



Higher Education Update

July 2024

Our team today



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New report for 2024, covering:

- **Risks**
- **Financial and environmental reporting**
- **Governance**
- **Green assurance**
- **VAT and tax**
- **Pensions**
- **Legislative changes**

Higher Education developments report





Agenda

Learning outcomes

In the news

Sector risks

OfS and other stakeholder updates

BUFDG updates

Financial reporting

Key learning outcomes

- **To understand key sector and business risks facing the higher education sector**
- **To understand the key areas of focus for the Office for Students (OFS)**
- **To review key updates and research from BUFDG**
- **To understand key financial reporting changes relevant for 2024 year ends**

In the news

International students

- Impact of hyperinflation and economy crises in non-EU countries
- Teesside University
- “in breach of visa sponsorship rules”

Student jobs

- **2 tier education system**
- **Cost of living**
- **Is full time study unattainable?**



Sector risks

Financial sustainability



- Net cash flow down by 39%
- 93 HEIs in deficit
- Unrealistic ambitions for international student numbers
- OfS role in supporting universities
- Going concern assessments

Immigration and recruitment

- Sharp increase in international student visas and dependent visas.
- Mostly post-graduate students.
- Graduate Route allows students to stay in the UK for 2 years to work or seek work.
- Conflict with environmental policies?



Environmental reporting

- **SECR reporting for companies, but most HEIs are not companies!**
- **Should they report something?**
- **Encourage HEI clients to think about reporting – chances are, this will be a mandatory requirement in the not-too-distant future.**



General Election 2024



- Close courses with high drop-out rates
- Reform student loans
- Work with unis to ensure contact hours



- Comprehensive strategy
- Strengthen regulation
- Improve funding settlement



- Unis to have statutory duty of care
- Student mental health charter
- Review of HE finance



- Scrap interest on student loans
- Restrict undergrad levels
- Cut funding to some HEIs

OfS and other stakeholder updates

Economic Activity of Public Bodies Bill

Targets 'official boycotts' and 'official divestments'

Investment and procurement

Focus on Israel relations

Economic Crime and Corporate Transparency Act

Failure to prevent fraud offence (similar to the 'failure to prevent bribery' offence).

Requires organisations to have good preventative measures in place such as training, strong internal controls etc.

Further guidance awaited from government in due course.

Procurement Act

**Royal Assent October 2023,
comes into force October 2024.**

**Not applicable to all universities –
only those who derive 50% of their
funding from public sources.**

**Transparency and additional
notification requirements.**



Public Sector Decarbonisation Scheme

Billions of pounds of funding available.

Key source of environmental funding available to universities.

Of £530m available in phase 3c, around £75m was awarded to universities.



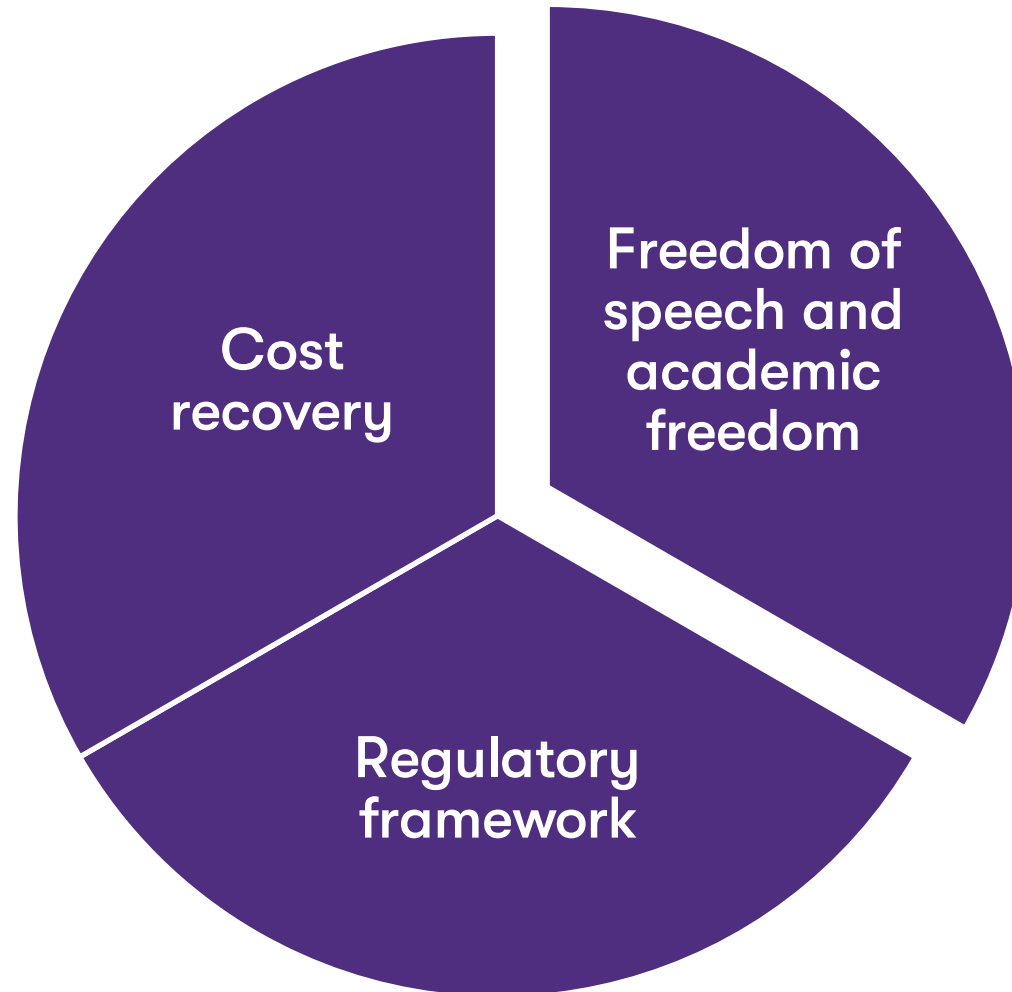
OfS Accounts Direction 2024

**2019 Accounts
Direction still applies
for July 2024 year
ends...**

Watch this space!



OfS Freedom of Speech



PwC UUK report

- **Cyber security**
- **Sustainability, environment and climate**
- **Financial sustainability**
- **Infrastructure**



BUFDG updates

BUFDG annual report



- **Key HE stakeholder.**
- **Represents the interests of uni FDs.**
- **Membership organisation.**
- **Main projects: net zero calculator and report, and the new education SORP (with KPMG).**

BUFDG cost of net zero

- **£37.1bn cost of decarbonisation.**
- **Supply chain emissions are most costly to decarbonise, at £25.4bn for the whole HE sector.**
- **Decarbonisation activities for the built environment: renewable energy supply, building improvements, sustainable land use and behavioural changes**
- **The cost to decarbonise travel and transport emissions is estimated to be £6,088 per tonne of carbon emissions. £5.14bn for the whole HE sector.**

The cost of Net Zero

Outcomes from a project exploring the costs of Net Zero for Higher and Further Education in the United Kingdom

Version 1 - July 2023

Prepared by:



Jointly published by:



Funded by:



Financial reporting

FRS 102

Effective for accounting periods beginning on or after 1 January 2026, so will be relevant for HEIs the year ended 31 July 2027.

Revenue – 5 step model from IFRS

1. Identification of the contract with the customer
2. Identification of performance obligations within the contract
3. Determination of the transaction price
4. Allocation of the transaction price to each performance obligation within the contract
5. Recognition of revenue as (or when) performance obligations are satisfied

Leases – all on balance sheet as finance leases (with exceptions for low value and or short-term leases)

ISA 250



Proposal removes the distinction between ‘direct’ and ‘indirect’ laws and regulations that have a direct effect on the determination of material amounts and disclosures.

In simple terms, a direct material law/reg for a university might be something related to safeguarding, the ESFA or Department for Education.

An indirect material law/reg for a university might be something related to health and safety, tax or building regulations. They are things that they need to adhere to, but not related to the main functions of the university.

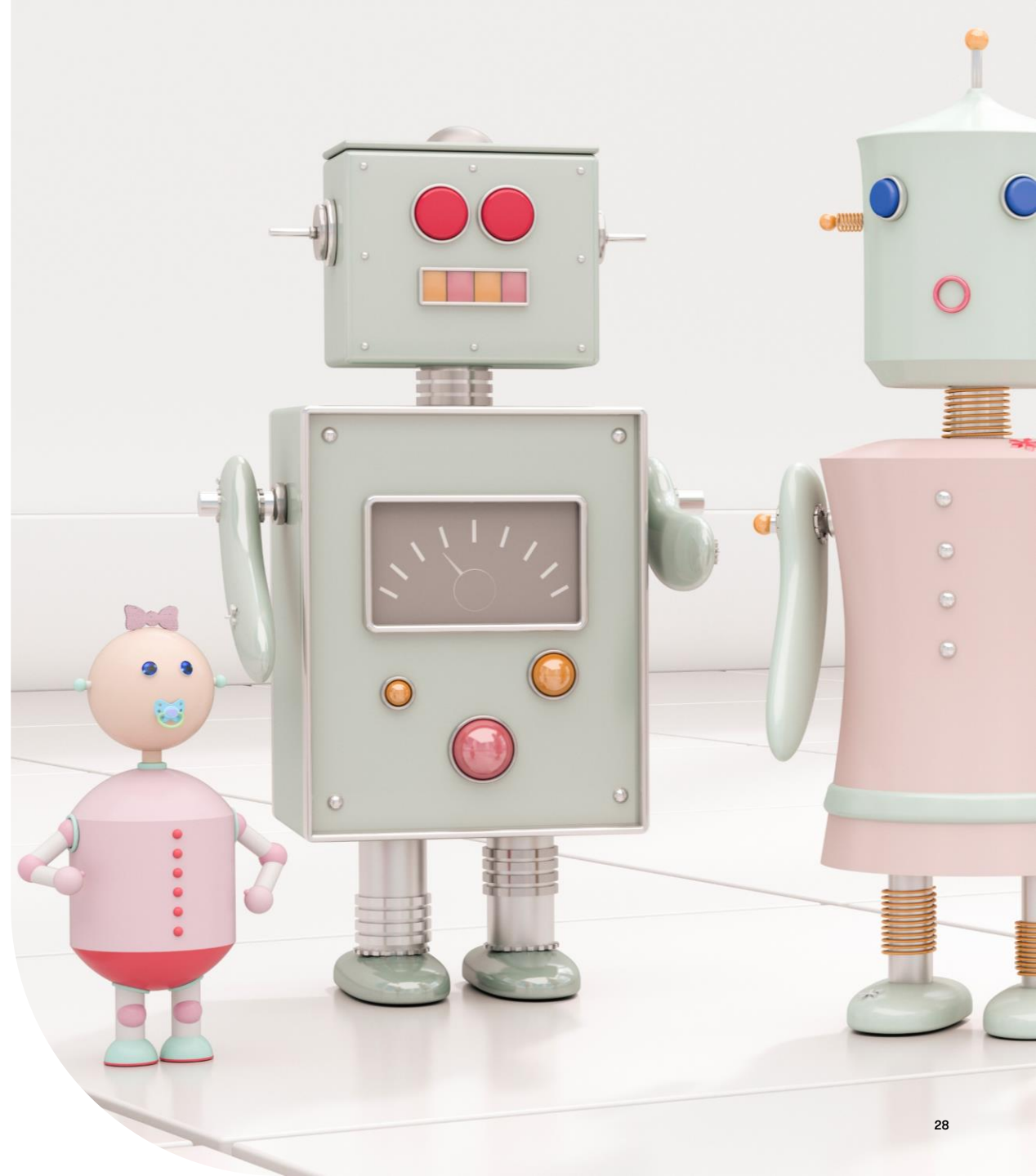
The proposed changes will mean that organisations have to take a more holistic view.

Related parties

Auditing related parties
(sharepoint.com)

Related Parties - conducting
robust inquiry of management
(sharepoint.com)

Members of the governing body
and “a close member of that
person’s family.”



VAT and tax

Payroll tax

- Employee benefits all on payroll from April 2026
- Global workers

VAT

- VAT thresholds have changed by £5k
- Relief for energy saving measures

Pensions

Virgin Media:

If there is a material adjustment, the HEI must disclose it (not wait for the appeal). It may be that a reasonable estimate cannot be made in which case narrative explanations are required.

USS pensions:

New modeler for 2023/4 – not yet available. There is a reduction in university and employee contributions this year (from January 2024)



Questions?



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