refine Newsletter

January 2016

Renewal of the Resources and Finance platform of ETH Zurich

Dear reader

The **model for the new Resources and Finance platform of ETH Zurich** has been finalized. It is based on the principles set out in the refine September newsletter and broadly supports the ideas discussed during meetings with representatives of the departments, technology platforms, and central units. On December 9, 2015, the “refine" Steering Committee, of which the President of ETH Zurich is also a member, confirmed the model. **The five key points of the new model are explained on page 2 of this newsletter.**

A set of detailed functional concepts based on this model will now be developed by June. The **exchange of ideas with the stakeholders** will be intensified in the coming months, with a view to harmonizing user requirements and standards for the new Resources and Finance platform. To this end, the project team will approach the departments and representatives of the central units in February and March of 2016.

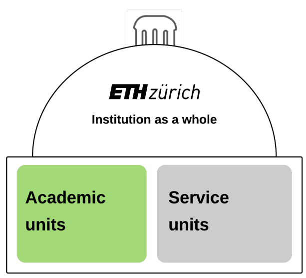
In parallel with the conceptual work, the **Oracle to HANA (O2H)** subproject for replacing the Oracle database has been in preparation since November 2015. All financial and personnel data will be migrated to the new HANA database between February 12, 2016, and April 10, 2016. HANA is an SAP database of the latest generation whose in-memory technology enables lean data storage and rapid access. The applications are not affected by the database switch. The current SAP applications will be in use until the new Resources and Finance platform is launched in 2018.

Why do we actually need a new Resources and Finance platform?

Those who are reading about the “refine” project for the first time in this newsletter may be asking themselves this question. The answer is that the current Resources and Finance platform consists of an SAP system that was implemented in 1999, and ETH Zurich and its environment have since changed enormously. In terms of volume, for example, third-party funds have grown considerably, and the regulatory requirements of sponsors and the accounting standards of public institutions (e.g. International Public Sector Accounting Standards IPSAS) have become more complex. ETH Zurich's platform for financial management therefore needs to be developed with a long-term perspective so that it is in a better position to meet current and future challenges. At the same time, these changes aim to further strengthen the current principle of integral and independent resource management and to combat complexity by relying on leaner standards. When it comes to modeling the new Resources and Finance platform, the basic values of ETH Zurich will play a guiding role, which includes the principle that ETH Zurich's finances should support academic development.

One roof – two rationales

Under the common umbrella of ETH Zurich, there are two rationales: its units focus either on teaching and research or on providing services. The model of the new Resources and Finance platform is intended to cover the requirements of both. For the **academic units** (professorships, institutes, and departments and their facilities), there will be a standard which emphasizes transparency and flexibility. For the **service units** (university administration and their departments, as well as the technology platforms), there will be a standard which provides more rigorous economic discipline (e.g. with respect to planning).

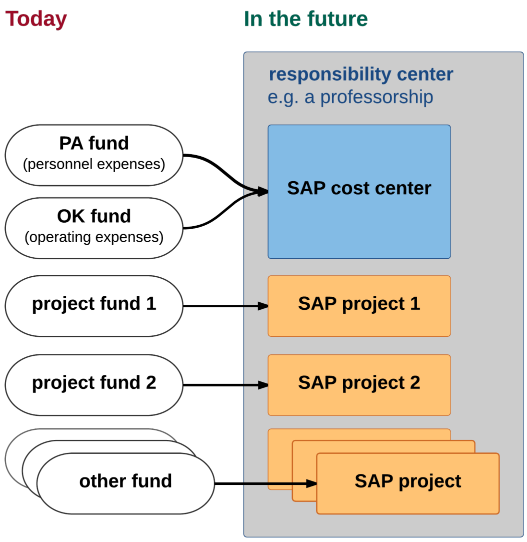


Five innovations of the new Resources and Finance platform

To begin with, the new Resources and Finance platform, planned for January 2018, will not be an entirely new concept, and users will continue to be able to access it via the ETHIS portal. Many of the tried and tested elements and mechanisms, e.g. the framework for identification numbers (Leitzahlen) and the levels of financial responsibility will remain. On the other hand, there will be changes aimed at making resource management more transparent and flexible. Modernizations in the form of technical changes in the SAP system will go hand in hand with the development of our governance approach. The following section explains the most important changes.

1 No more funds!

The current funds will be phased out and replaced by new SAP elements. The functions of the funds for personnel and operating expenses (PA and OK) funds will be transferred to a single **SAP cost center**, while all the other funds (third-party fund, pooled fund, reserve fund) will become **SAP projects**. SAP projects offer two advantages over funds. They can be broken down into sub-projects, and they make it easier to depict a project's financial structures, which may include multiple areas of responsibility (as in the case of cooperation projects). None of this was possible with the previous fund system.
Furthermore, the SAP cost centers and SAP projects can store information on budgets, current costs, budget managers, sponsors, etc.



2 Focus on planning figures

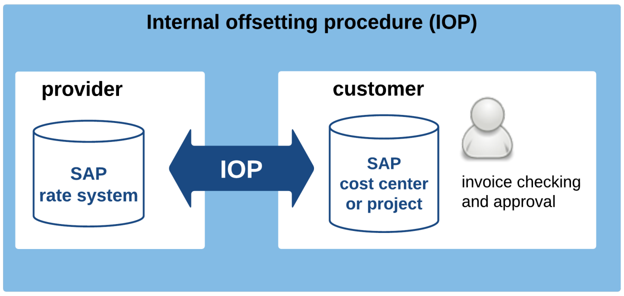
Each unit will be charged with **managing the projected and current costs of all projects** with a view to providing integrated support in planning and managing its resources. This will only be possible if all aspects of the budget, including third-party funds, are included. For every project (research, conference, etc.), the cost budget that has been agreed with the sponsor (e.g. the amount agreed in the project contract) will have to be entered. These amounts are entered centrally on the basis of the available documents. In the case of federal funds, the cost budgets are already being entered (the annual budgets for personnel and operating expenses are available in the system).
At the overall institute level, using a full budget approach will improve planning because the total of the budget forecasts can act as an indicator of liquidity requirements, which in turn will allow adjustments to be made at an early stage.
The focus on forecasts and current costs will further improve how tasks are currently assigned: A single unit (e.g. a professorship) will plan anticipated costs and assume responsibility for costs incurred; however, it will not have authority over the actual funds themselves (even though the budget is often referred to as "allocated funds"). This can be seen from the fact that a professorship does not have its own account but will instead use the internal "accounts" of ETH Zurich. The associated **liquidity management is the responsibility of Finances and Controlling** and is managed as a pool.

3 Imputed costs

In the future, each unit will obtain information not only about the costs which it can control itself (e.g. personnel costs, material expenses, and investments), but also about its imputed costs. These include workplace costs (e.g. cost of energy, space, maintenance), equipment depreciation, and shares of subsidies (e.g. for running an in-house technology platform, such as EPIC or FGCZ) – in other words, costs that can be allocated to a professorship, project or department but lie outside the budget manager's direct control. Recognizing imputed costs makes it possible, for example, to transparently quantify the overhead costs for research projects vis-à-vis sponsors. Within ETH, these costs are recognized for information purposes, not management purposes. Workplace costs will be distributed on the basis of a simple allocation key.

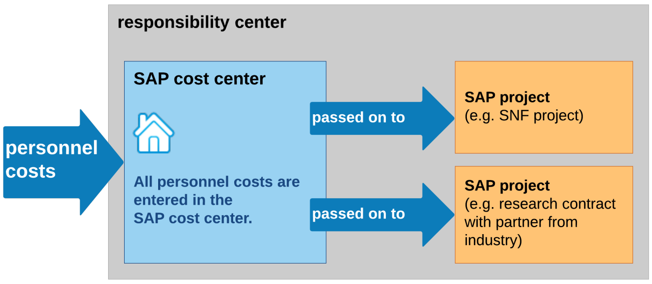
4 Consistent offsetting mechanisms

A **new process of offsetting payments internally** will help to simplify invoicing and booking procedures among the units of ETH Zurich since both processes will be performed in the same system. Further transfer bookings will be redundant.



The internal offsetting procedures will be used initially when issuing statements for technology platforms (e.g. EPIC) and may also be used for shop invoices. This, however, is possible only if providers deliver standardized services and use an SAP-compliant rate system.

New distribution mechanism for personnel costs. A unit's personnel costs will no longer be booked directly to individual funds, as in the past. Instead, they will be pooled temporarily in an SAP cost center (see point 1) and are then passed on to the relevant SAP projects. In the case of a professorship, for example, this means that personnel costs can be shown as a whole or divided into core personnel and project personnel, making it possible to allocate them to projects more effectively and eliminate rebookings.



5 Reserves for academic units

For departments, institutes, and professorships, the rules which apply to the formation of reserves will become more flexible across the board. For example, it will be possible to carry amounts in residual personnel budgets (currently "PA funds") forward to the following year. Year-end budget surpluses will flow into the reserve, which will also be used to close any deficits. Additional sources for funding the reserve include unused budget amounts from completed projects (unless these funds have to be returned to the sponsor), excess proceeds, or contributions towards overhead costs (e.g. from EU projects).

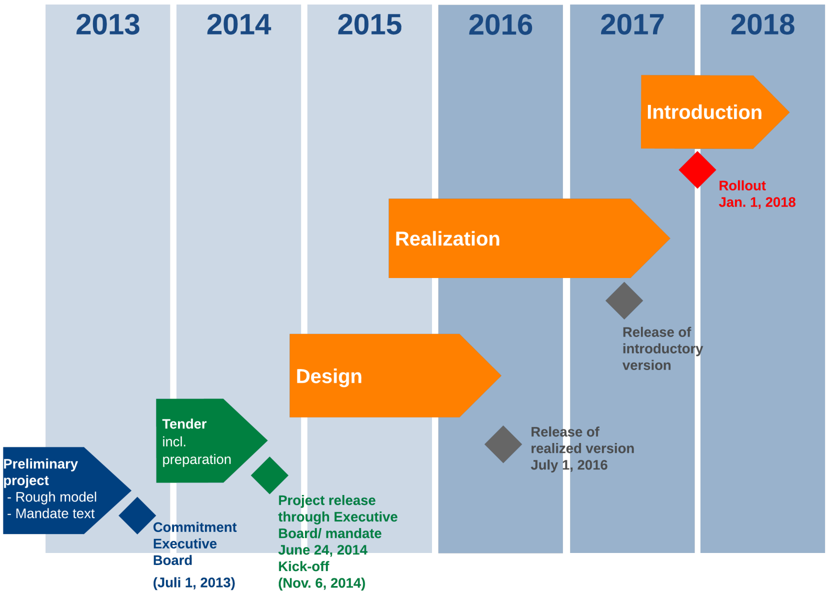
This additional flexibility is intended to facilitate daily business in general. In return, a more active approach to administering the reserve is expected (e.g. with respect to project financing or equipment procurement).

In addition, a reasonable set of bandwidths will be defined for all the reserves in a department, which will then also be accountable for administering them.

Project development

Following acceptance of the model by the Steering Committee (Robert Perich (chair), Lino Guzzella, Roman Boutellier*, Gianni Blatter, Stefan Wagner, André Meister (NOVO)) on December 9, 2015, the work of drafting the operational concepts for refining the model and harmonizing its conceptual and technical requirements is now underway.

The design phase (i.e. design of the model and its operational concepts) should be completed by June 2016, a little later than originally planned. On the other hand, the implementation phase (migration of the Oracle database to the new HANA database) began ahead of schedule. The chart on the right shows the current phases of the plan (status January 2016).



The current project has approximately **50 staff members**, of whom 90% are from ETH itself (Finances and Controlling, Human Resources, Office of Research, staff of the Vice President Human Resources and Infrastructure, departmental staff, IT services). They are supported by employees of NOVO Business Consultants AG.

Involvement of stakeholders from departments and professorships in the expert committees (committee for service units, committee for administration of professorships, department coordinators) has intensified, also in relation to the Stakeholder Sounding Board (Ruedi Aebersold, Frank Behner, Claudine Blaser, Drazenka Dragila-Salis, Gudela Grote, Reto Gutmann, Ludger Hovestadt, Stefan Karlen, Felicitas Pauss, Katarzyna Pawlikowska, Stefan Schnyder, Veronika Sieger, Lukas Vonesch, Peter Widmayer). Dialogue with the academic and service units is set to expand in the coming months in order to provide input for the concept (see below).

Key dates:

- February 12 until April 10: Migration of financial and personnel data from Oracle to HANA. No system updates will be possible during this time.

Information for and communication with the academic and service units:

- Beginning of February: Distribution of model description (30 pages) and a questionnaire to all department coordinators and selected heads of the service units. The questionnaire is designed to provide broad-based feedback and practical input on the "refine" model. The results will be shared with the participants, and the findings will form part of the discussions with the various units, specialists, and Change Management.
- February and March 2016: Individual meetings with the departments, professors, and service units.
- March 8, 2016: Information on the "refine" project for the Conference of the Heads of Department (DVK).
- End of April 2016: Next Steering Committee meeting.

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