

**To: Heads of higher education institutions in Wales**

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**EVALUATION OF THE EFFECTIVENESS OF THE JOINT COSTING AND PRICING STEERING GROUP (JCPSG) IN ITS SECOND PHASE**

1. The sponsors of the JCPSG (UK funding bodies, Universities UK and the Standing Conference of Principals) have commissioned consultants Deloitte & Touche LLP to review the work of the group in its second phase. This letter explains how they plan to consult institutions as part of the review.

2. The second phase of the JCPSG's work began in August 2002, and its activities will cease after 31 July 2005. The group's terms of reference and strategy (published February 2003) are set out at Annex A. The JCPSG has also established an exit strategy to ensure that activities to support the embedding of good costing and pricing practices are taken over by institutions, sponsors and relevant sector bodies from August 2005 onwards. A copy of the exit strategy is attached at Annex B. (The documents are also available on the web at [www.jcpsg.ac.uk](http://www.jcpsg.ac.uk) under About us.)

3. A fundamental part of this review will be consultation with higher education institutions (HEIs) focusing on how well costing and pricing has become embedded in HEIs decision-making processes, and how the JCPSG's activities have supported this. The consultation will comprise interviews with a representative sample of HEIs, and an electronic questionnaire sent to all HEIs.

**HEI interviews**

4. A sample of 20 HEIs will be invited to provide feedback to the Deloitte's team via face-to-face interviews. The purpose is to solicit views from individuals who have experience of implementing and embedding costing and pricing processes into the financial and academic decision-making process within the institution. The discussion will focus on the following key areas:

- views on the overall performance of the JCPSG against its original terms of reference

- views on the effectiveness of the JCPSPG in delivering its aims and objectives
- views on the adequacy of the JCPSPG exit strategy and its effectiveness in supporting HEIs' future progress
- progress with embedding good costing and pricing practice into decision-making processes within the HEI
- any other views regarding the effectiveness of the JCPSPG.

5. We will write separately to Directors of Finance at the HEIs selected for interview, with further information about the arrangements.

#### **e-Questionnaire**

6. The Deloitte team will send a questionnaire by e-mail to Directors of Finance at all HEIs. Directors of Finance will be asked to identify the most appropriate individuals to complete the questionnaire, in order to provide feedback on the embedding of costing and pricing processes within the HEI. The questionnaire should take no more than 30 minutes to complete, and will focus on the key issues outlined above. The deadline for the return of all completed questionnaires will be Friday 10 June 2005.

#### **Queries**

7. If you have any queries regarding the arrangements for the review please contact the Deloitte Project Manager, David Coulson:

#### **David Coulson**

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8. The consultants' report is due to be completed in July 2005 and will be made available to HEIs in autumn 2005, after it has been considered by the JCPSPG's sponsors.

Given the importance of the review, and the key role that HEIs can play in informing its outcomes, we would very much appreciate your help in taking part in discussions and responding to the questionnaires.

**PROFESSOR PHILIP GUMMETT**  
**CHIEF EXECUTIVE**

## **JCPSG terms of reference and strategy**

### **Terms of reference**

- To ensure higher education institutions (HEIs) embed good costing and pricing practice into their decision making and management processes, developing guidance where necessary to assist this process.
- To work with HEIs and other key stakeholders in securing this outcome.
- To take appropriate action where the achievement of the outcomes or their timing are at risk.
- To report annually to the sponsoring bodies on progress.
- To ensure that costing and pricing become part of mainstream management activity in HEIs so that the sector is able to support itself after July 2005.

### **Strategy for costing and pricing: phase two (February 2003)**

#### **Aims of the second phase of costing and pricing development**

By July 2005, all HEIs should have embedded costing and pricing processes that are integrated with their financial and academic decision-making, and form part of a financial strategy and management process that ensures that activities are sustainable in the long-term.

The role of the JCPSG is to support HEIs in achieving this agreed aim.

As a result of this development:

- a. All institutions should be able to determine the full economic cost of all their activities at a level appropriate to their decision-making.
- b. All institutions should be able to set a price for their activities using market-based pricing (taking account of markets, customers, competition and risks), or cost-based pricing where appropriate.

In addition, institutions should use appropriate performance measures to quantify the benefits derived from improved pricing, costing and decision-making, thus encouraging continuing development.

#### **In support of these aims the JCPSG undertakes:**

1. To secure the continued embedding of good practice in costing and pricing (including related marketing practice) in HEIs.

2. To work with HEIs and other organisations to promote awareness and understanding of good practice, and to continue to encourage the introduction of this within HEIs' decision-making and management processes, so enabling institutions to improve the financial contribution from their activities.
3. To maintain and develop existing guidance on costing and pricing – including the TRAC methodology and its application for the costing of teaching, research and other activities – and to develop new guidance where there are clearly defined needs.
4. To continue supporting the development of good practice in costing, and particularly in pricing, and to communicate this to the sector.
5. To promote the development of training, in collaboration with sector bodies and institutions, that will support the costing and pricing strategy.
6. To act as an advocate on behalf of HEIs on costing and pricing and related matters, and to provide support to Universities UK and SCOP as they fulfil their advocacy role.
7. To communicate effectively with HEIs and other stakeholders.
8. To develop a framework that will ensure that costing and pricing activities are taken over by institutions and appropriate sector bodies after July 2005.

The JCPSG will develop a programme of activities to support these objectives and will communicate these through the JCPSG web-site and its newsletter.

## Annex B

### JCPSG exit strategy activities

Action	Exit strategy activities	Action by	Risk
a. Encouraging self-help groups to become self-sufficient	<ul style="list-style-type: none"> <li>Self-help groups encouraged to continue meeting regularly</li> <li>HEIs that do not have representatives on a self-help group will be encouraged to send at least one appropriate member of staff</li> <li>Final forum for representatives of the self-help groups to be held to brief groups on various strands of the exit strategy, and to encourage further networking within and between groups, as well as with external training bodies</li> </ul>	National Co-ordinator	<ul style="list-style-type: none"> <li>Impetus of the groups quickly disappears</li> </ul>
b. Maintaining the JCPSG web-site	<ul style="list-style-type: none"> <li>Web-site to continue to operate under JCPSG logo for a further 6 months after July 2005</li> <li>Funding Councils to take responsibility for updating and maintaining material on JCPSG site after July 2005, and to absorb this material into HEFCE web-site after 6 months</li> </ul>	Project Manager/ Funding Councils/ Web contractor	<ul style="list-style-type: none"> <li>Stakeholders may be unwilling to fund the web-site in the long-term</li> <li>Material may not be kept up to date</li> </ul>
c. Technical training to be taken forward by other groups	<ul style="list-style-type: none"> <li>BUFDG to continue running self-financing training seminars on costing and pricing for finance staff after July 2005</li> <li>BUFDG to work with Leadership Foundation to deliver holistic training programme on costing and pricing</li> </ul>	National Co-ordinator/ BUFDG	<ul style="list-style-type: none"> <li>Training may not cover all relevant staff, just finance staff (hence senior management training plans below)</li> </ul>
d. Senior management training to be taken forward by other groups	<ul style="list-style-type: none"> <li>Senior managers and academics will be briefed on developments in costing and pricing after July 2005</li> <li>Leadership Foundation to work with BUFDG to deliver a holistic training programme on costing and pricing</li> </ul>	Chair / Leadership Foundation	Strategic input may be less effective reducing benefits to the sector

Action	Exit strategy activities	Action by	Risk
e. Reviewing and updating TRAC requirements and manuals	<ul style="list-style-type: none"> <li>• JCPSG to publish consolidated TRAC guidance (written by JM Consulting and reviewed by representatives of JCPSG and Research Councils)</li> <li>• Funding Councils to become custodians of TRAC guidance and updates after July 2005, advised by new BUFDG costing and pricing group</li> <li>• New BUFDG costing and pricing group will work with Funding Councils to review guidance periodically</li> </ul>	JCPSG / Consultants  Funding Councils/ BUFDG	<ul style="list-style-type: none"> <li>• Guidance may not be maintained to reflect developments in the sector</li> </ul>
f. Supporting HEIs beyond September 2005	<ul style="list-style-type: none"> <li>• Funding Council staff will be trained to handle TRAC-related queries so that when the implementation help-desk contract with JM Consulting expires (September 2005), there continues to be support available to HEIs</li> <li>• Annual Forums will be organised to keep institutions informed of developments on TRAC requirements and methodology (to be incorporated in remit for BUFDG costing and pricing group)</li> </ul>	Funding Councils/ Consultants  Project Manager/ BUFDG	<ul style="list-style-type: none"> <li>• Staff in Funding Councils may not be kept up to date with developments</li> </ul>