6. APPORTIONING COSTS

Not all items of income and expenditure are capable of being coded directly to particular activities and outputs. Many will need to be analysed and apportioned over a number of activities and programmes.

The apportionment of costs to activities and outputs where the cost, in the form of a member of staff, a piece of equipment or a general overhead service, is directly or indirectly expended on more than one activity or output, raises problems for those analysing costs.

6.1 The treatment of staff costs

If activities and outputs are going to be costed properly it is essential that the costs of staff should be attributed satisfactorily. This can be done in a number of ways:

1. By introducing timesheets which record the amount of time spent on particular activities and projects.
2. By apportioning staff time on the basis of a personal return based on a diary exercise that falls short of a detailed timesheet but which reflects the individual's assessment of the time spent on different projects and activities.
3. By apportioning staff time crudely on the basis of their terms and conditions of service (eg. 33% of total time spent on research, 57% on teaching, and 10% on other activites) and on a management assessment of what the individual has being doing (eg 60% of X's teaching has been on course 0000).

The approach outlined in (1) and (2) is that recommended by, for example, NCHEMS in the United States (Manning and Romney, 1973). It remains the case that information at this level of detail may not available in higher education institutions. It may not be necessary to apportion staff time accurately, and in this case the costs of such staff may be assigned to general overheads (see 6.5 below).

6.2 Non staff costs

These may be allocated to specific activities or projects where they are directly related to the activity or project, perhaps in proportion to the volume of activity. Other non-staff costs can be allocated to overheads (see 6.5 below).

6.3 Income or revenue

Income directly related to specific projects, lines of study, courses or programmes should be attributed to the project, line of study, course or programme. This does not mean that the project, course or programme has the right to use the income for its own purposes, but it will enable judgements to be made about the extent to which a project is covering its direct costs and contributing to general overhead costs, or, conversely, is a 'drain' on university resources.

6.4 Costs of plant

Physical inputs include land, buildings, furniture, laboratory facilities, computers, libraries, etc. The allocation of the costs involved may be straightforward but may be (and more usually is) far from easy. Where costs can be related to a specific project, course or programme or to a specific activity then this should be done. Otherwise costs will have to be apportioned as a general overhead.

The best approach seems to be to calculate the cost of the facility and then apportion it in some way. Building costs (maintenance, security, utilities, cleaning etc) can be calculated as a cost per square meter. Costs may differ from building to building - for example, some buildings may be owned, others rented. The cost can then be allocated to staff on the basis of occupancy and costs apportioned to activities or outputs on the same basis as staff time. Common areas may need to be treated in a different way, being allocated to programmes (eg on the basis of student numbers) or courses (eg lecture rooms on the basis of usage).

The capital costs may be apportioned on an annualised basis or on a discounted basis (see section 5 above).

6.5 Overheads

Overhead costs may be programme specific or activity specific and need to be allocated to programmes, lines of study, projects or courses; or they may be general and need to be allocated across a whole range of activities, programmes, lines of study, projects and courses. Where crude approximations can be done they should be. In other cases the overheads may need to be classified as general and apportioned across the board - the best approach being to apportion such general overheads on the basis of the proportion which a programme, project or course's expenditure bears to total attributed expenditure:

> eg. Total expenditure is $12 000, of which $10 000 is attributed, $5 000 to project A, $3000 to project B and $2000 to project C. The balance of unattributed overheads is apportioned to the projects 5/10ths to project A, 3/10ths to project B and 2/10ths to project C.

Appendix 2 discusses the attributation of overheads in greater detail.