



**Minutes:** Extraordinary Council

**Time and date:** 17:00, Friday 26 May 2023

**Location:** MS Teams

**Present:** Mr Mark Qualter (Chair of Council), Dr Keith Bothongo, Mr Toby Corbett (President of the Students' Union), Professor Hongbo Du (Senate Representative), Mr Nick Hillman, Mr Chris Hollis, The Lord Peter Lilley, Ms Josephine Mbuya (Alumnus Representative), Dr Jaqueline O'Dowd (Senate Representative), Professor Adolfo Paolini (Senate Representative), Mr Callum Roberts (Professional Services), Mr Mark Rushton, Professor Alan Smithers, Mrs Milly Soames, Professor James Tooley (Vice-Chancellor).

**In attendance:** Mr David Cole (Chief Financial Officer), Mr Clive Mackintosh (Head of Legal Services), Mr Chris Payne (Registrar & Director of Professional Services), Ms Alison Sealey (Director of Student Support Services).

**Secretary:** Mr Sam Weston, Secretary to Council  
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## 51 Apologies for absence

Apologies were received from Francis Habgood

## 52 Declarations of interests in respect of items on the agenda

There were no declarations of interests reported.

## 53 2022 Financial Statements and Letter of Representation

The Chief Finance Officer (CFO) reported on the University's 2022 financial statements and audit. The CFO introduced the item by stating that a huge amount of work by both the Finance team and external auditors, MHA (formerly known as 'MacIntyre Hudson') had enabled the presentation of the financial statements for Council's consideration at this meeting. MHA colleagues were not present at this meeting as they felt their attendance was not necessary but had been fully engaged at a meeting of the Risk, Audit and Assurance Committee (RACC) held earlier in the day, at which the financial statements and related documentation had been considered in detail.

The CFO made the following points:

- The University of Buckingham Foundation's accounts had been approved by that body and were with MHA for sign off of the audit report. This was also the case for the University's subsidiary, MPML.
- The CFO disclosed that there were two additional pieces of work MHA were carrying out beyond the financial return audit work, which included:
  - Audit requirements regarding the US Federal Loans department (which was the body through which US national students obtained their student loans). The University had recently identified this as an area of non-compliance and MHA were supporting the University in regaining compliance.

- MHA were also supporting MPML regarding a corporation tax backlog and were working with the University to bring the subsidiary up to date in regard to its returns.
- MHA were still completing their audit work, but it was known at this stage that the University would receive a 'clean' audit report for 2022.
- One significant issue arising from the audit was a VAT provision of £800k for MPML. Though MHA had challenged whether the £800k provision was still required in full given HMRC had just issued an assessment of £114k. The University wished to maintain the provision at previous levels as it was unknown at this stage whether HMRC would come back to the University with any further findings and were still actively investigating the cause of the errors. As a result, MHA having considered the complexities of the situation and the impact on the Group accounts, were content that an enhanced disclosure in the accounts, giving more detail as to the justification for the provision, represented a 'true and fair' position. The enhanced disclosures were reflected in the drafts distributed to Council for consideration and approval.
- There were two 'new' lower risk financial accounting issues in MHA's audit findings (i.e. additional to the findings in MHA's report for 2021 and 2020). One related to old assets on the University's fixed asset register which had fully depreciated and could not be physically verified. This issue was known to the University and it was anticipated that the University would resolve data-related issues such as this ahead of implementing a new system. The other issue related to the narrative around revenue recognition journals and the need to improve processes in this area.
- The Letter of Representation was quite standard and similar to those from previous years but contained two 'exceptional' issues on this occasion. One related to a lack of 'Related Party Transactions' from relevant individuals who had left the University (this issue had also been identified from the 2020 and 2021 audits). The other related to the VAT issue covered above. RACC had concluded at its meeting earlier in the day that the representations made in the letter were appropriate.
- There was a new format for the financial statements which it was hoped could be further built upon as the University moved forward from a position of compliance. The statements would be developed to be more accessible and could increasingly be utilised as a marketing tool for the University.
- The University incurred a deficit of £2.8m in 2022, following a healthy surplus of £5.8m having been achieved in 2021. The commentary of this position was felt to be well represented in the Trustee's report on page 12. The loss in 2022 was largely due to an exceptional USS pension adjustment, investment losses due to challenging market conditions, bad debt provision and administrative costs and legal fees that related to historical issues dating back to 2019. These headlines would form the basis of a response to any press enquiries following publication of the financial statements, though it was anticipated that press interest in the University's financial position was likely to be limited.
- The Office for Students Financial Return workbook had been published to the Council papers portal later than had been intended, though it was noted that this document had been reviewed via the Finance, Estates and Resources Committee (FERC) at its meeting earlier in the month. It contained reported results for 2021 and 2022, and forecasts for the next five years. The document highlighted a strong cash position and forecasted conservative growth of 4% and 3% cost growth. It also assumed the repayment of a £5m term loan when due in 2026. Forecasting would be further developed in future years to enable better financial planning.

- The following changes made to the statements since circulation to Council were highlighted:
  - The cashflow on page 37 contained a minor error relating to investing activities which had since been amended.
  - There was a minor change on a staff cost note whereby a small adjustment had been made to the amount of severance paid during the year.
  - Regarding the total expenditure note 9, the CFO had added a further disclosure explaining the restatement of the 2021 financials, though it was noted that this had no overall impact on the 2021 results.
  - There were some minor adjustments to the USS pensions disclosures, with no material impact.
  - A change had been made in the Related Party Transactions to articulate the separate membership fee for the Higher Education Policy Institute (HEPI) and sponsorship of a report published by HEPI.
  - Removal of expenses disclosed relating to Hongbo Du as they related to his staff, not his trustee, role (there was no requirement to state individual staff expenses in the financial statements).
  - Other minor formal and typo corrections from various reviews that had continued after issuing to Council.

The Chair of RACC made the following points:

- The work completed by the CFO and his Finance team, together with colleagues at MHA, according to the challenges timescales was praised. The timeline to agree and sign off the financial statements for 2023 would be a much more typical six-month process rather than the compressed timescales followed for 2021 and 2022.
- The audit findings reports for 2020, 2021 and 2022 would enable the required actions to be aggregated and addressed as part of a programme of work that could be overseen by RACC and FERC, with appropriate reporting to Council. There were also any key findings of Halpin's Governance Effectiveness Review that would need to be actioned when their report was finalised later in the year.
- RACC had been comfortable with the Letter of Representation.
- The University remained a 'going concern'. A paper was part of Council's pack that set out an assessment of going concern.

In drawing the item to a close, the Chair highlighted the enormous progress made at the University and passed on on behalf of Council thanks to the CFO and his team, and colleagues at MHA. Despite the numerous challenges faced during the recent past, their work had positioned the University to be able to look optimistically toward its future. The CFO indicated that he would pass on Council's appreciation to his colleagues at the University and at MHA.

RESOLVED:

That, arising from consideration by RACC and Council:

- (a) MHA's Audit Findings Report for 2022 be approved;
- (b) The University's 2022 Financial Statements be approved for signature by the Chair of Council, Vice-Chancellor, and CFO subject to any minor amendments not material in nature; and
- (c) The Letter of Representation be approved for signature by the Chair of Council.

**54 Date of the next meetings**

- Monday 17 July 2023 – 12:00 noon (Crewe campus)
- Monday 16 October 2023 – 13:00 (Teams/campus)
- Monday 11 December 2023 – 13:00 (Teams/campus)

**55 Any other business**

There were no items.

17:00-17:30