

RA2018 Frequently Asked Questions

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RA2018 General

Q: What is a “resource allocation model”?

A: A resource allocation model (RAM) is a methodology for determining where resources should be allocated within an organisation. Resources may include financial resources, technological resources and human resources. In the case of University of Edinburgh, the RAM refers to the allocation of financial resources.

Q: How is resource allocation different from budgeting?

A: Resource allocation is about determining how resources might be deployed, in order to encourage activities that will deliver the University’s strategic objectives. Varying the distribution of resources - or, indeed, withholding some element for strategic initiatives - offers the possibility of encouraging desired behaviours or approaches while still ensuring appropriate resourcing within support areas. Budgeting involves establishing an expected level of expenditures, at a fairly detailed level.

Q: What is RA2018?

A: RA2018 is the proposed new resource allocation methodology for the University of Edinburgh. It refers to an intent to have fully adopted the model in 2018. There are three components to RA2018:

- Planning discussions,
- Service Expectation Management and
- the Resource Allocation Model.

These must all work together for the methodology to work at its optimum. Whilst we could operate the algorithmic element of RA2018 without the other two components, it would not be as effective or accepted without them.

Q: What do the components of RA2018 actually mean?

A: Planning discussions happen at all levels of the University, all year round. These discussions lead to strategic and operational decisions that impact the inputs into the model. They can include strategic changes to surplus targets, or teaching modes that change services needed. The decisions and assumptions made at these discussions must be fed into both the Resource Allocation Model, and the Service Expectation Management processes. By inputting this information into the model, the consequences of certain decisions at both strategic and operational levels can be seen. This may lead to further refinements of decisions.

Service Expectation Management refers to the development of understanding between Support Groups and Colleges/Schools about the service and activity requirements to support the strategic and operational goals of the University. Service expectation statements describe the services provided by Planning Units in the three Support Groups, CSG, ISG and USG. Services are categorised into Universal Activity, University Services and Unit Specific Services. Consultation between Colleges and Support Groups is critical to the success of this component of RA2018. The process for the management of service expectations, and publication of Service Expectation Statements is currently under development.

The Resource Allocation Model is the algorithmic component of RA2018. It involves the translation of agreed principles into algorithms that reflect those principles. The core principles to be reflected within the model include income attribution, service types, cost drivers and their weightings, contributions and strategic allocation decisions. RA2018 is not integrating the current Resource Allocation Spreadsheet into RAM that is, it does not financially outline the plans. It aggregates the business plan financials: it does not create the

budgets. Each of the Budget Holders will be provided with a Budget Allocation Amount for them to create budgets in whatever way is appropriate to their areas of responsibility.

Q: How are services categorised?

A: In RA2018, services are grouped into three categories for allocating resources to Support Groups/Service Units:

- Universal Activity
 - Activity that has no simple, consistent cost driver
 - May not be related to size and shape of organisation
 - Examples: Court, Compliance functions
- University Services
 - Services provided across the University
 - Cost drivers are largely similar across all areas, although services may be tailored to meet varying needs
 - Example: Student Recruitment & Admissions
- Unit Specific Services
 - Services unique to specific units
 - Cost drivers are understood
 - Example: 24 hour security

These three service groups come together to determine the resources required for the Support Groups to deliver their services to the expectations identified in the Service Expectation Statements.

Q: Why do we need a new resource allocation model?

A: It is good business practice to review resource allocation methods every 5-8 years. NPRAS has been in operation now for over 15 years. It has been very successful in encouraging growth in the international student base of the University, thus offsetting the costs of some of our research activities and providing resources for other activities. The University however, uses a range of resource allocation methods and accounts for only unrestricted income, less than half of our overall income.

A key driver for change is 'gross accounting' with the objective of allocating resources and reporting on a gross income and expenditure basis.

One of the key principles of the RA2018 methodology is to include all sources of income - research, teaching and other income - in one University of Edinburgh's resource allocation process. It will provide transparency of where and how income is generated, support the delivery of the University's longer-term strategic objectives and ensure long-term financial sustainability.

There is also no mechanism currently that accounts for the change in support costs for changes in various income types. That is, we don't understand, and don't have visibility of the costs of service provision based on the activities we pursue.

Q: Are you only concerned with how the cost drivers impact the support groups?

A: At this time, RA2018 uses the cost drivers to determine the resources required by the Support Groups to provide services to the University. This allows Support Groups to be sufficiently, but not overly, funded.

- Q: Will drawing down on the general reserve fund result in a penalty on future surplus targets/forecasts?
- A: Clarification is required on the revenue effects on the Corporate budgets (CEN) of spending College & Support Group reserves on capital projects. Minimal revenue spend from reserves is being considered through a revised policy.
TAG is looking at the possibility of including depreciation at College/SG level in which case the revenue impact would flow through to the revenue statement in future years.
- Q: We have a general concern over the split of the academic groups due to the significant difference in cost between groups 5-7 and 8-10. What about grouping the staff by contract versus long-term employees?
- A: As more detailed consultation takes place, a review in the cost driver bandings will be undertaken to ensure fitness for purpose and will be adjusted if necessary.
- Q: How will changes within the organisational hierarchy be taken into account? (Creation of new units/mergers/moves of units).
- A: This can be anticipated in RA2018 at the start of each year's planning round as most changes will be known in advance. It is not yet agreed how other, in-year changes not captured in RA2018 will be actioned.
- Q: How do the University KPIs inform/relate to a new RAM?
- A: The University KPIs should inform both the planning discussion and service expectation elements of RA2018, decisions from which will flow through the model.
- Q: Can we have a central information point for staff to access general project information, key deliverables, updates, time-lines and milestones?
- A: This information is available on the Governance and Strategic Planning webpage on the RAM/TAG tab. Given that Polopoly is currently undergoing a migration to a new content management system, updates will be provided when the new platform is launched in May/June 2016.
- Q: When is it anticipated that a functioning pilot model will be available to view and, if possible, run test data?
- A: The baseline shadow RA2018 will be shared with the Programme Board in July 2016, with the first iteration of the parallel running shared in September.

Cost Driver General

- Q: What are cost drivers and how do they fit into RA2018?
- A: A cost driver is the unit of an activity that causes the change in another activity's cost. It is any factor which causes a change in the cost of an activity. For Higher Education Organisations, the most common and significant factors are students, staff, space and a combination of students and staff. For University Services, cost drivers are applied to the weighted volumes of students, staff or space to determine the resources required to deliver the service to the agreed levels.
- Q: My costs are driven by things other than students and staff numbers, can we add more drivers?
- A: Whilst the vast majority of services are driven by students, staff or space, there are a small number of exceptions. For instance, many of the International Office costs are directly driven by international students, whose profile is often different from the overall student

body (higher proportion of post-graduate positions for example) and therefore, using overseas fee paying students as a proxy is more appropriate than all students.

In order to maintain the simplicity required in the model, a case would have to be presented to add more drivers. Where, after materiality testing, agreement on definitions, data sources, and forecasting timings, it is clear that a substantial impact on allocations would exist, a new driver can be added to the model.

Student Cost Driver

Q: Are cost drivers broad and general or are they based on types of students and how they use central services?

A: In the interests of keeping RA2018 simple, transparent and strategic and in the absence of consistent data capture of the demand for Support Group services, professional estimates will be used and monitored as part of the annual planning cycle.

Q: The figures don't look right to me – what data are you using?

A: The student figures are all fully matriculated students at a census date of 31st October

- The raw census figures will provide the headcount cost driver;
- Students in the census population will be categorised into a small number of groups in order to apply weightings to arrive at the weighted population cost driver

Source of data:

The data will be extracted from STUDMI on the first working day after 31st October each year. STUDMI is a universe that receives nightly updates from EUCLID and is designed to provide strategic management information on this data.

Details of clarification

- Fully matriculated status will be determined by using a filter of <C/L Admin status code> = "MM";
- Filters will also exclude the following students who are not participating at UoE but who appear in STUDMI:
 - Dormant students;
 - Sabbatical students;
 - Students on programmes that are only validated by UoE (currently only a handful of SRUC UG programmes);
 - Writing up students.
- Assignment to school/college will be determined by programme ownership

Q: Some students are allocated to one School but they are taught at another. How will this be managed within RA2018?

A: RA2018 has been developed to the Programme Board objectives of being simple, transparent and strategic for the entire University of Edinburgh. Resource allocation will be at the level of College and Support Group and we expect the impact of teaching across College boundaries to be relatively limited/easily identifiable. Information from teaching load should assist Colleges in making local budget allocations.

Q: We don't believe that PGT and PGR students should be grouped together. Will the cost drivers be reviewed?

A: Different groups such as PGT and PGR or domestic and international students, draw on services differently. At this point in time we do not think the distinction between PGT and PGR is material. There is a bigger distinction between on and off campus students. However, cost drivers and cost driver weightings will be periodically reviewed with the Support Groups. These reviews will give Colleges the opportunity to interrogate and challenge the

cost drivers and ensure RA2018 remains relevant to the evolving needs of the University in the future.

Q: Why was it decided to exclude writing up students?

A: Writing up students account for a relatively small proportion of the student population and are therefore immaterial at a strategic level. We also don't currently forecast the numbers of writing up students and if we were to include this group, additional forecasting would be required. If there are significant changes in this student group, then they will be included in future iterations of RA2018.

Q: There are concerns that the OLL (now Centre for Open Learning) figures in the cost driver are not representative as October is probably their lowest point in the year.

A: It is recognised that the October census date is not representative of the Centre for Open Learning student profile, but it is for the remainder of the student population. It is not intended to represent the value of Centre for Open Learning in any other way.

Staff Cost Driver

Q: Is there a possibility to include weightings for staff charged to UoE and invoiced out?

A: RA2018 is a gross model and therefore treats income and cost separately. Consequently, the full cost of staff that the University of Edinburgh incurs is included in the model with income flowing through based on where it's earned. For example, locally earned income such as NHS reciprocal recharge is expected to flow directly to where it is earned, offsetting the cost of those staff. Temporary or contract staff who are not directly employed by the University are not included in the staff cost driver as they are a general cost of doing business in the same way as consumable costs.

Q: Was any consideration given to staff members on clinical scales?

A: There is already mapping in place within job segments in the HR database for clinical scales so the ability to account for these should not be an issue.

Q: What is used to determine the Academic/Professional Services status: job segment or cost centre?

A: Job segment 2 in the HR database determines whether a post is academic or professional support. Job segment 2 relates to the primary purpose of the post not the qualifications of the post holder.

Q: Where are technical staff included?

A: Technical staff are included in professional support. In the Transparent Accounting model these are currently categorised separately from academic and professional support staff. Transparent Accounting and RA2018 will be aligned in future as RA2018 is developed.

Q: Guaranteed Hours fluctuate in part due to when individual GH staff choose to submit their pay claim (therefore pre-Christmas and pre-end of tax year can be peaks).

A: The staff cost driver is based on FTE, not headcount. GH staff will be converted to FTE by Human Resources using the hours paid averaged across the four snapshots taken in any given year. Converting these employees to FTE results in the fluctuations being smoothed out, making the dates of the pay claims immaterial.

Q: Why does RA2018 use Staff FTE instead of headcount when so much of the demand on service would be based on headcount?

- A: Staff forecasts are currently delivered in terms of FTE which are reported by Human Resources on a quarterly basis. Headcount is not going to be an appropriate cost driver for many of our support costs, for example we don't provide the same services to Guaranteed Hours staff on a per head basis (generally don't have a desk, phone etc).

There is currently also concern around the reliability of the forecast by headcount of Guaranteed Hours staff as it's difficult to predict the number of heads you will employ for a given volume of work. This will however be monitored for reliability, validity and currency and should it prove reliable valid and current, the decision may be agreed to move to headcount.

Space Cost Driver

- Q: If the balance space is to be assigned to users within a building, what about areas such as the animal facility within the same building that has a lot of plant? If this plant is shared across both the animal and the non-animal areas isn't this unfair distribution of these costs?
- A: RA2018 operates at College level. If the plant and the animal facility belong to the same college, RA2018 will account for both to the college. If they belong to different colleges, or to a college and support group for instance, the materiality of this space will be checked and a decision on treatment will be agreed after this materiality testing if required.
- Q: Are there ways of reducing the cost of the space, e.g. utility budget?
- A: Estates is constantly reviewing space with a view to reducing the overall cost of the Estate. RA2018 focusses on the utilisation of space and the associated cost.
- Q: Is rented space included in the space cost driver?
- A: RA2018 does not include rented space which the University rents out to external parties in the cost driver, however it does include space which the University rents for use by the Colleges and Support Groups and the costs of this.
- Q: My school occupies an old building with thick walls and wide corridors, so we can do nothing to reduce our space occupied whilst in this building. How will we be compensated?
- A: Much of the University's estate is made up of old buildings with thick walls. It is a strategic decision to retain a strong presence within the centre of Edinburgh. Consequently, RA2018 shows the cost associated with that decision in order to maintain transparency. Compensation decisions are outwith RA2018 and fall within strategic allocation decisions made in the annual planning cycle.
- Q: How will the festival lettings of school-occupied buildings be taken account of?
- A: In order to maintain the transparency of RA2018, where the University lets out space assigned to a School or Planning Unit, the cost of that space still rests with the School or Planning unit for that period.

Service Expectations

- Q: What are service expectations and how do they fit into RA2018?
- A: Service expectation statements describe the services provided by Planning Units in the three Support Groups, CSG, ISG and USG. Service expectations should be set prior to Resource Allocation. It is expected that they remain high level so as to remain manageable within the model, but sufficiently detailed to be meaningful to service providers and users. These outline whether a service or activity is a Universal Activity, a University Service or a Unit Specific Service. Consequently they determine how cost allocations are determined and allow for Colleges and Support Groups to review the service provision across all layers of the

University. Efficiencies or innovations can be identified, understanding can be shared and the overall effectiveness of service delivery can be improved.

Q: What are the service groupings within the Service Expectation Statements?

A: In RA2018, services are grouped into three categories for allocating resources to Support Groups:

- Universal Activity
 - Activity that has no simple, consistent cost driver
 - May not be related to size and shape of organisation
 - Examples: Court, Compliance functions
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 - Example: Student Recruitment & Admissions
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These three service groups come together to determine the resources required for the Support Groups to deliver their services to the expectations identified in the Service Expectation Statements.

Q: Will services be tiered?

A: Services are defined according to the agreed groupings of Universal Activity, University Services and Unit Specific Services. There is no tiering based on the quality of service. Unit Specific Services cater for the special needs of individual units.

Q: Will there be a shared language/common frame of reference for services?

A: The service expectation statements will provide the frame of reference for services and what they make provision for.

Q: What is the process by which these service expectations are to be set up? What is the context for the services?

A: The service expectation management process is under development.

Q: How, when and who is going to develop the service expectation statements?

A: The Support Groups and their RAM Champions are developing the service expectation statements for consultation with the Colleges in May/June 2016.

Q: How are the services going to be monitored?

A: Each Support Group has its own agreed performance targets and monitoring arrangements that meet the performance metrics and targets contributing to the delivery of the University's strategic objectives. The overarching service expectation management process is under development.

Q: What is happening with regard to Support Groups working more efficiently?

A: The University Secretary is leading a Service Excellence Programme for improving processes and procedures in the Support Groups. These reviews are looking at the whole end-to-end process and effectiveness of service delivery at all levels of the University. RA2018 will also

review the resource allocation for Support Group services and will support process efficiencies identified in the Service Excellence Programme or other like-minded initiatives.

Q: Will there be an end-of-year adjustment?

A: No.

Income Attribution

Q: We are concerned about the fairness of income versus cost and want to know if teaching load impacts the allocation of costs?

A: RA2018 identifies the costs of Support Groups providing services to the University. Costs are allocated on a service delivery basis where the cost has been identified by the Support Group. Teaching load does not impact the cost of delivering services by Support Groups. The principles for income attribution are being developed and agreed in 2016.

Q: We require information at a Unit level, not just down to School level; will RA2018 support this?

A: RA2018 has been developed to align with the principle of devolution operating in the University of Edinburgh with resource allocation operating at the main budget holder level only (three Colleges, three Support Groups & Corporate area). As such, the model will only support data down to Level 4 of the University's organisational hierarchy, that is, School/Planning Unit. How to best accommodate the gross accounting requirements for areas below that level is still being considered.

Q: If NPRAS income is replaced, how will Schools be incentivised in RA2018 and how will their budgets change?

A: RA2018 is mindful of not encouraging perverse behaviours. RA2018 will attribute income where it has been earned, apply costs where services have been delivered and allocate resources to Support Groups where they are required. Strategic allocation decisions will be made to ensure operational continuity. Furthermore, there is the capability to transparently adjust contribution factors for certain cost drivers or service areas to incentivise the increase of income or the gaining of efficiencies. Colleges will retain the responsibility for setting School budgets.

Q: Concerns have been raised about the loss of in-year adjustments based on the recent experience with NPRAS and PGT intakes for 2015/16. If RA2018 retains a single year snapshot approach, how can these issues be mitigated?

A: It is expected that these issues will be resolved during the following year's planning round.