

Alexander Fischbaum
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London, 06/01/2022

To the Councillors and Auditors of Barnet Council

Re: Middlesex University's poor financial standing / Councillor's duties regarding major capital expenditure / Failure to procure thorough covenant analysis by auditors or other adequate accounting entities might constitute gross negligence or wilful misconduct

Re: 21/4709/FUL – Ravensfield House, Fenella Buildings, 1-3 Burroughs Parade and 3 Egerton Gardens

21/4722/FUL – Meritage Centre, Nos. 32-46 and Nos. 28-30 Church End; Nos. 2-6 Church End

21/4723/FUL – Building 9 and Hendon Library, The Burroughs

21/4724/LBC – Building 9 and Hendon Library, The Burroughs

21/4612/FUL – Land at Car Park, Fuller Street

21/4613/FUL – The Former Quinta Club, Mays Lane, Barnet

21/5061/FUL – Land at Prince of Wales Estate, Between Prince of Wales Close and Fuller Street

Dear Councillors,

I write to you again following on from my letter of 27/07/21 (attached).

I am a Chartered Accountant (FCCA), Chartered Surveyor (MRICS) and former head of real estate mezzanine finance of a leading UK Bank. I am therefore well-placed to raise questions regarding the risk to the Council arising from the large investment program above benefitting **Middlesex University which is lossmaking and closing down parts of its education offering, evidencing that Middlesex University is a poor covenant, experiencing financial difficulties (see below).**

How quickly fortunes change and what significant negative impact this can have on councils can be seen in the Guardian article attached. The difference is that TESCO was a very good covenant when the councils entered into the agreements, Middlesex University is already lossmaking, almost announcing future problems!

You as councillors and decision-makers have a duty to thoroughly examine the economic strength of the sole tenant Middlesex University, for whom all these buildings are erected. Tens of thousands of Pounds have been spent on planning, but I cannot see any adequate assessment of the covenant strength of Middlesex University, despite the university being lossmaking, as I outline below and in previous letters.

Having been repeatedly informed of this material issue, continuing without proper due diligence of the sole tenant Middlesex University is grossly negligent, possibly wilful misconduct. Further degradation of the Middlesex University covenant could threaten

its ability to pay rents and occupy and maintain the new buildings to the detriment of the council and its residents with potential damages going into the millions of Pounds. The white-wash analysis presented in the planning meeting of 20/07/21 was factually incorrect, did not mention the loss-making situation of Middlesex University, was prior to the redundancies and there was no evidence that this analysis was produced by a reliable, independent and duly qualified accountancy firm!

Every small landlord will ask for a reference from his tenant and a confirmation of his income to establish the latter's ability to pay the rent. As far I can see the council has failed to exercise such very basic care despite the investment program running into the of millions.

A thorough analysis of Middlesex University, its creditworthiness and ability to pay rents for the foreseeable future must be conducted prior to any decision and implementation by the councillors! Such analysis must be conducted by duly qualified, impartial and experienced professionals, providing you with a written assessment backed by their indemnity insurance.

You have established auditors and these would be the best to advise how such an exercise should be conducted and which accounting firm is best placed to provide such confirmation.

All further decision making must be postponed until such covenant analysis has returned positive and reliable confirmation of the ability of Middlesex University to pay rents and the councillors and residents had the ability to review and debate the result of such analysis adequately.

Please include a copy of this letter and all attachments in the decision-making documents for all relevant councillors.

Sincerely,

Alexander Fischbaum Dipl. Kfm, FCCA, MRICS

Attached:

- p. 35 of the Middlesex University Financial Statements 2018/2019
- Letter re Middlesex University covenant 27/07/21
- Middlesex University Advance notice of redundancies 14th October 2021
- 'We feel betrayed': the towns abandoned by Tesco (Guardian Newspaper)

Please see below p. 35 of the Middlesex University Financial Statements 2018/2019 (the last year I have financial statements for). In that year Middlesex University was LOSSMAKING and I have no doubt Covid-19 will have had a further detrimental effect.

If this burn rate is maintained all reserves will be consumed within approximately 6 years from 31st of July 2019!

Consolidated and University Statement of Changes in Reserves (continued)

Year ended 31 July 2019

University	Income and expenditure reserve		Revaluation reserve	Total	Non controlling interest	Total including non controlling interest
	Endowment	Unrestricted				
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2017	568	51,932	19,847	72,347	-	72,347
Surplus for the year	125	4,531	-	4,656	-	4,656
Other comprehensive income	-	17,802	-	17,802	-	17,802
Transfers between revaluation and income and expenditure reserve	-	61	(61)	-	-	-
Release of restricted funds spent in year	(147)	147	-	-	-	-
Total comprehensive income for the year	(22)	22,541	(61)	22,458	-	22,458
Balance at 31 July 2018	546	74,473	19,786	94,805	-	94,805
Surplus for the year	217	4,722	-	4,939	-	4,939
Other comprehensive income	-	(20,902)	-	(20,902)	-	(20,902)
Transfers between revaluation and income and expenditure reserve	-	61	(61)	-	-	-
Release of restricted funds spent in year	(145)	145	-	-	-	-
Total comprehensive expense for the year	72	(15,974)	(61)	(15,963)	-	(15,963)
Balance at 31 July 2019	618	58,499	19,725	78,842	-	78,842