

THE UNIVERSITY OF BUCKINGHAM

Financial statements

for the year ended

31st December 2009

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CHAIRMAN'S STATEMENT

While the University continued to build its student numbers and its reputation during 2009 with a 14% increase in registered students and further success in the National Students Survey, foundations have been laid for our future expansion and growth. The acquisition of land adjacent to the Hunter Street campus will provide for the consolidation of academic activity on one site and reinforce the community spirit for which Buckingham is renowned. The University is in very good heart and well placed to build on its recent growth and successes.

Council has supported the University management in many areas with their wide range of skills and expertise and I am very grateful for the time and attention that members give to the University. We have been very sorry to receive the resignation due to other commitments of Alison Phillips. Alison chaired the Audit Committee and was a key member of Council with her wise advice and support. We wish her well for the future. We are also sorry to see the retirement of Anthony Green R.A. from Council. He filled a most supportive role on the Honorary Awards Committee and we are really delighted that he has decided to give the University a collection of his art works which will not only be a wonderful asset for our campus but also make Buckingham a key venue for scholarship in his work. Council is delighted to welcome alumnus Robert Benzine who, along with UBAA representative Lorinda Long, will bolster our legal expertise. We also welcome the UBAA chairman Tino Sarantis and Cambridge biochemist, Professor Ken Siddle who chairs our Ethics Committee. Thanks go to Dr Jane Tapsell, Debbie Millns and Matt Day who stood down as staff members of Council – University governance is strengthened by all our volunteers.

The most significant change to our governance this year is the retirement after 10 years of our Chancellor, Sir Martin Jacomb. It is with great personal regret that I note Sir Martin's retirement as he has not only been an unstinting champion for the University but, in being associated with such a highly respected figure, we have benefited in his reflected distinction. I am, however, delighted to say that the University Convocation has appointed as his successor Lord Tanlaw, a founding benefactor and long standing supporter of the University. We look forward to welcoming Simon Tanlaw at a ceremony in 2010.

Since the introduction of top up fees, Buckingham and the remainder of the University sector have been operating on a much more level playing field. Now, with deep cuts announced in public university funding, not only may students recognise the benefit of an independent university education, but other universities may come to envy our economic and academic freedom from state control.

MRS CHLOE WOODHEAD
Chairman

VICE-CHANCELLOR'S PREFACE

Introduction Universities are today judged by their positions in the league tables, so it is gratifying that the *Sunday Times* has finally admitted us into theirs. In its *2010 Good Universities Guide* (published in 2009) the *Sunday Times* wrote:- "We rank the private University of Buckingham for the first time in our main league table this year. Top for student satisfaction, with the lowest level of graduate unemployment, the best staff/student ratio and lowest dropout rate compared to benchmark, Buckingham makes quite an entrance."

The Sunday Times thus put us first nationally, beating even Oxford and Cambridge, in those four league table categories. We barely registered, however, in the *Sunday Times*'s other four categories, which are largely predicated on research-based criteria, which meant that overall we came 48th out of 122 universities. Nonetheless that is not a bad initial position, which provides us with a base from which to improve.

At the same time our student numbers continue to rise, and as Table 1 shows we currently have 1157 students registered, which is around 150 more than last year, which was itself a record figure. Although not all the new students are full-time residents (many are PGCE - education - students who are based in their schools) we have nonetheless seen an increase in those too.

Table 1

	Year	2004	2005	2006	2007	2008	2009
<i>Type of Student</i>							
UK		144	146	175	233	253	362
Rest of EU		45	44	46	62	86	106
Overseas		495	503	520	481	554	572
Education		0	38	49	74	102	117
Total Registered Students		684	731	790	850	995	1157
Partner institutions' students		66	305	348	671	864	860
Total studying for Buckingham qualifications		750	1036	1138	1521	1859	2017

The basis of our recovery can be summarised in a few key parameters. First, we were accredited by the Quality Assurance Agency in 2003, which improved our credibility. Second, we have come top of the National Student Survey (of student satisfaction) in every year since 2006, which has improved our attractiveness. Third, we have reduced fees for home students (which we did for two main reasons, first to help meet our public benefit expectations under charity law by effectively providing bursaries for all home students, and secondly to augment the home feel of the institution to provide our international students with a more British and European experience) which has preferentially increased the numbers of home students (though international student numbers continue to grow). And fourth, we have added to our sources of income by accrediting students at partner institutions, primarily the Sarajevo School of Science and Technology and the European School of Economics, which has provided us with extra resources to invest in ourselves.

There is a fifth explanation for our growth, namely that we have attracted increasing numbers of prominent scholars seeking a freer atmosphere from that offered by the publicly-funded universities. Their migration here has increased our credibility.

VICE-CHANCELLOR'S PREFACE (continued)

Our growth seems likely to continue because of problems within the state-funded sector. That sector in Britain is suffering cuts of up to £500 million in its annual government grants of £14 billion, and the Chairman and the Director General of the Russell Group, which is the association of the 20 leading British research universities, have announced that "it will take just six months to bring Britain's higher education system to its knees", while the President of Universities UK, which represents all 133 British universities, has admitted that "institutions face having to close hundreds of courses, with fewer academic staff and bigger classes." Yet demand is growing: over 160,000 students face being turned away from degree courses in Britain this autumn, up from 100,000 just two years ago, while the number of places falls. It would be reasonable to assume that some of those students will spill over to us. Moreover the Browne review (Lord Browne has been commissioned by the Government to advise on future policy for the universities) is predicted to raise the cap on top-up fees, which will render us more competitive.

As a consequence of our human and financial expansion we have felt the need to expand physically. Ten years ago we sold 3 acres of land on the Verney Park site for £3 million to developers (these are rounded figures). That was a shrewd move (I can write that because it was taken before I got here) which provided us with the financial cushion to survive the difficult decade of the 2000s. That decade was made difficult for us because the British government had converted the polytechnics into universities, thus doubling the number of our competitors and turning Britain from a country with a shortage of places at university to one with an excess. The British government, moreover, then doubled its support for the public universities, thus further empowering our competitors. We therefore needed reserves to survive.

In late 2009 however we made a down payment of £685k (recognised in this annual report) on the purchase of 6 acres of land including extensive buildings on the Tingewick Road site, across the river behind Hunter Street. The total price was £2 million (round figures again) which will be fully recognised in our accounts for 2010, but let me here note that those two land transactions bracket the welcome shift in our fortunes over the first decade of this millennium.

We are hugely grateful for a most generous gift which helped make this possible. We have not yet determined how exactly we will use the new buildings, but we have one urgent priority (to create more student accommodation) and one urgent wish (to move the Law School, the Science School and the two libraries to the new site.) We are seeking sources of funding for those developments.

The built estate Prebend House on Hunter Street is undergoing restoration work which has been funded most generously by the Linbury Trust. This is a most timely development, as the gardens at the back of Prebend House face the grounds of the Tingewick Road site. We will now link the two with a bridge, to provide an extended embankment along the river, to create a park in which to enjoy the summer months.

The restoration of Prebend House was made possible only by the vigorous leadership of the Chancellor Sir Martin Jacomb, the Chairman of Council Mrs Chloe Woodhead, and the former Chairman of our Buildings and Development Committee Mr James Offen, who together drove the writing of the grant application to the Linbury Trust. Prebend House occupies the very heart of our campus, and our gratitude to those four players will be undying.

Stefan Ridley, our sports officer, has renovated Bridge Cottage to establish the Wellness Centre, not just for the university but also for the town. This facility will encourage the health and well-being of students through treatments such as hypnotherapy, reflexology and Thai yoga massage.

VICE-CHANCELLOR'S PREFACE (continued)

Law School The Law School continues to thrive. It has made two new appointments this year, namely Dr Graham Melling and Dr Philip Larkin, and to add to the numbers of doctorates the School possesses, Francis Grimal has now been awarded his PhD for his thesis "Threats of force: International Law and Strategy."

Last year the British Insurance Law Association awarded its Book Prize to Dr Adolfo Paolini for his book, co-authored with Deepak Nambisan, on *Directors' and Officers' Liability Insurance*, while *Sport Business International* Magazine published its list of the "world's 20 most influential sport lawyers..." which included Dr Gregory Ioannidis, Lecturer in Sports Law, whose expertise lies in the regulation of drug abuse in sport.

The School is now launching its Street Legal Project by which students gain the opportunity of a short placement or internship in firms and chambers to work alongside professionals, observing and assisting in legal matters, and thus enhancing their own professional education. The project was launched when one of our students shadowed a judge in the High Court in a complex fraud trial.

Such developments do not happen by chance, and the School is lucky to be led by its dean Professor Susan Edwards, who is not only a practicing barrister but also a distinguished scholar with an international reputation in Family Law, who played a significant role in galvanising our own scholarship by her editing of our house journal, the *Denning Law Journal*.

International Studies The School of International Studies welcomed this year Professor Richard Langhorne as the Professor of Global Politics and Director of the Centre for Global Studies. Professor Langhorne was previously the Director of the Centre of International Studies at Cambridge University (1987-1993) the Director and Chief Executive of Wilton Park of the Foreign and Commonwealth Office (1993-1996) and Director of the Division of Global Affairs at Rutgers University (1996-2009.)

The School also congratulated one of its honorary professors, Roger Scruton, on his election as a Fellow of the British Academy (FBA.) He is the second living FBA to be associated with the faculty of the University, the other being Professor Sir Alan Peacock DSC.

The University Press published a festschrift (a collection of writings) in honour of the late Professor Norman Barry whose sister and brother-in-law, Adrienne and David Maycock, have made a generous donation to the Beloff Centre for the Study of Liberty to fund Visiting Research Fellowships and also to finance conferences².

Thanks to a most comprehensive donation from the Esmée Fairbairn Foundation, for which we applied under Mrs Chloe Woodhead's leadership, we received a large grant to relaunch the MA in Historic Interiors and Decorative Arts in London in collaboration with the Wallace Collection. This will be followed in 2011 by an MA in Art Business and a BA in History of Art in Buckingham. Meanwhile Professor Jane Ridley's well-established MA in Biography is now being taught in London as well.

Thanks to a generous grant from the Weston Foundation we have launched, also in London, an MA by Research in Military History under the leadership of Professors John Adamson and Saul David, whose first year recruited over 20 students.

The University of Buckingham Centre for Security and Intelligence Studies under the leadership of Professor Anthony Glee and Dr Julian Richards is attracting more students, and it is building ever closer links with Bletchley Park.

VICE-CHANCELLOR'S PREFACE (continued)

Under the new leadership of Mr Peter Ireland, supporting Professors Chris Woodhead and Anthony O'Hear and their growing team, the PGCEs and MEd courses have attracted more students than ever before. And the research produced by Professor Alan Smithers and Dr Pamela Robinson of the Centre for Education and Employment Research has continued to set much of the education debate in Britain.

We are now establishing an MA by Research in English Literature, with five students this year, and the whole department of English has been vivified by Dr Paul Davis's generous gift of scholarships for research in English Literature and of prizes for postgraduate work in English Literature, History and Biography. We are, moreover, launching a Joint Honours degree of which Journalism will be a major component, and we are also launching a new collaboration with the Sarajevo School of Science and Technology of a Bachelor's Degree in English and Applied Studies.

These successes do not happen by accident and, to repeat a theme that will recur in this report, the growth of Economics and International Studies at Buckingham has been led by an outstanding dean, Professor Martin Ricketts, who has done more than anyone else to foster the arts and humanities in this University.

The Business School The Business School too continues to flourish, and this year it launched the Chartered Institute of Marketing Study Centre. This year also witnessed the first students receiving their professional certificates through the Centre for Automotive Management, the launch of successful partnerships with IMI in Brussels, Cambridge Business School in Singapore and FACO in Paris, and the successful launch of the first Business Ball for staff and students. The School also recruited Dr Andreas Schroeder to develop teaching in Information Systems. Under Dr Jane Tapsell's leadership this school is growing impressively, and we were lucky to find a dean of such quality.

Science The School of Science has made astonishing progress in recent years. This year, for the first time, we have over 100 students in the School, with ever increasing numbers of PhD and other research students. Professor Paul Trayhurn, who is a Fellow of the Royal Society of Edinburgh (FRSE), and who was previously Professor of Nutritional Biology at Liverpool University, has joined the Clore Laboratory. He is the third living FRSE to be associated with the faculty of the University (the other two being Professor Sir Alan Peacock DSC and Professor Alan Brook MBE). During the last year the Clore Laboratory has won grants of two thirds of a million pounds, while the Department of Psychology, which is preparing to gain accreditation for its courses in the next few months from the British Psychological Society, is now, for the first time, under the leadership of Dr Alan Martin, sponsoring its own research students. The Department of Applied Computing, which has always had a strong history of research, is increasingly spreading its wings internationally. For some time its head of department Professor Sabah Jassim has been forging educational links with Iraq, and we now have 16 Iraqi students on campus, mainly in applied computing. Professor Jassim is now working on a part time basis with the Minister of Higher Education in Kurdistan, advising the government on how to develop its science and universities. Meanwhile the clinical MD course is now full at 20 students and we are looking at ways of expanding it. The first students will finish in May and will be graduating next year.

Such successes, as I have already noted, do not happen by accident, and in Professor Mike Cawthorne, who is a world leader in research into diabetes, the School has found a dean with the stature and statesmanship to foster its proper growth. We are also fortunate to have Professor Andrew Miles and Professor Sir Jonathan Asbridge assisting with the planning of the study of medicine in Buckingham.

VICE-CHANCELLOR'S PREFACE (continued)

Lectures We have been honoured by the distinguished figures who have delivered our public lectures over the past year, including the Speaker of the House of Commons Mr John Bercow MP, Mr James Elles MEP, General Sir Mike Jackson of SSAFA, Sir Stuart Hampson of the John Lewis Partnership, and Ms Maggie Patterson and Mr Maajid Nawaz of Amnesty International.

Allies A university always needs allies, so it good to report that we have continued to receive the support of the Friends of the University under their President, Mrs Barbara Edmondson, and Chairman, Mrs Margaret Taylor. In April 2009, moreover, a group of alumni under the leadership of Tino Sarantis (Politics, Economics and Law, '92) launched the University of Buckingham Alumni Association to promote ties between alumni from all over the world as well as keeping them in touch with us. The Alumni Annual Fund is currently raising funds for a multimedia studio to include facilities for a radio station for students to host their own radio shows, and to enhance the facilities for our journalism students too.

Honorary degrees We awarded two this year, one to Sir Stuart Hampson the very successful chairman of the John Lewis Partnership, and the other to Mr John Blundell who has had an impressive career in the world of classical liberal think tanks, having been President of the Institute for Humane Studies (1988-1991) President of the Atlas Economic Research Foundation (1987-1991) President of the Charles G. Koch and Claude R. Lambe Charitable Foundations (1991-1992) and Director General of the Institute of Economic Affairs (1993-2009.) In those roles John Blundell has been an advocate of freedom in general and of Buckingham's freedom in particular, even inspiring his son James to come here. James Blundell was awarded his LLB in the same ceremony that John received his honorary doctorate.

The University of Buckingham emerged out of the Institute of Economic Affairs, where its early board meetings were held, and in honouring John Blundell we recognised part of our own history.

Conclusion The University has prospered in this last, difficult, decade, and the prospects for the next one look good.

References

1. Melanie Newman *Times Higher Education* 18 March 2010 pp 36-44.
2. Michael James (ed) *Classical Liberalism in the 21st Century* University of Buckingham Press 2009.

DR TERENCE KEALEY
Vice-Chancellor

OPERATING AND FINANCIAL REVIEW

1 The University's character and objectives

The University of Buckingham is in many ways similar to other British universities. We are a Royal Charter company with authority to award taught and research degrees. We are a charity and have a bicameral constitution, with a Senate and Council - plus an Academic Advisory Council ("AAC") - and we are members of Universities UK.

To help monitor and demonstrate teaching quality we are members of the Quality Assurance Agency ("QAA") and subject to regular audits by them. To the same end we have joined the Higher Education Statistics Agency ("HESA"), which has resulted in partial inclusion in the University League tables; we are working towards having more data included. We also participate in the National Student Survey ("NSS").

Like other British universities an important part of our mission is to contribute to scholarship and research. However, we do not participate in the Research Assessment Exercise since we are ineligible for its main purpose, the allocation of core research funding from the government.

Teaching

Where we mostly differ from other British universities is in our funding and consequent obligations. We have chosen to forego public money and so have not entered into a Financial Memorandum - the contract through which the government controls the publicly financed sector. So we depend on fee income and see students as our primary customers. Elsewhere the government tends to be the dominant customer (although increased tuition fees are changing the emphasis).

While keeping a keen eye on affordability we set fee levels to fund a degree of personal attention to our students, both academic and pastoral, that enables them to make the best of their time here. For example, we supplement lectures with small group tutorials. We feel this approach helped us to come first in the NSS for the past four years.

Research and scholarship

We undertake externally-commissioned studies into metabolic science, dermatology, educational policy, automotive manufacturing and applied computing. Some is funded publicly - by research councils or the European Commission - and some by donations or commercial contracts.

In addition, most members of academic staff undertake individual scholarship for publication, in many cases funded by fellowships or grants. Our fields of scholarship include: in Law - European, sports, property, insurance, medical, child and gender law; in Business - service management and business strategy; in Science - diabetes, obesity, developmental, educational and music psychology, cognition, image processing and wireless networking; and in Humanities - security intelligence, economic organisation, health economics, biography, 19th and 20th century literature.

Public policy

One of our goals is to participate in the development of education policy. We do so through press coverage and by the example we provide of a university outside the system of government funding and control. For example, more state funded universities are now offering compressed two year honours degrees "on the Buckingham model". We have also in a sense blazed the trail for the sector's move towards increased funding by students rather than government and our success in the NSS has prompted public debate about students' expectations as customers.

OPERATING AND FINANCIAL REVIEW (continued)

2. Business environment and strategies

The market in higher education

We are in competition with over 100 other institutions for a UK student population that HESA reported (in 2008/09) as consisting of 2 million British students, 118,000 other EU students and 251,000 international students. There are a further 2 million international students worldwide (studying outside their own countries but not in the UK) who also represent a potential market.

Buckingham's distinctive position

Based on HESA returns, our student-staff ratio in 2008/09 was 8.0, compared to a UK median of 17.5. This helps us to offer a much greater level of personal attention than nearly all other British universities – e.g. through more contact hours and small group tutorials. The small size of the campus and the town also promotes personal attention.

The compressed two year honours degree gives a uniquely rapid route to graduation. So not only do our graduates enter employment sooner, but they also spend less on living costs while they study. Local applicants value the fact that they can continue to live at home while they study. Some applicants also value our independence from government.

Product and service strategies

Customer service. We monitor the student experience - academic, pastoral and social - in order to make continual improvements so that they speak favourably of us to potential students. The NSS shows we have a measure of success.

Academic courses. We aim to offer an attractive range of degree courses – bachelors, masters and doctorates - periodically modernised, periodically added to and occasionally discontinued.

Teaching quality. Our academic procedures and regulations, and membership of QAA, are designed to assure the quality of teaching and assessment.

Access courses. Able candidates whose school results or English are below the required level are offered access courses to prepare them for degree courses.

Pricing strategies

Home students. Differential fees were introduced in autumn 2006 with the objective of increasing home student numbers and creating a more equal balance between home and international students. This has reduced our reliance on international markets and reinforced our character as a British university. Our home students now pay £17,280 (2010 rate) in tuition fees over the course of their studies compared to £9,870 elsewhere (2010/11 rate). From 2010 similar differentiation is being introduced for most postgraduate courses.

International students. Our objective is to keep our international fees competitive and student numbers at least stable. We monitor the sector and charge a bit more than the average – less than the Russell Group, but more than the New Universities.

Marketing strategies

Corporate publicity. We have successfully raised our profile through participation in the NSS, university league tables, policy debate and scholarship.

Recruitment. We maintain our website and prospectus to high standards. We visit schools and educational fairs in Britain and abroad, and maintain a network of overseas agents. Admissions officers follow up on expressions of interest with the personal attention our small size allows.

OPERATING AND FINANCIAL REVIEW (continued)

2. Business environment and strategies (continued)

Capacity and estates strategies

Growing student numbers have resulted in our student residences becoming full. The increased proportion of UK students has limited the affect of accommodation constraints (since home students are more likely to live at home). Also, the private rented sector in the town has absorbed additional students in recent years.

However, Buckingham is a small town and many students prefer to live in university residences, so more are needed to allow the recent growth trend to continue. In January 2010 we acquired the Tingewick Road site, adjacent to the main campus, which includes a major building. The intention is to occupy this building and convert some of our existing buildings to student residences. The extra space will also help us to avert constraints on teaching space and office accommodation.

Most of the current estate was developed at least twenty years ago, so an extensive programme to modernise and/or replace buildings will be necessary in due course. Some of the older student residences have already been converted to ensuite rooms.

Financial strategies

The university's general financial objectives are to sustain current operations and fund expansion. Immediate objectives are to service the loans on the Tingewick Road site purchase; to fund consequent developments; and to strengthen liquidity. In due course we will also need to fund the modernisation of the rest of the estate.

The business plan prepared in connection with recent loan applications identifies how we can return to operating surplus. Favourable student application trends present an opportunity to improve margins by raising fees and making economies of scale. Surpluses alone may not suffice to meet our objectives, but we have two other resources.

We are seeking benefactors willing to support the university's mission. Over the university's lifetime, donations from have funded about 40% of capital expenditure on property. In addition, we could sell some of the significant amount of undeveloped land within the Tingewick Road site, and/or underutilised property elsewhere.

Ancillary business activities

Research. In principle we expect research income to cover its related direct costs (which was nearly achieved this year). Since we do not receive "core" research funding (i.e. from a funding council), our research has not in recent years contributed to the cost of facilities and support services. It therefore relies on a cross subsidy from teaching, which we accept in order to maintain our academic reputation and enrich the experience of staff and students.

Validation. We validate the teaching of a number of other institutions, awarding our degrees to their students, for which we receive fees.

3. Resources

Financial resources

Although working capital is negative (current liabilities exceed current assets), fees received in advance provide sufficient operating cash, supplemented by a £100k overdraft facility. As explained in note 23 to the accounts, the recent investment of £2m in property is being funded by new borrowing facilities, repayable over 5-20 years.

OPERATING AND FINANCIAL REVIEW (continued)

3. Resources (continued)

Physical assets

We own our attractive estate, set in the heart of the historic town of Buckingham. Its 14,200 square metres of building space house teaching rooms and other facilities. In addition we have 9,200 square metres of student accommodation comprising 463 rooms.

In addition there are some undeveloped buildings and land plots, while the Tingewick Road site acquired in January 2010 includes a building with 4,000 square metres of usable space as well as undeveloped land.

Staff

We have the equivalent of 238 full time equivalent members of staff, 100 academic and 138 support staff, who are committed to the ethos of supporting our students as individuals.

Fundraising and supporters

When the University started (and at various times since) donations were a major resource for developing the estate. More recently, the University of Buckingham Foundation (a separate charity) and the University itself have raised funds to help in developing new courses, restoring old buildings, scholarships, bursaries, prizes and research grants to our staff.

Royal Charter

Our Royal Charter allows us to award the full range of degree types and to validate the teaching of selected institutions.

Strategic partnerships

We aim to build on our validations of the Sarajevo School of Science and Technology and the European School of Economics and on collaborations with Ealing NHS Trust.

4. Opportunities and risks

Tingewick Road site

This purchase provides the extra space to create the capacity in which to continue growing. However, it also represents a risk, should we be unable to fund its development.

Acceptability of two year degrees

The European Higher Education Area (the outcome of the Bologna process) is arriving in 2010. Under it Bachelor level degrees require a minimum of three years, but it isn't yet clear how the acceptability of our compressed two year honours degrees will be affected in practice.

We can draw comfort from the government's pilot study of two year degrees at seven state universities, although it isn't clear whether the model will continue in the light of the mixed reception given to the Higher Education Academy's evaluation of the pilots. Nor is it clear what will be the attitude of professional bodies to degrees that don't comply with Bologna.

In response, we are working towards being able to offer each course over three years as well as two. However, the compressed two year degree is one of our "Unique Selling Points". We may need a major change in marketing strategy to attract students to our three year courses.

Collaborations

Our Royal Charter entitles us to validate the teaching of selected institutions in the UK and overseas, an activity we would like to increase. However, collaborations bring both credit control and reputational risks, so we aim to be careful in our choice of collaborative partners and to develop clear contractual arrangements.

OPERATING AND FINANCIAL REVIEW (continued)

4. Opportunities and risks (continued)

Quality reputation

Our ability to recruit depends on a reputation for academic integrity, based on comprehensive academic regulations and quality procedures and on the scrutiny of our independent AAC and public quality audits by QAA. Following the 2008 QAA audit report, we have taken steps to strengthen those aspects of our management highlighted by the auditors.

Market size

In due course the home market may flatten or decline. A report for Universities UK forecasts a fall in the number of 18 to 20 year olds over the next ten years. Also, a new government may bring an end to the goal of 50% of each age group going to university and bring a shift in emphasis towards vocational training. However, a reduction in government funded places might increase applications to Buckingham.

In the meantime, the home market represents a major opportunity for us. More students are currently applying to universities as a result of the difficult jobs market. We are now much more competitive on price and reputation. The review of the cap on top-up fees may give a further boost to our competitiveness.

The world market in international higher education may cease growing, due to increasing local provision. The UK's share of the market has fallen over the years, but has been supported recently by the weakness of sterling. In the meantime, we share in a growing market that provides most of our income.

UK competitors

The compressed two year honours degree is no longer unique, as the government is piloting the model at seven universities, including Northampton locally. However, this seems not to have harmed us. Indeed it gives positive publicity to the two year option. The granting of degree awarding powers to BPP Plc may present more of a challenge. They now offer compressed two year undergraduate law degrees at Leeds, London and Manchester.

Credit control

To minimise the risk of providing tuition and accommodation but not being paid, we require payment in advance for each term and a deposit. In addition we operate a system of graduated advice, warnings and sanctions for late payers. Before contracts are entered with corporate customers – e.g. for research or validation services - we assess their credit worthiness.

Liquidity risk

Despite increasing net current liabilities, our credit control policies provide a comfortable cash buffer derived from fees in advance, which market circumstances have boosted recently. We also have a £100,000 overdraft facility. However, if deficits continue, net current liabilities and hence liquidity risk will tend to increase. Budget setting and monitoring are the main controls.

Fraud and error

As with any business, there are potential risks to the integrity of financial assets and financial information. The primary safeguards are the staffing of the finance office and its financial procedures. In addition, the Audit Committee undertakes rolling reviews of risk management.

OPERATING AND FINANCIAL REVIEW (continued)

4. Opportunities and risks (continued)

Legal issues

In common with all universities, we engage professional registry and HR staff and maintain academic and staff regulations, including grievance and appeal systems, which minimises the possibility of litigation. We have a legal responsibility to maintain our listed buildings, all of which are in use except Prebend House, on which we plan restoration works during 2010.

Regulatory matters

As required by the 2006 Charities Act we are in the process of transferring from Excepted charity status to Registered charity status. Our main benefit to the public is the affordability of our courses to a substantial proportion of qualified applicants, enhanced by differential pricing for home applicants and supported by scholarship and bursary schemes. We also enhance the UK's diversity of higher education provision. In addition we provide public lectures, concerts and other public facilities.

5. Operating performance and trends

Table 1 – student numbers by school of study (in autumn term)

	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>
Law	396	34%	389	39%	337	40%
Business	204	18%	197	19%	161	19%
Science	107	9%	80	8%	73	8%
Humanities	450	39%	344	34%	279	33%
Total	1,157	100%	1,010	100%	850	100%

Table 2 – student numbers by level of study

	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>
Undergraduate	749	65%	722	72%	635	75%
Resident Postgraduate	130	11%	111	11%	94	11%
Non resident Postgraduate	234	20%	135	13%	84	10%
Pre degree	44	4%	42	4%	37	4%
Total	1,157	100%	1,010	100%	850	100%

Table 3 – student numbers by geography

	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>
UK	479	41%	370	37%	307	36%
Other EU	106	9%	86	8%	62	7%
International	572	50%	554	55%	481	57%
Total	1,157	100%	1,010	100%	850	100%

Table 1 above shows some growth in student numbers in each school, but especially Humanities, due to new postgraduate courses and the continuing growth of Education. Table 2 shows the growth to have occurred at all levels of study, but especially non resident postgraduates (in Humanities). Table 3 shows that, while most growth has been in home students (mainly due to non resident postgraduates), international numbers have grown too.

OPERATING AND FINANCIAL REVIEW (continued)**5. Operating performance and trends (continued)**Table 4 – Income and direct expenditure by school of study (£000s)

	<u>Law</u>	<u>Business</u>	<u>Science</u>	<u>Humanities</u>	<u>Total</u>
<u>2009</u>					
School income	3,814	1,831	938	2,636	9,219
Direct expenditure	<u>1,246</u>	<u>1,165</u>	<u>775</u>	<u>1,626</u>	<u>4,812</u>
Contribution	2,568	666	163	1,010	4,407
<i>Contribution %</i>	67%	36%	17%	38%	48%
<u>2008</u>					
School income	3,480	1,684	817	2,302	8,282
Direct expenditure	<u>1,170</u>	<u>1,076</u>	<u>615</u>	<u>1,437</u>	<u>4,298</u>
Contribution	2,310	608	202	865	3,984
<i>Contribution %</i>	66%	36%	25%	38%	48%
<u>2007</u>					
School income	3,203	1,602	639	2,107	7,551
Direct expenditure	<u>1,098</u>	<u>1,059</u>	<u>394</u>	<u>1,207</u>	<u>3,758</u>
Contribution	2,105	543	245	900	3,792
<i>Contribution %</i>	66%	34%	38%	43%	50%

Table 5 – Changes in school Income and direct expenditure

	<u>Law</u>	<u>Business</u>	<u>Science</u>	<u>Humanities</u>	<u>Total</u>
<u>Change 2009/2008</u>					
School income	9.6%	8.7%	14.8%	14.5%	11.3%
Direct expenditure	6.5%	8.3%	26.0%	13.2%	12.0%
<u>Change 2008/2007</u>					
School income	8.6%	5.1%	27.9%	9.3%	9.7%
Direct expenditure	6.6%	1.6%	56.1%	19.1%	14.4%

Tables 4 and 5 above show that the income of all four schools grew strongly. Proportionately expenditure grew slightly faster than income, though less so than in 2008 and 2007. The tables show the continued dominance of the Law school financially. On a "full economic costing" basis, where support and infrastructure costs are allocated to income earning activities, Law subsidises the other schools.

Law, Business and Humanities increased their contributions in line with income growth but the contribution from Science fell. The extra income related to the Clinical MD, which entailed an equivalent extra cost, while additional staff were engaged by Applied Computing (to help supervise extra research students) and Psychology (to prepare for BPS accreditation).

Note: School income consists mainly of tuition fees but also other income such as validation fees. It has not been adjusted for interdepartmental teaching on shared programmes and free choice courses. Had it been, Humanities income would have been an estimated £200,000 higher and other schools' income somewhat lower.

Direct expenditure is mainly teaching salaries but also school administration and the devolved element of marketing and scholarships. Contribution is the difference between the two, i.e. the contribution towards support and infrastructure costs.

OPERATING AND FINANCIAL REVIEW (continued)**6. Financial results**Table 6 – Income and expenditure summary

	2009 £000s	2008 £000s	2007 £000s	2009/8 % change	2008/7 % change
Tuition fees	8,845	8,027	7,324	10.2%	9.6%
Residences and catering income	1,792	1,756	1,644	2.0%	6.8%
Research grants and contracts	724	580	698	24.8%	-16.9%
Other operating income (note)	955	1,020	979	-6.3%	4.2%
Income from fundraising activities	228	176	77	29.5%	128.6%
Interest from bank deposits	<u>36</u>	<u>134</u>	<u>114</u>	<u>-73.1%</u>	<u>17.5%</u>
Total income	<u>12,580</u>	<u>11,697</u>	<u>10,836</u>	<u>7.5%</u>	<u>7.9%</u>
Staff costs	7,755	7,367	6,705	5.3%	10.2%
Depreciation	711	716	693	-0.1%	3.3%
Other operating expenses	4,208	3,712	3,457	13.4%	7.4%
Interest payable	<u>5</u>	<u>28</u>	<u>38</u>	<u>-82.1%</u>	<u>-26.3%</u>
Total expenditure	<u>12,679</u>	<u>11,823</u>	<u>10,893</u>	<u>7.2%</u>	<u>8.5%</u>
(Deficit)/surplus on continuing activities	(99)	(126)	(57)		
Exceptional income and expenditure	<u>(114)</u>	<u>220</u>	<u>(110)</u>		
(Deficit)/Surplus for the year	<u>(213)</u>	<u>94</u>	<u>(167)</u>		
<u>Note on other operating income:</u>	2009 £000s	2008 £000s	2007 £000s		
Validation fees	477	461	414		
Reimbursements from SEEDA	95	217	230		
Released from deferred capital grants	95	91	91		
Other	<u>288</u>	<u>251</u>	<u>244</u>		
Total	955	1,020	979		

Table 6 above shows that tuition fee income increased by 10.2% (2008: 9.6%). Student numbers grew and prices increased, although income growth was limited by an adverse fee rate mix (an increased proportion of home undergraduates and Education postgraduates).

Income from residences and catering was up only 2.0% (2008: 6.8%). Despite price increases and increased students numbers, average occupancy fell, due to more flexible contract policies. Research income was 24.8% up (2008: 16.9% down), due to more grants for metabolic research. The contribution from research contracts improved to £21,000 negative (2008: £153,000 negative).

OPERATING AND FINANCIAL REVIEW (continued)

6. Financial results (continued)

Other operating income was 6.3% down (2008: 4.2% up) as our SEEDA grant came to an end in the year. Growth of validation income slowed, despite many more students being validated, because fee levels were renegotiated. Fundraising income recovered.

Staff costs rose by 5.3% (2008: 10.2%), despite the end of the SEEDA project, due mainly to a 4.2% general salary increase and increased administrative staffing. Other operating expenses grew by 13.4% (2008: 7.4%). The main areas of increase were invoiced teaching on the Clinical MD and the PGCE, overseas travel and a retrospective rates charge.

Note: Residence and catering income is almost all from residences, with catering accounting for a little under £100,000 each year.

As explained in note 8 to the accounts, exceptional expenditure in each year consists of termination and dispute settlement payments and provisions for the cost of winding up the in house pension scheme. Exceptional income in 2008 was a profit on selling land.

7. Cash flow and liquidity

Total cash flow was £387,000 negative (2008: £1,229,000 positive). The main differences between the two years were that capital expenditure was much higher in 2009, while 2008 cash flow also benefited from a land sale. Working capital changes benefited cash flow by £1,089,000 (2008: £1,029,000). The main factor was an increase of £897,000 in student fees in advance (2008: £774,000).

Consequently net current liabilities of £1,892,000 (2008: £620,000) worsened by more than the cash outflow. Liquid assets (cash and debtors) cover 66% of short term liabilities (2008: 86%).

8. Capital expenditure and loans

Capital expenditure was £1,583,000 (2008: £462,000). The major projects were a downpayment on the Tingewick Road site (£685,000); ensuite conversion of Harris House (£231,000); the porter's lodge (£90,000); and a scanner for the new research project in dermatology (£81,000).

Loan repayments of £311,000 (2008: £156,000) resulted in the university ending the year with no bank debt.

9. Fund raising

The University's income from the University of Buckingham Foundation (a separate charity) was £82,000 (2008: £86,000), used mainly to fund scholarships. In addition, the University had income from other donors of £146,000 (2008: £90,000). Restricted donations were used to fund professorships in Business and Humanities, the Max Beloff Centre (notably the Norman Barry conference) and scholarships. Unrestricted donations have been put towards the cost of refurbishing Prebend House.

The release of deferred capital grants of £95,000 (2008: £91,000) is also income from fund raising, being phased recognition in income of past donations (in proportion to the depreciation of the building costs that they funded). Total income from fundraising therefore amounts to £323,000 (2008: £267,000).

OPERATING AND FINANCIAL REVIEW (continued)

10. Medical school

Options for an undergraduate medical school are still being explored. Meanwhile the Clinical MD continues to develop. It is Buckingham's course but with teaching and logistical support Ealing NHS Trust, with most of the teaching undertaken at Ealing hospital.

11. Conclusion and prospects

2009 saw continuing progress in achieving our mission of exemplifying the viability and merits of an independently funded university. Student numbers continued to grow, we reinforced our character as a British university, new courses were launched and we raised our profile further, through scholarship and participation in public policy debate.

Progress towards the objective of financial sustainability was more mixed. Bank loans were fully paid off, but another deficit was reported, as increased income was absorbed by increased expenditure. Investments were made to modernise the estate and a downpayment was made on an expansion project, but liquidity worsened significantly as a result.

However, recent and prospective changes in the home market provide the opportunity to move back into surplus. Already we are on track to achieve a break even budget for 2010. In the short term, further recovery in profitability will be limited by the additional costs of owning and developing the Tingewick Road site, which will provide additional capacity for significant further growth after that.

As well as sustained surpluses, donations and possibly land sales will be needed to help fund our investment plans.

C J WILKES
Finance Director

STATEMENT OF CORPORATE GOVERNANCE

General

Whilst the University, being a corporation formed by Royal Charter, does not fall within the regulation of the London Stock Exchange, the Council is satisfied that the University has complied throughout the period with the provisions of the Combined Code in so far as they are applicable to Higher Education Institutions and are practicable in the University's circumstances.

Summary of corporate governance structure

The University is an independent charitable corporation, whose legal status derives from its Royal Charter, which was approved by the Privy Council in 1983. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes.

The Charter and Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities.

- The Council is the governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. It has a majority of members from outside the University (lay members). For a full list of members of Council, see page 18.
- The Senate is the academic authority and draws its membership from the academic and academic related staff and the students of the University. Its role is to direct and regulate the teaching and research work of the University.
- The Academic Advisory Council plays an important role in quality assurance. It advises Council and Senate on academic matters and approves the appointment of all external examiners. Its members are senior academics from outside the University, appointed by the University's Council.

The principal academic and administrative officer of the University is the Vice-Chancellor, who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University and who is the Chairman of the Senate. The Vice-Chancellor also chairs the Executive Committee, which is composed of the academic Deans and other senior managers.

Operations of Council

Although the Council meets at least four times each academic year, much of its detailed business is handled by committees. The Finance and General Purposes Committee, which meets six times a year, inter alia recommends budgets and fee levels, and monitors financial performance in relation to approved budgets. The Committee has two sub-committees, covering Buildings and Development; and Health and Safety at Work.

The Audit Committee is responsible for reporting to Council on systems of internal control and financial reporting arrangements. It is also responsible for satisfying itself that the University has adequate arrangements for ensuring economy, efficiency and effectiveness.

The Nominations Committee is responsible for making recommendations to Council on the appointment of lay members of the Council. The Remuneration Committee is responsible for determining the remuneration of the senior management team, including the Vice Chancellor.

MEMBERS OF COUNCIL AS AT 4 JUNE 2010

Ex officio members:

The Chancellor – Lord Tanlaw
The Vice-Chancellor – Dr T Kealey
The Deputy Vice-Chancellor – Professor N Foster
The President of the Students' Union – Mr E Chukwuma

Appointed members:

Up to three nominated by the
Academic Advisory Council:

Dr K Elliott
Professor D Myddelton
Professor M Smith

Up to two appointed by
Buckinghamshire County Council:

Mrs M Clayton
Mr D Polhill

Up to 16 appointed by
co-option:

Mrs C Woodhead (Chairman)
Mr I Plaistowe (Vice-Chairman)
Mr R Benzine
Mrs S Bergqvist
Ms S Deaves
Mr M Lancaster MP
Ms L Long
Ms K Okonski
Mr M Rushton
Mr T Sarantis
Professor K Siddle
Mr J Stafford
Mr B Tavener
Mr D Taylor
Dr R von Heusinger

Up to two members of
Convocation:

Miss M Okonula
Ms S Tomassi

Up to five nominated by
Senate:

Mrs J Bray
Dr S Hawlin
Dr A Martin
Professor A Smithers
Mr J Sundaram

Up to two elected from the non-
teaching staff:

Mr C Martin

Up to two elected from the
student body:

One graduate student elected by the graduate students
of the University: Miss M Mandava
One student elected by the undergraduate students of
University: Mr L Samuel

RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL IN RELATION TO THE FINANCIAL STATEMENTS

In accordance with its responsibilities under section 18 of Schedule 7 of the Education Reform Act 1988 the University's Council presents audited financial statements for each financial year. The Council is required to keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the annual financial statements give a true and fair view of the state of affairs of the University and of the income and expenditure for that year.

In causing the financial statements to be prepared, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Council has taken reasonable steps to:

- ensure that there are appropriate financial and management controls in place to safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Council.

The University therefore complies with the Statement of Recommended Practice on Accounting for Further and Higher Education except that its small size means a comprehensive accounting manual and an internal audit function are not deemed necessary, although independent internal control reviews are commissioned periodically. Any systems of internal financial control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COUNCIL OF THE UNIVERSITY OF BUCKINGHAM

We have audited the financial statements ('the financial statements') of the University of Buckingham for the year ended 31 December 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein

Respective responsibilities of members of council and auditors

The responsibilities of the members of Council for preparing the financial statements in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions (2007) and applicable United Kingdom Law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Council's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the council and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education (2007). We also report to you if, in our opinion, the institution has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only the Vice Chancellor's preface, the Chairman's Statement, the Operating and Financial Review and Statement of Corporate governance.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members of Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COUNCIL OF THE UNIVERSITY OF BUCKINGHAM (continued)

Opinion

In our opinion:

The financial statements give a true and fair view of the state of affairs of the University as at 31 December 2009, the deficit of income over expenditure and cash flows for the year then ended, and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education (2007), and United Kingdom Generally Accepted Accounting Practice.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Milton Keynes

Date

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention and are presented in accordance with the Statement of Recommended Practice, Accounting for Further and Higher Education Institutions, (SORP) published in July 2007 and with applicable Accounting Standards in the United Kingdom.

The University owns eight limited companies, which have been incorporated in connection with the Bachelor of Business Enterprise teaching programme. The University also has a minority shareholding in the University of Buckingham Press Limited. However, none of them have income, expenditure, assets or liabilities that are material to the University. No value is seen in preparing consolidated accounts.

2 Recognition of income other than donations

Tuition fees are recognised in the accounting period when the related teaching occurs. Income from residences and catering are also recognised when the related services are provided.

Income from long term contracts, e.g. research, is included to the extent of the expenditure incurred during the year, together with any related recovery of overhead costs which can prudently be recognised. Where a loss is foreseen, the value of the loss is included as a charge in the accounts.

3 Donations

Donations received without restriction are credited direct to income.

Restricted donations made to fund capital expenditure that is subject to depreciation are initially reported as deferred capital grants in the balance sheet and then released to income in proportion to the depreciation of the related fixed assets. Where material, restricted donations for other purposes are shown within total funds as expendable endowments, if they will be spent over more than one financial year.

Other restricted donations are credited to deferred income then released to income when the related expenditure is incurred. Donations received in respect of the acquisition of freehold land are treated as income in the period in which the land is bought.

4 Pension schemes

The Norwich Union Group Personal Pension Plan (GPP) is a defined contribution scheme, established by contract. The employer's contributions payable for each accounting period are accounted for as expenditure.

The Universities Superannuation Scheme (USS) is a defined benefit scheme, established by trust deed with assets held in a separate fund. In this case too only the employer's contributions payable for each accounting period are accounted for as expenditure. USS is unable to identify each participating employer's share of the underlying assets and liabilities on a consistent and reasonable basis so, in accordance with the accounting standard FRS17, the University does not account for any long term liability.

The University of Buckingham Employee Benefits Plan (EBP), established as a defined contribution scheme by trust deed, closed to further contributions on 31 December 2007. However, the scheme provides a Guaranteed Minimum Pension in respect of periods of membership prior to 6 April 1997. The University accounts for any funding deficit, based on the actuary's reports to the University on the funding of the scheme at 31 December each year.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

5 Depreciation

Equipment and property costing more than £3,000 per item or project is capitalised. Other equipment is written off in the year of purchase. Land is not depreciated, but depreciation is provided on a straight line basis on other assets at the following annual rates:

Buildings	2%
Furniture, furnishings and equipment	10%-20%
Office equipment	10%-20%
Science laboratory equipment	20%
Motor vehicles	20%
Computing equipment and software	25%

6 Library books

The cost of purchasing library books is written off to the income and expenditure account as it is incurred.

7 Maintenance of premises

The cost of maintenance is written off in the year in which it is incurred.

8 Taxation and charitable status

The University is an Excepted charity within the meaning of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. During 2009, the University has applied for Registered charity status, since the Charities Act 2006 is bringing the category of Excepted charities to an end. The application is expected to be successful since it is considered that the Public Benefit requirements are met.

As a charity the University is exempt from taxation in respect of income and capital gains received within categories covered by section 505 of the Taxes Act or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Charitable status provides no similar exemption from VAT, but the University is defined as an Eligible Body by Schedule 9 Group 6 of the VAT Act 1994. This means that the education provided is exempt from VAT but that VAT cannot be recovered on education related purchases. Irrecoverable VAT is therefore included in both revenue and capital expenditure.

9. Provisions

Provisions are recognised when three conditions are met: the University has a present legal or constructive obligation as a result of a past event; it is probable that a transfer of economic benefit will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

INCOME AND EXPENDITURE ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £000	2008 £000
Income			
Tuition fees	1	8,845	8,027
Residences and catering income		1,792	1,756
Research grants and contracts		724	580
Other operating income	2	955	1,020
Income from fundraising activities	3	228	176
Interest from bank deposits		<u>36</u>	<u>138</u>
Total income		<u>12,580</u>	<u>11,697</u>
Expenditure			
Staff costs	4	7,755	7,367
Depreciation	9	711	716
Other operating expenses	5	4,208	3,712
Interest payable	6	<u>5</u>	<u>28</u>
Total expenditure		<u>12,679</u>	<u>11,823</u>
Deficit on continuing activities before exceptional items		(99)	(126)
Exceptional (expenditure)/income: continuing activities	8	<u>(114)</u>	<u>220</u>
(Deficit)/surplus for the year retained within reserves		<u>(213)</u>	<u>94</u>

There is no difference between the (deficit)/surplus on ordinary activities for the year and its historical cost equivalent.

The University has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

**BALANCE SHEET
AT 31 DECEMBER 2009**

	Note	2009 £000	2008 £000
Fixed assets			
Tangible fixed assets	9	11,892	11,020
Investments	10	<u>23</u>	<u>23</u>
		11,915	11,043
Endowment assets - cash		<u>62</u>	<u>74</u>
Current assets			
Debtors	11	1,202	1,100
Cash at bank and in hand		<u>2,434</u>	<u>2,809</u>
		3,636	3,909
Creditors: amounts falling due within one year	12	<u>(5,528)</u>	<u>(4,529)</u>
Net current liabilities		<u>(1,892)</u>	<u>(620)</u>
Total assets less current liabilities		10,085	10,497
Creditors: amounts falling due after more than one year	13	(52)	(226)
Provision for liabilities and charges	14, 21	<u>(120)</u>	<u>(75)</u>
Net assets		<u>9,913</u>	<u>10,196</u>
Deferred capital grants	15	2,560	2,618
Expendable endowments	16	62	74
Reserves	17	<u>7,291</u>	<u>7,504</u>
Total funds		<u>9,913</u>	<u>10,196</u>

The Council approved the financial statements on pages 22 to 35 on 20 July 2010 and they were signed on its behalf by:

Dr G T E Kealey
Vice-Chancellor

Mr C J Wilkes
Finance Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £000	2008 £000
Net cash inflow from operating activities	18	1,443	1,302
Return on investments and servicing of finance			
Interest received		40	152
Interest paid		(5)	(28)
Net cash inflow from returns on investments and servicing finance		<u>35</u>	<u>124</u>
Capital expenditure and financial investment			
Payments to acquire tangible assets		(1,583)	(462)
Receipt from sale of tangible assets		-	387
Deferred capital grant received		<u>37</u>	<u>34</u>
		(1,546)	(41)
Expendable endowment received		2	-
Cash (outflow)/ inflow before financing		(66)	1,385
Financing			
Bank loan repayment in year		(311)	(146)
Other loan repayment in year		(10)	(10)
(Decrease)/increase in cash in the year	19	<u>(387)</u>	<u>1,229</u>

NOTES TO THE FINANCIAL STATEMENTS**1 Tuition fees**

	2009	2008
	£000	£000
Full-time undergraduates-home fee rates	1,900	1,645
Full-time undergraduates-standard fee rates	4,444	4,388
Part-time undergraduates	111	117
Post graduates	2,005	1,503
Pre degree and non degree courses	<u>385</u>	<u>374</u>
	<u>8,845</u>	<u>8,027</u>

2 Other operating income

	2009	2008
	£000	£000
Interest on deferred debt receivable	4	14
Release from deferred capital grants	95	91
Validation fees	477	461
Other income	<u>379</u>	<u>454</u>
	<u>955</u>	<u>1,020</u>

Other income comes from diverse sources, including a contract with SEEDA and a grant for the relaunch of Art History teaching.

3 Income from fund raising activities

	2009	2008
	£000	£000
Amounts received from University of Buckingham Foundation	82	86
Expendable endowments released to the Income and Expenditure account	14	9
Other revenue donations	<u>132</u>	<u>81</u>
	<u>228</u>	<u>176</u>

4 Employee information

The average number of equivalent full-time members of staff, including visiting lecturers and other temporary staff, was as follows:-

	2009	2008
	Number	Number
Academic/research	100	101
Support	103	93
Manual	<u>35</u>	<u>34</u>
	<u>238</u>	<u>228</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**4 Employee information (continued)**

	2009	2008
	£000	£000
Wages and salaries	6,583	6,279
Social security costs	542	502
Pension costs	<u>630</u>	<u>586</u>
	<u>7,755</u>	<u>7,367</u>
Academic/Research	4,335	4,255
Support	2,915	2,643
Manual	<u>505</u>	<u>469</u>
	<u>7,755</u>	<u>7,367</u>

The salary paid to the Vice-Chancellor was £129,260 (2008: £124,050). Pension contributions amounted to £18,743 (2008: £17,367). In addition, the Vice-Chancellor is required by his contract of employment to live in a house provided by the University, for which no taxable benefit accrues. No other members of staff earned more than £100,000 (2008: none).

5 Other operating expenses

The total includes expenses incurred on:-	2009	2008
	£000	£000
Residences and catering	815	506
Research grants and contracts	261	261
Scholarships, bursaries and prizes	328	231
Books, periodicals and electronic resources	107	145
Heat and light (excluding residences)	216	218
Repairs and maintenance (excluding residences)	259	382
Grants to Students Union	48	36
Grant to Alumni Association	10	-
Auditors' remuneration	22	21
Other services provided by the auditors:		
Internal control review	-	11
Student loan audit	2	5

6 Interest payable

	2009	2008
	£000	£000
On bank loans wholly repayable within five years	<u>5</u>	<u>28</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**7 Analysis of expenditure by activity**

	<i>Staff Costs</i> £000	<i>Deprec- iation</i> £000	<i>Other Expenses</i> £000	<i>Interest payable</i> £000	2009 Total £000	2008 Total £000
Academic departments	4,133	-	873	-	5,006	4,551
Research contracts	492	-	261	-	753	789
Residences and catering	87	267	815	5	1,174	1,072
Premises	744	289	417	-	1,450	1,541
Services	945	155	650	-	1,750	1,650
Administration	<u>1,354</u>	<u>-</u>	<u>1,192</u>	<u>-</u>	<u>2,546</u>	<u>2,220</u>
	<u>7,755</u>	<u>711</u>	<u>4,208</u>	<u>5</u>	<u>12,679</u>	<u>11,823</u>

8 Exceptional items

	2009 £000	2008 £000
Disposal of land at Lenborough Rd:		
Proceeds on disposal	-	401
Cost eliminated on disposal	-	(74)
Cost incurred on disposal	<u>-</u>	<u>(14)</u>
Surplus on disposal	<u>-</u>	<u>313</u>
Staff termination payments	(35)	-
Dispute settlement payments	(28)	(30)
Change in pension restructuring cost provision (note 14)	(51)	(63)
	<u>(114)</u>	<u>220</u>

The 2009 termination payments were made in compensation to two former employees. The dispute settlement payments were partly for legal advice in respect of the above and partly to resolve a dispute with a student over research supervision.

NOTES TO THE FINANCIAL STATEMENTS (continued)**9 Tangible fixed assets**

	Freehold land	Freehold buildings	Equipment	Payments on account	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 January 2009	1,635	12,922	3,142	79	17,778
Additions	-	106	749	728	1,583
Transfers	-	22	46	(68)	-
Disposals	<u>-</u>	<u>-</u>	<u>(418)</u>	<u>-</u>	<u>(418)</u>
At 31 December 2009	1,635	13,050	3,519	739	18,943
Accumulated depreciation:					
At 1 January 2008	-	5,208	1,550	-	6,758
Charge for the year	-	258	453	-	711
Disposals	<u>-</u>	<u>-</u>	<u>(418)</u>	<u>-</u>	<u>(418)</u>
At 31 December 2009	<u>-</u>	<u>5,466</u>	<u>1,585</u>	<u>-</u>	<u>7,051</u>
Net book value:					
At 31 December 2009	<u>1,635</u>	<u>7,584</u>	<u>1,934</u>	<u>739</u>	<u>11,892</u>
At 31 December 2008	<u>1,635</u>	<u>7,714</u>	<u>1,592</u>	<u>79</u>	<u>11,020</u>

10 Investments

	2009 £000	2008 £000
Shares in CVCP Properties Plc at cost	<u>23</u>	<u>23</u>

The University owns 0.54% of the issued ordinary share capital in CVCP Properties Plc, the company that owns the offices of Universities UK.

11 Debtors

	2009 £000	2008 £000
Student debtors	185	117
Other debtors	1,008	967
Loans to subsidiary companies	<u>9</u>	<u>16</u>
	<u>1,202</u>	<u>1,100</u>

12 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Bank loans	-	147
Other loans	10	10
Fees received in advance	3,224	2,327
Trade creditors	381	359
Taxation and social security	207	179
Other creditors	937	948
Accruals and deferred income	<u>769</u>	<u>559</u>
	<u>5,528</u>	<u>4,529</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**13 Creditors: amounts falling due after more than one year**

Bank and other loans	2009	2008
	£000	£000
Repayable to Royal Bank of Scotland Plc by June 2010	-	152
Repayable to Barclays Bank Plc by 2012	-	159
Other loan	<u>62</u>	<u>72</u>
	62	383
Less amounts falling due within one year	(10)	(157)
	<u>52</u>	<u>226</u>
Analysis of loan repayments		
Between one and two years	10	157
Between two and five years	42	69
After five years	-	-
	<u>52</u>	<u>226</u>

The bank loans, which bear interest at 0.75% to 1.0% above LIBOR, secured by fixed charge mortgages over three of the University's freehold properties, were repaid in full in June 2009. The other loan relates to an interest free loan financing the purchase of catering equipment.

14 Provision for liabilities and charges	2009	2008
	£000	£000
At 1 January	75	42
Released during the year	(6)	(30)
Additions during the year	<u>51</u>	<u>63</u>
At 31 December	<u>120</u>	<u>75</u>

The remaining provision relates to the EBP pension fund. It has been increased to reflect the actuary's latest estimate of the Guaranteed Minimum Pension shortfall. The release of a provision in 2008 relates to a dispute with a former member of staff.

15 Deferred capital grants

	Freehold buildings	Equipment	2009	2008
	£000	£000	£000	£000
Cost:				
At 1 January	2,584	34	2,618	2,675
Grants received	30	7	37	34
Released to income and expenditure account	<u>(91)</u>	<u>(4)</u>	<u>(95)</u>	<u>(91)</u>
At 31 December	<u>2,523</u>	<u>37</u>	<u>2,560</u>	<u>2,618</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**16 Expendable endowments (restricted)**

	2009	2008
	£000	£000
At 1 January	74	83
Received in the year	2	-
Transfer to Income and Expenditure account	<u>(14)</u>	<u>(9)</u>
At 31 December	<u>62</u>	<u>74</u>

All of the balance is capital. No accumulated income has been included.

17 Reserves

	2008	2008
	£000	£000
At 1 January	7,504	7,410
(Deficit)/ surplus for the year	<u>(213)</u>	<u>94</u>
At 31 December	<u>7,291</u>	<u>7,504</u>

18 Reconciliation of operating surplus to operating cash flow

	2009	2008
	£000	£000
(Deficit)/surplus for the year	(213)	94
Depreciation	711	716
Profit on disposal of fixed assets	-	(313)
Release of deferred capital grant	(95)	(91)
Interest received	(40)	(152)
Interest paid	5	28
Release of endowment	(14)	<u>(9)</u>
	354	273
Increase in provisions	45	33
(Increase)/decrease in debtors	(102)	202
Increase in fees paid in advance	897	774
Increase in other non bank creditors	249	<u>20</u>
Net cash inflow from operating activities	<u>1,443</u>	<u>1,302</u>

In 2008 the change in endowment cash was excluded from the cash flow statement, so operating cash flow was reported as £1,311,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)**19 Analysis of changes in net funds**

	2009	Change in 2009	2008	Change in 2008	2007
	£000	£000	£000	£000	£000
Cash at bank and in hand	2,434	(375)	2,809	1,238	1,571
Endowment cash	<u>62</u>	<u>(12)</u>	<u>74</u>	<u>(9)</u>	<u>83</u>
	2,496	(387)	2,883	1,229	1,654
Loan due within one year	(10)	147	(157)	-	(157)
Loan due after one year	<u>(52)</u>	<u>174</u>	<u>(226)</u>	<u>156</u>	<u>(382)</u>
Total	<u>2,434</u>	<u>(66)</u>	<u>2,500</u>	<u>1,385</u>	<u>1,115</u>

20 Capital commitments

At the year end there were £1,304,000 of capital commitments outstanding in respect of contracts for future capital expenditure entered into by the University (2008: £384,500). Of this £1,270,000 is the balance of the purchase price of the Tingewick Road site (see note 23). The University's Council has authorised a capital budget for 2009 of £433,100 (2008: £900,000).

21 Pension commitments

The Norwich Union Group Personal Pension Plan is a defined contribution scheme, so no commitment exists beyond the employer's contractual contributions for each accounting period.

However, the University of Buckingham Employee Benefits Plan (EBP) and the Universities Superannuation Scheme (USS) provide defined benefits and so entail long term liabilities, for which the employers are ultimately responsible. The University accounts for the deficit of EBP's assets over liabilities, but not for its share of USS's deficit, for reasons explained in the statement of accounting policies. The latest actuarial information on each scheme is set out below.

University of Buckingham Employee Benefits Plan

The EBP is a defined contribution scheme which includes a guaranteed minimum pension (GMP) element to ensure that members receive benefits at least equivalent to those given up by contracting out of SERPS prior to 6 April 1997.

The most recent full triennial actuarial valuation of the EBP, carried out as at 5 April 2007 indicated that there was no deficit on the members' accounts. The assumptions used are detailed in version A3 of the assumptions guidance issued by the Pension Protection Fund Board and the following yields were used to place a value on the liabilities.

Net yield in deferment	0.57%
Net yield in payment	
- benefits earned in respect of service before 6/4/97	5.07%
- benefits earned in respect of service after 5/4/97	2.57%

NOTES TO THE FINANCIAL STATEMENTS (continued)**21 Pension commitments (continued)**

However, in his update as at 31 December 2009 the actuary reported liabilities of £678,000 (2008: £538,000), being a market price assessment of securing the members' GMP benefits by purchasing non-profit immediate and deferred annuities with an insurance company. Net of assets of £565,000 (2008: £517,000), the deficit is £113,000 (2008: £66,000).

EBP's actuary also evaluated the scheme on an actuarial basis consistent with last year. On this basis the scheme had a surplus of £38,000 (2008: £31,000 surplus). For the purpose of providing in the University's accounts, the former basis is considered appropriate, since it better reflects the reality of the planned closure of the scheme. Accordingly a deficit of £113,000 is included in the revised provision of £120,000 (2008: £75,000). The provision also includes an allowance for administrative costs.

Universities Superannuation Scheme

The latest triennial actuarial valuation of the scheme was at 31 March 2008. For past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.4% per annum, salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to promotion in line with recent experience) and pensions would increase by 3.3% per annum.

For future service liabilities it was assumed that the valuation rate of interest would be 6.1% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 4.3% per annum (also plus an allowance for increases in salaries due to promotion) and pensions would increase by 3.3% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the value of the assets of the scheme was £28.8 billion and the value of the past service liabilities was £40.6 billion, a deficit of £11.8 billion. The assets therefore were sufficient to cover 71% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The trustee company decided to increase the institution contribution rate to 16% of pensionable salaries. The contribution rate will be reviewed annually. The next formal triennial actuarial valuation is due as at 31 March 2011.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall in respect of that employer will be spread across the remaining employers and reflected in the next actuarial valuation of the scheme.

Cost to the University

	2009	2008
	£000	£000
Contributions to USS	505	473
Contributions to GPP	<u>125</u>	<u>113</u>
Total pension cost for the period (note 4)	<u>630</u>	<u>586</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**21 Pension commitments (continued)****Contributions outstanding at the year end**

	2009 £000	2008 £000
To USS	65	61
To GPP	<u>15</u>	<u>14</u>
Total outstanding	<u>80</u>	<u>75</u>

22 Related party transactions

The University's income receivable from the University of Buckingham Foundation, a separate charity established to support the University, was £81,000 (2008: £86,000), of which £43,000 was outstanding at the year end (2008: £23,000).

Mr Christopher Woodhead, the husband of the Chairman of Council, billed fees to the University totaling £23,000 (2008: £15,000) for business development consultancy, of which £2,000 (2008: £2,000) was outstanding at the year end.

Professor Chris Woodhead (no relation), a member of the University's education faculty, is also the Chairman of Cognita Schools Ltd. Cognita sponsors students on the University's postgraduate education programmes, for which the company paid £116,000 (2008: £113,000). Nothing was outstanding at the year end (2008: nil).

In addition, Cognita supplies teaching services to the University, for which they billed £28,000 (2008: £nil). An amount of £7,000 was outstanding at the year-end (2008: £nil).

The University undertook a metabolic research study for Bridge Bioresearch Plc, a company of which Professor Mike Cawthorne, the Dean of Science, is a director and shareholder. The University billed the company £39,000, which was outstanding at the year end.

23 Post Balance Sheet Events

On 21 January 2010 the University completed the purchase of a six-acre former industrial site at Tingewick Road across the river from the main campus. The total consideration amounted to £1,955,000. The immediate intention is to occupy the buildings on the site as soon as possible and to vacate the teaching premises at Verney Park with a view to developing them as additional student accommodation.

Loan funding has been secured in the form of a £1,500,000 loan facility from Royal Bank of Scotland, repayable over 20 years starting in 2015, and a £500,000 loan facility from the University of Buckingham Foundation, repayable in full by December 2014.

A generous donation of £250,000 has been made towards the cost of preparing the Tingewick Road site for occupation. Further funding will be needed to assist with its occupation and to fund the development of Verney Park.

SUPPLEMENTARY INFORMATION

The University of Buckingham Foundation

The following unaudited information is not a part of the annual report.

The Foundation is a separate charity, whose objects are:

- a) to advance the education of the public by supporting and promoting the education, in all its forms, of students attending the University of Buckingham, and by benefiting the wider academic community and purposes of the University as a whole; and
- b) to promote research into academic and scientific fields of learning.

The Foundation's unaudited accounts for 2009 show net assets of £2,799,000, made up of:

- Unrestricted funds - £178,000
- Endowment funds – £2,543,000
- Other restricted funds - £78,000.

About half the endowment funds are expendable, whereby income and principal are available to support dermatological research and scholarships in Economics and Business. The remainder are permanent, whereby income is available to support scholarships in a variety of subjects, staff research and academic prizes.

The Foundation's unaudited accounts also record the £500,000 loan facility to the university agreed since the end of the financial year, which is referred to in note 23 of the University's accounts.