)	
Lecturer	X hours @ £ Y p.h.	(£X,XXX)	
Teaching fellow	X hours @ £ Y p.h.	(£X,XXX)	
<b>Total academic staff costs</b>			<b>(£XX,XXX)</b>

#### **Academic support staff costs (if not included in the indirect costs)**

Role, e.g.	Hours @ Rate per hour		
Laboratory technician	X hours @ £ Y p.h.	(£X,XXX)	
Models/Actors	X hours @ £ Y p.h.	(£X,XXX)	
Clerical	X hours @ £ Y p.h.	(£X,XXX)	
General	X hours @ £ Y p.h.	(£X,XXX)	
<b>Total academic support staff costs</b>			<b>(£XX,XXX)</b>

**Direct non-pay costs (allocated directly or using appropriate cost drivers)**

Cost, e.g.

Consumables	(£X,XXX)	
Course materials	(£X,XXX)	
Equipment	(£X,XXX)	
<b>Total direct non-pay costs</b>		<b>(£XX,XXX)</b>

**Overhead costs**

Indirect costs (excluding TRAC adjustments)	(£X,XXX)	
Estates costs	(£X,XXX)	
<b>Total overhead costs</b>		<b>(£XX,XXX)</b>

**Total course cost excluding TRAC adjustments** **(£XXX,XXX)****TRAC adjustments**

Infrastructure adjustment	(£X,XXX)	
Return for financing and investment	(£X,XXX)	
<b>Total TRAC adjustments</b>		<b>(£XX,XXX)</b>

**Total course cost including TRAC adjustments** **(£XXX,XXX)****NET POSITION, i.e. total income less total course cost** **£XX,XXX**

N.B. Institutions would need to undertake this costing for each year in which the course earns income or incurs costs, in order to determine the full cost profile and position for the course. Alternatively, if costs are allocated on a top down basis, an assumption could be made that the mix of students studying each year of a programme remains consistent and therefore only one costing for the *course* will be required.

This costing pro forma is illustrative and would need to be tailored to an institution's own cost base and circumstances. It would be suitable for costing individual new courses or a small number of existing courses, but we would not anticipate that institutions would use such a detailed pro forma when determining the cost of a large volume of existing courses.