BUFDG CHAIR'S QUARTERLY
Vol 8: Sep 2021

Welcome readers!

We hope this edition finds you on return from a well-deserved and relaxing break – at least at some point over the Summer! We have a range of articles for you that touch on issues that we're sure will be somewhere on your 'to-do' list – although how high up will vary across institutions.

Our first article is from Amanda Darley, in her new role as BUFDG's Head of Operations and Engagement. You can find out more about the recent staff changes at BUFDG, including why Karel is now 3-days a week, in the most recent edition of the Digest. Amanda's article comes off the back of a member-wide survey, and outlines plans for e-learning, L&D, and the new website, and how we hope to support you over the next year.

Next up are some key links and important information relating to both Financial Reporting and TRAC that we would hate for you to have missed while on your Summer holidays. This is followed by an article from TEC's Richard Murphy on energy usage in the sector and making the most of funding for carbon-reduction initiatives – when it appears.

The fourth article covers resourcing your tax team for forthcoming challenges (courtesy of tax specialists - Andrea and Julia), before UMAL's Paul Cusition explores the immediate issue of acquiring cyber-insurance, and how you can improve your chances and protect your institution at the same time.

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

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To boldly go where no BUFDG has gone before

Everyone knows that the past 18 months have given many organisations pause for thought and an opportunity to reassess what they do and how they do it. BUFDG is no exception to this and we have taken member feedback on what aspects of BUFDG's services are most valuable to them, and which are the least valuable, as well as their suggestions and ideas for future improvements and innovations.

One thing we already suspected our members have greatly appreciated during this pandemic period, and our survey confirmed, is the massive time and budgetary saving that online meetings and events provide. The world has changed so much in the past year and a half that it seems nothing short of ludicrous now that we used to travel significant distances to meet with one or two people. While those meetings were extremely valuable, it has now become abundantly clear that such meetings can be equally successful over video call, while saving considerable precious time and money.

But we have also had confirmation of how much our members appreciate the human side of BUFDG and its networks. So, along with many other organisations, we will be spending the next year or so trying to find the perfect balance between online information and face-to-face interaction.

Our survey results have confirmed that what we provide is hitting what members need, but we can probably find room to improve how we provide it. So, the heart of WHAT we do won't change, though the balance may shift subtly. We will still provide relevant, sector-specific updates on finance issues; we will still advocate on behalf of the sector on finance issues where relevant and appropriate; we will still provide training to members on a wide range of finance topics, always with an HE-specific slant; and we will still provide ways for members to get to know each other, learn from each other and share best practice and knowledge through the invaluable BUFDG network.

HOW we do all this has already changed, through necessity, and while this necessary approach has been successful during the pandemic, our means of delivery will evolve and change further over the next year or so as we explore new options for training, mentoring and networking that have developed rapidly over recent months. We will develop a deliberate, planned approach to which tools we use, exploring specific training, networking and mentoring tools, rather than just repurposing meeting tools, with a more strategic approach than was possible when meeting the immediate needs of members during the pandemic.

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These new methods of delivery will be complemented by our new website, due to go live by the end of the year, which will make it easier to find relevant content, easier to network, and be easier on the eye, as well as being designed with accessibility in mind.

We'll also be looking at the pros and cons of introducing new regional and working groups, to help strengthen BUFDG networks and concentrate on some specific topical subjects.

Investment over the past few years in e-learning now seems a prophetic move, given recent travel restrictions and ongoing budgetary restraints and some continued reluctance to mix with others. But we will take our e-learning portfolio to the next level over the next couple of years – not only will we continue to add new courses, but we are in the process of an accessibility review that has led us to new ways of presenting the learning which will be applied across all existing courses, as well as continuing a rolling review of content to update some of the older courses. As well as our e-learning and training courses, we'll be experimenting with different ways of providing smaller fragments of learning, to find what works well for our members.

It's good to have confirmation that what we do is so helpful to members, and we are excited by the prospect of further developing how we deliver this to make it even more so. We hope you are too.

Amanda Darley (BUFDG)

Annual Reporting and TRAC clarity

This is the time of year for technical updates, and we have tried to capture as many as we can in the summer edition of the the Financial Reporting Group's newsletter, which was published last month. Among many other things, the newsletter provides links to all the regular annual documentation, including the Model Financial Statements and the USS Deficit Provision Modeller. Additional documentation including the Discount Rates guidance can be downloaded from the Financial Reporting resources area of the website. In the 'other' box is news on the latest Accounts Direction, guidance on furlough accounting and research accounting issues, as well as a SORP update.

There has also been a TRAC update to report, which may have been missed as it was published by OfS on 20th July along with a number of other OfS announcements about recurrent and capital funding, the consultation on quality and standards, and TEF. The update covers OfS reporting deadlines for the Annual Financial Return, including confirmations regarding the deadline for the Annual TRAC return for AY 2020-21, and regarding TRAC(T) which will not be collected for 2020-21 (see page 10-11).

On that note, we're looking forward to the Annual TRAC conference, taking place online on the afternoon of Monday 27th to the morning of Tuesday 28th September. We have over a 100 delegates booked on already, but there is still room (and time!) for a few more, so please do take a look and book soon.

Matt Sisson (BUFDG)

Energy budgets, Covid impact, and carbon reduction funding

At TEC we manage energy supply arrangements for more than 90 HEIs in England and Wales. We used to express this in terms of spend and consumption, with around £200 million a year being spent on energy through our frameworks. However, with rising energy prices, driven mainly by levies and increases in regulated charges designed to keep the lights on and then the impact of operating estates during the pandemic, spend and consumption might no longer be a relevant measure of energy usage on estates. Instead, we might need to think of the resultant carbon emitted.

During the pandemic TEC members saw electricity usage lower than pre-pandemic levels (between 9 and 12% by month) and gas usage higher (between 11 and 22% by month). (See The pandemic and its impact on TEC Member energy usage – The Recovery - TEC). Part of the reason for the latter was a colder than average winter in 2020/21, but more so extended boiler plant run time and increased ventilation to provide a Covid safe environment. What better time, with fewer people on campus both with respect to staff and students, to give serious consideration to reducing carbon emitted through activity and making a statement declaration for Net Zero? One thing is for sure, achieving Net Zero won't be cheap in terms of Scope 1 and 2 emissions (those from energy generated on site and consumed from the grid). With post pandemic recovery, it might also feel a bit like hitting a moving target.

"…funding schemes are like shooting stars, in that you don't know when they will appear, they are bright and visible but disappear all too quickly."

The UK Government has recognised this, in particular in public buildings, and lined up various funding options, mostly administered by Salix. These include funding for capital spend under the Public Sector Decarbonisation Scheme (PSDS) as well as for the necessary skills to first draw up a plan from which comes an application for schemes like PSDS which have also been made available under the Low Carbon Skills Fund (LCSF)- see Phase 2 Low Carbon Skills Funding Available - TEC. The likely success is determined by the lowest cost per tonne of carbon saved, with a real focus on decarbonisation of heat in buildings, albeit against the background of a lack of national strategy for heat in buildings.

These schemes are like shooting stars, in that you don't know when they will appear, they are bright and visible but disappear all too quickly as they are generally over-subscribed. The challenge, then, is to know what to include in applications to improve the chances of securing funds but also to have a ready repository of "ready to go" investment grade proposals which can be easily adapted to the application process. There are plenty of consultants out there who will offer support in drawing up these proposals (feasibility studies, if you will), but how do you choose them and what is their track record of success, and might you get their fees paid for by a LCSF award?

Whilst many or most are new to this, we believe there is an opportunity for HE to secure more than its current share of the funding awarded and distributed. It is vital to be ready to respond to the short windows for funding applications, to know and share what works and to learn lessons when applications fall on stony ground. TEC can provide support in this and while we too are learning, we can do so together ensuring that Energy and Education are (and remain) connected.

Richard Murphy, Managing Director, TEC

Tax teams and resourcing

For quite a while, Andrea and Julia have been talking about "direction of travel" – considering various changes that HMRC have implemented, or consultations issued on a particular topic and the common themes that are emerging. Two sessions at the tax conference, brought all of these pieces together.

The first was the session from Carolyn Norfolk and Pierre Armann at EY entitled **"Indirect Tax Function of the future"**. This session considered four stages that Tax Authorities go through when digitalising the submission and audit of tax transactions and returns. The first is where there is the ability to upload returns figures digitally; stage 4 is where tax authorities can access and interrogate finance systems, rather than waiting for information to be sent to them. Realistically, most tax authorities will stop at stage 3 – so we will see more regular reporting, RTI and potentially automated tax audits, with the time to respond to tax audit queries cut back to a few days. The second session was from Lesley Graham and Iain Sanderson at PwC entitled **"The only certainty is uncertainty"**. Using the theme of a yellow brick road, this session walked delegates through the tax changes that have come in over the past couple for decades....and what was clear is that the pace of change is accelerating quickly.

In the UK, we are somewhere between level one and two of the four stages that EY outlined. But is more digitalisation and automation of tax audits fiction? Is it even achievable? EY outlined countries where change has already been achieved. For example in Spain, VAT return information is submitted to the tax authorities automatically every few days. So whereas some of us might have been quite cynical about what tax authorities can achieve, the fact that some tax authorities have already implemented technology successfully, is food for thought.

So, what does this mean for Finance teams? What should you be thinking about? Our thoughts are:

- You are going to need a tax team which can cope with this workload and who have data analytic support;
- You need to think across multiple taxes...not just VAT and Employment taxes;
- Digitalisation and automation is coming for Corporation Tax and whatever "green" taxes are introduced;
- You will need to "future proof" finance systems...if you are putting in new systems now, tax digitalisation needs to be high up on your list of requirements, given that HMRC are aiming to have transformed the digitalisation of tax in the UK by 2030; and
- Your finance systems are going to have to be agile. If you have international liabilities, you are going to have to be able to cope with multi jurisdiction requirements, where you may have employment, direct and indirect tax liabilities.

Perhaps (somewhat belatedly!) change is coming in the world of tax and we need to accept and embrace it. To quote John F. Kennedy, *"Change is the law of life and those who look only to the past or present are certain to miss the future."*

Andrea Marshall & Julia Ascott (BUFDG)

Cyber Market Insurance

At UMAL, we have been advising our Members for a number of months now that the issue of Cyber exposure is becoming critical. Although we have managed to secure renewal of Cyber Insurance for most of our Members, regrettably there are some who we have not been able to get cover for, given the perceived vulnerability of their IT systems.

There are two things driving this "crisis". First the overall state of the general insurance market, and more particularly the sector of the market that provides Cyber cover. The situation is best summed up by quotes from two of the main credit rating agencies;

"Insurers Must Totally Reassess Approach to 'Grim' Cyber Insurance Market" - AM Best

"Sharply Rising Cyber Insurance Claims Signal Further Risk Challenges" - Fitch

Secondly, Cyber-attacks are on the rise, both in frequency and severity, and the education sector is seen as a relatively easy target. There have been several attacks within the sector, some high profile, and insurers have made it clear that cyber insurance is not sustainable at previously offered rates and limits. Many insurers have indicated they have no appetite for writing cyber risks in the education sector and in some cases, over two thirds of insurers approached to write university risks declined to even quote, saying they had no appetite for universities.

"As of late May/June 2021, the National Cyber Security Centre is investigating another increase in ransomware attacks against schools, colleges and universities in the UK."

As a result of increasing claims, the cyber insurance market has hardened dramatically over the last 6-12 months. Most, if not all, insurers are now insisting upon certain minimum cyber security standards before they will consider offering terms for new business or for renewal of existing policies. From those risks we have placed, the most common weaknesses identified are set out below. These should be considered either mandatory or highly recommended:

- **MFA** - Ensure multi-factor authentication is deployed (including for remote access, critical systems (including access to backups), administration accounts, Office 365)
- **Endpoint Protection** - Ensure endpoint detection and response protocols are in place (including on all workstations and servers)
- **Backups** - Ensure backup integrity (including encryption, air-gapping, secure (preferably offline) platforms, appropriately tested restoration)
- **Incident Response Plan** - Ensure an IRP is in place, updated and tested regularly
- **Business Continuity Plan** - Ensure a BCP is in place which address network outages, off-line communications and data recovery protocols
- **Remote Desk Protocol** - Provide appropriate firewall protection to RDP access from outside the network and ensure there are no open ports for remote access
- **Software** - Ensure removal of outdated software as well as installation of software updates and patching on a regular and prioritised basis
- **Education** - Ensure high-level employee awareness training including regular phishing simulations, protocol re safe use of portable devices, limited use of public Wi-Fi, and security controls for video-conferencing etc.
- **Password Management** - Ensure appropriate password management software is in place
- **Vulnerability Assessments** - Invest in vulnerability assessments, including penetration testing, red-teaming and table-top exercises
- **Separation of OT and IT** - Ensure appropriate separation of Operational Technology and Information Technology
- **Privileged Access Management** - Ensure strategies and technologies are in place to control privileged access and permissions across the IT environment.

It is worth pointing out however that these standards may evolve over time as the risk environment changes. They may also vary between insurers to a greater or lesser extent.

Insurers also conduct a vulnerability scan and any valid 'RED flags' from the domain scan, e.g. an open/unsecure RDP/VNC/RPC/Samba port, would mean they cannot bind a risk before the flags are remediated.

Even if you are not considering buying cyber cover, meeting or exceeding these minimum standards may help to reduce the risk of being a victim of a cyber-attack.

Paul Cusition, CEO and Director, UMAL