**PAPER 2**

**2018/19 PROFESSIONAL SERVICE AREA (PSA) BUDGET PROCESS**

**Key proposals**

* The overall 2018/19 Professional Service Areas (PSA) budget[[1]](#footnote-1) should include no ‘real terms’ increase over 2017/18, meaning no overall increase in staff numbers. However allowance will be made for inflationary increases associated with external (non-pay and national pay awards) and internal increases (staff increments and discretionary awards etc) in line with the current projections in the 2017 Financial Plan.
* No annual PSA budget round or bidding process will operate in 2018.
* Additional recurrent resource requirements resulting from changing SMC priorities will need to be met from virement within or between budget areas, facilitated as necessary by non-recurrent investment. (Finance will provide administrative support where required).
* Non-recurrent funds will be set aside to invest in work commissioned by the COO to facilitate the transition from staff intensive processes to more efficient practices, including process change and restructuring.

**Background**

1. The current Financial Plan includes a ‘business as usual’ budget for the 2018/19 budget based on standard inflation assumptions, staff auto-increments and a modest allowance for discretionary pay awards.
2. These assumptions should be sufficient to accommodate the national pay award and the one-off pay PSS adjustment currently being negotiated locally.
3. Taken as a whole, a ‘business as usual’ budget for services would provide a 4.4% increase year-on-year (excluding one-off allocations) in PSA budgets and consequent indirect cost allocations.
4. Core fee income is due to rise by 4% (comparing year on year targets, the overall target numbers in 2018 are no higher than this year’s actual recruitment).

**Framework**

1. This is the first year that Cubane data has been available to inform the distribution of resources across services. This activity-based analysis identifies opportunities to rationalise service delivery, reduce transactional burden and shift resources to areas of greatest priority, reflecting guidance and direction from the COO, Pro-director (Planning and Resources) and SMC.
2. Given the comparative position of the School to other Russell Group Cubane subscribers, we should assume no growth in staff head count across PSA and focus on redistribution and upskilling.
3. The budget process will support an Investment Agenda, with the additional allocation of resources contemplated only on a non-recurrent basis to yield net savings with risk-adjusted paybacks of 3-years or better.
4. Finance made significant changes to the procedures for budget virement during 2017 which should facilitate the reallocation of existing budgets.
5. Following discussions at a recent DHF, the apportionment of PSA costs to academic departments will be reviewed in early 2018 and made more transparent. This is likely to result in greater scrutiny in future of PSA budgets.

**Student Experience issues**

1. The impact of the one-off allocations and initiatives to address the School’s issues with ‘student experience’ and to accelerate the Education Strategy will not be known before the 2018/19 budget is set. To ensure successful initiatives can be continued in 2018/19 additional non-recurrent funds (to be determined by the Director and PD(P&R) via the TEFSG) will be earmarked in the draft 2018/19 budget.

**Process**

1. The Finance Division will design and administer a mechanism to manage these investments to ensure delivery of paybacks, savings and redistribution (in line with 7 above).
2. We would need to set a limit on the amount of additional expenditure in any given period with proposals focussed on those investments which shift resource away from transactional work.
3. This could generate ‘projects’ that don’t fit into the traditional budget cycle so we should adopt a more agile approach based on a rolling roster of investments and returns, overseen by the Pro-director (Planning and Resources) and the COO.
4. The Financial Planning and Analysis team will undertake the financial analysis (and write the business cases if necessary) to support proposals.

Mike Ferguson | *Finance Director*

1. Excluding the RCSD and SSEP PS areas where staffing levels should continue to be based on business need and revenue generation. [↑](#footnote-ref-1)