

UNIVERSITY OF LEICESTER

COUNCIL

Unreserved Minutes of a Special Meeting held by 'Teams' on  
Thursday 25 February 2021

Present:

Gary Dixon (Chair)

Huw Barton	Stephen Garrett
Craig Brown	Alison Goodall
Nishan Canagarajah	Martin Hindle
Martin Cullen	Ian Johnson
Sophie Dale-Black	Andrew Morgan
Sandra Dudley	Vijay Sharma
Mehmooda Duke	Richard Tapp
Cathy Ellis	

**In attendance:** Neil Cox (Assistant Council Secretary); Alex Erdlenbruch (Chief of Staff, President and Vice-Chancellor's Office); Paul Gowdridge (Director of Finance); Geoff Green (Registrar and Secretary); Kerry Law (Chief Marketing and Engagement Officer); Martyn Riddleston (Chief Operating Officer); and Graham Wynn (Pro-Vice-Chancellor, Education).

**Apologies for absence** were received from Janet Arthur, Edmund Burke, Azam Mamujee, Mia Nembhard and Carole Thorogood.

UNRESERVED (ONLY) MINUTES

21/M10 **DECLARATIONS OF INTEREST**

There were no declarations of personal interest in any of the items dealt with at this meeting.

21/M11 **CHAIR'S BUSINESS**

The Chair recorded his recognition of the stresses and strains placed upon members of the Executive Board by the current strategic change programme, exacerbated by the disrupting effects of the pandemic and the continued uncertainty brought about by successive lockdowns. The reaction to Shaping for Excellence consultations, in a small minority of cases, seemed to have progressed beyond fair and reasonable challenge to feature offensive and sometimes bullying behaviour. The position would be monitored closely against the expectations of the University's Dignity and Respect at Leicester Policy, and appropriate action would be taken where necessary.

21/M12 **MINUTES OF THE PREVIOUS MEETING**

Council considered the minutes of the virtual meeting held on 15 January 2021. **Council approved** them as a correct record. There were no matters arising that were not dealt with elsewhere on the agenda for this meeting.

21/M13 **AUDIT COMMITTEE REPORTS**

Council considered the reports of meetings of the Audit Committee held on 14 December 2020, and 20 January and 16 February 2021. The work of the Committee over these three meetings had been focussed in particular on matters relating to the external audit of the 2019-20 financial statements and associated going concern issues. This had not been a particularly smooth process, with significant changes of

personnel at the external auditors and repeated missed deadlines by them, but ultimately the Committee had been able to endorse the Financial Statements for approval by Council, subject to the scrutiny and formal recommendation of the Finance Committee (see also 21/M14 and 21/M18 below).

**Council noted** that the external audit process had also highlighted some procedural issues and shortcomings inside the University which would need to be rectified in time for the next year's audit. The Director of Finance had acknowledged this and the Audit and Finance Committees would both be kept informed of progress in addressing these issues at their future meetings. The Chair of the Committee expressed his appreciation for the work of the Director of Finance and his colleagues over the last few months, and that of the new personnel drafted in by the external auditors, in steering the audit process to a successful conclusion in this year's challenging circumstances.

**Council then considered and approved** the respective 2019-20 annual reports of the Audit Committee and the internal auditors, both of which incorporated the specific opinions required for submission to the OfS. With regard to ongoing actions that were being taken by the University in response to recommendations arising from internal audit reviews of specific operational areas, a number of which had been classified as High or Medium risk, the Chair of the Audit committee explained the processes it used to record, track and monitor progress with these. Council raised specific queries about the actions that were being taken in response to a review of the Student Experience Recovery Plan, conducted a year ago, which had been classified as High risk. Council requested to receive a full update on this at a future meeting (*post-meeting note: subsequently confirmed for the Council meeting on 10 May 2021*) [ACTION: GEOFF GREEN/GRAHAM WYNN].

#### 21/M14 **FINANCE COMMITTEE REPORTS**

Council considered the reports of meetings of the Finance Committee held on 3 December 2020 and 23 February 2021. The work of the Committee over these two meetings had been focussed in particular on matters relating to the preparation of the financial statements for 2019-20, as recommended for approval by Council under 21/M18 below, and the associated going concern elements and mitigations. The Treasurer expressed his appreciation on behalf of the Committee for the work of the Director of Finance and his colleagues over the last few months in their response to what had been a very challenging and unpredictable programme of work.

#### 21/M15 **REVOLVING CREDIT FACILITY (RCF)**

Council considered the proposed establishment of a Revolving Credit Facility (RCF) of £40 million over two years with Barclays Bank.

Council was reminded that throughout the process of preparing the 2019-20 Financial Statements, with the impact of COVID-19 as the backdrop, the assessment of the financial performance outlook of the University on a 'Going Concern' basis had been a central issue. The main challenges associated with the Going Concern assessment had always been potential breaches of loan covenants, to be addressed by confirmed covenant amendments, and access to sufficient liquidity through the going concern period, to be addressed by confirmed access to the Covid Corporate Financing Facility (CCFF). The proposed establishment of a RCF had actually been planned before the pandemic struck, as an objective to be addressed later in 2021, but the external auditors had suddenly and unexpectedly made a very late recommendation that the University needed to obtain additional liquidity to protect against all eventualities after the CCFF ended in March 2022, mid-way through the University's next financial year.

The absence of a RCF would otherwise have an adverse impact on the external auditors' going concern opinion in the 2019-20 financial statements.

Council considered the contractual terms of the proposed RCF agreement with Barclays Bank, which had been reviewed and recommended for approval by the Executive Board with legal advice from Mills and Reeve, who had also attended the Finance Committee to provide a detailed briefing. Council therefore gained assurance that the proposed RCF agreement was the result of appropriate advice and negotiation and represented a satisfactory outcome in the circumstances.

**Council approved** the entering into of the proposed RCF agreement and also **approved** the model detailed resolution on this matter, prepared by the University's legal advisors, subject to the explicit naming of Paul Gowdridge as the University's Director of Finance in section 5.1 of the model resolution (attached to the signed copy of these minutes as C/21/M15App).

21/M16 **EXTERNAL AUDITORS' AUDIT REPORT 2019-20**

Council considered a draft report of the external auditors on their conduct of the 2019-20 external audit, which had already been considered and commented upon by the Audit and Finance committees. As also noted under 21/M13 and 21/M15, the University had not experienced a smooth external audit process during the year, particularly with the auditors' unexpected and late insistence on the significance of an approved RCF agreement for their Emphasis of Matter on Going Concern, which featured in their Audit opinion. In a final version of the report the external auditors had included an explanation (for the benefit of readers) of why they deemed it necessary for the Emphasis of Matter to even be included in the Audit Opinion.

**Council noted** that, notwithstanding the above, the external auditors had confirmed an unqualified audit opinion on the financial statements for 2019-20.

21/M17 **MANAGEMENT REPRESENTATION LETTER 2019-20**

Council considered the draft letter of representation from Council to the external auditors in respect of their audit of the 2019-20 financial statements. **Council noted** that this was a normal part of an external audit process, and that all of the representations were made on the principle of being "true to the best of your knowledge and belief". The draft letter had been subject to a detailed review by the Audit Committee, with any necessary amendments being reflected in the version presented for approval by Council.

**Council approved** the management representation letter for 2019-20.

21/M18 **FINANCIAL STATEMENTS 2019-20**

Council considered the University's draft audited financial statements for 2019-20, which had already been subject to comprehensive review by the Audit and Finance Committees and recommended for approval. **Council noted** that some very minor revisions had been made to the version circulated for the meeting, but none of these were material. Given the impact of the COVID-19 pandemic the commentary included in the financial review section was longer than normal, and the future outlook section was also more detailed. As referred to under 21/M16, the University had challenged both the necessity and the basis of the external auditors' reference to going concern considerations in their unqualified audit opinion. The auditors had not been prepared

to remove this reference, but agreement had been reached with the University on the actual wording used.

**Council noted** that as part of the going concern disclosures in the financial statements, including in relation to the agreed wording of the external auditors' opinion on this matter, the Executive Board had assessed the financial position of the University for the year ended 31 July 2020 and for a further period of at least 12 months beyond the expected signing of the accounts on 26 February 2021. This assessment covered a number of factors and tested plausible but severe downside risks, including in relation to the impact of COVID-19, and the financial resources and other mitigations in place to address them. The Executive Board had concluded that there was an expectation that the University had adequate financial resources in place to continue to operate and to meet its obligations for the foreseeable future. This assessment had been reviewed and endorsed by the Finance Committee, and the Audit Committee had also been briefed.

**Council approved** the 2019-20 Financial Statements for submission to the OfS.

21/M19 **OfS FINANCIAL MONITORING RETURN 2019-20**

Council considered the University's OfS Financial Monitoring Return for 2019-20, which incorporated all of the required information contained in the approved financial statements, combined with future years' projections which had been reviewed and approved by the Finance Committee at its meeting held on 3 December 2020. An initial submission had since been made to the OfS and various largely minor queries had been responded to as appropriate by the University. The version presented for the approval of Council was the final, formal submission.

**Council approved** the 2019-20 financial monitoring return for submission to the OfS.

21/M20 **DATES AND TIMES OF FUTURE MEETINGS**

**Council noted** the dates and times of remaining scheduled meetings and an Awayday in 2020-21, all to commence at 4.00pm unless stated otherwise:

Wednesday 17 March 2021 - Ordinary meeting

Monday 10 May 2021 - Ordinary meeting

Tuesday 8 June 2021 - Council/Executive Board Awayday, from 9.30am-4.30pm

Tuesday 6 July 2021 - Ordinary meeting

CHAIR

Total duration of meeting: One hour