

Work-based learning
Costing study

The attached CD contains the costing methodologies developed by the Universities of Chester, Huddersfield and Staffordshire for utilisation or adaptation by other institutions.

Preface.	2
1. Acknowledgements.	3
2. Executive summary.	4
3. Introduction	6
4. Aim and timescale.	7
5. Scope of study.	8
6. Definitions of WBL.	9
7. Methodology	10
8. Methodological issues.	11
9. Costing methodologies.	12
10. Where is WBL more expensive than campus-based learning?	17
11. Where is WBL less expensive than campus-based learning?	19
12. Implications for co-funding by employers	21
13. Nature of students	22
14. Useful additional considerations for costing WBL.	24
Appendix 1: The overheads dilemma.	27
Appendix 2: Cost comparisons of campus-based and work-based provision, calculated by the University of Huddersfield	30
Biographies	38

Preface

This publication is a product of the Higher Education Academy's work in the field of Employer Engagement. Over the course of the last two years, we have been working to help develop the capacity and capability of higher education institutions to provide higher level learning to the workforce, building on existing practice and the general recommendations of the Leitch Report.

The Academy's work has focussed upon the promotion of best practice, the networking of HEIs and stakeholders with an interest in this agenda and research into the possibilities and practicalities of providing work-based learning. We have worked with government departments, funding bodies, subject communities, individual HEIs and other relevant agencies to support this agenda. We have also coordinated network groups to allow discussion at the level of specific roles from Pro Vice-Chancellors through to work-based learning practitioners and staff focussing on research in the field.

By working both extensively throughout the sector and intensively with specific individuals and institutions, the Academy has been able to raise the awareness of workforce development, support those trying to get to grips with it and make some important contributions to research in the field. This publication is one such contribution that we hope will continue to shed light on the possibilities that workforce development offers to employers, HEIs and prospective students.

The Academy Employee Learning Team

8 May 2008

Acknowledgements

This synthesis report has been created by Professor Freda Tallantyre, Senior Associate with the Higher Education Academy, who was the commissioning agent for the study. She would like to thank members of her team, specifically Iain Nixon and Rebecca Dodgson, for their comments and support.

It is based upon the individual institutional reports, authored by:

- Catharine Carter, Cost Accountant with the University of Chester
- Dr Christine Jarvis, Dean of Educational and Professional Development, and Sarah Fitzgerald, Lecturer in Accounting, University of Huddersfield
- Richard James, Senior Lecturer, Staffordshire University Business School.

They would like collectively to thank the many staff in each institution who contributed their views and experiences to make the costing models and to arrive at our conclusions.

The individual institutional reports will be published in due course on the Academy's research observatory site. The contributions of individual staff are listed in more detail there.

Executive summary

- A study was undertaken during summer 2007 by three universities to develop a costing model for work-based learning and to apply it to compare costs between work-based and campus-based provision where possible (section 4).
- Two universities looked at three work-based learning programmes but only one of these could make direct comparisons. A third university looked at a broader range of programmes but at a lower level of detail (section 5).
- Each university was able to develop a costing model, and all three were very similar in terms of units of cost included (section 9).
- All institutions experienced difficulties in costing, in that it was hard to achieve accurate information on academic and administrative time spent on anything other than timetabled activity (section 8).
- Apart from initial adaptation of systems and processes, ongoing costs which were deemed to make WBL actually or potentially more expensive (section 10) included :
 - opportunity costs of set-up
 - management of employer relations
 - shorter course lifecycles
 - smaller cohort groups
 - reduction in economies of scale
 - travel costs.
- Aspects of WBL which were deemed to be more economic (section 11) included :
 - less call upon estates and facilities
 - lower use of staff time
 - reduced administration in some aspects (fee charging, programme registration and servicing were all cited)
 - where programmes were wholly work-based, and serviced in the main by employer staff.

- Costs in the latter cases were likely to have been transferred to the workplace, and this study made no attempt to cost the employer contribution, though one university did estimate that this was frequently within the region of 20% (section 12).
- All three institutions noted the different characteristics of WBL students, some of which add to and some of which reduce the costs of provision (section 13).
- Each university was able to identify valuable guidance for others (section 14, and throughout) in forms such as:
 - the need for due diligence in selection of employers
 - a formula for balancing validation costs against programme lifecycle, and the need for accelerated validation
 - building in costs for frequently overlooked items such as relationship management, licenses, travel contingencies
 - distinguishing pricing from costing.
- Accurate costing stems are impeded in two ways (App 1) :
 - institutional systems, and processes and data collection, make assumptions based on traditional campus-based provision
 - even these use approximations for the allocation of overheads.

Introduction

The advent of the Leitch Report, and aspects of its implementation, such as HEFCE's strategy for co-funding, has accelerated interest in work-based learning (WBL) as one means to fulfil employer demand for higher level skills.

In discussion with HE institutions about barriers to implementation, one of the most frequently cited issues was the perceived cost of WBL. However, there were some dramatically different perspectives on the issue, with some asserting its expense based upon its inconsistency with standard costing mechanisms, and others asserting its apparent efficiency in not utilising some of the facilities that campus-based provision would require. It appeared to the Higher Education Academy team that the science of costing WBL was underdeveloped, and we determined to commission a small range of studies that would take a more zero-based costing approach, and where possible, draw comparisons with campus-based provision.

Aim and timescale

Three Universities who have some considerable experience over time and across a range of WBL provision had proposals accepted to produce full economic costing methodologies that could be applied to all their WBL provision for the future, and to share these with other institutions through the Academy. These were Chester, Huddersfield and Staffordshire. Their research was undertaken over the summer and autumn of 2007, with reports produced by the end of November, which the Academy then synthesised into a single report.

While this was a small scale project, it was perceived as making a rapid contribution to the ongoing debate, which will be advanced over time by more longitudinal studies such as those being undertaken by the three regional Higher Level Skills Pathfinders.

Scope of study

Each University selected a suitable range of its programmes which either included or were entirely based upon WBL.

From **Chester**, there were three programmes, all delivered to public sector organisations, as follows:

Programmes	Mode	Student numbers		
		2006/07	2005/06	2004/05
Foundation degree in Government	Mainly online learning	327	306	88
Professionalism in Decision Making & Appeals	Delivery at work place	31	0	0
Postgraduate Certificate/ Diploma in Leadership & Management	Delivery at work place	129	129	168

From **Huddersfield**, six programmes were chosen to offer valid comparisons.

Programmes	Mode	Student numbers
BSc Social Work	Campus based	187
BSc Social Work	Work based	51
Graduate training programme with QTS	Work-based	12
PGCE	Campus-based with placements	175
BA (Hons) Youth and Community Work	40 credit campus-based modules	21
BA (Hons) Youth and Community Work	40 credit work-based modules	21

From **Staffordshire**, there was a wide range of “programmes from all faculties/schools of the university including Business and Law, Health and Social Sciences, Computing and Engineering and Arts, Media and Design ... from Masters programmes through to 15 and 30 credit CPD and involving well over 500 students per year.” In effect, these included, “all those programmes that had been developed in conjunction with an employer ranging from an MSc programme developed with the client and delivered in a relatively conventional manner (two day learning blocks off-site) to the accreditation of a company course delivered by a third party provider but quality assured by ourselves.” This approach enabled a valid cross-institution methodology to emerge but fewer direct comparisons with campus-based provision.

Definitions of WBL

The provision chosen elicited a preliminary issue of what we mean by WBL, because, as **Chester** notes, “WBL programmes, by their very nature, have so many different variables, such as mode of delivery, extent of input required from academics, length of programme, level of programme, cohort size etc, which makes it extremely difficult to produce a typical or standardised cost for WBL delivery”.

They could for example cover:

- wholly delivered in company by company staff
- wholly delivered in company by a mixture of academic and company staff
- wholly delivered in company by academic staff
- partly delivered in company and partly on campus, by a mixture of academic and company staff

and probably other shades of variation along this spectrum. The specific category of WBL in itself produced some interesting differences in findings, as will be seen later.

Methodology

While there were degrees of variation between universities, the common approach was to build up from a zero base a costing methodology by validating with a range of participants the units of cost that would apply for the university. (No attempt was made to estimate employer costs in this study).

For **Chester**, the starting point was :

“TRAC [Transparent Approach to Costing] data for the academic years 2004/05 to 2006/07 for the two Faculties involved in work place delivery was taken and analysed at module level. The TRAC data was compared to the original costings for these programmes, to ascertain if there were any unforeseen costs that should have been considered at the planning stage of a proposed programme.

The analysis of TRAC data was supplemented by interviews that were held with relevant academic and support staff in the academic departments and with relevant staff in support services departments to try to understand the true costs of WBL delivery. The original TRAC calculations were then revised at module level with the additional information obtained from the interviews.”

Huddersfield and **Staffordshire** made less use of TRAC, and focussed upon programmes rather than modules, but built up cost categories in the same way through interviews with academics, finance officers, Registry and senior finance managers.

Methodological issues

Some interesting issues emerged which pertain not to WBL specifically, but to the methods that universities use for costing generally.

First, **Chester** observes, “*it was difficult to obtain sufficient and consistent detail to compare on and off campus delivery*”, for reasons of consistency of historic data. Moreover, there are few programmes which are directly comparable for precisely the reasons that employers seek something more tailored than the simple translation of campus-based programmes to delivery in company. Only **Huddersfield** was able to produce specific direct comparisons (see Appendix 2).

Secondly, a common problem whether using TRAC methodology or not lay in the fact that academic workloads tend to be managed on the basis of timetabled hours, and they self manage other aspects of their activity, usually under an approximate allowance system which can vary from one Faculty/School to another. Hence “*there is a possibility that staff could be under or over estimating their time spent on WBL.*” (**Chester**), and “*the delivery time for each course was recalled accurately, however the amount of time required supporting the delivery of the course (organisational time, resolving individual student difficulties) was perhaps underestimated.*” (**Huddersfield**). **Staffordshire** acknowledges, “*any attempt to plan a lecturer’s workload using the specific tasks highlighted in the appendix lead to the lecturer going over his 550 contact hours well before his 1500+ hours were filled up.*” Since universities live in a world of regulated fees and relatively fixed HEFCE budgets, they are not entirely free to set prices to reflect costs and increase their capacity to deliver.

If academic workloads are hard to calculate, there seems to be even less detailed information available for specific tasks within administrative workloads, and HEIs often simply apportion costs across programmes on a formulaic basis. The assumptions on which apportionment are based do not always hold well for work-based learning, where some infrastructural costs are probably transferred to the workplace. Our participating institutions worked hard to resolve this dilemma, as Appendix 1 shows, but sometimes had to accept the allocation of overhead formulae for sustainability reasons.

Costing methodologies

Despite the issues described in the previous chapter, each institution was able to produce a costing methodology which they felt gave them a better feel for the costs of WBL and which could be applied in their institutions. These methodologies can be found on the CD attached to the inside cover of this publication. Each institution also produced a range of cost categories for potential inclusion, along with considerations relating to possible differences from campus-based learning. There were strong similarities between the three lists, and similar challenges to orthodoxies, but each institution will have its own variations to consider.

The cost categories are included comprehensively in the table below, with relevant commentary, for utilisation or adaptation by other institutions. Items for inclusion will vary from one form of WBL to another, but the list offers a range of questions to address in any specific case.

Cost categories	Chester commentary	Huddersfield commentary	Staffordshire commentary
Staff costs			
Proposal development	Initial costs include academic staff costs for the time spent meeting with the employer, developing a client relationship, deciding on a suitable programme.		The vast majority of courses run with outside organisations require relationship development, i.e. getting to know the client and their needs/requirements. Staff are likely to spend considerable time with prospective client organisations prior to specific programme development.
Programme writing/adapting	Use of consultants and experts to write a bespoke programme can contribute significant cost.		Development costs may be increased by meetings off-site and/or contextualisation of material.

Cost categories	Chester commentary	Huddersfield commentary	Staffordshire commentary
Validation costs	Include staff and travel costs for those involved in the approval process and the validation.		Where a wbl course is expected to run for a number of years it can be argued that the cost of this will be covered as part and parcel of academic life. However, where a programme is only expected to last a short time and/or there will be a small number of students it is valid to include at least part of the cost of the validation in the costing for the course
Resource development	Setting up a dedicated VLE for each programme can add cost.		
Student recruitment and induction			
APEL costs			
Preparation			
Delivery			
Tutorial support	It was felt that there were fewer queries received from WBL students outside the delivery sessions than would be normally received from students on campus. This was thought to be partly due to the maturity of the WBL student.		
Residential/block			Insurance costs
Mentor development/support			
Client liaison			This may range from occasional meetings and a few phone calls to almost daily contact for the larger awards.
Quality assurance			Includes peer observation of outside lectures

Cost categories	Chester commentary	Huddersfield commentary	Staffordshire commentary
Module/ programme management			
Programme assessment			Different types of assessment may require different allowances 1. Presentation 2. Video 3. Focus groups
Visiting lecturers			
Demonstrators/ technicians			
Student support services			
Student administration	Greater workload in handling electronically and/or printing applications, APL packs, invoices, enquiries, assessment submissions.		
Travel time		Staff members were asked about the distances travelled per visit and also about the number of visits made.	
	The vast majority of work-based learning programmes will require academics (and occasionally administrative staff) to travel to the client's workplace or other locations off-campus.		
Work experience arrangement		In some cases, payment is made to the employer.	
Attending graduation			

Cost categories	Chester commentary	Huddersfield commentary	Staffordshire commentary
Non-staff costs	See Appendix I	See Appendix I	See Appendix I
External examiners			
Learning resources	Fewer queries and requests from WBL students, but more difficult to resolve.. and more likely to require subscriptions to e-journals than books, which saves space but incurs VAT if purchased from overseas suppliers.		
Technology support	VLE set up for each programme which has to be maintained and updated.		VLE
Consumables			
Capital/specialist equipment			Where specialist equipment is required this should be costed to the programme. If the cost is significant there may be the need to negotiate with the client ownership or how to amortise the cost over the estimated number of cohorts.
Marketing/ recruitment			
Travel, hospitality, accommodation			Mileage to be costed at the standard rate for the university. Car parking charges and toll charges to be included. Taxi fares should be estimated where applicable. Hotel and meal costs can be estimated. £80 per night for bed, breakfast and evening meal is a reasonable assumption outside London and £100 in London
Estates – staff offices			

Cost categories	Chester commentary	Huddersfield commentary	Staffordshire commentary
Academic staff still require a base to operate from and to have access to support facilities on campus.	Academic office space is required for both modes of delivery. The rate per member of staff was devised using cost of sq m x space average x 250 days, and multiplied x relevant FTE staff number.		
Estates – room hire			If the university is responsible for paying for the lecture/seminar rooms then this should be researched and added to the cost. This should include refreshments and meals.
Placement arrangement		Site visits require time allocated to individual students rather than groups of students or tutorial delivery to groups far below the optimum number. Also there is an increased cost because of the travelling required. This cost is twofold, being the actual cost of the journey and the additional amount of academic time allowed.	
School overheads			
University overheads			

Where is WBL more expensive than campus-based learning?

From the above one can draw some conclusions about where additional costs may pertain to WBL.

First of all, there seem likely to be additional set-up costs, in terms of the amount of liaison necessary to arrive at a demand-led programme proposal, and for special facilities like dedicated VLEs to be established. **Chester** noted that on occasions “consultants and experts are required to contribute to the writing of a bespoke programme for the employer.” They also felt there was additional time needed for Finance to evaluate the business case for non-traditional programmes.

However, we do not know the recruitment and marketing costs for more traditional courses, which are often treated as a general overhead, but would help to make a more direct comparison.

Staffordshire notes that, “It is also possible that no programmes will be forthcoming and therefore this time cannot be classed as a direct cost to a specific programme. This time is therefore an overhead for the particular department.” Where the shelf-life of a programme is shorter, this will increase proportionately the opportunity costs of validation and development.

The initial relationship with the employer client needs to be maintained, not simply for the good management of the programme and the welfare of the learners, but also for the purposes of development of further potential provision.

Chester suggests that “economies of scale are more likely to occur in the earlier years of a programme, when there is a greater chance of larger cohorts of students and of encouragement to study the programme from employers. When programmes are coming to the end of their lifecycle with smaller cohorts, the costs of delivery are likely to be in excess of any income.” This may, however, be equally true of campus-based programmes where a market dips significantly.

Experience and the examples used in the study would appear to indicate that cohorts for WBL tend to be smaller than for campus-based, with the result that fixed-cost components may be relatively more expensive.

It may be difficult to achieve some of the economies of scale available in campus-based provision, e.g. students from different programmes attending the same modules (though it is possible to make shared modules available electronically).

There is bound to be some travel involved between sites, though this will vary enormously from programmes negotiated individually and entirely on-line, where no physical contact is required at all, through to programmes with intensive visiting by academic staff to teach or support learners. In fact the most expensive WBL programmes appeared to be those that bore the costs of being partly on-campus and partly in the workplace.

Where external facilities are in use, *“Sometimes additional time is needed before and after delivery to set up and dismantle the room layout and IT equipment.”* (**Chester**).

Some customisation of internal administrative systems and processes will be necessary for WBL programmes, and this will add time initially. However, this is more of an opportunity cost for getting into a different market. There is nevertheless, as shown above, an ongoing cost and additional timeflow in administering all these processes with learners at a distance, which may be particularly pressing in relation to assessment. The fact that they may be more spread throughout the year may help distribute workload, or may add to costs.

Where is WBL less expensive than campus-based learning?

But not everything is more expensive, and in fact there are savings to be made.

The obvious aspect that is cheaper is the lower use of estates, specialist facilities and equipment. These are more frequently provided by the employer. **Huddersfield** notes *“The delivery of programmes at off site venues leads to a small reduction in accommodation cost.”* Moreover, there is likely to be less call for halls of residence and general computer provision. However, these are often not reflected in costing mechanisms that require staff to allocate overhead costs on a formulaic basis to all students in order to fully recover them (see Appendix I).

Chester concluded that when WBL programmes were allocated only their attributable direct staff and non staff costs, *“actual support costs of the delivery appear to be less than an equivalent programme run on campus... Annual costs are further reduced if the employer provides the training premises and reimburses all travel and accommodation costs.”*

A more surprising aspect concerns support for students, in that it is frequently felt that WBL students make less call upon student support services than campus-based students. Both academics and Learning and Information Services at **Chester** record fewer queries from WBL students and they make less demand on resources, though academics *“have to be pro-active in maintaining regular contact with the students. This activity can be quite time consuming if students fail to respond.”*

An interesting comparison is drawn by the **Chester** Finance team that *“WBL programmes are much easier and quicker to deal with than self funded postgraduate students, as the team only corresponds with the employer and the programme administrator, who raises the invoice requests, instead of having to deal with students on an individual basis.”*

Similarly, they record that *“Registry’s workload is easier and more straight forward with WBL cohorts, as they usually study the same group of modules, whereas the same number of students on campus may be studying various combinations of modules.”*

Huddersfield’s general conclusion was that *“Work-based courses require a high proportion of individual or small group delivery. For this reason, the cost of delivering the work-*

based programmes of study investigated is higher than the comparative campus-based route.”

However, their Graduate Training Scheme leading to QTS, in which students are based at the school for the entire year and have a university supervisor but a work-based mentor, proved to be cheaper than its PGCE equivalent: *“due to the small amount of delivered teaching for the GTP. The GTP relies on the host school to deliver the majority of training and grants are paid to the schools to cover these costs”* and as *“an OIGA (Other Income Generating Activity) it therefore does not need the same amount of administrative input as a standard University programme of study.”*

Implications for co-funding by employers

This study did not generally attempt to cost the contribution of employers, which would of course vary from one type of programme to another, and would both reflect the additional costs of working in partnership, and tend to reduce in part the cost to the university.

Staffordshire attempted to estimate an employer's contribution as relative to that from HEFCE, and proposed it as roughly 20% in its calculations..

“The employer makes two different types of contribution to the development and running of the course. The first contribution is the fee paid by the employer. This may be just the fee per student or there may be an extra development cost, especially if there is a large validation cost involved. The second group of costs, less obvious and often ignored, are the non-financial contributions. This would include both the time spent by the employer's personnel and non-manpower benefits such as use of rooms and other equipment.”

However, **Chester** notes, “an employer may expect a discount on fees if they are providing accommodation and other resources.”

In the case of the Graduate Training Programme supported by **Huddersfield**, “The school receives two payments directly from the Training and Development Agency. The first payment is to contribute to the cost of employing the student in the school. The second payment is to contribute to the cost of the school-based mentor.”

This is an acknowledgement of the role of the employer in offering opportunities to trainees who may not be of permanent benefit to their workforce, though it may seem somewhat inconsistent with the strategy of co-funding.

Beyond this, **Huddersfield** notes, “The costs of the workplace itself are not included here, except for those paid for by the University, in the form of payments to placement organisations and work-based learning providers. These can be substantial in terms of staff time taken to support the learner. If these were shown, the total cost of work-based learning would be even higher. “

Chester suggests, “The employer's emphasis is on outcomes as opposed to academic qualifications, as employers want their staff to work more smartly, more efficiently and effectively as a result of the WBL programme” so they may not be interested in all the trappings and costs of awards.

Nature of students

Chester and **Huddersfield** both remark upon the nature of the students as different in terms of maturity, independence and challenge, which has both positive and negative consequences for costs.

Academic staff at the former institution noted,

“WBL students are more demanding in a number of ways:

a) Students are more likely to challenge what is being taught.

b) Students will apply what is being taught to real work issues and will sometimes challenge how the theories or methodologies that the academics are presenting to them can assist them in making their working practices more efficient or problems easier to resolve.

c) Academics require skills that enable them to deal with students’ issues or queries in a personal and sensitive manner, without appearing to be critical of their current working practices.

d) Student group sizes are smaller than those on campus, but the academics feel that the smaller group size creates a bigger impact on the learning outcomes. (From the programmes studied, there was on average about 12 students per group.)”

They felt application to work deepened the learning outcomes, made sessions more interactive, but also increased the rate and unpredictability of challenges to the academics.

Chester also notes that attrition rates for WBL students may be affected by various factors, including the following:

a) “Length of programme – failure to complete studies is more likely on a longer programme.

b) Employees changing jobs or employer – especially if programme spans several years.

c) Employer's ability to recruit to the programme, due to either having a small workforce or limited interest in the programme by the employees.

d) Compulsory attendance by employer can act as a de-motivator for some students.

e) Lack of employer support for the employees.

f) Lack of continuity of line management support for the student due to changes in line manager and different attitudes."

However, we would need to make comparisons with attrition rates on campus to know if this is higher or not.

In fact **Huddersfield** notes that, *"The level of progression for students on work-based routes is higher than on campus-based routes. Academic staff reported that the work-based students were more focussed and better motivated."*

Useful additional considerations for costing WBL

In addressing the issues of costing WBL, the participating institutions were able to make some wider recommendations which might be of assistance.

Chester recommends that, right from the start, *“It is important that, at the proposal stage, the financial stability of an employer for whom a WBL programme is being proposed, is carefully considered”*. Once embarked, to address the issue of significant opportunity costs, they suggest that *“these initial set up costs are included in any costings and recouped from the employer as early on as possible”*, and because cohorts tend to dwindle over time, *“this emphasises the need to monitor delivery costs and cohort sizes on a regular basis and to incorporate winding down expenditure into programme costings.”* They propose a way to recover opportunity costs as *“some of the initial meetings and discussions with employers could be considered as consultancy activities, for which the University should be receiving payments”* up to the point where a programme has been designed and is ready for delivery.

Staffordshire has identified a formula for costing validation in particular, where programmes may have a shorter shelf-life. *“If one makes the assumption that a validation is valid for five years, the cost of the validation will be covered by overheads after five cohorts. Thus each cohort covers 20% of the cost of the validation. Therefore where fewer than five cohorts are envisaged, there will be an added cost of 20% of the cost of the validation for each cohort less than five. As an example, one cohort should bear the cost of 80% of the cost of the validation whereas four cohorts should bear the cost of 20% of the validation.”*

Chester observes that, *“Employers require a rapid response to WBL programme proposals, therefore Universities need to be able to work flexibly to meet their requirements.”* Institutions like **Staffordshire** have developed rapid response mechanisms, because, *“The cost of a FLAP (Flexible Learning and Approvals Panel) validation is significantly smaller and the expectations are, I believe, that many of the courses sent to FLAP will have a short duration.”*

Staffordshire warns that, *“The standard marketing carried out by the university is aimed at individual students and is very unlikely to be effective at influencing organisations in their choice of programme provider.”* They recommend that the time spent on relationship development should be estimated at the start of the year and applied as an overhead to the originating department.

Through experience **Chester** has learned that, “The cost of licences for access to e-journals can vary in cost immensely. It is therefore important that the annual costs of these licences or subscriptions are obtained at the planning stage”. Similarly, “AQSS now spend more time with academics and employers at the initial stages to explain the proposal and validation process, to avoid time being wasted through receiving incomplete programme proposals”.

In addressing travel time, **Staffordshire** recommends that, “a contingency allowance should also be added to the journey as it would be normal practice to make allowances for traffic in the journey plan. The journey times can be found using one of the many internet route planners (e.g. AA or RAC) and a contingency allowance of 20% made for the outward journey. i.e. if the journey would take two hours an allowance of 24 minutes would be made. It is recognised that this contingency could be more accurate if local knowledge of traffic conditions was used but it would complicate the model and its use.”

Huddersfield indicates two benefits which, while not reducing costs, may be of indirect value in boosting recruitment and student income, in that, “the use of work-based learning helps the University to achieve widening participation,” and promotes, “higher awareness of the university and what it can offer through student presence and mentor training.”

Chester warns of dangers in misallocation of some of the activities associated with WBL to consultancy rather than to teaching, and that, “As WBL programmes are usually on a part-time basis, students will take longer to complete the programme. Care needs to be taken if the employer pays for the students in full at enrolment, as there is a danger that surpluses of income over expenditure are overstated in initial years and understated in subsequent years. Also, if students complete at a slower pace than anticipated, additional staffing resources may be required to hold additional delivery sessions, thereby increasing the costs of delivery.”

Staffordshire reports its most contentious issue as relating to the internal attribution of HEFCE core funding. It reports, “Because of the way that the funding is administered extra students arising from the course in question are very unlikely to attract extra funding. Therefore costing, and hence pricing, a programme based on the ‘notional’ HEFCE funding may mean that the actual cost of the course is greater than the extra income it brings in. On the other hand, if a marginal costing approach is applied to the funding, it is logical that the same approach should be taken with the overheads. Extra students arising from the course will not affect many of the overhead categories”. It recommends that, “pricing should be based on ensuring that the direct costs are met by the student/client fees and that the full cost, including overheads are met by a combination of the fees and the notional HEFCE income. “

There is sometimes confusion between costing and pricing, since different factors need to be taken into account. However, as **Chester** notes:

“the most important factor to consider when setting a price is the full economic cost of the goods or services being provided. The following should be taken into account by HEIs:

- *a commercial contract must be priced at full economic cost (fEC) or higher to ensure that a private contract is not being subsidised using public funds that have been provided for teaching, as this would be contrary to EU law. Commercial prices ought to be well in excess of the fEC*
- *strategic importance to the University*
- *price should at least cover fEC in case there are higher than expected staff and non staff costs*
- *type of organisation, eg charity, commercial, public sector etc”.*

The overheads dilemma

All three universities found difficulties in applying overheads in a zero-based manner to work-based provision, so it has been deemed worthwhile to reproduce their consideration of the issues here.

a) Chester

The costing methodology developed in this study is based on the principles of TRAC. Since September 2006, the University of Chester has been using a revised costing template for proposals of new programmes based on TRAC methodology (i.e. applying indirect and estates rates to estimated hours of delivery of a programme to ensure new programmes contribute to the University's future sustainability). This costing template has been used as a starting point to develop a costing methodology for WBL programmes, to try to ensure all programmes are considered and fully economically costed in a consistent manner.

The indirect and estates rates that are used to cost research proposals were used in the same manner for calculating the full economic costs of teaching the programmes included in this research study.

It was debatable whether a different indirect rate should be applied to WBL programmes, as there will be institutional costs that are highly unlikely to be used by students on WBL programmes, such as the following:

- transport services
- recreational services
- student guidance and support services
- chaplaincy services
- accommodation services.

In 2006–07 and in 2005–06, these costs accounted for 10% of the total costs of the institution that were included in the indirect rate, that is calculated annually during the TRAC return process. Therefore, it may be more reasonable to apply only 90% of the

indirect rate to WBL programmes. However, it can be argued that the staff supporting these programmes may draw on these support services, as do other support services in order to function fully and therefore no reduction in the rate should be applied.

It was considered that perhaps the estates rate should be recalculated and reduced to reflect the amount of delivery that takes place off campus and the reduced need for teaching space. Estates costs cannot be excluded from the full economic cost entirely, as academics still require a base to operate from and have access to support facilities on campus. However, employers may expect a discount on fees if they are providing accommodation and other resources.

Based on the principal of “for each hour of direct delivery there is one hour for preparation and one hour for assessment”, it was considered whether only two thirds of the estate rate should be applied when calculating an estates charge for the programme. However, for distance learning programmes, this reduced rate would not ensure adequate recovery of estates costs. It was therefore concluded that there should not be a reduction in the indirect or estates rates for WBL programmes.

b) Huddersfield

School Overheads

School overheads excluding travel costs, placement costs and accommodation costs are divided equally over the number of live modules in the School. This cost is then multiplied by the number of modules.

The use of module numbers as the cost driver for school overheads has led to courses with low student numbers to appear to have a high overhead cost. Using student numbers or staffing numbers would lead to different results being produced.

University overheads

There are nine cost pools included here. The university uses 10, one of which is Estates. In this costing estate costs have been treated as a direct cost to differentiate between on-site and off-site delivery.

The cost pools included have utilised TRAC methodology to apportion costs. They are based on staff numbers and student numbers.

c) Staffordshire

The present university overhead rate is in excess of 100% yet its overhead rate for costing off-campus courses is 46%. There seems to be no rationale to justify the large difference. It seems that the 46% has been chosen as certain external funding bodies will only allow a maximum of 46%. Whilst it would be extremely difficult and time consuming to attempt to isolate those indirect costs that only apply to off-site work, it should not be too difficult to come to a rough estimate by considering the cost drivers that only apply to on-campus courses e.g. the depreciation and upkeep of lecture theatres, student recruitment, staff and office maintenance etc. For the attached example a figure of 80% has been used as discussions have indicated that there are only a small number of indirect costs that are not applicable to both on-campus and off-campus courses.

As the cost base of the different faculties is different there is an argument for charging a different overhead rate for the different faculties. However unless there is a significant difference this is not recommended as we are already dealing with estimates for the overhead rate

Cost comparisons of campus-based and work-based provision, calculated by the University of Huddersfield

Results of Application of Costing Methodology to specific programmes are summarised below

		Direct cost/ student	Total cost/ student	External costs
BSc Social Work campus-based	Year 1	1360.60	3095.81	
BSc Social Work work-based	Year 1	1819.29	5580.50	
BSc Social Work campus-based	Year 2	2552.44	4327.56	
BSc Social Work work-based	Year 2	2838.72	5946.81	
BSc Social Work campus-based	Year 3	2683.58	4876.54	
BSc Social Work work-based	Year 3	3566.54	8469.79	
BSc Social Work campus-based total		6596.62	12299.91	
BSc Social Work work-based total		8224.55	19997.10	
GTP		720.87	1721.29	15500.00
PGCE		2552.98	4073.21	6000.00
BA (Hons) Youth and Community Work campus-based	Two modules	380.22	1617.06	
BA (Hons) Youth and Community Work work-based	Two modules	795.27	2063.73	

BSc Social Work

From the summary above it can be seen that the cost of the work-based degree course is higher than the campus-based course. The main cause of the difference is the difference in student numbers. The allocation of school overheads is based on module numbers and this is perhaps distorting the figures, particularly in year 3 as there are only 12 students. However the direct costs are also higher for the work-based route

in each of the years. This again is due to the smaller number of students on the work-based route. Much of the delivery is in tutorials and there is the same number of tutorials for each route, giving the campus-based route a lower cost per student as less academic time is required per individual student.

It should be noted that the costs were produced using the assumption that all courses stand alone. However for some modules delivered on site the work-based students and the campus-based students are taught together.

GTP and PGCE

From the summary above it can be seen that the GTP costs the university far less to deliver than the PGCE. This is due to the small amount of delivered teaching for the GTP. The GTP relies on the host school to deliver the majority of training and grants are paid to the schools to cover these costs. In 2006/7 the total of the grants paid to the school was £15500. This figure is included for completeness to allow a true comparison of costs.

The GTP was costed as only one module to reflect the fact that the students are associate students of the university and that the GTP is an OIGA (Other Income Generating Activity) and therefore does not need the same amount of administrative input as a standard University programme of study. It should be noted that although the delivery of the GTP costs the University less, a high cost is born by the school in which the student trains in terms of support time, and by the tax payer with respect to the increased payments received by the GTP trainees whilst in their GTP year.

BA (Hons) Youth and Community Work

From the summary it can be seen that the cost of the work-based modules is far greater than the campus-based modules. This is because the work-based requirement is over and above the campus-based requirement i.e. the academic staff and students have an increased amount of work to complete for the work-based modules.

Social work campus-based

		Year 1	Year 2	Year 3
Expenditure				
Direct costs				
	Grade 7–9	59187.78	34870.32	33952.68
	Grade10	0.00	0.00	0.00
Total cost of academic teaching staff		59187.78	34870.32	33952.68
Travel costs		0.00	192.00	192.00
Placement costs		35500.00	130000.00	102000.00
Accommodation costs	Academic space	483.75	285.00	277.50
	Teaching space	1431.36	561.60	440.64
Total direct costs		96602.89	165908.92	136862.82
Overheads				
School overheads				
Staff costs		19955.16	19955.16	19955.16
Overheads		24151.80	24151.80	24151.80
Estate cost		299.10	299.10	299.10
Validations		680.00	680.00	680.00
Total school overheads		44406.05	44406.05	44406.05
University overheads				
Registry		16500.40	15106.00	16500.40
Student services and library		26866.40	24596.00	24596.00
Computing services and finance		3503.64	2064.16	2009.84
Human Resources		1535.10	904.40	880.60
External Relations		5751.00	5751.00	5751.00
International and European		0.00	0.00	0.00
Publicity and marketing		5822.00	5330.00	4182.00
Other Central Costs		10650.00	9750.00	7650.00
Vice Chancellor's Office		8165.00	7475.00	5865.00
Total university overheads		78793.54	70976.56	67434.84
Total overheads		123199.59	115382.61	111840.89
Total cost		219802.48	281291.53	248703.71
Direct cost per student		1360.60	2552.44	2683.58
Total cost per student		3095.81	4327.56	4876.54

Social work work-based

		Year 1	Year 2	Year 3
Expenditure				
Direct costs				
	Grade 7–9	22023.36	17893.98	18352.80
	Grade10	0.00	0.00	0.00
Total cost of academic teaching staff		22023.36	17893.98	18352.80
Travel costs		192.00	240.00	192.00
Placement costs		8500.00	44000.00	24000.00
Accommodation costs	Academic space	180.00	146.25	150.00
	Teaching space	32.64	171.60	103.68
Total direct costs		30928.00	62451.83	42798.48
Overheads				
School overheads				
Staff costs		19955.16	19955.16	19955.16
Overheads		24151.80	24151.80	24151.80
Estate cost		299.10	299.10	299.10
Validations		680.00	680.00	680.00
Total school overheads		44406.05	44406.05	44406.05
University overheads				
Registry		3950.80	5112.80	2788.80
Student services and library		6432.80	8324.80	4540.80
Computing services and finance		1303.68	1059.24	1086.40
Human Resources		571.20	464.10	476.00
External Relations		1377.00	1377.00	1377.00
International and European		0.00	0.00	0.00
Publicity and marketing		1394.00	1804.00	984.00
Other Central Costs		2550.00	3300.00	1800.00
Vice Chancellor's Office		1955.00	2530.00	1380.00
Total university overheads		19534.48	23971.94	14433.00
Total overheads		63940.53	68377.99	58839.05
Total cost		94868.53	130829.82	101637.53
Direct cost per student		1819.29	2838.72	3566.54
Total cost per student		5580.50	5946.81	8469.79

GTP

		Year 1	Year 2	Year 3
Expenditure				
Direct costs				
	Grade 7–9	6423.48	0	0
	Grade10	1561.44	0	0
Total cost of academic teaching staff		7984.92	0	0
Travel costs		576.00	0	0
Placement costs		0.00	0	0
Accommodation costs	Academic space	60.00	0	0
	Teaching space	29.52	0	0
Total direct costs		8650.44	0	0
Overheads				
School overheads				
Staff costs		4637.08	0	0
Overheads		4593.62	0	0
Estate cost		71.75	0	0
Validations		113.33	0	0
Total school overheads		9302.45	0	0
University overheads				
Registry		464.80	0	0
Student services and library		756.80	0	0
Computing services and finance		434.56	0	0
Human Resources		190.40	0	0
External Relations		162.00	0	0
International and European		0.00	0	0
Publicity and marketing		164.00	0	0
Other Central Costs		300.00	0	0
Vice Chancellor's Office		230.00	0	0
Total university overheads		2702.56	0	0
Total overheads		12005.01	0	0
Total cost		20655.45	0	0
Direct cost per student		720.87	0	0
Total cost per student		1721.29	0	0

PGCE

		Year 1	Year 2	Year 3
Expenditure				
Direct costs				
	Grade 7–9	328515.12	0	0
	Grade10	1951.80	0	0
Total cost of academic teaching staff		330466.92	0	0
Travel costs		4200.00	0	0
Placement costs		105000.00	0	0
Accommodation costs	Academic space	2684.38	0	0
	Teaching space	4410.00	0	0
Total direct costs		446771.30	0	0
Overheads				
School overheads				
Staff costs		27822.50	0	0
Overheads		27561.73	0	0
Estate cost		430.50	0	0
Validations		680.00	0	0
Total school overheads		55814.73	0	0
University overheads				
Registry		40670.00	0	0
Student services and library		66220.00	0	0
Computing services and finance		19514.46	0	0
Human Resources		8550.15	0	0
External Relations		14094.00	0	0
International and European		452.00	0	0
Publicity and marketing		14350.00	0	0
Other Central Costs		26250.00	0	0
Vice Chancellor's Office		20125.00	0	0
Total university overheads		210225.61	0	0
Total overheads		266040.34	0	0
Total cost		712811.63	0	0
Direct cost per student		2552.98	0	0
Total cost per student		4073.21	0	0

Youth and community work campus-based

		Year 1	Year 2	Year 3
Expenditure				
Direct costs				
	Grade 7–9	0	7799.94	0
	Grade10	0	0.00	0
Total cost of academic teaching staff		0	7799.94	0
Travel costs		0	0.00	0
Placement costs		0	0.00	0
Accommodation costs	Academic space	0	63.75	0
	Teaching space	0	120.96	0
Total direct costs		0	7984.65	0
Overheads				
School overheads				
Staff costs		0	9274.17	0
Overheads		0	9187.24	0
Estate cost		0	143.50	0
Validations		0	226.67	0
Total school overheads		0	18604.91	0
University overheads				
Registry		0	1626.80	0
Student services and library		0	2648.80	0
Computing services and finance		0	461.72	0
Human Resources		0	202.30	0
External Relations		0	0.00	0
International and European		0	0.00	0
Publicity and marketing		0	574.00	0
Other Central Costs		0	1050.0	0
Vice Chancellor's Office		0	805.00	0
Total university overheads		0	7368.62	0
Total overheads		0	25973.53	0
Total cost		0	33958.18	0
Direct cost per student		0	380.22	0
Total cost per student		0	1617.06	0

Youth and community work work-based

		Year 1	Year 2	Year 3
Expenditure				
Direct costs				
	Grade 7–9	0	15141.06	0
	Grade10	0	780.72	0
Total cost of academic teaching staff		0	15921.78	0
Travel costs		0	504.00	0
Placement costs		0	0.00	0
Accommodation costs	Academic space	0	127.50	0
	Teaching space	0	147.42	0
Total direct costs		0	16700.70	0
Overheads				
School overheads				
Staff costs		0	9274.17	0
Overheads		0	9187.24	0
Estate cost		0	143.50	0
Validations		0	226.67	0
Total school overheads		0	18604.91	0
University overheads				
Registry		0	1626.80	0
Student services and library		0	2648.80	0
Computing services and finance		0	923.44	0
Human Resources		0	404.60	0
External Relations		0	0.00	0
International and European		0	0.00	0
Publicity and marketing		0	574.00	0
Other Central Costs		0	1050.00	0
Vice Chancellor's Office		0	805.00	0
Total university overheads		0	8032.64	0
Total overheads		0	26637.55	0
Total cost		0	43338.25	0
Direct cost per student		0	795.27	0
Total cost per student		0	2063.73	0

Biographies

Chester

Catharine Jane Carter, BA FCCA (Fellow of the Association of Chartered Certified Accountants) was appointed as Cost Accountant at the University of Chester in May 2006, to develop further the TRAC (Transparent Approach to Costing) and fEC (Full Economic Costing) processes at the University and ensure continual compliance in this area. Prior to this, she worked in local government for 5 years, as Technical Accountant, responsible for Treasury Management, VAT and Risk Management. After graduating from the University of Birmingham with a BA with Honours in French Language and Literature, she began her career in accountancy with KPMG, Birmingham as an auditor. She continued her training and qualified as a chartered certified accountant in 2000 whilst working for a regional accountancy firm, covering all aspects of accountancy.

Huddersfield

Dr Christine Jarvis is Dean of the School of Education and Professional Development. She began her career teaching with twelve years in community, further and adult education, including work for the WEA and teaching University extra-mural classes. During this time she developed Access to HE provision, community-based courses for adults and Women's Studies courses. Before taking up the post of Dean at Huddersfield she was Head of Education and Humanities at Sheffield Hallam University. She has particular interests in the transformative potential of literature/cultural studies in education and this has been the main focus of her research. Much of her work has concentrated on the use of popular romantic fiction and teen fiction. Current research interests also include the representation of education and educators in popular culture, particularly within the horror genre and she is co-authoring a book for Routledge on this subject.

Sarah Fitzgerald is a lecturer in Accounting in the Department of Accountancy, The Business School, University of Huddersfield. After graduating from Staffordshire University with a degree in Business Studies she qualified as a Chartered Accountant. Sarah is the Chair of the Board of Governors of a primary school in Leeds. In addition to an interest in work based learning she also has an interest in governance issues in education.

Richard James M.B.A. MSc. BSc. is a senior lecturer in the Business School at Staffordshire University. After a degree in Engineering he worked as a production engineer moving onto management after two years in consultancy. He also achieved an MSc in Management Sciences from UMIST. Four years as an Operations Manager in Zaire was followed by an MBA at Manchester Business School where his dissertation was on the CAPM. He then joined a large manufacturing company as supply chain manager. In 1993 he joined Cardiff Business School where he spent three years researching Supply Chain and Lean Operations issues. He now lectures on Operations Management and is programme manager for a number of client focussed post graduate programmes.

The Higher Education Academy
Innovation Way
York Science Park
Heslington
York
YO10 5BR
Tel: +44 (0)1904 717500
Fax: +44 (0)1904 717505
enquiries@heacademy.ac.uk
www.heacademy.ac.uk

ISBN 978-1-905788-76-7

© The Higher Education Academy
July 2008

All rights reserved. Apart from any fair dealing for the purposes of research or private study, criticism or review, no part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any other form or by any other means, graphic, electronic, mechanical, photocopying, recording, taping or otherwise, without the prior permission in writing of the publishers.

To request copies of this report in large print or in a different format, please contact the Academy.