



Welcome readers!

We hope this finds you well and perhaps daring to look forward to the Christmas break, which may or may not include a party! This edition covers a mix of both the immediate and the strategic:

Up first we look ahead to the Finance Festival in March, which is completely free to all BUFDG member staff, and for which registration is now open. Then, Karel shares her version of an FD's 'worry list'. We hope that it's representative but, if there's anything she's missed, she'd like to hear from you.

Internal Audit might not be on your worry list, but perhaps it should be? Richard Young at UNIAC makes the case for seeing what could be viewed as 'extra work' by some as 'extra value' instead.

The fourth article is from Andrea and Ashley and covers Plastic Packaging Tax - which may not turn out to be more interesting than it sounds but could be more significant. Finally, there's been some great work across the sector on realising Social Value - a new tool helps institutions measure, monitor and report how it is added through your procurement contracts.

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BUFDG Finance Festival 2022

In March last year we welcomed 1,000 BUFDG members and sector supporters to the first ever online BUFDG annual conference. Spread over five days, it featured a dizzying mix of more than 60 plenaries, workshops, and breakout sessions (and even two social evenings) and, considering it was our first attempt, was well-received by attendees.

Although the feedback was generally very positive, there were enough themes that emerged for us to know what we could improve for next time. This has shaped the planning for our 2022 event, which we've called the 'BUFDG Finance Festival', and which opened for member bookings earlier this week.

*"...In a change from last year, the event is completely **FREE** to all BUFDG members, as part of their annual institutional subscription."*

The Festival borrows the best bits of the 2021 online Conference, but in a more streamlined package. It will be held again on the Hopin platform, over three days from Monday 14th to Wednesday 16th of March - so, a bit shorter and smaller than last year. The 2022 edition will feature a fantastic line-up of 40 challenging, informative, and entertaining sessions covering everything from Estates to the Economy, from Pensions to Procurement, and from Investment to Insurance. We don't expect anyone to be there for every session – it will be a case of 'build your own' conference where attendees can take part in the sessions of most value to them.

In a change from last year, the event is completely **FREE** to all BUFDG members, as part of their annual institutional subscription. Any member of staff at a member institution can book on using their BUFDG website

account, by following the [booking link on the festival website](#).

The picture has changed a bit for sector supporters too. We won't be offering any traditional sponsorship packages, and there will be no virtual exhibition. Instead, we have involved supporters at an earlier stage in helping to form the programme, and all supporters can buy delegate tickets on a competitive per-delegate rate of just £300 + VAT for all three days. Supporter registration will open on Monday 6th December.

While much of the programme is already in place, it is still a draft and sessions will continue to be finalised over the coming weeks. We're excited about the shape that it's taking, and we're confident that every senior finance person at every institution will be able to find something of benefit. If you have any questions or comments about the event, please do get in touch with Matt or Ashley

Matt Sisson (BUFDG)

What's on your 'worry list'?

Earlier in November, I was delighted to be invited by Carol Rudge, now at [H W Fisher](#) after a long career at [Grant Thornton](#), to talk to a group of chairs of audit committees of universities. Amongst the group were some newly-appointed governors, and some long-serving in the home strait of their appointment, but all with busy careers of their own. Carol assured me they were all keen to hear what was on an FD's worry list and this is what I gave them:

Augar – what will be in the HE white paper and when will it appear? How will universities cope if the £9,250 fee cap is reduced? Will there be variable fee caps for different course types? What if Student Number Controls are reintroduced or minimum entry requirements are brought in? On the face of it, this is an

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England only issue, but there are implications for other regions of the UK.

What are the **prospects for international students** and partnerships given UK reliance on this export income?

The nature of **teaching and learning is changing** very quickly – IT skills requirements, estates and capex requirements today are not what they were 5 years ago, so why wouldn't they be very different in 5 years' time? Our planning cycles devised in the 20th century (and maybe long before then) could be unwieldy in a fast-changing world.

The **mental health of staff and students** is uppermost in the minds of managers and leaders, but with a shortage of counsellors and mental health professionals, how do we make sure we are looking after our most precious assets?

Student and staff **recruitment and retention** in the face of competition from each other, and national skills shortages, could lead to wage inflation that the income cannot stand.

Pensions – not just USS – are increasingly expensive to provide but it is important that good employers provide good schemes that all colleagues can join. Exclusion from saving for retirement for whatever reason is nothing to be proud of.

We are seeing **increased regulation and additional administrative burden** at cost to a university – buying goods and services is not as straightforward as it used to be and employing people can be extremely complicated. I urged them all to ask “the Tax Question” of their Finance Directors...

Systems integrity and cyber security have come into sharp focus with some high-profile breaches of cyber defences. The warning is that they needn't be high-profile to be high-impact.

Universities were talking about climate change long before COP26 but along with the rest of the world, talking is mainly what they were

doing. Despite the disappointing agreements (to many campaigners), universities have made **environmental sustainability commitments** in all areas of business – seeing we keep to them is the next challenge.

“...it is important that good employers provide good pension schemes that all colleagues can join. Exclusion from saving for retirement for whatever reason is nothing to be proud of.”

No talk to chairs of audit committees would have been complete without mention of the **difficult audit market**. Whilst acknowledging the pressures on audit firms from their regulators, it is worrying to Finance Directors that invitations to tender for audit work often go unanswered. The inevitability of higher audit fees will show in future BUFDG audit surveys.

I ended the talk by thanking the audience for being governors. Such volunteers – the majority are unremunerated – perform a vital role in our organisations, giving their time and expertise generously. Recruiting and retaining governors is not always easy and as non-executives their role should not be to wave through and endorse all management decisions without challenge and scrutiny. Being a governor is a big commitment.

The Q&A session was lively and interesting, with some great questions and observations. One governor was surprised that I hadn't mentioned COVID as a discrete worry, which was a fair comment. Thinking about why I hadn't, I realised that whilst pandemics have always been on risk registers, only now do we know the real implications of managing such risks. Perhaps COVID is now part of business as usual thanks to the business game we have all been playing for over 20 months (so far). Do let me know if there's anything else I might have missed!

Karel Thomas (BUFDG)

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Internal audit – interesting times?

Have you stepped back recently and had a think about internal audit, what you and your audit committee want (and need) and what you are getting? If not, perhaps you should. Here's a few thoughts to set the scene:

- Those of you who have been in and around the sector for a few years will probably still recall HEFCE's Financial Memorandum and, within that, the Audit Code of Practice. Whilst initially adopted by the OfS (as part of the terms and conditions of funding for higher education) it expired on the 31st July 2019. That means, from a regulator perspective, the OfS doesn't require the receipt of an internal audit annual report or indeed the audit committee report either.
- The OfS brings a very different style of regulation from its predecessor. Although billed as 'light touch' it arguably requires heightened vigilance from governing bodies to be confident that the conditions of registration are met. HEFCE tended to promote good governance through adherence to defined outputs and processes. The OfS, taking a principle-based regulation stance, relies on a (sometimes nuanced and layered) suite of registration conditions.
- Media attention on the Government's white paper 'Restoring trust in audit and corporate governance' has tended to focus on its far-reaching implications for external audit and the large accountancy firms but, irrespective of sectors and definitions of public interest entities (PIEs), there are considerations around internal audit e.g., its role in the strengthening of the internal control framework for financial reporting and audit and assurance policies.

So, a few things to ponder:

- Have you considered the framework that internal audit sits within? The Financial Reporting Council's Corporate Governance Code, for example, promotes a considered, reflective, and tailored approach instead of more 'performative governance' routines which sufficed during the HEFCE era. Have you benchmarked your governance and audit committee arrangements against the current FRC governance code? Whilst FRC requirements will inevitably be superseded as the white paper progresses, they are likely to be closer than the established models to the government's intended destination.
- What are your internal auditors covering? Are the registration conditions a key driver for the programme?
- What's the balance between reviews concentrating on internal financial control and broader strategic (and non-financial) risk? More of the former may well be welcomed by the external audit community but, with a finite number of days available, who's going to give audit committee's assurance on everything else if internal audit is pointed elsewhere?
- Have you thought about an audit and assurance policy? It may well have similarities with assurance mapping exercises i.e., surely you need to start by articulating your risks (and opportunities), the mitigations in place, and how you gain assurance that they are working effectively? From that, you can decide where and what the internal audit function covers.

Richard Young, Director, UNIAC

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Plastic Packaging Tax – a bigger issue than you think

Plastic Packaging Tax (PPT) comes into effect from 1 April 2022. The tax will be levied at a charge of £200 per tonne on all plastic packaging that does not contain more than 30% recycled content.

At first glance it does not appear to impact on universities, but when we dig deeper there is a potential problem area.

PPT is payable by UK manufacturers of plastic packaging and by businesses that import plastic packaging as part of deliveries, subject to a 10 tonne rolling annual threshold. So, this is where universities could get caught – if you import more than 10 tonnes of plastic packaging per annum as part of your normal “day to day” imports, you could be liable to register for and pay the tax.

What does the tax apply to?

It applies to plastic products used to contain, protect, handle, present or deliver goods.

HMRC give the following **examples** in their guidance of what is within the scope of the tax. From these examples you can see that PPT applies to the whole range of plastic packaging:

- trays used to contain and protect food, such as a ready-meal tray
- film to protect goods, such as film around raw meat
- pots designed to handle and deliver products, for example yoghurt pots
- wrap used to group products together, like shrink wrap around canned goods
- labels used in the presentation of goods to describe the contents of a product
- crates designed to deliver fresh fruit or baked goods, which can be reusable
- plastic bags
- disposable cups, plates, and bowls

What counts towards this 10 tonne limit?

Where the university is consignee or importer of record – in other words it is responsible for paying any import VAT and duties due – then the plastic packaging element of the import counts towards the 10 tonne limit. Certain packaging that is not subject to the tax still counts towards the limit, such as packaging that contains 30% recycled product. Transport packaging is exempt from the tax and does not count towards the limit. To be clear, though, this exemption is quite limited – it just applies to the packaging added to **enable** transport such as pallet wrap to secure consignments of products to pallets.

“The best approach may be to start with an estimate of how much plastic waste you dispose of per annum – and you can then take appropriate action if it looks like you may approach or exceed the threshold.”

What next?

10 tonnes seems like a high threshold – but having liaised with some universities the level of waste disposal is far in excess of this limit. For example, a smaller university has over 200 tonnes of waste to dispose of per annum, whereas at the other end of the spectrum, a large research university has just under 3,000 tonnes of waste per annum.

How do universities establish if they are under or over the 10 tonne limit?

This is the \$64 million question, given that universities do not tend to have a central point that accepts deliveries. Andrea and Ash have been liaising with colleagues working in sustainability and procurement and unfortunately there does not appear to be a record of the plastic waste generated by a university, let alone the plastic packaging that relates to imports. The analysis that is required

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provides details of what has been recycled and what has been sent to landfill.

The good news is that you have time to determine if you are under or over the limit. Although the tax comes in with effect from 1 April 2022, it is likely to apply after that date, as there are special arrangements for the first year after PPT is introduced. Importers only need to register when the amount of imported plastic packaging exceeds 10 tonnes in a 12-month period starting **from** 1 April 2022.

The best approach may be to start with an estimate of how much plastic waste you dispose of per annum – and you can then take appropriate action if it looks like you may approach or exceed the threshold. If you have any questions or comments on this article, please contact [Andrea](#) or [Ash](#).

Andrea Marshall & Ashley Shelbrooke (BUFDG)

Measuring, monitoring, and reporting social value in your contracts

Whilst we may all aspire to do better, sometimes not knowing where to start, or how to measure or demonstrate progress, can get in the way. We are pleased to introduce, free for you to download and use locally, a new tool which will help you: **The HE Themes, Outcomes, and Measures (TOMs)**.

A national task force made up from the [Social Value Portal](#), HEPA, UKUPC and member institutions has been working collaboratively to identify a solution which enables organisations to procure, measure, manage and maximise social value in procurement activity in a consistent way and define the benefit in £'s.

The Background

Social Value is the wider benefit gained by a local community from the delivery of public contracts. For the HE TOMs, social value is separated into four key areas, the THEMES:

- Jobs: Promote local Skills and Employment
- Growth: Supporting Growth of Responsible Regional Business
- Social: Healthier Safer and More Resilient Communities
- Environment: Decarbonising and Safeguarding our world

These THEMES are then broken down into possible OUTCOMES, in effect the strategic objectives. A list of 11 outcomes is provided in the tool. One of the outcomes under the 'Jobs' theme for example, is "More local people in employment". Each of the outcomes is then further broken down into a MEASURE. The measure explains which element is to be considered: for example, under "More local people in employment" we would look at the "Percentage of local employees (FTE) on contract". Using nationally recognised and agreed values, a GBP value is then allocated to each measure to enable a calculation of social value to be made and reported.

"Practitioners will also need to understand... the local community – including the demographics, the infrastructure, the history and community features, economic and political aspects, local needs and priorities, and attitudes and values"

The brief and easy to use guidance is aimed at procurement professionals who are responsible for the inclusion of Social Value in their work. Before they start, it is important to have a

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good understanding of the organisation's Environmental, Social and Governance (ESG) strategies. Where does the work fit in? What are the goals detailed that the work could align to? Which departments in the organisation are responsible for which strategic goals?

Practitioners will also need to understand the product or service being bought, the market opportunities and challenges, the potential supplier base, and the local community – including the demographics, the infrastructure, the history and community features, economic and political aspects, local needs and priorities, and attitudes and values.

This is introductory guidance only; practitioners can [contact the Social Value Portal](#) or contact the sustainability lead in the regional consortium for advice on how to utilise the HE TOMs effectively. Both the HE TOMs and the guidance will however be periodically reviewed. If they are not meeting your needs, or you have any questions, please do contact the sustainability lead in your local consortium in the first instance.

Ashley Shelbrooke (BUFDG)