Calculating the cost of an undergraduate Initial Teacher Education (ITE) course

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Introduction

This paper offers an approach to examining the costs incurred by an institution of higher education operating an undergraduate Initial Teacher Education (ITE) course. The case study will focus on a newly planned course which has been designed to operate under existing Government, Department for Education and Employment (DFEE), regulations. The institution, by committing to remain a provider of ITE courses, made the decision to change from a four- to a three-year undergraduate course mainly on grounds of maintaining recruitment (student) numbers and the availability of transitional funding rather than an objective view of long-term costs and income. Analysis of this approach to course costing will be in the context of recent pronouncements by the education funding body, the Teacher Training Agency (TTA), on future ITE pricing policy.

Approaches to financial planning and budgeting in education

A significant problem of this study has been the relative lack of previous literature on the subject of costing courses in higher education. The majority of the available literature concerned with educational management (Brookbank and Anderson, 1992; Bush, 1986, 1989; Bush et al., 1980; Crawford et al., 1994; Silver, 1983; West-Burnham, 1992) concentrates on the personnel management aspects rather than financial management. Even when the control of educational finances are considered, it is frequently in terms of the allocation of devolved funding to particular educational resources (Bush and West-Burnham, 1994). The overwhelming bulk of the available literature concentrates on funding issues (Booth, 1996; Mace, 1995; THES, 1994, 1995a, 1995b; Tysome, 1996; Williams, 1994).

This approach, of concentrating on available funds rather than the actual costs, tends to be encouraged by the funding bodies in British education which rely, to a very large extent, on “formula” methods to arrive at allocations for particular institutions. Lavacic (1989) derides the formula method used for funding schools, in that each local education authority (LEA) has a different formula, which is based on historical costings, and these do not relate to educational activity in other than gross terms.

This “top-down” model forces educational managers, given an ever decreasing resource allocation (in real terms), to attempt to make savings without any encouragement to discover the actual costs of the various aspects of the course programmes. Because the formula is developed from an “incremental budgeting” approach to costing, this is the approach that institutions are implicitly encouraged to follow. As Levacic (1990) notes about incremental budgeting or historical funding:

- it does not provide a coherent and integrated approach to management planning which links resource allocation to the achievement of institutional aims or purposes.

In simple terms, the resource or funding allocation of previous years dictates the allocation in subsequent years – a steady state or static approach which is rather at odds with the dynamic changes currently facing ITT.

Dynamic systems are available, most notably the PPBS (planning, programming, budgeting system). This system was developed, within an educational context, for the California State Department of Education and published in the document “Conceptual design for a PPBS for California School Districts” in 1969 and imported into Britain by the accountants Coopers & Lybrand which were developing and writing support documentation for the introduction of local management of schools (LMS). It is described as “objective budgeting” (Lavacic, 1990), where the institution sets clear aims and allocates resources accordingly and in so doing identifies what expenditure is being incurred for.

Lavacic (1989) provides access to a number of authors from the USA, who have significantly more experience at using dynamic, cost-based, budgeting methods than their British counterparts. For example, in Levacic (1989), House complains that this
setting of institutional or course goals with measurable objectives, which are then costed, will lead to a situation where: The repression and dullness of the classroom will increase and we will have succeeded in crucifying our children on the cross of economic efficiency.

Brockman (1989) sets out the differences between program and incremental budgeting (PB and IB):
1. PB reflects an educational plan...
2. Planning is holistic rather than incremental...
3. Planning by program focuses on the programs that are new as differentiated from those that are continuing. It emphasises the multi-year impact of new programs....
4. All programs affect all other programs in the unit.....
5. IB is eliminated in favour of... zero based budgeting (ZBB)
6. Contingency funds will not be available....

Through this process Brockman (1989) expects issues of finance to become a more understood aspect of the educational decision-making process at all levels. There is encouragement to define the purpose of courses, to define clearly identifiable targets and to consider different ways of approaching problems.

ZBB is, in some respects, a simplified version of PPBS. “It is”, according to Levacic (1989), “a clear attempt to avoid historical budgeting”; and “ZBB is less complicated in PPBS because it only requires the budget manager to split up the budget into decision units. A decision unit could be a department, a curriculum area or a service area”. So instead of defining “programmes” for the PPBS, existing, recognised cost centres could be used.

In comparison with IB, ZBB emphasises taking a fresh look at costs incurred. Incrementalism tends to be based around a fixed core and “decisions are based upon last year’s budget” (Davies, 1994), characterised as “muddling through”. Area managers, according to Harkley (1989), will be required to justify resource allocations annually, rather than allow them to roll over.

Davies (1994), working on the premise that the “budgeting process is a dynamic one”, offers a compromise, of sorts, between the traditional incremental approach and the more radical ZBB. Using his Educational Management Cycle (Figure 1) as a starting point, he has developed a “budgetary cycle” (Figure 2).

In the review part of the cycle, the current position is explored; then a forecast is made using a multi-year time horizon (MYTH), considering alternative changes to the overall resource base; the implementation stage is where the budget is actually allocated; and the evaluation phase examines “how well the resource allocation decisions have enabled the institution to meet objectives in an effective and efficient way” (Davies, 1994). As a compromise, this approach does tend to favour the incremental approach. There is, perhaps, insufficient investigation of the nature of costs in this approach to be able to suggest significant changes to current funding patterns.

Starting from “knowing what something costs is the first stage in weighing of its value against that cost”, Fielden and Pearson (1989) take an alternative approach to educational financial matters. They identify five categories of costs:
1. direct – e.g. academic staff;
2. indirect – e.g. maintenance of the grounds;
3. marginal – e.g. the cost of an extra student on a particular course;
4. total – for the course or per student;
5. opportunity – the cost of not being able to use the same resources to provide an alternative course.

They also identify ways of perceiving any outcomes or benefits:
• measurable and realisable outcomes – e.g. changing the length of the student day;
• measurable but unrealisable, e.g. reducing teaching sessions to 35 minutes;
• immeasurable outcomes.

This provides a vocabulary and a basic framework to operate within but the practical issues are left unresolved. Jones (1989) makes an attempt to bring mathematical
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For mulae to the problem alongside the assumption that “the aim of the operational manager is to reduce unit costs”, where unit cost is defined as:  
\[ \text{course length} \times \text{hours taught per week} \times \text{number presented for assessment} \times \text{pass rate} \]

The overall cost of a course being given by the expression:

\[ \frac{(C \times H \times W)}{X + M} \times N \]

Where  
- \( C \) = equipment cost per hour  
- \( W \) = weeks taught per year  
- \( H \) = hours taught per week  
- \( X \) = optimum number of students  
- \( M \) = materials per student  
- \( N \) = actual enrolment

Although designed with further education in mind, with open enrolment and oversupply of higher education placements, it is becoming a progressively more applicable model for HE.

Birch (1989) defines four steps for programmed budgeting of college-based courses (Figure 3):  
1. set admissions policy (target enrolment);  
2. calculate the total student hours the course will require;  
3. set SSR (student-staff ratio) and average lecturer hours to calculate staff costs to service students;  
4. calculate departmental (intra-course) costs.

With these financial tools the data obtained through an analysis of the definitive course documentation (Nene College, 1996a, 1996b) will be made.

### The funding of Initial Teacher Education (ITE) and current course regulations

The government department with responsibility for education, The Department for Education and Employment (DFEE), which was formally known as the DFE and prior to that the Department of Education and Science (DES), lays down regulations as to the structure, length and, to some extent, content, of primary ITT courses. Four-year courses, under the 1987 regulations (DES, 1989), are currently being phased out in favour of courses designed under the regulations from Circular 14/93 (DFE, 1993).

There are several major differences in course design, most notably a reduction in the modal length of course from four to three years (with the same qualification); more time spent in school; a narrower range of subject expertise; and an expectation that schools, with a suitable transfer of funding from HE, will play a greater part in the professional aspects of the courses.

The significant task of students’ school experience supervision is transferred to schools, with an appropriate transfer of funds from the ITT institution to the school. As the responsible body, HE needs to ensure that quality is maintained. This transfer of responsibility, from HE to schools, necessitates that HE provide training to ensure that teachers, supervising students in schools, are sufficiently knowledgeable about the course requirements and are sufficiently skilled to be able to successfully provide appropriate support. There is a considerable implication for training and associated costs built into this transfer.

The funding body for ITT in higher education, the Teacher Training Agency (TTA), is moving towards a “price tariff” approach (TTA, 1996), whereby, following a transitional period, all providers of ITT will receive the same funding per student. The example “price” of a primary undergraduate ITT student (as an example for 1996/97) is set at £2,609 (arrived at by calculating the average funding per undergraduate ITT student in the previous year), regardless of the different needs of the students and actual costs of the course. (It should be noted that under the present set of regulations for ITT courses, as the duration of full undergraduate courses, with equivalent qualifications and admissions requirements, maybe either three or four years, different courses will receive either three or four times the price tariff for “producing” an equivalent “output”.)

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*Figure 3*  
Programmed budgeting of college-based courses

- set project enrolment  
- project enrolment  
- average cost per student  
- calculate costs of related activities  
- compare with projected income for the course  
- total cost of the course  
- set operating parameters
Additionally, financial constraints have been imposed on higher education for some considerable time. In real terms, the amount institutions receive in fees for each student has been falling for a number of years in real and, in some cases, absolute terms. A.S J Andhyala (1993) notes, “the cost of higher education revolves around the cost of academic staff”; consequently most institutions have absorbed these financial cuts by introducing “productivity improvements” – in effect, allowing the SSR to worsen. At a time of increasing student numbers this has been relatively easy to achieve, with the existing staffing and accommodation institutions have at their disposal. Institutional funding, in overall terms, has, at the very least, been maintained but only by accepting increased student numbers.

It is the intention of the TTA (1996) to “reward” high quality providers by allowing those institutions to bid for extra students, not by allowing them to charge a premium price. Since professional placements for students in schools will be restricted in the vicinity of the institution, student numbers will be self-limiting – unless the institution were to set up satellite courses in other geographical locations, or remove the need for students to attend campus-based courses.

Costing a new undergraduate ITE course – a case study using documentary evidence

By the intake of 1999/2000 the four-year undergraduate I TT course will have been phased out to be replaced by two three-year BA(QTS) courses – representing the main division in primary education in schools in the country, 4-7 and 7-11 year-olds. As a member of the course development team, the background to the course documentation (Nene College, 1996a, 1996b) is known and so can be discussed here. This does also mean that there is some increased potential for author bias because of the close relationship with the subject matter.

The philosophical issues of the organisation and educational direction of the new course were discussed by the course team during the development period of 1995 to 1996. The costs of the provision of such a course were not on the agenda of the development teams. Their prime consideration, alongside that of ensuring that the course would be of high academic and professional quality, was to meet the DFE (1993) course requirements.

The basic design was for there to be two courses, determined by age-phase specialism, which would have a shared core of subject specialist courses, hence the dual documentation (Nene College, 1996a, 1996b) where many of the sections, organisationally, are identical in both documents. An equal number of students for each age phase was envisaged, with each student choosing a subject specialism from: English, mathematics, science, geography, history, art, or physical education – there was an expectation that there would be twice as many students wishing to take English as any other subject. Periods of school experience, totalling 120 days, were to be evenly shared between the three years, with teachers assuming the responsibility for student supervision in school.

The taught sections of the courses can be subdivided into three categories:

1 subject studies – the study of all of the English National Curriculum (DFE, 1995) subjects for the primary phase plus religious education;
2 professional studies – pedagogy and related studies;
3 subject specialism – study of a subject to an advanced level with special respect of the needs of the subject co-ordinator in the primary school.

All of these areas are studied in each of the years of the course.

Table 1 shows the contact time expectations for students, but they will, naturally, be taught in groups so from this point the SSR and actual group sizes become a crucial determinant in the calculations. In addition to this number of taught hours there are a similar number of hours identified as “directed time”, in which tasks set by the college are to be carried out, and “self-study”, which is self-explanatory (Nene College, 1996a, 1996b).

Owing to the professional nature of the course, students can expect to receive individual tutor attention at various stages throughout their initial professional development. First, all students are allocated two half-hour tutorials per year in order to discuss their academic and professional

<table>
<thead>
<tr>
<th>Year</th>
<th>Subject hours</th>
<th>Professional hours</th>
<th>Specialist hours</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>156</td>
<td>72</td>
<td>24</td>
<td>252</td>
</tr>
<tr>
<td>2</td>
<td>168</td>
<td>48</td>
<td>48</td>
<td>264</td>
</tr>
<tr>
<td>3</td>
<td>72</td>
<td>72</td>
<td>48</td>
<td>192</td>
</tr>
<tr>
<td>Total</td>
<td>396</td>
<td>192</td>
<td>120</td>
<td>708</td>
</tr>
</tbody>
</table>

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The course documentation gives schools the opportunity to provide professional placements for students at three distinct partnership levels. At “level 1” students are fully supervised by college-based staff and, consequently, there is no transfer of funding to schools. “Level 3” placements rely entirely on the schools to supervise, for which a fee is payable, and provide much of the professional support for the students whilst they are in school, and college-based tutors visit purely to moderate marking procedures and ensure quality thresholds are maintained. It can be surmised that “level 2” partnerships lie between these two extremes and that the supervision and support role is shared between school and college. Table II shows the number of tutor hours and transfer of funding attached to each of the three levels in each of the three years of the course.

From the figures provided in Tables I and II, it is possible to begin to calculate the staffing requirement for the course and from there the cost of staffing the course. Following the steps suggested by Birch (1989) the first decision to be made is one of target enrolment. Since the TTA sets fairly predictable targets for the recruitment of each institution and primary ITT courses are invariably oversubscribed at this institution, then it is possible to set overall recruitment targets with a considerable degree of confidence.

Unfortunately there are three significant areas of uncertainty:
1. the balance between the age phases is unlikely to be even;
2. the distribution between subjects is unlikely to be equitable;
3. the number and level of placements offered is unlikely to be fully predictable.

Table II
Number of tutor hours and transfer of funding

<table>
<thead>
<tr>
<th>Level</th>
<th>Year 1 £ hrs</th>
<th>Year 2 £ hrs</th>
<th>Year 3 £ hrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>125</td>
<td>100</td>
<td>75</td>
</tr>
<tr>
<td>3</td>
<td>250</td>
<td>200</td>
<td>150</td>
</tr>
</tbody>
</table>

Note: The first column for each year gives the funds transferred to school for each student and the second the number of tutor hours allocated per student. Source: Nene College, 1996a, 1996b.

Even so the number of tutor hours can be calculated within limits:
• number of taught hours (group) – 708;
• number of tutor hours (individual) – 22.75 (max) to nine (min).

Moving to step 3 of the Birch (1989) approach, it can be seen that between nine and 22.75 hours there must be an SSR of 1:1 and for the remaining 708 it can be varied according to institutional policy and norms. Some institutional norms are commonly known within the institution and worked towards although, strictly speaking, they cannot be called “policy”. Apart from large lectures, the normal teaching group is not expected to exceed 30 students and tutors should not expect more than 450 student contact hours per year (though the contract stipulates a maximum of 550) which represent between one-third and one-quarter of the number of hours an academic might be normally expected to work during a year. So, working at “maximum efficiency”, tutors should teach groups of 30 students for 450 hours per year.

At this point the situation might be approached as a linear programming problem where the tutor parameters are known constraints, the relative costs of the different partnership levels variable constraints and the optimum numbers and distribution of students are the values to be sought. This could then be plotted against the pricing policy in order to maximise revenue, resource use or even profit. These multi-level calculations would be carried out by a computer using an appropriate software package. Unfortunately, this researcher is not aware of the existence of such a software package, though the work of Lucey (1996) suggests that they are available.

Since a linear programming approach is not feasible in this instance, it would seem appropriate to use the available documentation to check underlying assumptions before setting operational goals prior to seeking optimal operational conditions. Many of the operating conditions are set by regulation (DFE, 1993); for example, for administrative purposes it would be much less expensive for the students to have one, long professional placement of 24 weeks (to make up the required 120 days in school for a three-year course), but the regulations also require the student to have experience of more than one school and have school experience in each of the years of the course. Beyond this the decision to make the placements a mixture of serial (the same day each week over a period of up to a school term) and block (completely school-based for a period of up to half a
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School term) is argued in the rationale of the course documentation (Nene College, 1996a, 1996b) on both academic and professional grounds (in terms of the development of "reflective practice"). In addition, there are also organisational grounds, concerning the most efficient use of the available accommodation – by ensuring that the students are "off campus" on a certain day each week throughout a complete teaching period, this will reduce the demand for teaching space on that day. By having each cohort in school on a different day, the demand for teaching space can be spread throughout the week and better managed.

The assumption concerning the equitable distribution of students between subjects and age phases is also borne out by reference to the documentation – in particular, the collected curriculum vitae of the course teams. In order to make most effective use of the academic and professional staff available certain student distributions are more desirable than others.

By reference to other sources of data, it is possible to determine the average cost of an education tutor – £26,000 pa. This figure is significantly higher than the average for academics in other areas of the institution but it is explained by the CVs of the staff, all of whom held senior positions (i.e. relatively highly paid) in schools prior to moving into higher education. Even so I have reason to believe that the true figure is higher still after taking into account "on costs" such as pensions.

It is now possible to begin to calculate the total cost of the course given a range of alternative scenarios. Initially, referring to the "optimal 1" situation in the Appendix, it can be calculated from the available data given the assumptions concerning student numbers (TTA regulated) and student distribution, that the course can be taught at the cost of 9.71 fte tutors. Given the salary figures above, this becomes a direct course cost of £252,460 (or £1,402 per student). If this is compared to the suboptimal position given in the next example the cost per student will have risen to £1,668.

Because of the constraints placed on total student numbers by the TTA, the position "optimal 1", is a suboptimal arrangement – the subject specialist group sizes average 25.7 students, below the maximum efficient number of 30. To make the position truly "optimal" either the number of subject specialist groups will need to be reduced to six (a factor of both 180 and 30) or student numbers will need to be increased to 210. In order to maintain an even balance between the age phases and an optimum position, student numbers will need to be increased further to 240. This scenario, "optimal 2", gives an average cost per student of £1,364. Similar optimum positions will be found at 60 student intervals above this figure.

This just represents the cost of teaching within college; to this must be added the costs of individual tutorials and school placement supervision. By extending Table II, and given the tutor cost of £58 per hour (£26,000/450), the cost of placement supervision can be calculated (Table III). To complete the academic and professional staffing costs of the course an additional sum of £174 (six half-hour tutorials) must be included.

Table IV shows the maximum and minimum costs of staffing the courses under the conditions of the three given scenarios. As the cost of academic staff is regarded as a major component of overall costs it is notable that all of the totals are significantly less than the expected fees income from the course which is £7,827 (£2,609 for three years).

There are other costs directly related to the course, the most significant non-staffing ones being school placement/partnership expenses and reprographics. The average cost to transport students to and from their placement school is £2 per day per student, or approximately £80 per student per year (Burton, 1996). At present reprographics is charged per subject and, as individual subjects are taught across courses, apportioning costs to particular courses is problematic. But even if the full amount of the delegated budget was attached to these costs it would still work out at only £25 per student per year (Davies, 1996).

It now becomes increasingly difficult to attach particular costs to particular courses, given the current accounting system used within the institution. Intra-course costs (step four of Birch, 1989) are identified by means of "top-slicing" all income received by the institution to pay centrally for support and managerial staff, accommodation, and all administrative and support services. This also enables the institutional management to direct funds to support particular initiatives and activities which do not, directly, generate income (e.g. some forms of internally-funded academic research).

Comparing the figure from Table V with the fees, £2,609 leaves approximately £1,500 for intra-course costs, especially when it must be considered that certain "arts" undergraduate courses only attract fees in the region of £1,600 p.a. to begin with.

The Definitive Course Documents (Nene College, 1996a, 1996b) are able to supply a significant amount of background...
information from which calculations can
begin to be made. Certain parameters and
constraints can be identified from the tech-
nical information supplied within the docu-
mentation. At best though, this is only a
partial view of the costs attributable to the
course; other documentation will have to be
sought, particularly to do with room costs
and the cost of support services within the
institution.

In many respects, a documentary analysis
approach to the costing of a course is the
only effective option available. It is only
when the information is written down (in a
document of any format) that the figures and
constraints can be applied and referred back
to. From a general perception of working
with financial information, for any data to
be written down and made open to public
scrutiny, there usually has been some degree
of checking beforehand to ensure confidence
and reliability.

As with all forms of communication, the
data are open to interpretation and the
Definitive Documents (Nene College, 1996a,
1996b) are not an exception. In fact it is pre-
cisely because of this openness that they are
useful to the researcher. The researcher, in
analysing the data, must explore the alterna-
tives in order to propose a probable meaning
from which predictions and conclusions can
be made. By using documents as the basic
source it allows other researchers to carry
out similar analyses – one of the tests for
reliability being that other researchers will
draw the same conclusions given the same
data.

The problem, in this particular case, is that
there is only one relevant source of docu-
mentary data. Triangulation and ratification
of the information would only be possible
from related sources, i.e. those who wrote the
document. The only effective way in which
the evidence from the document can be chal-
lenged is if it fails to reflect or describe the
operation of the course in practice.

### Analysis in relation to approaches
to cost management

By analysing definitive course documenta-
tion it is possible to identify and cost courses
in terms of their direct costs quite
adequately. Unfortunately indirect, cross-
course and centrally administered costs are
much less easy to apportion and so become
hidden to those working at the point of deliv-
ery.

The steps that Birch (1989) suggests for
calculating the cost of courses is well struc-
tured and systematic. It would have been
interesting to compare this approach with
the formula supplied by Jones (1989) but the
documentation available was unable to sup-
ply all of the necessary data. In any case the
formula is insufficiently flexible to be able to
take into account structural changes within
the course caused by students taking differ-
ent subject specialisms.

Fielden and Peason (1989), whilst not offer-
ing a particular approach to costing exer-
cises, do identify some of the problematic
features that would have to be built into any
computational approach – in particular the
issue of the marginal student who would
necessitate the introduction of an additional
teaching group and in doing so significantly
reduce the effective SSR, potentially to non-
viable levels.

ZBB methods of educational budgeting
offer the nearest approach to cost centred (as
opposed to cost centre) planning available to
most educational institutions. It encourages
educationalists to continually reappraise the
courses available in terms of the value they
offer. Awareness of the costs should not be
withheld or only partially released by the
manager; it is a part of fully owning a course
whether it be in a course management,
teaching or learning role.

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Table III
Cost of placement supervision

<table>
<thead>
<tr>
<th>Level</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Cost over three years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1</td>
<td>0</td>
<td>5.75</td>
<td>333.50</td>
<td>7 £406.00 7 £406.00 1145.50</td>
</tr>
<tr>
<td>2</td>
<td>125</td>
<td>3.75</td>
<td>342.50</td>
<td>100 £332.00 75 £365.00 1039.50</td>
</tr>
<tr>
<td>3</td>
<td>250</td>
<td>2</td>
<td>366.00</td>
<td>200 £316.00 150 £266.00 948.00</td>
</tr>
</tbody>
</table>

Table IV
Maximum and minimum staffing costs

<table>
<thead>
<tr>
<th>Scenario (per student)</th>
<th>Teaching</th>
<th>Supervision</th>
<th>Total cost of staffing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Max</td>
<td>Min</td>
<td>Max</td>
</tr>
<tr>
<td>Optimal 1</td>
<td>£1402.00</td>
<td>£1145.50</td>
<td>£948.00</td>
</tr>
<tr>
<td>Suboptimal</td>
<td>£1668.00</td>
<td>£1145.50</td>
<td>£948.00</td>
</tr>
<tr>
<td>Optimal 2</td>
<td>£1364.00</td>
<td>£1145.50</td>
<td>£948.00</td>
</tr>
</tbody>
</table>

Table V
The costs per student per year apportioned to courses

<table>
<thead>
<tr>
<th>Area</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching - maximum suboptimal position</td>
<td>£2,987.50/3</td>
</tr>
<tr>
<td>Plus transport</td>
<td>£80.00</td>
</tr>
<tr>
<td>Plus reprographics</td>
<td>£25.00</td>
</tr>
<tr>
<td>Total</td>
<td>£1,097.00</td>
</tr>
</tbody>
</table>
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Coombs and Hallak (1987) clearly know the value of accurate financial information: good educational cost analysts can literally be worth their weight in gold – provided they ask the right questions and arrive at responsible answers, and provided the decision makers understand the answers and take them seriously.

Problems appear to arise when the cost analysts are either not listened to or their message is not fully shared with all concerned parties. When managers have access to the information concerning costs, this will need to be communicated to the course design and delivery team for appropriate action to be taken.

The nature of financial management in relationship to the planning of new ITE courses

ITE courses are, possibly, some of the most highly regulated courses in British higher education. The content, structure, and quality threshold of courses, the student numbers for each course and institution offers and the fees per student are all set, to a very substantial degree, centrally. With even greater central control of these courses, in terms of a “National Curriculum” for ITE being considered for the near future, institutions need to begin to consider how they can continue to ensure that their ITE courses may continue to be seen as distinct from others.

For many prospective students, location is becoming more of an issue as reductions in student grants make choosing an institution close to home an increasingly attractive prospect. But for the majority of students the major imperative will be gaining acceptance on the “best” course at the “best” institution. With both course quality and course fees being “levelled”, institutions will have to examine their costs most carefully to identify how their course(s) will be able to afford something above other courses for them to maintain an “edge” over their educational rivals. Whatever the decision – schools fully integrated into the assessment process, availability of technological resources, internationally renowned teaching staff – there will be cost implications. It is through careful costing of courses from the outset that the knowledge of what can be afforded in terms of “extras” will become available.

In the instance of this case study, the degree of personal tutor support for the student to ensure their professional and academic progress was set at a level greater than it might have been at another institution. This action has considerable cost implications in terms of tutor time, possibly the most expensive (per student) resource that most institutions have to work with.

The costing of ITE courses in the wider perspective of higher education

If, as institutions are claiming during current salary negotiations, present income is barely adequate to cover costs, then it follows, from the calculations offered above, that the majority of costs must be directly the responsibility of centrally administered services rather than directly attributed to individual courses. Only £1,100 of the £2,609 fee could be accounted for by direct course costs.

It is accepted that “top slicing” of fees centrally is necessary for institutions to be able to operate as recognisable bodies. Institutional aims, which are worked towards for the good of all, require funding, equitably, from all income generating units. But beyond the basic “taxation” needs other systems are possible. The British National Health Service and local education authorities have demonstrated another option – the “internal market” and “local management” respectively. In both cases a small proportion of funding is retained centrally and the rest is devolved to the point of use to enable services to be “bought back” usually from the same body that devolved the fund to them in the first place. This may appear to be just a balance sheet exercise but it is the openness and exchange of information and the heightened awareness of cost that is at issue.

Whereas in the NHS and LEAs the share of the funds is calculated centrally, in HE the fees that institutions receive for courses is known and, in the case of ITE, readily identifiable. To simply devolve the fees obtained from students on a course (less an institution “tax”) and require all courses to pay for the academic staff, teaching accommodation, library services, and all of the other college services that they make use of, would make those who design and deliver courses and the institution managers much more aware of costs.

This approach may have significant implications for some areas of academic activity, particularly internally funded research or doctoral studies. Would they now be funded only if they directly supported the work of, or developments in, particular courses? Or would they now be seen as “non-pay” rewards for academic staff?

Whatever the approach finally taken it is clear that institutions must become more aware of the sources of costs and that means
that all courses, indeed all activities within an institution, will need to be carefully costed. It is only when these data are readily available that decisions about funding and budget allocations can be made, relating fees to costs, from a position of strength.

References


Davies, P. (1996), School of Education Delegated Budget 1995/96, Nene College (unpublished internal memo to staff), Northampton.


Further reading


Jarrett (1987), University Management Statistics and Performance Indicators (Jarrett Report), CVCPI/UGC.

Appendix

Table AI

180 students (90 in each age phase) with an even distribution between subjects

<table>
<thead>
<tr>
<th>Year</th>
<th>Subject studies (hours)</th>
<th>Professional studies (hours)</th>
<th>Number of groups</th>
<th>Subject-specific groups</th>
<th>Number of groups</th>
<th>Total teaching hours</th>
<th>Number of tutor years</th>
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160 students (95/65 age phase split) with 70 students specialising in English

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<th>Professional studies (hours)</th>
<th>Number of groups</th>
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<th>Number of groups</th>
<th>Total teaching hours</th>
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Additional staffing required for 20 less students 1.84
Additional staffing costs £47,840.00
Reduction in funding (£2,609 *20 *3 years) £156,540.00
Total loss relative to optimal position £204,380.00

240 students (120 in each age phase) 60 English specialists, 30 each of the other 6 subjects

<table>
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<th>Professional studies (hours)</th>
<th>Number of groups</th>
<th>Subject-specific groups</th>
<th>Number of groups</th>
<th>Total teaching hours</th>
<th>Number of tutor years</th>
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Additional staffing required for 20 less students 2.88
Additional staffing costs £74,880.00
Increase in funding (£2,609 *60 *3 years) £469,620.00
Total gain relative to optimal 1 position £394,740.00