

**ISC16D017**

**Title:** Telephony service funding options  
**Author:** Iain Reeman, Pete Andrews, Jack Gray, James Alborough  
**Date:** 3 November 2016  
**Circulation:** ISSC – 27 January 2017  
**Agenda:** ISC16A002  
**Version:** Final  
**Status:** Open

---

**Issue**

ISD is responsible for providing the telephony services used by the University. In doing so we aim to recover all the costs of that service via recharges for line rental and call costs. Over recent years a reduction in the number of outgoing calls has created a shortfall in income and the service is running at an increasing deficit. Currently the income from call charges is reducing at approximately £20k pa.

The deficit for 2015/16 was £92,344 and this year it is predicted to be approximately £72,200. Work has taken place with supplier contracts to reduce the costs of the service and this has resulted in the lower predicted deficit for this year. Further work to address the overall deficit needs to take place and the remaining area of focus is the income generated from service charges.

The current line rental and call charges have remained static since 2005 however over that time our service providers have changed the billing model, moving towards higher line rental charges and cheaper or free calls. For example, a standard BT business phone line with no added call minutes starts at £17.50 a month.

This paper outlines the options for changes to the funding model to achieve a sustainable service. Doing nothing is not considered to be a viable option.

**Recommendation**

The recipients are asked to consider the options provided and agree an approach.

**Resource Implications**

Resource implications are highlighted within each option

**Further Information**

Iain Reeman, extn 2926, email [i.reeman@uea.ac.uk](mailto:i.reeman@uea.ac.uk)

## Service costs

	2016-17*	2015-16	2014-15	2013-14
Staffing - telephonist	51,922	50,640	59,220	60,230
Staffing - support	123,356	116,592	109,888	101,217
Line Rental and call charges	23,546	62,820	64,516	74,752
Support and maintenance contracts	139,476	148,353	104,174	102,947
<b>Total cost of service</b>	<b>338,300</b>	<b>378,405</b>	<b>337,799</b>	<b>339,146</b>
<b>Income Achieved</b>	<b>-266,061</b>	<b>-286,061</b>	<b>-301,364</b>	<b>-322,085</b>
<b>Service (surplus)/deficit</b>	<b>72,239</b>	<b>92,344</b>	<b>36,435</b>	<b>17,061</b>

\*Note, the predicated costs and income for 2016-17 is based on expected or known charges and the current trend in income based on the previous three years.

### Option 1 – Increase line rental to cover shortfall

Details	<p>Increase the line rental cost from £4.25 per month to £6 per month to cover the deficit.</p> <p>The line rental cost would then increase annually using the University inflation figure of 2.33%.</p> <p>Recharges for telephone calls do not reflect the cost we pay from the supplier and under this option this will continue.</p>			
Pros	<ul style="list-style-type: none"> <li>- Easy to implement</li> <li>- Smaller increase in costs to school/units</li> <li>- Covers the deficit and provides a sustainable model</li> </ul>			
Cons	<ul style="list-style-type: none"> <li>- Increased costs introduce a small risk that school/units will review handset usage and reduce the number of handsets used. A significant reduction in the number of handset would impact on the cost model and a further increase in the line rental would then be required</li> <li>- This model is still dependant on income for call costs. Assuming these continue to drop this model would need to be reviewed annually.</li> <li>- Recharges for telephone calls may be considered to be high and users may use alternatives such as Skype, further reducing income</li> </ul>			
Expected projection		2016/17	2017/18	2018/19
	Line Rental	£6/pcm	£6.14/pcm	£6.28/pcm
	UK local	Recharged	Recharged	Recharged
	UK National	Recharged	Recharged	Recharged
	UK Mobile	Recharged	Recharged	Recharged
	International	Recharged	Recharged	Recharged
	University top slice	n/a	n/a	n/a

### Option 2 – Increase line rental significantly and provide free calls (Recommended)

Details	<p>Increase the line rental cost from £4.25 to £8.50 per month to cover the deficit and provide free UK local, national and mobile phone calls. International calls and premium numbers would still be recharged.</p> <p>The line rental cost would then increase annually using the University inflation figure of 2.33%.</p> <p>This will create winners and losers with some schools/units with high phone usage seeing an overall saving in costs. Telephone calls will reflect the cost we pay from the supplier.</p>			
Pros	<ul style="list-style-type: none"> <li>- Reduction in admin tasks for ISD and school/units</li> <li>- Free calls for school/units</li> <li>- Covers the deficit and provides a sustainable model</li> <li>- Recharges will reflect costs we incur from the supplier</li> </ul>			
Cons	<ul style="list-style-type: none"> <li>- Could lead to an increase in outgoing calls. A significant increase would impact on the cost model and a further increase in the line rental would be required.</li> <li>- Where this option has been implemented elsewhere it lead to the creation of a “fair use” policy. Usage will need to be monitored to highlight any abuse.</li> <li>- Increased costs are highly likely to drive school/units to review handset usage and reduce the number of handsets used. A significant reduction in the number of handset would impact on the cost model and a further increase in the line rental would be required.</li> </ul>			
Expected projection		2016/17	2017/18	2018/19
	Line Rental	£8.50/pcm	£8.70/pcm	£8.90/pcm
	UK local	Included	Included	Included
	UK National	Included	Included	Included
	UK Mobile	Included	Included	Included
	International	Recharged at cost	Recharged at cost	Recharged at cost
	University top slice	n/a	n/a	n/a

### Option 3 – Request additional University funding to cover shortfall

Details	<p>Request funding from the University to cover the deficit</p> <p>Recharges for telephone calls do not reflect the cost we pay from the supplier and under this option this will continue.</p>
Pros	<ul style="list-style-type: none"> <li>- Requires no change to processes or charges</li> <li>- Schools/units continue to receive a cheap service</li> </ul>
Cons	<ul style="list-style-type: none"> <li>- Without changes to the charging model the deficit will increase and the amount required would need to increase year on year. Based on the continued downwards trend of outgoing calls this increase is projected to be approximately £20k additional pa.</li> <li>- Recharges for telephone calls may be considered to be high and users may use alternatives such as Skype, further reducing income</li> </ul>

Expected projection		2016/17	2017/18	2018/19
	Line Rental	£4.25/pcm	£4.25/pcm	£4.25/pcm
	UK local	Recharged	Recharged	Recharged
	UK National	Recharged	Recharged	Recharged
	UK Mobile	Recharged	Recharged	Recharged
	International	Recharged	Recharged	Recharged
	University top slice	~£72,000	~£92,000	~£112,000

**Option 4 – A University top slice for the telephony service with no department recharges**

Details	Request an additional top slice to fund the Telephony service and remove all school/unit recharges. The additional top slice would be offset by the removal of telephony costs from departments and the intangible saving of staff time in processing recharges.  External units such as INTO and Students Union would still be recharged.			
Pros	<ul style="list-style-type: none"> <li>- Telephony becomes a standard service provided to staff within University buildings</li> <li>- Removes the need for internal recharges</li> <li>- Significant reduction in admin tasks for ISD and school/units</li> <li>- Provides a sustainable funding model</li> </ul>			
Cons	<ul style="list-style-type: none"> <li>- Could lead to increased demand for telephone handsets. We currently have 200 extension numbers available for expansion. Once these are allocated we would either need to move to six digit dialling for everyone or request the purchase of a replacement number range. ie. Replace “59” with a new prefix. Additional funding would be required for the purchase.</li> <li>- Could lead to an increase in outgoing calls. A significant increase would require a higher top slice. An increase in the number of international or premium calls would have a greater impact</li> <li>- Where this option has been implemented elsewhere it lead to the creation of a “fair use” policy. Usage will need to be monitored to highlight any abuse.</li> </ul>			
Expected projection		2016/17	2017/18	2018/19
	Line Rental	included	included	included
	UK local	included	included	included
	UK National	included	included	included
	UK Mobile	included	included	included
	International	included	included	included
University top slice	£338,300	£346,182	£354,248	