

## Implementing a costing and pricing strategy key questions answered

**W**hen embarking upon the implementation of a costing and pricing strategy, universities and colleges need to make decisions on a wide range of issues. These will include meeting the requirements of the Transparency Review of Research. Many institutions have expressed the view that a checklist of important issues they need to consider early in the planning phase would be of benefit. The following list, including some possible solutions, provides a sequence of decisions institutions need to make:

### Who will 'champion' the project?

Should be a senior academic member of staff with responsibility for resources or research.

### Who will sit on the steering group?

Should be chaired by the 'champion', and include some, or all, of the following: senior members of the academic staff; members of the finance office; head of planning and/or head of research; plus any others as appropriate.

### Who will act as project manager?

Likely to be a senior member of the finance office; but ideally someone with project management experience.

### When should a project timetable be produced?

As early as possible to ensure that the institution meets both internal and external deadlines

### When should the institution apply to the funding council for funds?

As soon as the strategy, timetable and resource requirements have been approved by the institution's senior management. This is a change from the original position set out by the funding councils. Applications can now be made in advance of governing body approval and funding will be conditional on that approval being given at the next meeting of the governing body.

### Will the institution need to recruit extra staff?

Developing and implementing the strategy will take a considerable amount of time over the first two years. The finance function is likely to need to re-deploy or engage some additional staff.

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# NEWSLETTER

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### Suggested Distribution:

Vice-Chancellors and Principals, Directors, Pro Vice-Chancellors (Resources and Research), Deans, Heads of Research, Finance Directors and Costing and Pricing Accountants.

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## **What primary method will be used to collect staff time data?**

The transparency review report recommends that institutions use a method at least as robust as an annual retrospective time allocation schedule, supported by in-year time allocation covering all appropriate staff over a five year cycle. Examples of the approach taken by pilot sites can be found later in this Newsletter (Transparency review of research: pilot site progress)

## **Should the institution collect staff time data from pilot departments or take a 'big bang' approach?**

Whatever method is used must cover the whole year. It may be helpful to pilot the method in one or two departments (to test definitions, documentation, etc.) and then 'roll out' across the whole institution.

## **Which categories of staff should be surveyed?**

The transparency review requirements can be met by institutions surveying those staff whose time is spent on more than one activity (Teaching, Research, Other). Institutions may feel that they wish to expand their survey to other categories of staff for their own purposes. However, this is likely to dramatically increase the burden on HEIs who opt to do so.

## **Who will provide staff time data?**

Time allocations schedules are best completed by individuals. Heads of department will need to oversee that all individuals have provided the data; this will apply particularly where such data is provided on a confidential or sample basis and the heads of department will need to satisfy themselves that all individuals have provided the necessary data.

## Funding for development of costing and pricing strategies

**A**s part of the JCPSG's promotion of costing and pricing, the funding bodies have allocated funds to all HEIs to help them develop their own strategies for costing and pricing. Applications must meet all the following criteria:

1. The strategy covers costing and pricing of all activities in the UK or overseas, and is based on the principles set out in the guidance from the funding councils and the CVCP. This includes 'Management Information for Decision Making: Costing Guidelines for Higher Education Institutions', published by the funding councils in July 1997; and Costing and Pricing of Research and Other Projects', published by the CVCP in June 1997.
2. A supporting implementation plan has been developed with a clear timetable for delivery.

3. The resources and training requirements needed to develop and implement the strategy have been identified and are available to meet the timetable.

4. The governing body of the university or college has approved the strategy, implementation plan and timetable. (However see front page on when institutions should apply for fundings.)

5. The plan includes a post-implementation review, the outcome of which will be reported to the governing body to quantify the benefits delivered.

The response date for applications is open until 31 July 2001. However, the JCPSG urges institutions to apply well before this deadline. Full application details are in:

**HEFCE 98/32**

**SHEFC 25/98**

**HEFCW W98/43HE**

## What's new on the JCPSG Web-Site

The JCPSG web-site is at ([www.bris.ac.uk/JCPSG](http://www.bris.ac.uk/JCPSG)). Since publication of the last newsletter the following documents have been added to the site:

- Report: The Transparency Review of Research – Proposals for a new uniform approach to the costing of research and other activities in universities and colleges of higher education
- Letter: The Transparency and Accountability Review of Research: implementing the uniform approach – A letter from the JCPSG Chairman, Professor David Westbury, to heads of higher education institutions in England, Scotland, Wales and Northern Ireland.
- Report: JCPSG Report April 1998 to July 1999 – Report from the JCPSG to its sponsoring bodies setting out progress in promoting improved costing and pricing of all activities in higher education institutions

The web-site also contains revised information on both National Co-ordinators for Costing and Pricing.

## Checklist of JCPSG documents

All JCPSG documents are available on the web-site, or through links to other web-sites. The complete list is:

- Management Information for Decision Making: Costing Guidelines for Higher Education Institutions (issued by the higher education funding councils July 1997)
- Integrating Financial and Academic Decision Making: Strategy for costing and pricing. (April 1998, revised May 1999)
- Costing and Pricing for Decision Makers in Higher Education – User Guide (May 1999)
- JCPSG Newsletter Issue 1 (June 1999)
- Transparency Review of Research, Report to the Science and Engineering Base Co-ordinating Committee (July 1999)
- Letter from Professor David Westbury, Chair of JCPSG, entitled ‘The Transparency and Accountability Review of research: implementing the uniform approach’. Addressed to heads of higher education institutions in England, Scotland, Wales and Northern Ireland (July 1999)
- JCPSG First Report April 1998 to June 1999 (September 1999)

## Appointment of the second National Co-ordinator for Costing and Pricing

Lisa Blackshaw was appointed as the second National Co-ordinator for Costing and Pricing, on two years’ secondment from Manchester Metropolitan University (MMU) in July 1999. Lisa will be working alongside Sue Delve, the other National Co-ordinator.

### The National Co-ordinators’ responsibilities are to:

- help institutions to develop and implement their own strategies for costing and pricing
- promote and communicate the benefits of costing and pricing in informing institutional decision-making
- help support institutions to implement the uniform approach for costing in order to meet the Government’s requirements for transparency and accountability within an overall framework for costing and pricing all activities
- work with institutions and the JCPSG’s consultants to develop a Manual of Guidance to aid implementation of the uniform approach for costing
- support the development and delivery of training materials to improve knowledge and understanding among academic and administrative managers in universities and colleges
- collate and disseminate examples of good practice on costing and pricing
- identify where additional guidance is required or where existing guidance requires updating
- communicate with institutions, sector bodies, funding bodies and other stakeholders through direct

contact, briefings, seminars and the JCPSG newsletter and web-site.

In 1992, Lisa was wholly responsible for the design, development, and implementation of MMU’s Costing System. The model enabled the university to cost all its departments and academic courses, and to use the information to inform pricing decisions, aid in the allocation of resources, facilitate the operation of transfer pricing, and to benchmark performance. The development of the system involved Lisa co-ordinating progress across a number of disciplines, attempting to influence attitudes, and winning commitment to new ideas. Lisa had to devise the necessary methodologies and produce original solutions to various problems specific to higher education. As a result she has acquired useful experience and a genuine interest in costing and pricing in the sector.

*Continued overleaf*

# Joint Costing and Pricing Steering Group

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As a senior member of the Finance Division, Lisa helped the Finance Director in recommending and implementing new ideas and changes to financial systems to improve the effectiveness and efficiency of financial management throughout the university.

Lisa is an MBA and Fellow of the Chartered Institute of Management Accountants.

**Lisa's contact details are as follows:**

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## Transparency review of research

### Pilot site progress

The eight pilot universities have begun to prepare for implementation of the transparency review during 1999-2000. It is early days to report on their progress, but a number of observations can already be made on the way they are going about this task:

- most pilots have now discussed their approach to the implementation in their senior management groups
- most have appointed a project team/manager to take forward implementation
- a few have recruited a dedicated member of staff to lead the work in the finance office; others are planning to second internally and use any additional funding to fill the vacancy created
- several have involved a senior academic manager – either a Pro Vice Chancellor as a “champion” for the project, or a head of a department. The department may act as an internal pilot then to test methods ahead of the institution-wide implementation

- some are already developing their approach to academic time allocation through these pilot initiatives
- a number of different methods for this are being considered (from annual retrospective time allocation by heads of departments only, through selected full sampling in certain departments to a much broader-based sampling of individual staff across the whole institution)
- most recognise that the process of dissemination to the academic community needs to be carefully planned.

The eight pilots are already beginning to develop new ideas and thinking about the best ways to implement the review in their different institutional circumstances. We should have a lot more to report by the next newsletter!

### Transparency implementation seminars

The JCPSG will be issuing the first draft of the guidance manual to all universities and colleges in early October. Comments on this draft would be very welcome and these should be sent to JM Consulting Ltd.

To help with implementing the transparency review requirements, the JCPSG, in conjunction with JM Consulting Ltd, are holding eight regional implementation workshops. Heads of all HEIs in England, Scotland, Wales and Northern Ireland have been invited to nominate up to two representatives from their institution to attend. The seminars are free and will take place in the morning, lunch will be available afterwards. For the dates, locations and venues see table, and for further information please contact:

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### Transparency implementation seminars

Date	Location	Venue
22 October 1999	Manchester	UMIST
1 November 1999	London	Institute of Civil Engineering
3 November 1999	London	Imperial College
4 November 1999	Warwick	University of Warwick
10 November 1999	Newcastle	University of Newcastle
12 November 1999	Bristol	Aztec Hotel, Aztec West
15 November 1999	London	Royal Institute of Public Health and Hygiene
18 November 1999	Edinburgh	Royal Terrace Hotel