BUFDG CHAIR'S QUARTERLY
Vol 13: Dec 2022

Dear colleagues,

Winter has definitely arrived, and while we can look forward to a break over Christmas and the chance to spend more time with family and that tub of Quality Streets that the Tesco driver has just dropped on the mat (other confectionary and supermarkets are available), many of our staff and students will be looking ahead to the season with some trepidation.

One of their concerns might be energy supply (and how to pay for it), and it is something that continues to worry universities too. We have a power market update from colleagues at TEC below and, to summarise, we are still in uncertain times at best. Beyond that, I'm pleased that universities do recognise the pressure many staff and students are under, and Julia's article outlines many of the steps our institutions have taken to assist them.

Elsewhere we have a handy checklist on implications for the sector of the Chancellor's Autumn statement, an update from Jisc on the progress of negotiations on Open Access publishing agreements, and an update on the new website and four new modules for our ever-expanding suite of e-learning.

First though, I share some of the challenges in advocating for such a varied sector.

Erica Conway, Finance Director, University of Birmingham 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

Gill, Events Manager
gill@bufdg.ac.uk

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

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

Joni, Project Manager
joni@bufdg.ac.uk

Ashley, HEPA Specialist
ashley@hepa.ac.uk

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

CLICK TO SUBSCRIBE

Engaging, explaining, advocating, for a varied sector

As part of our BUFDG roles, Karel and I meet a wide range of groups who have interests in the sector. This includes the Department for Education, bankers, OfS, journalists, and the various mission groups, to name a few. We also seek to engage with as many BUFDG members as we can through the regional meetings; conferences; time to talk sessions; discussion boards and visits.

As representatives of the sector, Karel and I are asked to answer questions about what the sector is facing; doing; needing or wanting, in some form. I appreciate that we may be better equipped than some to respond to this, but it is far from simple. This sector is very varied and far from homogenous; in part that is why I love working in it. However, it does make answering questions on behalf of the whole membership nigh on impossible.

"The most common thing we have been asked about recently is energy costs; that again depends on how you deliver, what you deliver, and where you are based."

We are all involved in the provision of teaching to a population of students here in the UK; although the type of courses we offer, the type of students we support, and the way we teach can be very different. There are multiple regulators depending on where we are based. Many of us are also dealing with the Charity Commission and/or Company Law. Some providers stand alone, some are part of very large groups.

An hour spent looking at HESA data from 2020/21 gives me plenty of evidence to support this. Some of us deliver only teaching, with no research or other ancillary income of substance. These are in very specialist areas for example acupuncture, jewellery, or ecumenical colleges with fewer than 100 students. Smaller providers with a mix of teaching and research maybe at a scale such that more income is from teaching; these include York St John, London Business School and the University of Salford. We have Oxford and Cambridge, whose research dwarfs that of most of the rest of us, and the Open University with student numbers that far exceed anyone else at over 150,000 in 2020/21. There are many who have diverse income streams, including those in the Russell Group.

Reliance on tuition fees and teaching related grants may be the simplest funding model; but it is probably the most precarious in an ever-changing governmental environment with a looming recession. Diversification, according to the business textbooks, is key to longer term survival; but it's not an option for all and can lead to precarious complexity. Whether an organisation is using loans to support its operations intrigues our contacts and inquisitors. This depends on what other funding is available, and on the organisation's corporate structure as much as its strategy. Even those organisations with similar set ups and activity can have widely different borrowing levels as a proportion of income - I found one at 7% and another at over 200%.

The most common thing we have been asked about recently is energy costs; that again depends on how you deliver, what you deliver, and where you are based. Premises costs as a proportion of income vary from less than 1% to around 40%. If you operate from an efficient site that you own, you are likely to have fewer issues than somewhere with a mixed range of occupation, ownership, efficiency and scale, like that of my own university.

Staff costs are a concern for us all, but whether that is the cost of those we have, not having enough of them or something else will vary across the sector. Staff cost as a proportion of income can be as low as 4% and some are even at 80%.

CLICK TO SUBSCRIBE

What can I conclude from all of this? The first is that the answer to "what is most concerning Finance folk?" is that it depends on which organisation they work for. The second is that any attempt to reply on a homogenous basis fails to recognise the variety of what our organisations offer and how we do it. The last is that all universities are facing challenges this winter and it is up to Finance to help colleagues understand what we need to do to respond. I encourage you to get involved with BUFDG and its range of resources to help you be the best Finance professional you can be.

Erica Conway, Chair, BUFDG

New website and new e-learning

Hopefully you've noticed by now that we launched our new website in November. As a project that was interrupted by the pandemic it has been a long time coming, but we are very pleased with it now it's here. However, that's not really the point – we designed it to be easier for you to find all the great resources that BUFDG provides for you: to connect with other members on the discussion boards; to find great events to book onto; to watch a recording from our archive of useful webinars; to find the latest tax, procurement, international or financial reporting resources (plus more subject areas in the Knowledge Hub) and the latest news (which you can filter to your own interests); to find the best development opportunities for you under the Learning and Development menu; to connect with different BUFDG groups; and to learn how to get involved in BUFDG's work.

We'd love to know whether or not we have achieved our aims of making the website easier to read, making it easier to find what you are looking for and to discover other resources that you didn't even know existed. Please contact Amanda with your comments or feedback (good or bad, though we appreciate it if any criticism is constructive!).

Some highlights of the new resources on the new website include: a new Knowledge Hub section for Sustainability and ESG along with an accompanying discussion board; a series of four short videos on Subsidiary Companies; and two summary tables to help explain some of the differences between H E pension schemes.

But if all of that makes your head spin, and you need some guidance on the changes to the website, have a look at our new website guide or drop us an email – we'll be happy to help.

It's a busy launch time, and as well as the new website, there are four new e-learning courses for you that should be live before the end of the year:

- *Import Principles for H E Finance* (LIVE 2 DEC): This covers the basic rules and considerations for the import of goods into the UK whether those goods are purchased, loaned, donated or sent free of charge. It is designed for anyone in central tax or finance teams who deal with import formalities.
- *Import Principles for H E Procurement and School/Departmental Staff* (LIVE 2 DEC): Similar to the course for finance staff, but slightly less detailed, this is designed for anyone in central procurement teams, who deals with imports and obtaining goods from overseas. It may also be useful to finance or administrative staff in academic schools/departments, who deal with paperwork and declarations for imports and obtaining goods from overseas.
- *Commercialisation and Intellectual Property* (GOING LIVE 12 DEC): This course introduces commercialisation and how intellectual property is central to this activity. The course explores ways that universities can use commercialisation.

- *Introduction to Tax on Research* (COMING VERY SOON): Aimed at both central finance/tax staff and academic staff involved in costing, budgeting or managing research projects and covering VAT and corporation tax, this course will help you to decide on the tax treatment for research project income and expenditure.

Amanda Darley, Head of Operations and Engagement, BUFDG

Jisc update on Open Access agreements

Jisc

UK universities are negotiating with Springer Nature to secure a transitional open access agreement that will meet the sector's agreed requirements. Jisc, alongside representatives from the sector, form the negotiation team.

The sector is seeking a read and publish agreement covering the full portfolio of journals including Nature Research and Palgrave journals, as well as an opt-in discount 'framework' for Springer Nature's fully open access journals.

The latest proposal, received last week, has provided significant improvements but there remain areas of concern, particularly around the sector requirement to reduce and constrain costs.

We will consult with your institution in early December on the acceptability of this proposal. As ever, a decision to reject this proposal will be taken by the sector. A strong unified rejection of the proposal would enable the negotiation team to return to negotiations with a clear message to Springer Nature.

While negotiations are ongoing past the end of the current contract term (31st December 2022), grace access to Springer Nature content has been agreed.

Adobe

This summer the two previous Jisc Adobe ETLA Agreements (institutional and student), were merged and effectively extended to cover academic year 22/23. In parallel, a formal letter of complaint was sent to Shantanu Narayen, CEO and Chairman of Adobe, signed by UUK, UCISA, AoC, GuildHE and Jisc. The main points of complaint being the length of time negotiations had dragged on for and Adobe's lack of willingness to consider meaningful changes to their licensing. This drew an almost immediate response and prompted initial conversations at a very high level within Adobe on the possible shape of a new agreement before we had concluded the details of the 22/23 extension.

As is common with Adobe, their new financial year has meant a restructure with Education now becoming a separate reporting line, having been split out from Public Sector. The new global head of education and global head of education sales are known to us, through previous negotiations.

"The sector is seeking a read and publish agreement covering the full portfolio of journals including Nature Research and Palgrave journals"

The global head of education sales will be in the UK in December and we are expecting to meet (train strikes willing) with her and our UCISA colleagues for a brainstorming session to discuss what a new agreement will look like.

Microsoft

The Jisc Microsoft EES Agreement is due for renewal in December 2023. We have started gathering requirements early from the HE and FE community, in a series of meetings. Once these are completed, the main requirements will be presented back to the community for further comment.

In the meantime, the Jisc negotiating team are holding regular meetings with our new counterparts at Microsoft, before the start of negotiations in earnest next April.

Caren Milloy, Director of Licensing, Jisc

TEC Power Market update

There have been several reasons for recent falls in UK Power and Gas prices, and there is a more comfortable supply situation, yet prices remain markedly higher than historic levels. Overall, there has been a successful 'storage injection season', filling 95% of available capacity.

Demand destruction caused by high prices has occurred in the industrial sector across Europe. In addition, there has been reduced demand due to mild weather in Q4 in the UK and Europe. Gas supplies have also been good, despite dramatic reductions in pipeline flows from Russia, due to both high production levels in the North Sea, and high supplies of seaborne LNG. The latter point has been driven by a downturn in economic activity in China and gas that was intended for, and contracted to, Chinese buyers has instead been directed to Europe, attracted by high prices. Together, these factors mean that prices have fallen dramatically from those reported during Q3 '22, not just in the prompt, but for forward delivery in the winter too. Gas for delivery in December for example has now fallen to 275ppt from 880ppt at its peak, while Q1 '23 is now valued around 325ppt, down from nearly 900ppt where it traded in late August.

However, we are now shifting from the storage injection period to the point where we would normally expect to use that gas, and risk of interruptions remain for this, and upcoming, winters. Demand can pick up in China, either because of the weather (winter in China of course coincides with Europe and gas is also used for space heating) or the economy. If this happens, then the additional gas that has been available to the global market could reduce. In addition, French nuclear capacity and generation continues to disappoint, falling short of forecast returns from long-term maintenance. If nuclear generation remains low during the winter, gas-fired generation will have to fill some of the gap, and demand for gas could be greater than expected.

While gas-in-store is at healthy levels in historic terms, severe damage to the Nord Stream pipelines rules them out as a route for Russian gas, regardless of political developments. So, we still expect to have to survive the winter without meaningful volumes of Russian piped gas (which could also reduce further through the last remaining routes). We will also have to replace anything we use in advance of next winter, possibly also without Russian piped gas. As such prices along the forward curve remain substantially elevated for some time to come, not falling back to the current level of price support for example, until the summer of 2025.

"the structure of the TEC portfolio means we do not expect TEC members to be significantly impacted, with the only likely interruption coming from a local gas emergency"

Based on forecasted UK North Sea gas production, imports from Norway, and LNG terminal imports, the market is not pricing in a high likelihood of a physical shortage in UK supply, yet unplanned outages on large infrastructure cannot be ruled out. Most commonly, shippers provide the necessary gas to protect the network through Margin Notices and Gas Balancing Notifications [Margins Notices (MN) and Gas Balancing Notifications (GBN) | National Grid Gas], and TEC Members could be asked to help if you sign up to GBNs. In terms of likelihood however, the structure of the TEC portfolio means we do not expect TEC members to be significantly impacted, with the only likely interruption coming from a local gas emergency i.e. a leak. The last GBN was issued in March 2018 caused by 'The Beast from the East', prior to that there were none from its inception in 2012. A final reminder though - the message to TEC members remains the same - anything you can do to reduce gas consumption will benefit you.

Adam Clarke, Managing Director, TEC

How universities are supporting staff in financial difficulty

Home finances are having to stretch further and further for everyone in the UK, with cost-of-living increases and stagnant or below-inflation increases in wages. Universities in the UK have shared with us how they are supporting their employees during this worrying period and we have provided some of these ideas below.

Cash

The availability of small hardship loans can help to dissuade employees from using high interest loans, maxing out their (high APR) credit card limits or helping to consolidate existing debt into more manageable repayments. Employment related loans are an attractive alternative as they can offer up to £10,000 with either zero or low interest, payable over an agreed period.

As long as the combined value of an employee's outstanding loans (from their employer) does not exceed £10,000, there will not be a taxable benefit in kind charge on the employee, nor Class 1A NIC for the employer.

A word of warning, employees will eventually have to repay the loan and if they leave employment before this has been repaid in full, the university will need to have appropriate paperwork allowing for repayment. It should also be noted that writing off a loan will be taxable in the same way as earnings.

Salary advances are also available at many universities, which is a better alternative than a payday loan, but still requires the employee to be able to afford bills in the following month. Salary advances (as with payday loans) can cause a perpetual cycle of increasing reliance on financial assistance unless there is a clear 'one off' aspect to the reasoning behind the initial advance.

"The availability of small hardship loans can help to dissuade employees from using high interest loans, or maxing out their (high APR) credit card limits"

Finally, many universities have given a cost-of-living one-off bonus to employees, either across the board or to those below a certain pay grade, potentially apportioned over a 3-6 month period to minimise any negative impact on the employees' universal credits.

Gifts/vouchers

Instead of cash, some universities have given shopping vouchers to employees. This typically has no impact on claimants of universal credits, but there is a tax charge that either the employer or employee will need to pay. Whilst there is an exemption of £50 for a gift from an employer to an employee, it only applies where the gift is not given in recognition of work carried out on behalf of an employer. HMRC will therefore allow a birthday or Christmas gift but will insist that a "thank you for working hard" is taxable in full.

A £50 voucher as a Christmas gift would fall within the conditions of the tax exemption, but beware of setting a future expectation from staff with a Christmas gift if you are not planning to repeat it. Anything either not meeting the conditions or in excess of £50 would be taxable. Most employers will choose to pay the tax and NIC on behalf of their employees on a PAYE Settlement Agreement but this is an expensive choice. For example, if 100 basic rate employees were each given a £100 voucher, it would cost the university not only £10,000 in vouchers, but another £4,225 in tax and NIC. It is important when considering this option to appropriately budget for the additional taxes.

Parking

Where employees pay for university on-site parking, universities are offering either reduced or zero car parking fees for lower paid staff. The provision of car parking at/near the employee's workplace is a tax-free benefit.

Employee discount schemes

Universities are signing up for employee discount programs. Most of these programs offer discounted products and services to employees, with a fee to the employer for setting up any online or app facilities, plus annual fees. Take care when implementing a 'paid for' discounted scheme as HMRC may consider it to be a taxable benefit in kind, chargeable to tax on your employees via their form P11D. Some employers have gained agreement from HMRC that as the cost per head is less than £50 per year, it can be free from tax in the same way as the vouchers above. Do not assume this will apply in your circumstances; if in doubt, contact HMRC.

Alternatively, [Discounts for Teachers]is a free service that any individual can sign up for if they work in a school, pre-school/nursery, university or any other education organisation.

Wellbeing

Most universities already offer welfare counselling (often through Employee Assistance Programmes) which are typically tax/NIC free, where employers provide counselling facilities to their employees.

However, financial, tax, legal and other types of advice are not included within the exemption and would be treated as a taxable benefit in kind.

Other wellbeing benefits that universities might wish to consider include:

- a maximum of one health screening assessment and one medical check-up in any year. Most universities already provide free eye tests;
- up to £500 of medical treatment for employees without being a taxable benefit in kind if: employees have been absent from work for at least 28 days as a result of injury or ill-health; and the treatment is recommended to assist the employee returning to work. This may be particularly beneficial for long-covid sufferers wanting to return to work.

Food

Finally, possibly the most popular option amongst all universities is offering free breakfasts to all staff on campus. This should, typically, be free from tax/NIC if all employees at that site have the opportunity to have a free or subsidised meal.

Conclusion

It is clear that university staff are trying to think of kind, creative and compassionate ways to support their friends and colleagues. People appreciate and never forget that helping hand, especially when times are tough. There are many other ideas that have been implemented across the H E sector and we recommend sharing these on the BUFDG discussion pages.

Julia Ascott, Employment Taxes Specialist, BUFDG

CLICK TO SUBSCRIBE

Autumn Statement 2022 checklist

Whilst it didn't seem as jaw dropping as the mini-budget just weeks ago (thankfully! – ed), there were numerous updates and tax changes announced that impact on higher education, including:

- Additional tax rate threshold reduction
- Increased NMW/NLW rates
- Means tested cost of living payments
- Increase in electric company car benefit-in-kind rates
- Vehicle Excise Duty for electric vehicles
- Tariff suspensions
- Changes to Research & Development Expenditure Credit
- Business rate changes
- Review of the Energy Bill Relief Scheme
- Climate Change Levy increase
- No online sales tax
- Review retained EU law
- Increased funding for UK's nine Catapults
- Alternative to investment zones could centre on universities in 'left behind' areas
- New mayoral regions
- Additional compliance resource for HMRC
- New government adviser on skills reforms

Andrea and Julia have worked hard to summarise everything in this article on the website, so if anything in the above list tickles your fancy, do take a look.

Andrea Marshall, Tax Specialist, BUFDG