BUFDG CHAIR'S QUARTERLY
Vol 10: Mar 2022

Welcome readers!

After February's storms we hope this Quarterly hails the beginning of Spring. I'm pleased to report the golden daffodils have indeed emerged here in the land of Wordsworth.

This is the last Quarterly before the Finance Festival starts on 14 March, and we take the opportunity in our first article to talk you through the key plenaries. The event is FREE to all BUFDG members and booking is open until Wednesday 9th. In our second article, Karel asks whether your university needs a Chief ESG officer, as we all become increasingly familiar with global environmental and social challenge. It's a topic we will return to at the Annual Meeting in Bristol in May.

Next, Dr Ant Bagshaw (formerly Wonkhe, and now at OES) talks us through what the 'return to normal' might mean for our online education strategies, before ATFS' new recruit Carl Fleet explains the state of play in the world of payments, including open banking.

Finally, BUFDG's employment taxes specialist Julia explains what your universities will need to do in response to the NIC increases for the Health and Social Care Levy.

Sarah Randall-Paley - Director of Finance, Lancaster University and Chair, BUFDG

Get in touch...

Karel, Executive Director, BUFDG
karel@bufdg.ac.uk

Amanda, Head of Operations and Engagement
amanda@bufdg.ac.uk

Matt, Projects and Membership Manager
matt@bufdg.ac.uk

Andrea, Tax Specialist
andrea@bufdg.ac.uk

Julia, Employment Taxes Specialist
julia@bufdg.ac.uk

Rachel, Learning & Development Manager
rachel@bufdg.ac.uk

Ashley, HEPA Specialist
ashley@hepa.ac.uk

Dominic, Managing Director, PHES
dominic@phes.ac.uk

CLICK TO SUBSCRIBE

Finance Festival 2022 – Two weeks to go

The countdown is well and truly on for our **free** 2022 Finance Festival, which takes place across three days from 14-16 March. At the time of writing, we have nearly 1,200 colleagues from finance teams across the sector registered and will be looking forward to welcoming more before booking closes on the 9th.

The programme kicks off at 9.30am on Monday morning with a Plenary featuring Dr Diana Beech, CEO of London Higher. Diana was previously the head of Government affairs at the University of Warwick, has worked in government as a policy adviser to three Ministers of State for Universities, Science, Research and Innovation, and was also Director of Policy and Advocacy at the Higher Education Policy Institute (HEPI). She'll be using the opening talk to set the scene for the conference, outlining the current themes and challenges facing the HE sector, as well as its hopes and fears for the next twelve months. She will also give us her insight into the policy environment, and what it might mean for HE finance.

The Wednesday morning plenary features Dr Gavan Conlon, a Partner at London Economics and co-head of the Education and Labour Markets practice. He'll be looking at the economic challenges facing the sector, including the Government's recent response on the Augar review, the current high rates of inflation on the cost of the student support model, the effective resources available to higher education institutions, and the extent to which the Government might be constrained by economic circumstances.

The conference closes on Wednesday afternoon with Damian Hughes, Professor of Organisational Psychology and Change for Manchester Metropolitan University. He's an international speaker and best-selling author who combines his practical and academic background within sport, organisational development and change psychology, to help organisations and teams to create a high performing culture. Over the last two years Damian has been interviewing dozens of leaders in the world of sports, arts, and business, asking them about high-performance, and has distilled their lessons into five areas. In his session with us, Damian will share these key areas – Humility, Trademark Behaviours, Emotional Intelligence, Accountability, and Flexible Thinking – and explain how they can apply to all organisations.

In-between those are more than thirty other sessions covering a huge range of HE issues from pensions to procurement and tax to treasury. If you or your team haven't signed up to the festival yet, please make sure you do before the closing date. Remember, it's completely free to all BUFDG members! Sector supporters can sign up too – just drop Matt an email and he'll send you the relevant booking link.

Matt Sisson, Projects and Membership Manager, BUFDG

Windbaggery or real commitment to change?

National Grid statistics show that 27.5% of UK power was generated by the wind in January. February's figure is looking more like 40%. Warnings to stay inside and to tie down anything that might take flight are more frequent than they used to be, or it seems that way. Is that because no weather forecaster wants to be "a Michael Fish", or because climate change has led to more extreme weather events? I tend to think the latter is more likely.

Organisations and people who until recently haven't given a second thought to the environment, climate, and the malign influence of over-consumption are waking up to the Earth's mortality. Banks and investment managers who used to employ a few people in property teams now produce convincing ESG investor presentations like this one from Lloyds Bank. But fine words and good intentions only take us so far. There is still a long way to go to understand how the economy, as currently configured, can transition quickly enough to save the world. Universities, through their investment decisions have a role to play, which is why we are inviting colleagues from a range of organisations to speak at regional meetings and Time to Talk webinars.

"...it's time for BUFDG members and those who advise them to turn up the sustainably-generated heat on financial plans"

Investment decisions are of course not just about deciding where to put surplus funds but also about local capital investment decisions. Directors of Estates and Heads of Sustainability must now be delighted to be in the spotlight as they are crucial in helping organisations achieve Carbon Net Zero targets. Members of our sister organisation, AUDE, seem to have been talking about this for much longer than finance directors, working with companies like Buro Happold. BH have been helping several universities including the University of Leeds who have a Climate Plan that includes putting "£150 million towards achieving our goal of net zero greenhouse gas emissions by 2030". Leeds is one of the 15 universities set to benefit from the Queen's Platinum Jubilee Challenge which is "asking leading UK universities and further education colleges to work together to help their sector reduce carbon emissions to net zero." The EAUC will be "leading on developing a sector wide emissions framework" with funding from The Royal Anniversary Trust and the Department for Education.

Whether you need a Chief ESG Officer, or feel that you and your senior team are already committed enough to lead your organisation's decarbonisation efforts, it's time for BUFDG members and those who advise them to turn up the sustainably-generated heat on financial plans. If we are ever to meet the ambitious Carbon Net Zero targets so many have set themselves, there is no time to waste.

Karel Thomas, Executive Director, BUFDG

Online education strategies and the 'return to normal'

My colleague Andrea Burrows and I recently wrote for Wonkhe about a few key questions facing universities when it comes to online education strategies. The article was based on conversations that we've had with institutions that are exploring where to go next. In most cases they've asked how to build on the transitional arrangements made during the pandemic. Here we extend those points and relate them to the financial aspects of online.

There is clearly an urgency about delivering education as students' expect it, and for many that includes a large proportion of in-person delivery. Looking further ahead though, we are confident that the future will include more fully-online degrees as well as greater integration of elements of online delivery into on-campus learning experiences (whether you call that hybrid, flexible, bended or digitally-enhanced).

This doesn't mean that an online degree portfolio will cannibalise existing provision. Our experience is that the online offer serves new markets, those students who for work or personal reasons can't – or don't want to – attend in person. Providing degrees which enable students to develop in their professions, or to enter new roles, is the core of the online market: the flexibility of the delivery mode means that it works around students' busy lives.

What are the benefits of an online portfolio?

Many institutions are expanding into online to diversify their revenue streams. Serving new domestic and international markets with scalable provision is cost effective and can generate significant surpluses for reinvestment into research, capital or new ventures. High-quality materials developed for online delivery can also be used to enrich on-campus learning and provide flexible options for all students. Being able to offer a hybrid education should also be an attractive proposition which attracts more students across the range of delivery modes.

And what are the costs?

While new buildings aren't needed, and maybe not new technology investments, HEIs will need to invest to build high quality online learning experiences. Some have argued that online learning has been used as a cost-cutting measure: we see the importance of a significant upfront and ongoing investment to ensure a great quality education and student experience. Online education should be delivered efficiently, not cheaply.

"Choosing not to pursue any online education may leave your institution exposed where others which offer students' quality, flexibility and value win out."

Marketing and recruitment will also need major investment to generate the volume of students which make online courses work at scale. There are also opportunity costs of this investment given myriad calls on limited resources. That's where working with partners can be particularly useful. For our OPM partners we bring both additional capabilities like market insights and pedagogies for online education, and co-investment in a new offer.

What's the best model for your institution?

Inevitably, the best model depends on the context. HEIs should explore the ability of existing resources to deliver an online or hybrid offer - from the design and development of courses, to the technologies, and to their ability to recruit the numbers to sustain the portfolio. Universities should also look at online in terms of appetite for risk (reputational as well as financial) and capacity for investment. Working with partners on a fee-for-service basis can give the greatest control or, alternatively, institutions can look to work in partnership where an organisation shares values and has aligned incentives for mutual success.

The online degree market is a highly competitive space, as are the sub-degree and micro-credential segments. Choosing not to pursue any online education may leave your institution exposed where others which offer students' quality, flexibility and value win out. No one size can fit all, but it's worth asking some questions to work out what the right option is.

Dr Ant Bagshaw, Partnerships Director, OES

Keeping on top of payments developments

With Tim Wilding retiring at the end of March, I joined ATFS at the beginning of December 2021 from Elavon. Over the past few months I've met many of Tim's University clients, and these discussions have thrown up some common issues:

Strong Customer Authentication (SCA)

SCA ensures the authenticity of a customer by using multi-factor authentication (MFA) to confirm that a customer is genuine - two separate elements are required to check a user's identity. SCA was due to come into force in the UK on 14 September 2021, but the Financial Conduct Authority (FCA) announced a further 6-month extension to the 14th March in recognition of the exceptional circumstances of the Covid crisis. From June 2021, card schemes began their implementation of SCA and e-Commerce transactions will increasingly now be checked for 3D Secure compliance (form of payment authentication). You'll need to check with your CIOs that 3D Secure v2 has been enabled to ensure no disruption to payment processing as the ramp-up begins.

PCI DSS 4.0

PCI 4.0 is the latest version of the PCI DSS standard that will be released in Q1 2022. Once it is out, our recommendation is to add it into your PCI planning straight away – the expectation is that you will have 18 months after release to implement. Using version 4.0 for PCI planning on release will help highlight any gaps or assist moving priorities from projects that may need less work to complete.

"Open Banking ...is picking up momentum and beginning to emerge as a genuine competitor to the traditional banking we all know and (most of us) still use."

We understand that version 4.0 will re-write details within the standard to suit the constant changes in the complex payment world, with a particular focus on promoting payment security as a continuous process, not just an annual event. This is something that the PCI DSS standard has always tried to encourage, but the emphasis on making payment security part of a "business as usual" process will be extended in the latest update.

Open Banking – The Future of Financial Services?

Open Banking has been 'the future of financial services' for the last couple of years but it is picking up momentum and beginning to emerge as a genuine competitor to the traditional banking we all know and (most of us) still use. Open banking payments allow customers/students to pay for goods and services directly from an account rather than through a credit or debit card, but also brings the added benefits (and risks) of allowing third-party service providers (and their snazzy applications) access to banking data. At the end of 2021, the open banking ecosystem had 337 regulated providers, 245 third party providers and 92 account providers, with a 60% increase in users on the prior year. You may well already have a provider in place that can help the university keep up with developments. Technology changes include new payment terminals that should come to market soon with the ability to take account to account payments, helping decrease processing costs.

You'll find our contact details on the [ATFS Support Directory page]() on the BUFDG website, as well as topical monthly bulletins covering all the subjects mentioned above.

Carl Fleet, Director - Financial Services, ATFS

2022/23 NIC Increases for the Health & Social Care Levy

After much deliberation of 'will they; won't they' it seems that Rishi and Boris have confirmed the date in articles for the Sunday Times recently. The 1.25% NIC increase, the precursor to the official Health & Social Care Levy from April 2023, will (at the time of writing!) go ahead from 6 April 2022 to provide critical funding to the NHS.

The NIC increase is applicable to earnings for employees, employers and the self-employed, and also to benefits in kind via P11Ds or a

PAYE Settlement Agreement (PSA). For those of you have a PSA, whereby you agree to meet the tax/NIC for certain benefits on behalf of your employees such as staff entertaining and gifts, this is already an expensive route.

To put some context around this increase, based on HESA analysis of staff costs in 2019/20, total salaries and wages in the HE sector was circa £17b. The Health & Social Care Levy of an extra 1.25% would cost universities (not employees) £216m on top of existing NIC duties.

"With the added recruitment difficulties currently facing the sector, it has never been a better time to reflect on how you support and retain your employees during the tough periods."

The Government remains under pressure to scrap the NIC increase because of its impact on the cost of living. The Treasury Committee highlighted the perfect storm of tax/NIC increases, wage stagnation, removing the £20 uplift to the Universal Credit and inflation. Inflation, currently at 5.4% but forecasted to hit 7%, is being driven, as we all know, by spiralling energy costs (increasing up to 54%) and food costs (up 4.2%). With the NIC increase costing an average of £430 per worker, this perfect storm whilst affecting all employees, will hit those being paid at the lowest end of the pay scales the hardest.

What can universities do? Obviously, there will be re-forecasting of budgets to assess the financial impact to the university but the impact to your employees' personal finances will cause increased stress and anxiety. Wellbeing policies should be bought to the forefront to support your employees in this time, particularly any welfare counselling schemes, usually referred to as an Employee Assistance Programme (EAP). The EAP allows employers to provide counselling services to its employees without incurring a taxable benefit charge.

But what else? There are many ways to provide small and tax-exempt benefits that may help to support employees without creating additional tax/NIC burdens on either the employees or universities providing that support. BUFDG will be working with HR members to understand the types of wellbeing benefits that are, or being thought about, being offered to create a simple reference chart setting out the tax implications of those benefits.

Regardless of whether the NIC increase is scrapped at the last minute, the Health & Social Care Levy will go ahead from April 2023. Whilst the cost of living may have stabilised at that point, the levy will still financially impact many of your employees. With the added recruitment difficulties currently facing the sector, it has never been a better time to reflect on how you support and retain your employees during the tough periods.

Julia Ascott, Employment Taxes Specialist, BUFDG