

WELCOME READERS!

Welcome to the first ever edition of BUFDG's quarterly bulletin, for those working in or with the Higher Education sector. Over the coming months we'll share with you concise and insightful news and comment on finance and funding in Universities and the work of BUFDG. We hope we'll be able to alert readers to new developments, improve understanding of key issues, and contribute to a more efficient and effective sector.



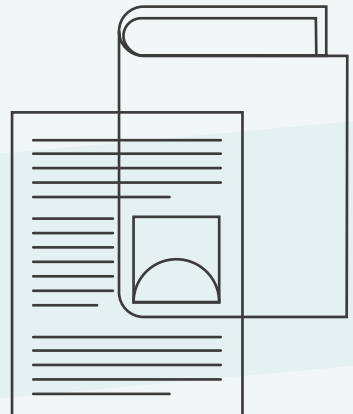
This edition covers BUFDG's new guide to university finance, the impact of pension scheme changes on university financial statements, news of a couple of new services from BUFDG, and an introduction to the work of Professional HE Services for those who aren't familiar.

Thanks for reading. If you have any feedback or comments on this first issue, please don't hesitate to get in touch with Karel and BUFDG team.

Kind regards,

Sarah Randall-Paley

Director of Finance | *Chair*
Lancaster University | **BUFDG**



A new guide to University Finance

Universities are complex and unique organisations. They teach students of all ages, in almost every subject you can think of, on green campuses, in bustling cities, and at a distance, to learners in their own homes. They expand human knowledge by undertaking research in a mind-boggling range of areas. They are key anchors in their local communities, and regional hubs of economic activity. They are major employers, magnets for national and international collaboration, and an important pillar of civil society. No other kind of organisation comes close to the variety and scale of universities' educational, entrepreneurial, charitable, and social activity.

Having a unique place in the world requires an unusual business model, that facilitates such a wide range of operations. It also requires a unique way of accounting for how universities generate and spend their income and create value for all their stakeholders. It is a topic that is little- or often mis-understood beyond the walls of university committee meeting rooms.

Over the years BUFDG has worked to improve understanding of university business models and financial accounting. This month we've launched an accessible new guide, *Understanding*

University Finance, to be a useful companion for the broad church of university stakeholders and brave Annual Report explorers.

The guide builds on the 2011 publication *An Insider's Guide to Finance and Accounting in Higher Education* that was published jointly by number of sector bodies including BUFDG. We'll also keep updating the new *Understanding University Finance*, notably to reflect updates to the terminology used in next year's financial statements onwards, and in response to feedback.

We're also pleased to share that a separate guide to *Accounting for Pensions in Higher Education Institutions* is in the drafting room and is scheduled for publication in early 2020. This will be joined by a revised edition of the *BUFDG Briefing on Tax in Higher Education* in the Spring.

If you have any thoughts or queries about the guide, or just want to tell us how useful you've found it, **please drop Matt an email (details on the back page).**



Help! I need somebody (to explain my institutional deficit)

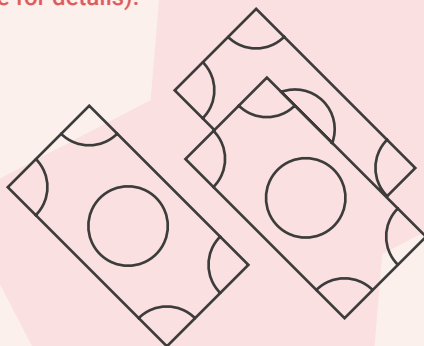
As if understanding university finances wasn't enough of a challenge to non-accountants, many universities will be showing sizeable deficits in their 18/19 financial statements due to the way they account for the pension schemes they provide for their staff. The assumptions and assessment of market conditions used for the 2017 valuation of the sector's USS scheme produced a large deficit of £7.5 billion. Even though these assumptions were disputed and a more recent (2018) valuation has taken place showing the deficit at £3.6 billion, it's the contribution towards the deficit recovery plan from the 2017 valuation of USS that universities in the scheme must record in this year's annual reports.

While some institutions may well have run an operational deficit for 18/19, the large number of institutions showing deficits due to their USS membership is likely to lead to some confused, and perhaps unnecessarily negative, press headlines. It's for this reason, among others, that we're looking forward to being able to explain things more clearly in our Accounting for Pensions in HEIs guide that we'll be producing in early 2020. It will be a thorough but accessible look at the effect of pensions accounting on university financial statements, show readers they areas

they should focus on, and help them understand the impact on the short- to medium-term financial sustainability of their university.

The 2018 USS valuation will be reflected in universities' 2019/20 accounts. LGPS, another large pension scheme that many universities belong to, concludes its own revaluation in March 2020 and employer contribution rates are already rising in some parts of the country. To add to the complexity, changes to the value of LGPS affects university accounts in a different way to USS. We'll make sure the guide covers that too, as well as the additional (and different) accounting treatment of TPS and the other major pension schemes.

We'll be covering this guide in more detail in the next Chair's Quarterly, as well as in other BUFDG communications. If you'd like to find out more, **get in touch with Karel (see back page for details)**.



BUFDG Pro E-Learning

BUFDG Pro is the name of BUFDG's specialist online training system that we launched in the Summer of 2019. It has been developed to increase access to relevant, high-quality HE finance training resources, and at a low cost for universities.

Compliance

- ✔ Intro to Counter Fraud
- ✔ Criminal Finances Act 2017
- ✔ Guide to Modern Slavery
- ✔ Protecting Human Rights in the Supply Chain
- ✔ The Bribery Act

Procurement

- ✔ Intro to HE Procurement
- ✔ Supplier Due Diligence and Risk Management
- ✔ Spend Analysis
- ✔ Cost Modelling
- ✔ Intro to Sustainable Procurement
- ✘ Writing a Specification
- ✘ Category Management
- ✘ Contract Management
- ✘ Advanced Sustainability

Finance

- ✔ Intro to HE Finance
- ✘ Intro to Corporation Tax in Higher Education
- ✘ Intro to Credit Control in Higher Education
- ✘ Introducing VAT in Higher Education
- ✘ Finance for Non-Finance Managers
- ✘ Finance Business Partner Foundations
- ✘ VAT Reliefs
- ✘ VAT on Income in HE
- ✘ VAT on Purchases in HE

✔ Standard 'free' e-learning

✘ BUFDG Pro subscribers

On top of the regular, free (to members) BUFDG e-learning modules, BUFDG Pro gives member institutions access to 8 further courses, including VAT in HE, Corporation Tax, Credit Control, and Business Partnering, and procurement-focused modules on Contract Management, Category Management, and Specification Writing. Additional courses are being added all the time, and on the Monday 9th December, the following courses will be available to all staff within institutions who have signed up to Pro:

VAT on Income in HE aimed at those responsible for raising invoices, department/school administrators, cashier teams (or equivalent), and fundraisers.

VAT on Purchases in HE will be helpful to any staff placing purchase orders and processing purchase invoices, as well as those involved in budgeting.

Claiming VAT Reliefs on Purchases is intended for anyone responsible for purchasing items and who needs to know if relief from VAT is available.

VAT Relief for Medical and Veterinary purchases is designed to help anyone purchasing items which will be used in medical or veterinary research and training.

Advanced Sustainable Procurement through ISO20400 is aimed at individuals leading procurement activities and wanting to embed a sustainable approach.

The modules are available for anyone and everyone in your institution to complete – they don't have to be in finance! If your institution has not subscribed to BUFDG Pro and would like to know more, take a look at the FAQ (bufdg.ac.uk/learning), or get in touch with Rachel.

Finally - BUFDG uses internal and external partners to create the e-learning content. If you have an idea for an e-learning module, or a particular area of expertise, and would be interested in working with us to bring a module to life, then **drop Rachel an email (details on the back page)**.



Developments at Professional HE Services (PHES)

It's hard to believe that there was once a time when 'Shared Services' was the buzz phrase in the HE sector. A simpler, more innocent time perhaps but, as with all these things, we probably didn't appreciate it then! It turned out that, while Shared Services made a lot of sense in theory, setting one up was much harder in practice. Who knew it was so difficult finding common purpose between different institutions for long enough to get whole institution buy-in and successfully implement a complex project, and at the same time making the numbers add up?

Fortunately, HE sector membership organisations aren't quite as complicated as the universities they support and, while we've faced our own challenges, it's been five years since PHES, our own shared service, came into being. Professional HE Services Ltd is the umbrella organization for BUFDG and 4 other like-minded sector bodies that want to deliver brilliant service to their member institutions and save them money at the same time. It provides the legal framework for organisations to be run effectively and share staff and operational resources. The most recent addition, the Council for Higher Education Internal Auditors (CHEIA), joined in the Summer of 2019.

A key additional benefit of the shared service, and the shared building, is the opportunity to work more closely on joint projects. In the last year alone, the group has co-hosted training and development events, collaborated on design and member communication initiatives, jointly developed its digital platform including e-learning services, and shared data insight and analysis. In addition, the Executive Directors of the PHES organisations meet regularly to share challenges and successes and solve problems.

While we're proud of how we collaborate, each organisation in PHES has complete autonomy to run its strategy and finances within the financial sustainability rules set out in the PHES agreement. Each organisation also has its own structure and terms of reference and is run by its own executive. PHES Ltd itself is managed by an Executive Board supported by a Managing Director, Dominic Fryer. You can find out more about PHES at www.phes.ac.uk, or contact Dom (details on the back page).



Professional HE Services

Small world, Big problems?

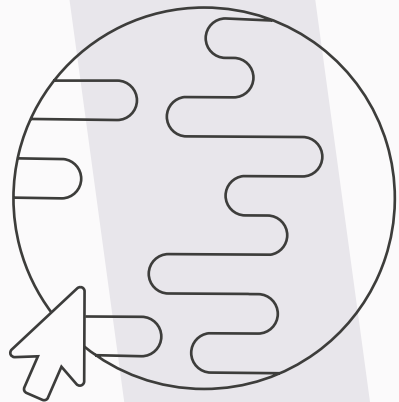
It's often said that the world is getting smaller, and this seems particularly apparent in the world of higher education. There are few UK universities without a bold international agenda, many have overseas campuses or partners, research collaborations often involve complex cross border arrangements, and there are more and more academics with unofficial working from home arrangements where 'home' is overseas. But all this global movement means that UK universities are now operating in multiple jurisdictions, whether they like it or not, and often whether they even realise it or not.

All of this contributed to fascinating discussions at the new BUFDG international forums (kindly hosted by PwC) in November, where 85 of our members from 55 HEIs got together in 5 regional locations to share their international problems and solutions.

We heard about how personal income tax is changing in China, and how your university's permanent establishment position in China could have more consequences for personal income tax than corporation tax; how expensive it can be to comply with your obligations in Spain for a single employee working

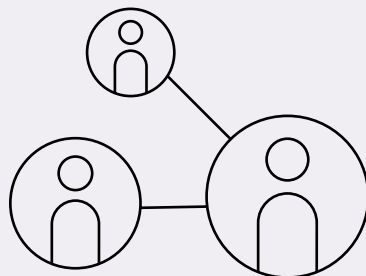
from home; a UK university professor who was banned from entering a country for 10 years due to the wrong visa; that China has introduced a useful new 'R visa' category; how an employee overseas visiting a doctor can highlight social security problems; the peculiar tax status of CERN; and how pensions can be an even bigger problem than you thought.

In some universities, payroll, HR, tax, finance and insurance are working together well on these issues but, in others, a cultural shift is required to allow genuine, and fully costed, business needs to take more of a priority while not restricting academic freedom when it comes to travelling overseas. ►



Getting international compliance right is a long journey (if you'll pardon the metaphor), but one that is worth undertaking, and those who began this journey a few years ago are now starting to see improvements. And for all universities with any kind of international presence, whether that be plans for an overseas campus, overseas partners or just staff working from home, it is a journey they need to start on now.

As well as the regional international forums, which we hope to hold twice a year, we have also launched a new international section on our website, as well as a dedicated international discussion board. For questions on any of these, **please contact Amanda (details below)**.



Get in touch with the team

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