



## Welcome readers!

Welcome to the fifth edition of our Quarterly bulletin, for those working in or with the Higher Education Sector. Over the last few months since the last edition our institutions have managed through some of the most severe challenges the sector has known.

The articles this time around look at those challenges from different perspectives, as well as at some challenges still to come - with contributions from colleagues from BUFDG, UHR, and Barnett Waddingham. It has been gloomy at times but there are also spots of light - from some emerging silver linings, and not just the reflections of shiny baubles on the festive decorations.

Thanks for reading. If you have any feedback or comments on this issue, or you'd like to write something for the next quarter, please don't hesitate to get in touch with Karel and the BUFDG team.

Wishing you a healthy, happy and shiny 2021,

**Sarah Randall-Paley**

**Director of Finance, Lancaster University and Chair, BUFDG.**

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## In search of silver linings

Each year in December we send out a report to members that summarises their BUFDG membership over the year in facts and figures. The introductory narrative to the December 2019 report reads: *“It’s been a challenging year for the Higher Education sector. Cost pressures, increasing competition, demographics, and political uncertainty mean managing the finances of a university has rarely been so difficult.”* It may have been an earnest assessment then, but with hindsight it seems more like inspired comedy. Not universally funny – but perhaps of the type that might prompt you to laugh, if only to avoid crying – although some of us may have done plenty of the latter this year as well.

As we approach the end of 2020, there remains a formidable list of challenges for the sector. In ‘ordinary’ times, any one alone may have seemed daunting. Starting with the pandemic, universities have delivered fantastic achievements to provide high-quality education amidst the most challenging circumstances. Institutions have been managing situations that they never could have anticipated, such as mass testing and supporting quarantine of their student populations. Christmas is nearly here, and many students will be starting to make a carefully planned journey home. Yet universities have less certainty about how many will want to come back again and – for international students – whether they will be allowed to.

Brexit has taken a back seat to the pandemic on people’s worry lists, but there are little more than four weeks away from the end of the transition and, as I write we still have no

idea what we face on January 1<sup>st</sup>. The options have narrowed to two, but we could end up with either the hardest of no-deal Brexits, or something resembling the initial customs union proposal. The outcomes of both are starkly different, with very different consequences for the whole economy. There may be some glimmers of optimism but only time will tell.

From an academic perspective, this summer’s exam experience will hopefully be a one-off, but the direction of other emergency policies and measures established could be harder to change. Who today feels confident which way the government will lean on school exams, or student number controls, or post-qualification admissions, to name just a few? The good news is that the demand for Higher Education remained strong and resilient – though its impacts have not been evenly spread across the sector.

*“As we approach the end of 2020, there remains a formidable list of challenges for the sector”*

Then there are the government’s own finances, and the impact this may have on HE. It has rarely been as clear how the sector’s beneficial ‘credit score’ has been based on the government’s implicit refusal to allow universities to fail, regardless of what is said in public. There has been some support through the pandemic but both the government’s own finances, and its willingness to intervene in a sector less troubled than others, are less certain than they were. A new lending landscape seems to be emerging.

Finally, while attention has been elsewhere, the USS funding challenge has not gone away, and could prove to be the next 'pandemic'.

So, could it get any more challenging for the sector, or the wider world for that matter? Could the outlook be any more uncertain? My 2019 self would have said "no", and that it can only get better from here. Yet if there has been a single universal lesson from the last 9 months, it's probably that it's wiser to say "I'm not so sure". That said, recent talk of vaccines, rapid testing and so on give us some tiny glittery twinkles of light.

**Sarah Randall-Paley**

**Director of Finance, Lancaster University  
and Chair, BUFDG.**

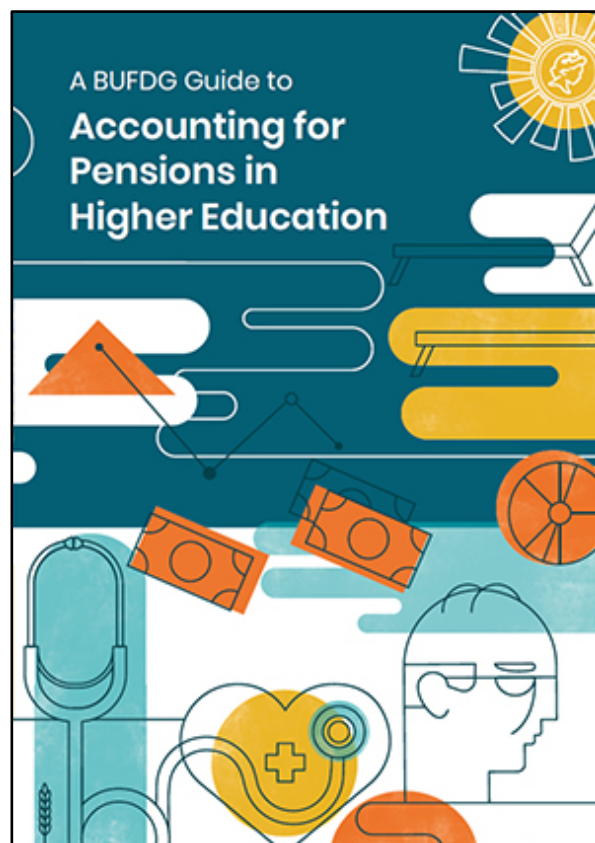
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## Two BUFDG updates

Firstly, we're pleased to be able say that institutional booking for the 2021 annual conference is [now live via the BUFDG website](#). The conference takes place entirely online over five days from the 15-19 March. It will be a different experience to the usual event. We're aiming to keep the best things about the traditional conferences for 2021, while also making the most of what an online event allows - namely more sessions and attendees. This means more value for all present.

The theme for the event is *Somewhere, Anywhere*, which captures some of the biggest questions that universities are, and will be, facing. It is partly about the digital nature of the event - this will be our first conference where we can't put "...at the University of..." in the title. It's also reflected in universities' own

experiences through, and beyond, the pandemic. On one hand, the pandemic has strengthened the civic role of universities and their sense of place - as anchors in their local communities, and as close partners with Local Authorities, Businesses, Colleges, and each other. On the other hand, in the transition to blended learning and the adoption of more advanced communications, has the 'place' become less and less important? And what do these trends mean for the future of university finance? You can find out more about the event, and book, [on the BUFDG website](#).



Secondly, a couple of weeks after the last Quarterly went out in September, we published the much-anticipated [BUFDG Guide to Accounting for Pensions in Higher Education](#). To date it has already been downloaded over 800 times. We recruited Miles Hedges, who retired as Finance Director

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at The Open University in 2016, to write the guide to help explain what to many is a mystery. It is written for university governors, non-accounting staff, students, staff representatives and student representatives as well as for Finance Directors and colleagues in finance teams tasked with producing financial statements and accompanying notes.

The Guide is not a 30-minute quick-read to furnish the reader with full understanding of a topic that takes accountants many hours to learn. Rather, it is designed to help readers who start with different levels of understanding to navigate the numbers and extensive notes to the accounts to appreciate why pension schemes can cause significant impacts on universities' reported results and reserves. The technical content of the chapters increases and we don't expect all readers will read to the very last chapter. Each chapter can be the end, depending on the reader's appetite and requirement for knowledge. To the enthusiastic and determined reader, however, perseverance to the end, several times, will be rewarded by a new level of understanding.

This Guide is not a commentary on the rights or wrongs of pension schemes' funding strategies or their valuation methods and is written with the aim of improving understanding of financial statements and universities' financial positions. We also hope that it will equip readers with enough knowledge to ask more questions. Please feel free to share and circulate the guide freely. Feedback is very welcome.

**Karel Thomas, Executive Director**

## COVID as a catalyst for change: a view from the HR team

The joint UHR/BUFDG Directors' Development Day was held back in September. It was just half a term away, yet might as well be a whole planet, as we adjust to turning our universities into mass testing sites and try to plan for a safe and co-ordinated return home for students. It was an immensely valuable chance for HR and Finance colleagues to rub virtual shoulders and view things from a slightly different perspective. The speakers at this year's event were able to piece together the extraordinarily challenging set of issues our universities currently face, on top of which COVID has arrived as the ultimate in unwelcome distractions.

*"As we try to help our institutions become more resilient to crisis, are we resilient ourselves?"*

On one level the scale of these challenges is daunting. On another, our universities remain an internationally inspiring source of answers to those challenges. Whether on vaccines or renewable technologies our research is world-leading.

As HR practitioners we need to be alert to the headline context, and lead on the people issues as our universities adapt. Our staff teams have been remarkably flexible during COVID, and there is immense gratitude amongst our senior leaders for the extraordinary efforts that have been made. As

HR teams, how are we adapting? Are we on top of virtual recruitment, virtual casework, virtual business partnering, virtually virtual everything? As we try to help our institutions become more resilient to crisis, are we resilient ourselves? Psychologist Adam Grant, in '[Option B](#)' defines resilience as 'the strength and speed of our response to adversity'. Many HR and other university staff have demonstrated this well over the last nine months, and we need to keep finding ways to build resilience and helping other staff to do the same.

*"In fact, we have no meaningful way to help others if we haven't looked after ourselves first"*

On an individual level, it's partly about personal wellbeing and state of mind, and the many small-scale things we can do to help ourselves. It's easy – professional people as we are – to assume that our first task is always that associated with work, or that which supports the family. In fact, we have no meaningful way to help others if we haven't looked after ourselves first and jolting ourselves away from the stressors is an essential. Organisational resilience is a whole separate topic, and OD and HR teams are enabling universities to build this in many ways, whether building stronger teams, clearer and more honest communications, or helping managers to create cultures of trust that bring out the best in staff. But organisations are made up of individuals and so personal resilience is a top priority.

What personal challenges would you choose to solve right now during this period of unprecedented turbulence? Creative challenges? Career challenges? So much is in the air right now, and not everything will land just as it was. In fact, possibly little will: as you talk to friends, colleagues and family, do you find many advocates for returning "to normal"? COVID – yes, it has been "a catalyst for change". Let's grab the opportunity if we can.

**Helen Scott, Executive Director, UHR**

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## DC scheme round-up

There's been a lot going on in the Defined Contribution (DC) world in general, and this brief summary covers some of the key developments relevant to HE.

The driving force behind many of these is the ongoing increase in governance requirements relating to 'own trust' schemes (i.e. schemes where there is a trustee body specific to the University). Recent years have seen the Pensions Regulator (tPR) introduce requirements to assess value for members, provide a summary of governance activity through a formal chair's statement, and to publish this along with investment costs and charges both in scheme accounts and online. Now Trustees have to further consider and publish the extent to which environmental, social and governance aspects of investment are financially material.

Despite these requirements however, tPR clearly wants to take things further and in

September it consulted on a proposal to introduce the following from 5 October 2021:

- All relevant schemes, regardless of size, must publish net returns for their default and self-selected funds in the annual Chair Statement.
- Schemes with assets less than £100m that have been operating > 3 years are to carry out more demanding annual assessment of their value for members.
- If they cannot demonstrate they offer good value, they will be required to provide the Pensions Regulator with details of whether they intend to improve or consolidate the scheme.

This effectively gives these schemes two choices in the long term – continue to undertake an ever-increasing level of governance or look to consolidate within an alternative pension arrangement.

Unsurprisingly, we have seen universities operating these schemes start to review their options, with a view to changing their arrangements in the short to medium term. Typically, master trusts will be used for this (multi-employer schemes run by a Trustees at a proposition level) as they can also be used to secure deferred member benefits. These arrangements also offer access to the retirement flexibilities when drawing benefits. Some trust-based schemes may wish to continue their current structure but will look to use bundled provider solutions (where investment and administration are provided by a single provider) to cover some of the governance requirements.

DC now offers a lot more choice to members, particularly in retirement, but with this comes

additional complexity. Where universities operate other pension arrangements with less direct governance responsibilities (the aforementioned master trusts or Group Personal Pension arrangements), governance is still worthy of consideration. Under DC schemes member outcomes are very much dependent on the structure in place and how individuals make use of this, whether it be contributions, investment or drawing benefits. Ensuring these elements are operating effectively, including checking that charges are competitive, is crucial to supporting employees saving for later life.

*“Some trust-based schemes may wish to continue their current structure but will look to use bundled provider solutions”*

One final area where we've seen activity is universities who participate in the Local Government Pension Scheme (LGPS) looking to offer DC schemes as an alternative choice to eligible employees. LGPS, like all defined benefits (DB) schemes, offers valuable guarantees, but people have different circumstances and priorities, and some may value the flexibility of DC both in terms of contributing to, and drawing, retirement benefits. Where these schemes are being considered the key aspects are the same as those relating to governance – getting the structure right to best meet the needs of members, choosing the most suitable provider and then engaging with members to discuss their options.

**Martin Willis, Principal, Barnett Waddingham**

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## Taxing times for conferences? Or opportunities to share more?

We all know how much the world has changed over the past nine months, with universities and businesses moving their services to digital at a speed that was unimaginable in January. BUFDG is no exception, and after a few months of providing numerous smaller events online, we took the plunge and hosted three online conferences in the autumn for Tax, TRAC and Management Accounting.

We were particularly delighted to be able to reach more conference delegates than ever before, including several delegates (and HEIs) who had never attended our in-person conferences. Over all three conferences we provided 76 sessions from 109 presenters to 504 delegates, reaching 22% more delegates than our equivalent in-person conferences.

**“...electronic services taxes are becoming a bigger concern as many more students access online university courses from their home countries”**

The range of topics was huge, and without the constraints associated with venue space we could not only reach more people, but cover more topics, covering some from different angles by different speakers. We also provided access to recordings of the sessions to our delegates and members who couldn't make it. There are some positive aspects of face-to-

face conferences you can't replicate online, but for the majority it seems to be win-win.

### Tax

Some of the hottest tax topics of the moment were discussed at the Tax Conference. Global mobility is in the spotlight given the sudden increase in staff working from home overseas, and electronic services taxes are becoming a bigger concern as many more students access online university courses from their home countries. Delegate chat in these sessions, and many others, was busy and engaged.

Universities are juggling more tax issues than ever, and we provided important information on Brexit, Making Tax Digital, National Minimum Wage, China and India, customs compliance, VAT property changes, IR35 changes and the partial exemption framework, among many others.

### TRAC

The TRAC Conference was timely for delegates who appreciated updates about how to move forward and the opportunity for questions. In particular 'Navigating TRAC during the pandemic' and 'TRAC – where next?' generated lots of debate, steering further guidance from the TRAC Development Group (TDG). There's continued support for these themes through the regional TDGs and published updates.

### Management Accounting

The MA conference became a two-day event for the first time, meaning delegates had access to 20 sessions – far more than previous one-day events. Feedback was again positive,

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with plenaries on national policy developments, managing change and uncertainty, and the role of finance and management accountants in times of change. The session 'What eight years of austerity in Policing taught me that might help universities during a pandemic' may seem a little leftfield, but delegates enjoyed listening to Helen King (Principal, St Anne's College, University of Oxford) and took much away from the session.

*"Now we're all warmed up, we're really looking forward to the virtual BUFDG Annual Conference in March"*

The standout for the MA Conference was the number of HE contributors supporting the specialist breakouts, which received very positive feedback. Many thanks to the following universities: Aston, Birmingham, Durham, Loughborough, Nottingham, Sussex, UCL and York.

Feedback from all three events was excellent with delegates impressed by what could be achieved online. So now we're all warmed up, we're really looking forward to the [virtual BUFDG Annual Conference in March](#). And we'll close with feedback from a Tax Conference delegate to summarise our online conferences:

*"Fantastic event with such great content. Invaluable and fun!"*

**Amanda Darley, Digital Content Manager**

**Rachel McLone, Learning & Development Manager**

# BUFDG 2021



***Somewhere  
Anywhere***

**15-19  
March**



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