

**THE UNIVERSITY OF BUCKINGHAM**

**Financial statements**

**for the year ended**

**31st December 2006**

<b>CONTENTS</b>	<b>Pages</b>
Chairman's statement	1
Vice-Chancellor's preface	2-5
Operating and Financial Review	6-14
Statement of Corporate Governance	15
Members of Council	16
Responsibilities of Council in relation to the Financial Statements	17
Report of the auditors	18-19
Statement of principal accounting policies	20-21
Income and expenditure account	22
Balance sheet	23
Cash flow statement	24
Statement of total recognised gains and losses	24
Notes to the financial statements	25-31

## CHAIRMAN'S STATEMENT

2006 was a good year for the University. We came top of the National Students' Survey, we celebrated our 30<sup>th</sup> anniversary, student numbers continued to grow, and we reported a small surplus on the Income and Expenditure account and a larger one on the Cash Flow statement. Those surpluses look modest against a turnover of around £10 million, but many UK universities will be reporting deficits for 2006, so I congratulate the Vice Chancellor and his team on a creditable performance.

I am very grateful for the support of all my colleagues on Council, whatever their category of membership. There have been a number of changes to Council this year: Professor Mike Smith replaced Professor Tom Cannon as the AAC representative, the Hon. Rupert Carington and Mr David Fisher resigned, and the terms of Professor Raoul Franklin, Mr Richard Morris-Adams, Mr Ronel Lehmann and Mr Jason Charity expired at the end of 2006. We are very sorry to lose old friends, whose wisdom has been so invaluable to the University. We wish them well. Meanwhile, we welcome to Mark Lancaster MP to Council. Mr Lancaster is the first of our Alumni to be elected to Parliament. The Nominations Committee will be proposing other names to Council shortly.

Although the University faces challenges, we can look back on a period of substantial achievement. Quite apart from our stronger financial position, it is important to stress that Buckingham is beginning to make a real mark in Higher Education as a whole. The state sector is beginning to follow our example, notably in trialling two-year degrees and in the introduction of fees. Buckingham now has a much higher profile in the past. The Vice-Chancellor and many of his colleagues have become figures of national importance. Of course, the University ultimately depends upon its students. I have met many students directly and have been particularly impressed by the quality of the contribution of student members of Council.

Finally, let me re-emphasise my gratitude to all our donors. The University of Buckingham Foundation (a separate charity established to support the University) received some £591,000 in gifts this year. The largest gift was from the Cotswold Trust and was given to support a Chair in dermatological cancer. In addition a further pledge of \$325,000 was made by Ronald Coase, the economics Nobel laureate, to increase the number of Coase Scholarships. Other donations were made directly to the University. Without such donations our university would be a poorer place spiritually as well as academically.

**SIR JOHN BRIGSTOCKE**  
Chairman

## VICE-CHANCELLOR'S PREFACE

**Introduction** As the Chairman notes in his Statement, 2006 was a good year for us. We were especially delighted when we learned that the National Students' Survey had given us a higher rating than any other British University. The results of this survey, conducted on behalf of the Government by Ipsos MORI (an independent polling agency) summarised the views of final year students throughout the country. Students were asked to indicate their levels of satisfaction in no less than twenty-one areas connected with teaching. There were questions on teaching quality, assessment, feedback and related matters.

From the time of our foundation, we have always wanted to demonstrate that, as an independent institution, we can surpass our counterparts in the state sector in the most important university activity of all: teaching itself. The NSS is only in its second year and 2006 was the first time we were able to participate in it. We were thus given a wonderful, though perhaps belated, opportunity to put our longstanding claims to teaching excellence under public and independent scrutiny. The results speak for themselves and confirm what we have always known.

**30<sup>th</sup> Anniversary** Another big news item in 2006 was the celebration of our 30<sup>th</sup> anniversary, when over a hundred alumni and their families came to Buckingham for our first Home Coming weekend. We held an interesting discussion session and a very successful evening party. Here a major feature was the announcement of a poll of alumni to choose i) their favourite academic (Mr Eddie Shoemith) and ii) their favourite member of the support staff (Mrs Linda Waterman). We congratulate both.

**Numbers** As Figure 1 shows, student numbers have increased again, a rise continuing into 2007. We could accommodate 1,000 students on campus with little modification and up to 1,200 with modest extra building. We have some way yet to go before we reach optimal student numbers. We aspire to grow significantly in the course of the next decade – but we would always want to be the smallest university in the UK. That is one of the things that makes us special.

Figure 1: Breakdown of Student Numbers in the Autumn term 2003-2006

Type of student	2006	2005	2004	2003
Resident	702	678	676	687
Non resident	88	53	30	22
Total registered students	790	731	706	709
Partner institutions' students	348	305	66	0
<b>Total studying for Buckingham qualifications</b>	<b>1138</b>	<b>1036</b>	<b>774</b>	<b>709</b>

**The accounts** For 2006 we report surpluses on both our Income and Expenditure Account (I&E) and our Cash Flow statement. These surpluses are modest, but, as the Chairman notes, many UK universities will be reporting deficits this year, so we have done tolerably well in a tight market.

We may not do so well next year: we have budgeted for a modest deficit on the I&E account for 2007. Our strategy is to enhance our reputation, because we are confident that our teaching and academic record will attract more students – despite our fees. We believe that this is the only credible, or creditable, way for an independent university, operating in the market place, to achieve long-term growth. Sadly, the playing field in fees has been very unlevel, and only now – with the introduction of sector-wide top-up fees – is it beginning to become a little more level. After 2009, however, (when the undergraduate fee cap is expected to rise to £5,000 pa or £15,000 in total) Buckingham should be able to compete on close to equal terms.

## VICE-CHANCELLOR'S PREFACE (continued)

We are already taking steps to bring our fees closer to the sector's. We have reduced home students' fees to £7,500 pa or £15,000 in total. This has already resulted in an increase in UK and EU students but, of course, at the cost of less revenue per student. But while we move towards a reasonably level playing field, it is essential to sustain our human and physical capital. Hence we are ready to budget for tolerable deficits. We have more than sufficient cash reserves to cover this and our debts are modest. Loan repayments are up to date and we expect to have repaid all our existing debt on schedule by 2012.

**Fundraising** The University of Buckingham Foundation is a separate body, raising funds from donors who wish to benefit the University and managing an endowment fund. Some donations are invested to provide an income, typically to fund scholarships, others are used to reimburse University costs, typically for development projects large or small. As the Chairman has noted, it is good to report that this year the Foundation raised some £591,000 in donations. Thanks to these and other gifts, the Foundation's assets currently amount to some £1.9 million, building on the £0.4 million fund transferred from the University in 2003, so this represents a healthy trend.

**Research and scholarship** Research-generated income represented around 10 per cent of our total turnover. Professor Mike Cawthorne and his team in the Clore labs, Dr Sabah Jassim and his colleagues in Computer Sciences, Professor Alan Smithers and his team in Education Research, and Professor Nigel Foster in the Law School have all secured significant grants or research contracts. Moreover, Professor Cawthorne has become Dean of our new Science Faculty. This arrangement has already helped to reinvigorate Computer Science and promises to do the same for Psychology.

This year we awarded nine D.Phils – more than ever before. This reflects both the continuing health of our research in existing areas and the development of new ones, such as Education – where Professor O'Keeffe and his colleagues have been notably successful. So many books and learned papers have been produced that there is now a waiting list for inclusion in the 'Staff Publication of the Week' section on the University web site.

Our scholarly reputation has been enhanced by the successful re-launch of the *Denning Law Journal*. I would like to thank Professor Susan Edwards and Mr Christopher Woodhead of the University of Buckingham Press for this considerable achievement. Moreover, The Press now publishes pamphlets produced by the influential think tank, Policy Exchange, which is run by Charles Moore. The link with Policy Exchange is commercially useful and also brings us into contact with thinkers whose views tend to be close to our own.

**Law School** The Law School won the 2006 UK National Negotiation Competition. Our achievement was particularly impressive because, while our team was composed of undergraduates, the others consisted largely of postgraduates following advocacy courses. I thank Janice Denoncourt, Tom Durbin and Charlotte Walsh for all they did to bring about our victory. Since we won the 2006 Competition, we shall be hosting the 2007 National Finals at Buckingham. The Law School were also finalists in the 2006 Oxford University Press National Mooting Competition, having won the English Speaking Union National Mooting competition in 2005.

Notable publications by members of the Law School included: *Family Law* (Susan Edwards and Mary Welstead), the *Law of Trusts* (Judith Bray) and *European Law* (Nigel Foster). Among other innovations, the Law School will be introducing a distance-learning LLM Sports Law programme in January 2008.

## VICE-CHANCELLOR'S PREFACE (continued)

**Business School** We were sorry that the Dean of Business, Professor Phil Dover, had to return to the US for personal reasons. Fortunately, we were able to replace him with Professor Tom Cannon, formerly Dean of the Stirling and Manchester Business Schools. Professor Cannon has had a long association with Buckingham and previously served as Chairman of our Academic Advisory Council. The new Business Enterprise degree has been launched with aplomb. As part of the programme, students set up and run their own companies. Areas range from events management, the sale of Kenyan handicrafts, and beer distribution to a web company promoting Buckingham - both town and University.

**Humanities and International Relations** The new MA in Global Affairs was launched to great success, and we thank Dr Charles Henn (one of our earliest alumni) for this considerable achievement. We welcomed this year two journalists, Janet Daley of the *Daily Telegraph* and Allister Heath of the *Business* as our Wincott scholars. The seminar series organised by the Dean of Humanities, Professor Martin Ricketts, continues to attract distinguished speakers.

**Science** We thank Dr Philip Fine for five years' excellent leadership of Psychology and welcome Dr Alan Martin as his replacement. The research highlight of the year involved our Department of Applied Computing. Participation in the EU-supported SecurePhone project helped to establish the Department's reputation in biometrics and face recognition for mobile devices. I thank Dr Sabah Jassim and his colleagues for this.

**Student support** Dr Jane Ridley is now entering her fifth year as Senior Tutor, an almost unprecedented tenure in such a difficult job, and we thank her. Mrs Felicity Roberts-Holmes held another of her Christmas Day parties for students; again we thank her.

**Support departments** IT Services have rolled out Internet access to the halls of residence, and the final phase will be completed within a month. They have also launched an online "virtual learning environment", details of which are on the website. Responses to the NSS identified IT services as one of Buckingham's particular strengths. We thank Matt Day and his team for their terrific work.

**Collaborations** One of the joys of the last few years has been our collaboration with other independent institutions. Our most long-standing association is with the Sarajevo School of Science and Technology in Bosnia Herzegovina and the biggest with the European School of Economics, based mainly in Italy. The Sarajevo collaboration, previously mainly with our Business School, will now involve the School of Humanities. Buckingham-validated Bachelors degrees in Economics and Political Science and International Relations will be launched in September 2007.

**Medical school** It is disappointing that Brunel University have withdrawn from this project. We anticipated that Brunel would contribute both money and facilities. But we are still very interested in the creation of a Buckingham Medical School and are actively reviewing a range of possibilities.

**Honorary degrees** At the Graduation Ceremony held on 4 March 2006 honorary degrees were awarded to Dame Elizabeth Butler-Sloss and The Honourable Michael Misick.

**Dinners** We held a Patrons' Lunch in London last year to celebrate Buckingham and its achievements. We invited all those who have given us significant sums of money and a large number accepted. The speaker was Boris Johnson MP who has kindly agreed to visit the University and to speak again in 2007.

## VICE-CHANCELLOR'S PREFACE (continued)

Thanks to the generosity of the Palamountain Foundation, we held a dinner in London to celebrate the Edgar Palamountain Medal and the success of its holders. Sir Alan Peacock and Lord Luce, former Vice-Chancellors who have done so much for the University, attended. Lord Eddie George spoke on the importance of independence in central banking, a theme that resonated well with the audience. I thank Mrs Chloe Woodhead for all she did to facilitate the Palamountain Dinner. Perhaps it will not be long before we celebrate the successes of the holders of our newest medal, the Dame Barbara Shenfield Award for the best overall postgraduate student.

**Deaths** I was very sad to learn of the death of Ralph Harris (only a month after our last lunch together). He was one of our founders and he became a good friend of mine, always looking for money and support for the university. He helped persuade Ronald Coase to give us his magnificent scholarships.

We also learned with regret of the deaths of Tara Hepburn, from the Bahamas, who graduated in Law last year but died soon afterwards, and of Nuhu Ahmed, from Nigeria, who was reaching the end of his law studies when he died a few weeks ago. I thank Sasha Lightbourne and Daniel Bakpa of the Bahamian and Nigerian Societies for organising moving memorial events for Tara and Nuhu.

**Finally** I want to reflect on Buckingham's position in the world. We were created to show that an independent university would be better than state-run universities. Indeed, in one crucial way the difference between Buckingham and the rest of the sector has actually widened. When we began, the staff:student ratio at Buckingham and at other British universities was around 1:9. Elsewhere it is now around 1:17 – but at Buckingham it remains around 1:9 (though the possible calculations range from 1:7.5 to 1:11 depending on which assumptions are used).

But it is also a tribute to the wisdom of our founders that, in other respects, the state-sector is now following our example. We were the first university to charge fees, both for home and overseas students, and what has since happened? In 1981, five years after Buckingham, the Government started to charge fees for overseas students and last year it introduced significant top-up fees for home students. In short, Buckingham has led the way in showing there is no such thing as a free university education; at some remove, the state-sector is copying us.

Last year, too, the Government encouraged five state universities to set up two-year intensive degrees on the Buckingham model. When asked why, Alan Johnson MP, the Education Secretary, said candidly that the Buckingham model had proved so successful and useful that he had decided that it should be copied. The interview can be found on the web.

2006 was one of our most important years. It ranks with 1976 (the year of our foundation), with 1983 (the year we received the Royal Charter) and with 1995 (the year we touched 1,000 students). 2006 has been crucial because we have now proved to the world that we are fulfilling our founders' aspirations to be acknowledged as the best teaching university in the UK. We have a long way to go, but Max Beloff's spirit surely smiled on us in 2006.

**Dr TERENCE KEALEY**  
Vice-Chancellor

## **OPERATING AND FINANCIAL REVIEW**

### **1 The University, its objectives and character**

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; see page 15). And we are members of Universities UK.

To help monitor and demonstrate teaching quality we are voluntary members of the Quality Assurance Agency ("QAA") and subject to regular audits by them. To the same end we have also chosen to join the Higher Education Statistics Agency ("HESA") and submitted data to them for 2005/06. We will therefore be included, where applicable, in the next round of HESA's published statistics, on which University League tables will be partly based. In 2006 we also participated in the National Student Survey ("NSS") for the first time.

Like other British universities an important part of our mission is to contribute to scholarship and research. However, we choose not to 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 Funding Council Financial Memorandum - the contract through which the government controls the publicly financed sector. As we are fully reliant on fee income (supplemented by grants and donations), we see students as our primary customers. Elsewhere the government tends to be the dominant customer (though 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 in 2006.

#### **Research and scholarship**

In addition to teaching we engage in externally commissioned research into metabolic science, educational policy and applied computing. This is funded by public bodies - such as research councils, the European Commission and government departments - as well as by commercial organisations.

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 European law, biography, service management, economic organisation, utility regulation, health economics, welfare politics, political philosophy, global forest policy-making, financial regulation, business strategy, multicultural issues in family law, gender issues in criminal law, patent law, cognition, 19<sup>th</sup> century English literature, literacy development, local and church history.

#### **Public debate**

One of our goals is to participate in the development of education policy. We do so through newspaper articles, television and radio appearances and by the example we provide of a university outside the system of government funding and control. For example, when some state funded universities started to pilot compressed two year honours degrees, they were announced as being "on the Buckingham model". And we have in a sense blazed the trail for the sector's move towards increased funding by students rather than government. Recently, our success in the NSS has prompted public debate about students' expectations as customers.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **2. Business environment**

It is estimated that we have the capacity to take about 250 additional students with our present infrastructure, so a comparatively small increase could improve our financial position significantly. Our primary business objective is therefore to maximise the number of suitably qualified students and our primary strategy is to promote our two key advantages:

- Our small size and favourable student-staff ratio enable 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 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.

The objective is also served by seeking to ensure that:

- Current students have a positive experience, academically, pastorally and socially, so that they speak favourably of us to potential students and parents
- Admissions procedures are as efficient as possible
- Marketing and publicity promote our name as widely as possible in relevant markets
- Our fee levels remain competitive with other British universities for both home and international students (see section 4 below).

#### **Teaching quality**

An important factor in our ability to attract students is our reputation for quality. For this reason, our membership of the QAA, which conducts periodic academic audits, is crucial. Our admission policies and access courses have an important role to play in quality. Candidates whose schooling or English Language skills are below the required level can attend access courses to raise their level of attainment and have a chance to demonstrate capability to proceed to degree courses.

#### **International students**

The extent of competition grows continually, both from other British universities, who are very keen to boost their income with international students' fees, and from overseas, for example from Australian and German universities.

For many years the market for international higher education has been growing steadily and British universities have participated in its growth, albeit with a continuing fall in Britain's market share. However, the numbers of international students entering UK Universities declined in 2005/06, and again in 2006/07. Happily, it appears that this decline will be reversed, since UCAS reports applications up for 2007/08.

#### **Home students**

Another major objective is to restore a more equal balance between home and international students, in order to maintain the character of a British university, which we believe matters to all of our students, international as well as home. The recent introduction of differential pricing is one of the key strategies to achieve this objective.

We decided to move to dual pricing from autumn 2006 to coincide with "top-up" fees of £3,000 a year being introduced at other universities (and the ending of special Student Loan Company ("SLC") grants for our home students). Our home students (UK and EU) starting from then onwards pay significantly lower tuition fees than international students - £15,000 over the course of their studies compared to £9,000 paid by home students elsewhere.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **2. Business environment (continued)**

The message is that Buckingham offers a very good education. Our staffing level allows us to pay students personal attention, for example in the small group tutorials that supplement lectures. We came first in the 2006 NSS and obtained the top rating in our latest QAA audit. All of which explains why home students are willing, in increasing numbers, to pay somewhat higher fees at Buckingham than at the UK's state funded universities. We believe they see the fee premium (now quite modest) as good value for money.

Enhancing our recognition and reputation in the UK through scholarship and participation in public debate is another key strategy, as noted in section 1 above. We also expect to benefit from a flow of Buckingham educated teachers through the expansion of our Postgraduate Certificate of Education ("PGCE").

#### **Developing new programmes**

Teaching curricula are constantly being developed. In 2006 we launched a Bachelors in Business Enterprise and new Masters in Finance, Innovative Computing and Global Affairs. We continue to promote the three year option for BAs in Economics and in International Studies and are embarking on an initiative to develop a three year BA in the Liberal Arts.

#### **Research**

Research activity accounts for nearly 10% of gross income, but because we do not receive core funding from a funding council, it doesn't cover its full economic costs. Nevertheless we strongly encourage scholarship and research, as an end in itself and as a means of maintaining our academic reputation and enriching the experience of staff and students.

#### **Validation**

Over the years we have validated the teaching of other institutions and awarded our degrees to their students. Currently we validate the work of two institutions – the Sarajevo Institute of Science and Technology ("Sarajevo") and the European School of Economics ("ESE").

### **3. Resources**

#### **Funding**

The bulk of operating costs are funded by students' fees. Routine capital expenditure is also funded from fee income, although donations and bank loans have been the main source of funding for land and buildings. Research grants approximately cover the marginal costs of research projects.

As noted in the Vice-Chancellor's Preface, the University of Buckingham Foundation (a separate registered charity) actively raises funds to support the University. Each year the Foundation passes on to the University income from invested donations and where appropriate the principal value of donations. In recent years donations have been critical in supporting innovations such as the School of Education and the Medical School feasibility study. They also help to fund scholarships, particularly for home students, and grants to our staff for research.

#### **Operating assets**

We own our well maintained and attractive estate, set in the heart of the small historic town of Buckingham. Its 14,200 square metres of building space houses teaching rooms, research laboratories, libraries, computer rooms, offices and student social facilities such as the refectory and gym. In addition we have 9,200 square metres of student accommodation comprising 445 rooms, which are currently 94% occupied.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **3. Resources (continued)**

In the past the estate has proved sufficient to support a student population of at least 1,000 students. We are therefore running about 25% below capacity, presuming that sufficient additional accommodation could again be provided by the private rented sector in the town.

We have the equivalent of 205 full time members of staff (2005: 201; 2004: 196), who are committed to the ethos of supporting our students as individuals, through both teaching and support services. And our Royal Charter allows us to award the full range of degrees and to validate the teaching of selected institutions.

Our liquidity remains healthy, with approximately £1.8 million in bank balances at the year end (2005: £1.5 million; 2004: £1.4 million). Furthermore, bank loans have been steadily repaid, coming down from a peak of £4.2 million in 1994 to £654,000 now. Our properties are now mostly unencumbered and so could provide collateral security should we need to borrow to fund future projects.

### **4. Risks**

Since our major source of funding is student fee income, our major risk is a diminution of that income. The risks come from several directions.

#### **International student recruitment**

Since 66% of our students are from outside the EU we cannot avoid risks affecting the world market in transnational higher education. The market has been growing for many years, but it could contract. Already there is increasing local provision, which has reversed the growth in numbers from countries such as China and Malaysia. And there is always scope for sudden downturns, for example in response to economic or political disruption or epidemics.

UK Universities face particular risks, notably the strong pound and high fee levels, which have no doubt contributed to the falling numbers of international students recruited to the UK in the past two years. We have reorganised and invested in our marketing in order to buck the trend. We are also careful to keep our fee levels in line with the UK average in order to remain competitive on price.

However, our best protection is probably word of mouth recommendations based on students' positive experiences. So we continue to invest in the quality of teaching, the efficiency of our support services and our students' social experience.

#### **Home student recruitment**

The success of the strategy of increasing recruitment of home students is at risk from not being better known in the home market, which we are addressing in part by the forthcoming publication of quality related statistics, following our recent entry into HESA. We are still seen as unaffordable by some but this risk should be diminished by dual pricing and the fact that our students are eligible for the same range of SLC loans and grants as elsewhere.

#### **Reputation**

Recruitment could be affected by any publicity that affected our reputation for academic integrity, as could eligibility for research grants. This is addressed by submitting to the scrutiny of our independent Academic Advisory Council, as well as to external examiners, and to public quality audits by AA. We are also careful in our choice of collaborative partners.

## OPERATING AND FINANCIAL REVIEW (continued)

### 4. Risks (continued)

#### Bologna

The scheduled implementation of the Bologna declaration in 2010 threatens the acceptability of our compressed two year degree. Our strategy is still under discussion, but is likely to be two pronged. We will seek official perception of our courses not as two year degrees but as three year degrees accelerated by foregoing summer vacations. We are also planning to extend the policy initiative of offering three year options.

#### Financial control

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. These are complemented by the Finance and General Purposes Committee's oversight of budgeting and management reporting and the Audit Committee's rolling review of risk management procedures.

### 5. Operating performance and trends

The first three tables focus on student numbers. Table 1 shows a growth in student numbers across all schools. Table 2 shows growth in all levels of study. Table 3 shows growth in each geographical category. The growth in the Humanities, non resident postgraduates and UK categories all have the same cause – the success of the teacher training programme, the PGCE.

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

	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>	<u>2004</u>	<u>%</u>
Law	309	39%	301	41%	303	43%
Business	171	22%	159	22%	158	22%
Science	48	6%	43	6%	46	7%
Humanities	<u>262</u>	<u>33%</u>	<u>228</u>	<u>31%</u>	<u>199</u>	<u>28%</u>
Total	790	100%	731	100%	706	100%

Table 2 – student numbers by level of study

	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>	<u>2004</u>	<u>%</u>
Undergraduate	571	72%	563	77%	545	77%
Resident Postgraduate	83	11%	76	10%	87	12%
Non resident Postgraduate	88	11%	54	7%	22	3%
Pre degree	<u>48</u>	<u>6%</u>	<u>38</u>	<u>5%</u>	<u>52</u>	<u>7%</u>
Total	790	100%	731	100%	706	100%

Table 3 – student numbers by geography

	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>	<u>2004</u>	<u>%</u>
UK	224	28%	184	25%	166	24%
Other EU	46	6%	44	6%	44	6%
International	<u>520</u>	<u>66%</u>	<u>503</u>	<u>69%</u>	<u>496</u>	<u>70%</u>
Total	790	100%	731	100%	706	100%

## OPERATING AND FINANCIAL REVIEW (continued)

### 5. Operating performance and trends (continued)

Table 4 shows the continued dominance of the Law school to the financial contribution (teaching revenues less direct costs), a relative dominance that would be even greater if supporting resources such as estates and IT were taken into account. The trends are shown in Table 5 (average fee levels have been rising by about 4% a year, as have average salary levels.)

The Law School maintained its income in real terms. An increase in postgraduates was offset by a decrease in access students, with undergraduates remaining approximately steady. Expenditure increased marginally mainly because of increased devolution of marketing costs to the schools.

Teaching income in the School of Business and Science was down in real terms. Undergraduate programmes in Applied Computing and Accounting and the MBA were down. Undergraduate programmes in Business were up, largely due to the introduction of the Bachelors in Business Enterprise. Costs were down, mainly due to economies in Applied Computing.

The School of Humanities increased its income. International Studies income grew by 10%, partly due to the new MA in Global Affairs. English income was flat, growth in the English MA compensating for fewer on non or pre degree courses. Income from the PGCE more than doubled. After falling in 2005, costs were up due to restoration of full staffing in International Studies, the new MA, expansion of the PGCE and increased devolution of marketing.

Table 4 – Teaching income and expenditure (£000s)

	<u>Law</u>	<u>Business and science</u>	<u>Humanities</u>	<u>Total</u>
<u>2006</u>				
Tuition fees	3121	2020	1931	7072
Teaching costs	960	1279	1080	3319
<i>Contribution %</i>	<i>69%</i>	<i>37%</i>	<i>44%</i>	<i>53%</i>
<u>2005</u>				
Tuition fees	3014	2007	1791	6812
Teaching costs	916	1320	982	3218
<i>Contribution %</i>	<i>70%</i>	<i>34%</i>	<i>45%</i>	<i>53%</i>
<u>2004</u>				
Tuition fees	2779	2149	1670	6598
Teaching costs	893	1341	987	3221
<i>Contribution %</i>	<i>68%</i>	<i>38%</i>	<i>41%</i>	<i>51%</i>

**OPERATING AND FINANCIAL REVIEW (continued)****5. Operating performance and trends (continued)**Table 5 – Trends in teaching income and expenditure

	<u>Law</u>	<u>Business and science</u>	<u>Humanities</u>	<u>Total</u>
<u>Change 2006/2005</u>				
Tuition fees	3.6%	0.6%	7.8%	3.8%
Teaching costs	4.8%	-3.1%	10.0%	3.1%
<u>Change 2005/2004</u>				
Tuition fees	8.5%	-6.6%	7.2%	3.2%
Teaching costs	2.6%	-1.6%	-0.5%	-0.1%
<u>Change 2004/2003</u>				
Tuition fees	7.6%	-4.8%	12.2%	4.3%
Teaching costs	0.7%	4.3%	8.3%	4.4%

**6. Financial results**Table 6 – Income and expenditure summary

	2006	2005	2004	2006/05	2005/04
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>% change</u>	<u>% change</u>
Tuition fees	7,072	6,812	6,598	3.8%	3.2%
Residences and catering income	1,492	1,429	1,418	4.4%	0.8%
Research grants and contracts	961	964	1,010	-0.3%	-4.6%
Other operating income (Note)	739	691	261	6.9%	164.8%
Income from fundraising activities	201	284	121	-29.2%	134.7%
Interest from bank deposits	<u>73</u>	<u>84</u>	<u>68</u>	<u>-13.1%</u>	<u>23.5%</u>
Total income	<u>10,538</u>	<u>10,264</u>	<u>9,476</u>	<u>2.7%</u>	<u>8.3%</u>
Staff costs	6,457	6,171	5,840	4.6%	5.7%
Depreciation	663	651	623	1.8%	4.5%
Other operating expenses	3,357	3,369	3,189	-0.4%	5.6%
Interest payable	<u>40</u>	<u>52</u>	<u>56</u>	<u>-23.1%</u>	<u>-7.1%</u>
Total expenditure	<u>10,517</u>	<u>10,243</u>	<u>9,708</u>	<u>2.7%</u>	<u>5.5%</u>
<b>Surplus/(deficit) on continuing activities</b>	21	21	(232)		
Restructuring costs		<u>66</u>	<u>80</u>		
<b>Surplus/(deficit) for the year</b>	<u>21</u>	<u>(45)</u>	<u>(312)</u>		

## OPERATING AND FINANCIAL REVIEW (continued)

### 6. Financial results (continued)

<u>Note on other operating income:</u>	2006	2005	2004
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Validation fees	246	136	46
Reimbursements from SEEDA	210	72	11
Brunel's contribution to the Medical school study	35	136	
Other	<u>248</u>	<u>347</u>	<u>204</u>
Total	739	691	261

Tuition fee income rose by 3.8% (2005: 3.2%; 2004: 4.3%), similar to the fee rate increase. Student numbers grew but the fee rate mix was adverse. Residences and catering income was up 4.4% (2005: 0.8%; 2004: 1.0%), an increase in occupancy reversing the trend of previous years.

Research income was virtually unchanged (2005: 4.6% down; 2004: 45.3% up). Income from metabolic research was up, offset by decreases in Applied Computing and Education. Overhead recovery from research contracts – income less direct costs - was £104,000 (2005 and 2004: £126,000 in each year).

Other operating income was little changed overall. Validation income continued to grow, due to more students at Sarajevo and the ESE. Reimbursement from the South East England Development Agency (“SEEDA”) of costs borne on their behalf (which is recognised as income) was up, because we took over the High Wycombe hub and constructed a “hatchery” (premises for new enterprises).

There was less spent on the medical school feasibility study than last year so the contribution from Brunel University (“Brunel”) was lower. Income from fundraising was lower for the same reason, as less of the donation from the Garfield Weston Foundation was released to income.

Staff costs rose by 4.6% (2005: 5.7%; 2004: 6.0%), which is slightly more than the average salary increase, because of increased staffing on the SEEDA project. Other operating expenses were about flat after increasing by 5.6% in 2005 (2004: 8.1%), i.e. they declined in real terms. Fuel costs rose steeply but this was more than offset by reduced consultancy fees on the medical school study and other factors.

### 7. Cash flow, capital expenditure and loan repayments

Operating cash flow was £846,000 (2005: £573,000; 2004: £515,000). The improvement was due to better net income and (for the second year in a row) accelerated collection of student debt.

Capital expenditure was £455,000 (2005: £416,000; 2004: £366,000). Much of the expenditure was on routine replacement and upgrading. There were major projects to improve the Chandos Road building – creating a modern entrance, re-roofing the exam wing and providing disabled access. And projects started in 2005 - to extend Internet access in student accommodation and strengthen campus security – were completed.

Loan repayments of £96,000 (2005: £147,000; 2004: £146,000) were made on schedule. The remaining debt of £654,000 (2005: £750,000; 2004: £897,000) is repayable in instalments by 2012.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **7. Cash flow, capital expenditure and loan repayments (continued)**

Total cash flow – i.e. operating cash flow less capital investment and loan repayments – was £328,000 positive (2005: £42,000; 2004: £15,000). The year end cash balance was £1,781,000 (2005: £1,453,000; 2004: £1,411,000). The net bank position (cash less borrowings) was £1,127,000 (2005: £703,000; 2004: £514,000).

### **8. Fund raising**

The University's income from the University of Buckingham Foundation (a separate charity which took over the University's endowment fund at the end of 2003) was £161,000 (2005: £253,000; 2004: £37,000). Some was in the form of gifts - the remainder of the Garfield Weston Foundation's medical school donation; a donation from Legal and General to help launch the Business Enterprise degree; donations from the Slough Estates Foundation and Mr John Desborough for scholarships. And some was in the form of investment income - for tuition fee scholarships to students and research grants to staff.

In addition, the University reported income from other donors of £40,000 (2005: £31,000; 2004: £84,000). These include support for the Education department from the Garfield Weston Foundation and the Stanley Kalms Foundation; support for the Business Enterprise degree from Mr John Desborough; and the Sir Ray Tindle Journalism Scholarships.

### **9. Medical school**

These accounts include costs of £141,000 for the medical school feasibility study (2005: £271,000; 2004: £21,000) and partial funding thereof from Brunel and the Garfield Weston Foundation, the net cost being £42,000 (2005 and 2004: £nil).

During 2006, the Development Board concluded that, in view of the financial crisis in the NHS, the expected government funding of expansion in medical education would be postponed. The Board developed an alternative business plan that did not rely on the assumption of government funding for clinical placements.

However, Brunel decided to withdraw from the project and Buckingham's Council concluded that the project could not be afforded in these changed circumstances from the University's own resources. The project has therefore been suspended while funding options are explored.

### **10. Conclusion and prospects**

2006 was another encouraging year, with many positive developments. A major challenge for 2007 will be to capitalise on our new pricing policies and the impact of top-up fees elsewhere, which are boosting home student numbers, but mean we earn less fees per student. We are therefore budgeting for a return to deficit in 2007. In the longer term we aim for financial stability from balanced growth that makes optimum use of our resources – more home students, stable numbers of international students and more validation activity at partner institutions.

**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 16.
- 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, some appointed by the Privy Council and some 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 at least four 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 6 JUNE 2007

**Ex officio members:**

The Chancellor - Sir Martin Jacomb  
The Vice-Chancellor - Dr G T E Kealey  
The Deputy Vice-Chancellor (Acting) - Dr J C Clarke  
The President of the Students' Union - Mr D Bakpa

**Appointed members:**

Two appointed by the  
Privy Council:

Sir John Brigstocke (Chairman)  
Mr J P Cunningham

Three nominated by the  
Academic Advisory Council:

Professor M Smith  
Professor G Cohen  
Professor D R Myddelton

Up to two appointed by  
Buckinghamshire County Council:

Mrs M Clayton  
Mr D Polhill

Up to 16 appointed by  
co-option

Mrs S Bergqvist  
Mr A Green  
Mr R T Knight  
Lady Luce  
Ms K Okonski  
Mrs A Phillips  
Mr W I D Plaistowe (Vice-Chairman)  
Mrs C Woodhead  
Mr M Lancaster MP

Two members of  
Convocation:

Two vacancies

Five nominated by  
Senate:

Dr J Drew  
Dr S Hawlin  
Dr J Tapsell  
Professor A Smithers  
Ms O Thomas

Two elected from the non-  
teaching staff:

Mr M Day  
Mrs D Millns

Two elected from the  
student body:

One graduate student elected by the graduate students  
of the University: Mr S Bretan  
One student elected by the undergraduate students of  
University: Mr O Okolie

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

In accordance with its responsibilities under the University's Charter for the administration and management of the affairs of the University the Council presents audited financial statements for each financial year.

The Council keeps 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 surplus or deficit and cash flows 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. 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 for the year ended 31 December 2006 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of the members of council and auditors**

As described in the statement of Council's responsibilities, the Council is responsible for the preparation of the financial statements, in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and applicable law and United Kingdom Accounting Standards.

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. 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 Institutions.

We also report to you if, in our opinion, the University 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 also, at the request of the University's Council, review whether the Statement of Corporate Governance reflects the University's compliance with the relevant provisions of the Combined Code specified for our review of the Council, and we report if it does not. We do not, in doing this, form an opinion on the effectiveness of the University's corporate governance procedures.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Chairman's statement, the Vice-Chancellor's preface and the Operating and Financial Review.

### **Basis of 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 University's 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University at 31 December 2006, and of the surplus of income over expenditure and the 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 Institutions.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Milton Keynes

6 June 2007

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### 1 Basis of accounting

The financial statements are presented in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education and with applicable Accounting Standards in the United Kingdom. The financial statements have been prepared in accordance with the historical cost convention.

The University owns eight limited companies, two of which have not traded in the year. The other six have been incorporated in connection with the Bachelor of Business Enterprise teaching programme. 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

Tuition fees represent student fees received and receivable attributable to the current accounting period.

Income from research contracts 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 it is foreseen that a loss will be made on a contract, the value of the loss is included as a charge in the accounts.

### 3 Donations

Donations in support of the University are now generally made to the University of Buckingham Foundation, a separate registered charity. Donations received by the University, whether from the University of Buckingham Foundation or directly from a donor, are normally credited to income. If the related expenditure is not incurred immediately the donation is credited to deferred income, then released when the expenditure is incurred.

Donations used for the purpose of capital expenditure do not pass through the income and expenditure account, but are reported as capital benefactions in the balance sheet.

### 4 Pension Schemes

The two pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Buckingham Employee Benefits Plan (EBP) both of which are contributory.

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 4 Pension Schemes (continued)

The EBP is a defined contribution scheme. Pension costs are accounted for by charging against income the amount of employer's contributions payable to the pension scheme in respect of the accounting period. There are, however, Guaranteed Minimum Pension liabilities in respect of periods of membership prior to 6 April 1997. The adequacy of the scheme's funding is confirmed by qualified actuaries on the basis of triennial valuations. In addition the scheme's actuary reports on the funding of the scheme at the University's year end accounting date.

### 5 Depreciation

Equipment costing less than £500 per item or group of related items is written off in the year of purchase. All other equipment is capitalised.

Depreciation is provided on a straight line basis 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%

Land is not depreciated.

### 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 Status

No provision is made for taxation on income or capital gains because 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.

Although the provision of education is exempt from VAT, the University is registered for VAT because some of the University's activities are not exempt.

### 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 2006**

	Note	<b>2006</b> <b>£000</b>	2005 £000
<b>Income</b>			
Tuition fees	1	<b>7,072</b>	6,812
Residences and catering income		<b>1,492</b>	1,429
Research grants and contracts		<b>961</b>	964
Other operating income		<b>739</b>	691
Income from fundraising activities	2	<b>201</b>	284
Interest from bank deposits		<b><u>73</u></b>	<u>84</u>
Total income		<b><u>10,538</u></b>	<u>10,264</u>
<b>Expenditure</b>			
Staff costs	3	<b>6,457</b>	6,171
Depreciation	7	<b>663</b>	651
Other operating expenses	4	<b>3,357</b>	3,369
Interest payable	5	<b><u>40</u></b>	<u>52</u>
Total expenditure		<b><u>10,517</u></b>	<u>10,243</u>
<b>Surplus on continuing activities</b>		<b>21</b>	21
Restructuring costs	3	<b><u>-</u></b>	<u>66</u>
<b>Surplus/(deficit) for the year</b>		<b><u>21</u></b>	<u>(45)</u>

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

**BALANCE SHEET  
AT 31 DECEMBER 2006**

	Note	<b>2006 £000</b>	2005 £000
<b>Fixed assets</b>			
Tangible fixed assets	7	<b>11,453</b>	11,661
Investments	8	<b><u>23</u></b>	<u>23</u>
		<b><u>11,476</u></b>	<u>11,684</u>
<b>Current assets</b>			
Debtors	9	<b>846</b>	1,077
Cash at bank and in hand		<b><u>1,781</u></b>	<u>1,453</u>
		<b>2,627</b>	2,530
<b>Creditors: amounts falling due within one year</b>	10	<b><u>(3,198)</u></b>	<u>(3,157)</u>
<b>Net current liabilities</b>		<b><u>(571)</u></b>	<u>(627)</u>
<b>Total assets less current liabilities</b>		<b>10,905</b>	11,057
<b>Creditors: amounts falling due after more than one year</b>	11	<b>(512)</b>	(669)
Provision for liabilities and charges	12, 19	<b>(50)</b>	(66)
<b>Net assets</b>		<b><u>10,343</u></b>	<u>10,322</u>
<b>Represented by:</b>			
Capital benefactions	13	<b>8,254</b>	8,254
Reserves	14	<b><u>2,089</u></b>	<u>2,068</u>
		<b><u>10,343</u></b>	<u>10,322</u>

The Council approved the financial statements on pages 20 to 31 on 6 June 2007 and they were signed on its behalf by:

**Mr J P Cunningham**  
**Chairman of Finance and General Purposes Committee**

**Mr C J Wilkes**  
**Finance Director**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	<b>2006 £000</b>	2005 £000
Net cash inflow from operating activities	15	<b>846</b>	573
Net interest receipts	16	<b>33</b>	32
Capital investment	16	<b><u>(455)</u></b>	<u>(416)</u>
Net cash inflow before financing		<b>424</b>	189
Loans repaid		<b><u>(96)</u></b>	<u>(147)</u>
Increase in cash	17	<b><u>328</u></b>	<u>42</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	<b>2006 £000</b>	2005 £000
Surplus/(deficit) for the year	<b><u>21</u></b>	<u>(45)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Tuition fees

	<b>2006</b> <b>£000</b>	2005 £000
Full-time undergraduates – home fee rates	51	-
Full-time undergraduates – standard fee rates	5,495	5,390
Part-time undergraduates	98	95
Post graduates	1,123	947
Pre degree and non degree courses	<u>305</u>	<u>380</u>
	<b><u>7,072</u></b>	<b><u>6,812</u></b>

Home full time undergraduate students starting from September 2006 pay home fee rates. Home students starting earlier pay standard rates, part of which is generally met by fee grants from the Student Loan Company, which are included in the standard fee rate income above.

### 2 Income from fund raising activities

	<b>2006</b> <b>£000</b>	2005 £000
Revenue donations	40	31
Amounts received from University of Buckingham Foundation	<u>161</u>	<u>253</u>
	<b><u>201</u></b>	<b><u>284</u></b>

### 3 Employee information

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

	<b>2006</b> <b>Number</b>	2005 Number
Academic/research	86	85
Support	86	83
Manual	<u>33</u>	<u>33</u>
	<b><u>205</u></b>	<b><u>201</u></b>
	<b>£000</b>	£000
Wages and salaries	5,580	5,309
Social security costs	425	410
Pension costs	<u>452</u>	<u>452</u>
	<b><u>6,457</u></b>	<b><u>6,171</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****3 Employee information (continued)**

	<b>2006</b>	2005
	<b>£000</b>	£000
Academic/Research	<b>3,602</b>	3,547
Support	<b>2,445</b>	2,279
Manual	<b><u>410</u></b>	<u>345</u>
	<b><u>6,457</u></b>	<u>6,171</u>
Restructuring costs:		
Support staff severance pay	<b>(9)</b>	25
Additional pension funding	<b><u>9</u></b>	<u>41</u>
	<b><u>-</u></b>	<u>66</u>
	<b><u>6,457</u></b>	<u>6,237</u>

The salary paid to the Vice-Chancellor was £114,470 (2005: £111,670). Pension contributions amounted to £16,026 (2005: £15,635). 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 £70,000 (2005: one in the range £90-95,000).

**4 Other operating expenditure**

The total includes expenses incurred on:-	<b>2006</b>	2005
	<b>£000</b>	£000
Residences and catering	<b>448</b>	433
Research grants and contracts	<b>300</b>	280
Scholarships, bursaries and prizes	<b>420</b>	416
Books, periodicals and electronic resources	<b>126</b>	121
Heat and light (excluding residences)	<b>228</b>	162
Repairs and maintenance (excluding residences)	<b>147</b>	121
Grants to Students Union	<b>30</b>	28
Auditors' remuneration	<b>19</b>	18
Other services provided by the auditors	<b>5</b>	8

**5 Interest**

	<b>2006</b>	2005
	<b>£000</b>	£000
On bank loans not wholly repayable within five years	<b><u>40</u></b>	<u>52</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****6 Analysis of expenditure by activity**

	<i>Staff costs</i> £000	<i>Depreciation</i> £000	<i>Other expenses</i> £000	<i>Interest Payable</i> £000	<b>2006 Total</b> <b>£000</b>	2005 Total £000
Academic departments	3,263	-	692	-	<b>3,955</b>	3,743
Research contracts	558	-	306	-	<b>864</b>	837
Residences and catering	294	232	453	20	<b>999</b>	979
Premises	407	273	591	20	<b>1,291</b>	1,232
Services	788	158	504	-	<b>1,450</b>	1,320
Administration	<u>1,147</u>	<u>-</u>	<u>811</u>	<u>-</u>	<b><u>1,958</u></b>	<u>2,198</u>
	<u>6,457</u>	<u>663</u>	<u>3,357</u>	<u>40</u>	<b><u>10,517</u></b>	<u>10,309</u>

**7 Tangible fixed assets**

	Freehold land £000	Freehold buildings £000	Equipment £000	Total £000
Cost:				
At 1 January 2006	1,709	12,812	2,889	17,410
Additions	-	70	385	455
Disposals	<u>-</u>	<u>-</u>	<u>(534)</u>	<u>(534)</u>
<b>At 31 December 2006</b>	<b>1,709</b>	<b>12,882</b>	<b>2,740</b>	<b>17,331</b>
Accumulated depreciation:				
At 1 January 2005	-	4,435	1,314	5,749
Charge for the year	-	257	406	663
Disposals	<u>-</u>	<u>-</u>	<u>(534)</u>	<u>(534)</u>
<b>At 31 December 2006</b>	<b>-</b>	<b>4,692</b>	<b>1,186</b>	<b>5,878</b>
Net book value:				
<b>At 31 December 2006</b>	<b><u>1,709</u></b>	<b><u>8,190</u></b>	<b><u>1,554</u></b>	<b><u>11,453</u></b>
At 31 December 2005	<u>1,709</u>	<u>8,377</u>	<u>1,575</u>	<u>11,661</u>

**8 Fixed asset investment**

	<b>2006</b> <b>£000</b>	2005 £000
Shares in CVCP Properties Plc at cost	<b><u>23</u></b>	<u>23</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****9 Debtors**

	<b>2006</b>	2005
	<b>£000</b>	£000
Student debtors	<b>48</b>	222
Other debtors	<b><u>798</u></b>	<u>855</u>
	<b><u>846</u></b>	<u>1,077</u>

**10 Creditors: amounts falling due within one year**

	<b>2006</b>	2005
	<b>£000</b>	£000
Bank loans	<b>198</b>	147
Fees received in advance	<b>1,326</b>	1,332
Trade creditors	<b>420</b>	455
Tax and social security	<b>140</b>	147
Other creditors	<b>745</b>	635
Accruals and deferred income	<b><u>369</u></b>	<u>441</u>
	<b><u>3,198</u></b>	<u>3,157</u>

**11 Creditors: amounts falling due after more than one year**

<b>Bank loans</b>	<b>2006</b>	2005
	<b>£000</b>	£000
Repayable to Royal Bank of Scotland Plc by 2010	<b>407</b>	458
Repayable to Barclays Bank Plc by 2012	<b><u>247</u></b>	<u>292</u>
	<b>654</b>	750
Less amounts falling due within one year	<b><u>(198)</u></b>	<u>(147)</u>
	<b>456</b>	603
<b>Deferred income</b>	<b><u>56</u></b>	<u>66</u>
	<b><u>512</u></b>	<u>669</u>
<b>Analysis of loan repayments</b>		
Between one and two years	<b>147</b>	147
Between two and five years	<b>284</b>	387
After five years	<b><u>25</u></b>	<u>69</u>
	<b><u>456</u></b>	<u>603</u>

The bank loans, which bear interest at 0.75% to 1.0% above LIBOR, are secured by fixed charge mortgages over three of the University's freehold properties.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

<b>12</b>	<b>Provision for liabilities and charges</b>	<b>2006</b>	<b>2005</b>
		<b>£000</b>	<b>£000</b>
	At 1 January	66	15
	Released during the year	(25)	(15)
	Provision for pension scheme restructuring	9	41
	Provision for restructuring student facilities	<u>-</u>	<u>25</u>
	<b>At 31 December</b>	<b><u>50</u></b>	<b><u>66</u></b>
<b>13</b>	<b>Capital Benefactions</b>	<b>2006</b>	<b>2005</b>
		<b>£000</b>	<b>£000</b>
	Past donations used to fund capital expenditure	<u>8,254</u>	<u>8,254</u>
<b>14</b>	<b>Reserves</b>	<b>2006</b>	<b>2005</b>
		<b>£000</b>	<b>£000</b>
	At 1 January	2,068	2,113
	Surplus/(Deficit) for the year	<u>21</u>	<u>(45)</u>
	<b>At 31 December</b>	<b><u>2,089</u></b>	<b><u>2,068</u></b>
<b>15</b>	<b>Reconciliation of operating surplus to operating cash flow</b>	<b>2006</b>	<b>2005</b>
		<b>£000</b>	<b>£000</b>
	Surplus/(deficit) for the year	21	(45)
	Depreciation	663	651
	Loss on disposal of fixed assets	-	2
	Release of deferred income	(10)	(23)
	Interest received	(73)	(84)
	Interest paid	<u>40</u>	<u>52</u>
		<b>641</b>	<b>553</b>
	(Decrease)/Increase in provisions	(16)	51
	Decrease/(Increase) in debtors	231	(492)
	(Decrease)/Increase in fees paid in advance	(6)	193
	(Decrease)/Increase in other non bank creditors	<u>(4)</u>	<u>268</u>
	Net cash inflow from operating activities	<b><u>846</u></b>	<b><u>573</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****16 Analysis of cash flows**

	<b>2006</b>	2005
	<b>£000</b>	£000
Net interest receipts:		
Interest received	<b>73</b>	84
Interest paid	<b><u>(40)</u></b>	<u>(52)</u>
	<b><u>33</u></b>	<u>32</u>
Capital investments and disposals:		
Purchase of tangible fixed assets	<b>455</b>	416

**17 Analysis of changes in cash**

	<b>2006</b>	<b>Change</b>		<b>Change</b>	
	<b>£000</b>	<b>in 2006</b>	2005	<b>in 2005</b>	2004
	<b>£000</b>	<b>£000</b>	£000	£000	£000
Cash at bank and in hand	<b><u>1,781</u></b>	<b><u>328</u></b>	<u>1,453</u>	<u>42</u>	<u>1,411</u>

**18 Capital commitments**

At the year end there were £94,000 of capital commitments outstanding in respect of contracts for future capital expenditure entered into by the University (2005: £114,000). The University's Council has authorised a capital budget for 2007 of £470,000 (2006: £500,000).

**19 Pension commitments**

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Buckingham Employee Benefits Plan (EBP) both of which are contributory. USS provides benefits for academic and senior administrative staff in the university sector. EBP provides benefits for other staff of the University.

**Universities Superannuation Scheme**

The latest actuarial valuation of the scheme was at 31 March 2005. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the 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 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19 Pensions commitments (continued)

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings. The trustee company decided to maintain the institution contribution rate at 14% of pensionable salaries.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed annually. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as 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 (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

#### University of Buckingham Employee Benefits Plan (EBP)

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 actuarial valuation of the EBP was carried out as at 5 April 2004 by a professionally qualified actuary. The actuary's valuation of assets was £632,000 and of the liabilities was £650,000, giving a deficit of £18,000 on an actuarial basis reflecting market conditions.

The same independent actuary reported to the University that the shortfall on an actuarial basis as at 31 December 2006 was approximately £5,000 (2004: £8,500).

In 2005 the decision was taken in principle to restructure the EBP and buy out the GMPs. Accordingly, the actuary also reported on the deficit at 31 December 2006 that would arise if all GMP benefits were secured by the purchase of non-profit deferred annuities and identified a deficit of £12,000 (2005: £33,000). Allowing a further £38,000 for professional advice and scheme closure costs, a provision of £50,000 (2005: £41,000) is being held for restructuring costs.

#### Cost to the University

	<b>2006</b>	2005
	<b>£000</b>	£000
Contributions to USS	<b>403</b>	398
Ordinary contributions to EBP	<b>49</b>	54
Special contributions to EBP	<b><u>9</u></b>	<u>41</u>
	<b><u>461</u></b>	<u>493</u>

### 20 Related Party Transactions

During the year research work to a value of £6,000 (2005: £7,000) was undertaken for Cambridge Bioclinical Ltd, a company controlled by the Vice-Chancellor. At the year end an amount of £6,000 (2005: nil) was owed to the University. It has subsequently been settled in full.