

THE UNIVERSITY OF BUCKINGHAM

Financial statements

for the year ended

31st December 2007

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CHAIRMAN'S STATEMENT

Having taken over the Chairmanship of Council in early 2008 I look back over 2007 as a member of Council under the Chairmanship of Sir John Brigstocke. I would like to thank Sir John for all his hard work over three successful years as Chairman during which time the University prospered and student numbers grew from 706 in 2004 to 850 by the end of 2007.

This year, Council was very sorry to see the retirement of two long serving non-staff members - Lady Luce who has made a tremendous contribution to the University over many years and Professor Gillian Cohen whose valuable advice as AAC representative will still be available to us as a member of our governance review panel. Staff resignations from Council during the year included Olga Thomas, Debbie Stanbury, Professor Susan Edwards, Dr Frances Robinson, Gerry Loftus, and Irving Stevens as their terms of office ended.

Council has been considerably strengthened during 2007 as we welcomed onto Council, Sarah Deaves, chief executive of Coutts Bank, Mark Rushton, director of Fortis, Bob Tavener, chief executive of Twinings and alumnus Dr Ruprecht von Heusinger, director of DEPFA Bank, Frankfurt. Dr Mike Smith, Pro Vice Chancellor of Glasgow Caledonian University, joined us as an AAC representative. Professor Nigel Foster, the deputy vice-chancellor has also joined Council and our new staff representatives are Dr John Drew, Dr Stefan Hawlin and Judith Bray. We greatly appreciate the time given and commitment shown by both staff and external Council members in carrying out their responsibilities for the governance of the University and in supporting and promoting it in all its work.

As in previous years, we have benefited from the support of The University of Buckingham Foundation, a separate charity based at the University and dedicated to promoting all aspects of education and research at Buckingham. During 2007, over £400,000 was raised by the Foundation which has largely been invested to provide scholarships and bursaries for our students. Our Alumni have also been very generous through the Alumni Annual Fund providing resources to support our current students and finance student facilities on campus.

The University has steadily rising student numbers and we are ambitious for our future. Market forces are in our favour following the introduction of top-up fees and their possible increase in 2009, which helps give us the confidence to plan for deficits for a limited period as we invest in strengthening the management team and diversifying programmes. Further success in the National Students Survey and increasing interest in two year degrees in the for-profit sector have shown that the Buckingham model, honed after more than 30 years of experience, is an effective and successful blueprint for educating the 21st century student.

MRS CHLOE WOODHEAD
Chairman

VICE-CHANCELLOR'S PREFACE

As a business analysis is presented in the Operating and Financial Review below, I will use this preface to focus on other features of the past year.

The big news this year is that, for the second time in a row, we came top of the National Student Survey. As the *Times Higher Education Supplement* wrote on 14 September 2007:- "For the second year running, the UK's only private university, Buckingham, tops *The Times Higher's* league table - but it has found a new rival in Oxford, which enters in second place."

Rival? Oxford is of course a respectable university, but can it really rival our teaching? The *Sunday Times* does not think so. On 23 September 2007 the *Sunday Times* wrote an article in praise of Cambridge, another respectable university, saying that:- "... taking part in the national student (satisfaction) survey for the first time, Cambridge's students placed it second only to the small, private University of Buckingham."

So, who does come second in the National Student Survey, Oxford or Cambridge? We do not know, but we send Oxford and Cambridge our best wishes for the future.

A more important article was published in the *New York Times* on 25 January 2008 describing how Dr Atilla Yayla, a professor at the University of Gazi, in Turkey, was being prosecuted for suggesting that Ataturk, in his early years in power, was not as democratic as Turkish governments now are. It was an obviously true statement, but in Turkey academics can be prosecuted for exploring the truth, so Dr Yayla had to find asylum fast, and he found it at Buckingham, where he now teaches on Islam and liberty.

In those three articles from the *THES*, *S Times* and *NY Times* we find, I hope, all that's best and important about Buckingham. We're independent of government and we use that independence to put the student, not government targets, first. Moreover we use that independence to provide asylum for defenders of academic freedom everywhere.

And that love of independence is why, earlier this year, Professor Sir Alan Peacock, Mr Tom Merrick and I visited Sir Rhodes Boyson and conferred an honorary degree on him at home as he was unable to travel to Buckingham due to illness. Sir Rhodes was the minister who facilitated the conferring of our Royal Charter in 1983 in the face of the opposition of his own civil servants in the Department of Education. Indeed, we had to correspond with him at home because letters sent to the ministry did not always find their way to his desk.

The next big bit of news is that we continue to grow our student numbers (figure 1). We took the decision to rationalise our fee structure, charging international undergraduate students £13,000 pa and bundling together our various scholarships and bursaries for home students by charging all home undergraduate students £7,500 pa. The consequence has been that the numbers of international students has stabilised but that the numbers of home students have risen markedly. Today, 57 per cent of our students today are international, and 43 per cent home, and the consequence has been, paradoxically, to produce an environment that is even more attractive for international students because many will want to attend a British university in Britain rather than an international one. Nonetheless we still have over 80 different nationalities represented on campus, so our sophisticated cosmopolitan atmosphere has been maintained.

VICE-CHANCELLOR'S PREFACE (continued)

Figure 1: Breakdown of Student Numbers in the autumn term 2004-2007

Type of student	2007	2006	2005	2004
Resident	766	702	678	676
Non resident	84	88	53	30
Total registered students	850	790	731	706
Partner institutions' students	671	348	305	66
Total studying for Buckingham qualifications	1521	1138	1036	774

The next bit of important news is that we are starting to submit our data to the government statistical agencies through which the newspapers construct their league tables. Because we are so small by UK standards (our size, though, is typical of US liberal arts colleges) we are still facing threshold difficulties, but nonetheless we featured in the *Guardian* newspaper last year which placed our Law School in the top 20 law schools in the country. This year, thanks to Professor Nigel Foster, we are continuing to refine our data to try to meet the threshold criteria, and expect wider league table coverage.

Our long-term financial position continues to provide satisfaction. Between 1989 and 1995 we took out loans totalling £5.5m, of which only £0.5m remains outstanding. By 2012 we will have paid off the loans fully. Of the £5m repaid so far, £3m was found by the sale of surplus land at Verney Park, but the remainder was recouped out of operating income. So even though we had to weather the crisis of the late 1990s (we lost 38 per cent of our students between 1995 and 2000) which was largely because of the government's conversion of the polytechnics into universities (thus converting the UK from a country with a shortage of university places to one with a surplus) and our becoming ineligible for inclusion in league tables, we have still managed to sustain the institution's underlying financial strength.

In recent years we have, as a matter of policy, planned to run deficits of £200K annually on the Income and Expenditure (I&E) Account as part of a long-term reinvestment in our infrastructure, both human and physical. We have also planned to run deficits in our Cash Accounts for the same reasons. We planned the same for 2007. But as the accounts here show, we actually exceeded our planned I&E deficit by £58K but reported a better than expected Cash situation by £190K.

The better Cash situation can be attributed to our ever-improved fee collection, the poorer I&E result can be in the main attributed to the Clore Laboratory losing £160K in infrastructural support. We knew that this infrastructural support would end but we took the decision to meet the Clore Laboratory's costs because of the academic importance to the University of that Laboratory's marvellous science. I'm sure that that decision was the right one, because it will have given time for Professor Cawthorne and his team to find alternative sources of revenue. Nonetheless we will monitor the situation.

The different schools of the University continue, too, to make progress. The Law School, though already our largest school, continues to expand, and we have made a number of new appointments. We welcome as new lecturers this year Mr James Brown, Miss Karen Dyer, Dr Matilde Ventrella, Mr James Roebuck and Mrs Susie O'Hare. The Law School's scholarship flourishes too. Thanks to Professor Susan Edwards's editorship the *Denning Law Journal* flourishes, and she and Dr Mary Welstead published their book on Family Law this year, Professor Nigel Foster published his book on EU Law and Mrs Judith Bray published her book on Land Law.

VICE-CHANCELLOR'S PREFACE (continued)

Much of the Law School's success was made possible only because of the wonderful leadership provided by Mrs Walsh as Dean of Law. Charlotte will have done five years as Dean this year which she feels, in view of the collegiate traditions of the Law School, is long enough, so later this year we will have to find a new dean. I am very sorry she has decided to cease to be Dean as she is superb, and I am in discussion with her over possible new roles so that we do not lose her wisdom in leadership decisions at the University.

The Law School has been much helped this year by its visiting professors including Sir Ivan Lawrence QC, Mr Femi Elias and Mr Robin Hollington QC, and we thank them.

The University of Buckingham Press under Mr Christopher Woodhead's leadership has also flourished this year, and its journals and books are making a considerable impact. Equally, the Film Place cinema we launched with the help of grants we raised from local trusts has also continued to flourish, allowing town and gown to watch films in the comfort of the IFLH.

In the Business School we say goodbye to Professor Tom Cannon, who gallantly stepped in as a temporary Dean after Professor Phil Dover returned to the United States at short notice for personal reasons. Phil Dover's legacy to us was the Business Enterprise degree, in which students run a business as part of their undergraduate course, and under Professor Cannon that and the Business School have sustained their momentum, for which we thank him. But all temporary things, however good, come to an end, and we have appointed a new dean, Dr Jane Tapsell. Jane's tenure, thanks in large part of course to Tom Cannon and Julian Lovelock, has already started well, with the move here from the Nottingham Business School of Professor Peter Cooke as the KPMG Professor of Automotive Management. Peter is already introducing a strain of research and of higher degree education that is invaluable. Thanks also to Mr VS Mahesh, we have attracted a significant donation from the Indian Institute of Professional Management to create a professorship here in memory of Doctor DK Chowdhury. Raising money of this sort is not easy and we congratulate and thank Mr Mahesh for this considerable achievement.

Under Professor Mike Cawthorne, Science continues to flourish, and we raised over half a million pounds in grants last year, largely in Biochemistry and (thanks to Professor Sabah Jassim) Information Sciences. The Department of Psychology, now under Dr Alan Martin following Dr Philip Fine's successful leadership, has expanded so much that it will shortly be recruiting another lecturer.

In the Humanities we welcome Professor Geoffrey Alderman as the new sub-dean, and we thank Michael Gross for the donation that made that possible. We also welcomed our first Coase Scholar, Mr Duanne Orridge. It is wonderful that Ronald Coase, the Economics Nobel Laureate, has given us these scholarships, and in Mr Orridge we have found a scholar who will justify Professor Coase's trust in us. It is good to report, too, that in Mr Philipp Mueller we have found another excellent Ondaatje scholar to justify Sir Christopher's faith in us. We also welcome Professor John Adamson, the author of *The Noble Revolt*, as our new Weston Professor of History. We are grateful to the Weston Foundation, and to Mr Guy Weston, whose donation made that appointment possible. We are also pleased by the success of the new MA in Global Affairs, which was inspired by Dr Charles Henn, one of our oldest alumni and a consultant professor.

The PGCE for independent schools also continues to prosper, and its student numbers have doubled every year, from 20 in the first year to 40 and now 80. Professors Anthony O'Hear and Chris Woodhead have done a wonderful job, as has Professor Alan Smithers and Dr Pamela Robinson of the Centre for Education and Employment Research. The support of Lord Kalms was crucial to the development of this department, and we thank him.

VICE-CHANCELLOR'S PREFACE (continued)

The Humanities have been greatly strengthened by the work of Professor Martin Ricketts in creating the Beloff Centre for the Study of Liberty. It was thanks to Professor Ricketts, and to John Blundell of the IEA, that Dr Yayla was placed and funded here. Let me note incidentally that the Turkish government itself is trying to repeal the laws under which Dr Yayla was prosecuted: we at the University of Buckingham have no quarrel with the authorities in Ankara, who are themselves trying to rein in their own nationalists.

At the centre we welcome Professor Nigel Foster as our new Deputy Vice Chancellor. Professor Foster is an internationally renowned scholar, and we are grateful to him for taking this on. We thank Professor Clarke for all the work he has done acting in this post.

This year we successfully negotiated the sale of land on Lenborough Road, and we will use the proceeds to upgrade University facilities.

This year we conferred honorary degrees on Professor Ejup Ganic, who created the Sarajevo School of Science and Technology to use independent university education to help regrow Bosnia-Herzegovina, to Anatole Kaletsky, whose writing embodies the spirit of independence, to Mr Wilhelm Bourne, for the inspiration he offers our graduates, and to Professor Alcock, once of the Law School, for his work as Deputy Vice Chancellor. Graduation went well, and I thank Mr Tom Merrick and Mrs Pat Smith for organising it. I also thank Mr Clive Martin and his team including Mr Clive Witton for the work they've done in recent years in upgrading the buildings and gardens of the University.

Our PR department, too, has had a good year, and we now get 10 times more press coverage than we did a decade ago. The Alumni Office, moreover, now has 2081 alumni registered on the AlumNet website.

In conclusion, therefore, the University continues to prosper. Not every not-for-profit independent institution of higher education has survived, and no fewer than four of our peers namely The Royal Agricultural College at Cirencester (1999) Heythrop College (2005) The Guildhall School of Speech and Drama (2005) and Henley Management College (2008) joined Hefce on the dates indicated. That leaves only ourselves, Ashridge Management College and the College of Law as significant not-for-profit players in Britain.

However, the for-profit sector appears to be growing, and the conferring of the right to award degrees to BPP in 2007 may represent a milestone in British higher education. Overall, therefore, the non-state sector is holding its own in Britain. Correspondingly, the University of Buckingham has grown and prospered, and we look to the future with reasonable confidence.

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"), 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 joined the Higher Education Statistics Agency ("HESA"), which has resulted in some of our data being included 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 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 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 in 2006 and 2007.

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, 19th century English literature, literacy development, local and church history.

Public policy

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". 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 and strategies

The market in higher education

We are in competition with about 100 other British universities for a student population of about 2 million British students, 0.1 million other EU students and 0.2 million international students. There are a further 2 million international students (studying outside their own countries but not in the UK) who represent a potential market.

Buckingham's distinctive position

Our student-staff ratio reported by HESA is 8.4, compared to a median of 17.6. 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, while not suitable for everyone, 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 of government.

Marketing 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.

Teaching quality. Our academic procedures and regulations 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.

Corporate publicity. Our publicity has been successful in raising our profile – participation in the NSS, publishing quality statistics, participating in policy debate and scholarship. Increased press coverage is a measure of this.

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.

Pricing strategies

Home students. Our competitive position in the home market has improved considerably as a result of a change in pricing strategy. We introduced dual pricing from autumn 2006 (lower prices for home students – UK and EU) to coincide with “top-up” fees at other universities. Our home students now pay only £15,000 in tuition fees over the course of their studies compared to £9,000 elsewhere. A major purpose was to create a more equal balance between home and international students. As table 3 below shows, we have succeeded in changing the balance and reinforcing our character as a British university, which we believe matters to all of our students.

International students. However, while we are pleased to have increased the number of home students we are not satisfied that international numbers fell back in 2007. Pricing decisions coming into effect shortly will help us be more competitive. We monitor the sector and aim to charge international students a bit more than the average – less than the Russell Group, but more than the New Universities. Our fees had become a little higher than we wanted so we will hold them unchanged in September 2008 while other universities increase theirs.

OPERATING AND FINANCIAL REVIEW (continued)

2. Business environment and strategies (continued)

Ancillary business activities

Student accommodation. Most students opt to live in university halls of residence in their first year, to assist in settling in, and many students choose to remain in residence in their second year. However, following the recent growth in student numbers our halls of residence are now full, providing accommodation to about half of our students. Many of the rest live at home but we rely on landlords in the town to accommodate the remainder.

We monitor prices in the town and at other universities to ensure our residences remain fair and competitive, while still making a significant financial contribution to the University's running costs.

Research. Over the years, research income has covered its related direct costs and contributed to other costs (though not in 2007). However, we do not receive core funding from a funding council, so most of the costs of providing research facilities and support services are met by a cross subsidy from teaching. Nevertheless, we strongly encourage scholarship and research, to maintain our academic reputation and enrich the experience of staff and students.

Validation. Over the years we have validated the teaching of several other institutions and awarded our degrees to their students. Currently we validate the work of two such institutions.

3. Resources

Financial resources (other than operating income)

Although working capital is negative (current liabilities exceed current assets), there is a reasonably dependable credit balance at the bank, due to fees paid in advance, which provides operating cash. However, as the money is more than matched by short term liabilities, it could not prudently be committed to long term projects.

By contrast bank loans could be a viable option to fund future projects. Loans amounting to £5.5 million, taken out between 1989 and 1995, have been largely repaid, leaving our properties mostly unencumbered and available as collateral security.

Physical assets

We own our attractive estate, set in the heart of the small historic town of Buckingham. Its 14,200 square metres of building space house teaching rooms and other facilities. On the basis that the estate proved sufficient to support a student population of 1,000 students in the mid 1990s, we are running about 15% below capacity. In addition we have 9,200 square metres of student accommodation comprising 445 rooms, which are now fully occupied. We rely on the private rented sector in the town being able to provide additional accommodation.

Staff

We have the equivalent of 206 full time members of staff, who are committed to the ethos of supporting our students as individuals, through both teaching and support services.

Donations

When the University started and at various times since, donations from supporters were a major resource for developing the estate. More recently, the University of Buckingham Foundation (a separate charity) has raised funds for the School of Education and the Medical School feasibility study, inter alia. Donations also help to fund scholarships, prizes and research grants to our staff. The alumni annual fund supports projects of immediate benefit for our students.

OPERATING AND FINANCIAL REVIEW (continued)

3. Resources (continued)

Royal Charter

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

4. Opportunities and risks

Market size

The world market in transnational higher education has been growing rapidly for many years, which represents a major opportunity for Buckingham. There are however two risks.

- The UK's market share has been falling – from 16% in 1998 to 11% in 2004 according to the Higher Education Policy Institute (HEPI). This is reportedly due in part to comparative costs, a problem that Sterling's current weakness may help to redress. Other reported factors are the UK not being seen as so excellent as formerly; increased competition from the US, Europe, Australia and the Far East; and visa problems.
- The market's growth may not continue. Increasing local provision has already reversed the growth in numbers from China and Malaysia. And there is always scope for sudden downturns, for example in response to economic or political disruption or epidemics.

The home market also represents a major opportunity for Buckingham, as we are now much more competitive on price and reputation. However, numbers may have reached a plateau, despite the government's aspiration that 50% of each age group should have a university education, for two reasons. Top-up fees appear to be making young people think harder about whether to invest in a university education; and a report for Universities UK forecasts a fall in the number of 18 to 20 year olds over the next ten years.

Competition

In general we are confident that existing strategies will enable us to maintain our international student numbers and increase our home student numbers. Our home student numbers have grown sharply. The government's intention to review the cap on top-up fees in 2010 may give a further boost to our competitiveness.

The compressed two year honours degree is no longer unique, as the government is piloting this model at five other universities, including Northampton locally. However, this seems if anything to have been beneficial for us, giving positive publicity to the two year option. The recent grant of degree awarding powers to BPP Plc will present a challenge. It has been reported that they will be offering compressed two year law degrees to mature students from autumn 2009.

Buckingham has experienced a modest fall in international student numbers, despite a growth in the overall number of such students in the UK. This may be due to our fees creeping up compared to the UK average and to our focussing more than usual on the home market.

Reputation

Recruitment has been helped by favourable publicity recently. As an independent university we have to be extra careful to be seen to maintain academic integrity. We do so through comprehensive academic regulations and quality procedures and through the scrutiny of our independent AAC and public quality audits by QAA. We are also careful in our choice of collaborative partners.

OPERATING AND FINANCIAL REVIEW (continued)

4. Opportunities and risks (continued)

Acceptability of two year degrees

The scheduled implementation of the Bologna declaration in 2010 will present a challenge to our compressed two year honours degrees, which will require some imaginative responses. Our courses can be seen either as two year degrees, or as three year degrees accelerated by foregoing summer vacations. We can also offer more three year options, which will open up additional recruitment opportunities.

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. We have a procedure for screening, investigating and approving such opportunities.

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

Deficits have taken us into net current liability since 2002, rising to £806k in 2007. However, we have not been short of liquid funds to settle liabilities because our credit control policies provide a comfortable cash buffer derived from fees in advance. We have nonetheless taken the precaution of arranging a £300k overdraft facility.

If deficits continue, net current liabilities and hence liquidity risk will tend to increase. The main controls are the budgeting and reporting processes and Finance and General Purposes Committee's oversight thereof.

Fraud and error

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 procedures and commissions an annual review on selected internal control topics from our external auditors.

Legal issues

To minimise the possibility of litigation from students or staff we engage professional registry and HR staff and maintain academic and staff regulations, including grievance and appeal systems. We have a legal responsibility to maintain our listed buildings, all of which are in use except one. We are endeavouring to raise funds to enable us to restore Prebend House.

The 2006 Charities Act will require us to meet a new "Public Benefit Test" to retain charitable status. Our central public benefit is the accessibility of our courses to all qualified applicants, enhanced by differential pricing for home applicants. In addition we maintain an annual summary of the lectures, concerts, facilities and other public benefits we provide.

OPERATING AND FINANCIAL REVIEW (continued)**5. Operating performance and trends**Table 1 – student numbers by school of study (in autumn term)

	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>
Law	337	40%	309	39%	301	41%
Business	161	19%	171	22%	159	22%
Science	73	8%	48	6%	43	6%
Humanities	<u>279</u>	<u>33%</u>	<u>262</u>	<u>33%</u>	<u>228</u>	<u>31%</u>
Total	850	100%	790	100%	731	100%

Table 2 – student numbers by level of study

	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>
Undergraduate	635	75%	571	72%	563	77%
Resident Postgraduate	94	11%	83	11%	76	10%
Non resident Postgraduate	84	10%	88	11%	54	7%
Pre degree	<u>37</u>	<u>4%</u>	<u>48</u>	<u>6%</u>	<u>38</u>	<u>5%</u>
Total	850	100%	790	100%	731	100%

Table 3 – student numbers by geography

	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>
UK	307	36%	224	28%	184	25%
Other EU	62	7%	46	6%	44	6%
International	<u>481</u>	<u>57%</u>	<u>520</u>	<u>66%</u>	<u>503</u>	<u>69%</u>
Total	850	100%	790	100%	731	100%

Table 1 shows a growth in student numbers in each school except Business. Table 2 shows the growth to be concentrated in undergraduates, while table 3 shows the growth to be in home students, partially offset by a fall in international numbers.

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

	<u>Law</u>	<u>Business</u>	<u>Science</u>	<u>Humanities</u>	<u>Total</u>
<u>2007</u>					
Tuition fees	3203	1594	480	2047	7324
Teaching costs	1098	1055	379	1206	3738
<i>Contribution %</i>	66%	34%	21%	41%	49%
<u>2006</u>					
Tuition fees	3121	1631	389	1931	7072
Teaching costs	960	972	339	1080	3351
<i>Contribution %</i>	69%	40%	13%	44%	53%
<u>2005</u>					
Tuition fees	3014	1563	444	1791	6812
Teaching costs	916	927	397	982	3222
<i>Contribution %</i>	70%	41%	11%	45%	53%

OPERATING AND FINANCIAL REVIEW (continued)

5. Operating performance and trends (continued)

Table 4 shows a worsening of contribution ratios (teaching revenues less direct costs) overall, as teaching costs rose by more than income. It shows too the continued dominance of the Law school financially. On a "full economic costing" basis, where service and corporate costs are allocated on a simple model, Law subsidises the other schools. Science's contribution improved from a low base, but the contributions from Humanities and Business fell.

Table 5 – Trends in teaching income and expenditure

	<u>Law</u>	<u>Business</u>	<u>Science</u>	<u>Humanities</u>	<u>Total</u>
<u>Change 2007/2006</u>					
Tuition fees	2.6%	-2.3%	23.4%	6.0%	3.6%
Teaching costs	14.4%	8.5%	11.8%	11.7%	11.5%
<u>Change 2006/2005</u>					
Tuition fees	3.6%	4.4%	-12.4%	7.8%	3.8%
Teaching costs	4.8%	-3.1%	-14.6%	10.0%	3.1%
<u>Change 2005/2004</u>					
Tuition fees	8.5%	-2.8%	-20.4%	7.2%	3.2%
Teaching costs	2.6%	1.5%	-7.2%	-0.5%	-0.1%

Table 5 shows that teaching income went up by only 3.6% on 2006, despite an 8.4% increase in average student numbers and an average fee increase of 3.5%. This was a mix effect, due to the number of home students paying lower rates of fee.

After two years of modest cost increases, teaching departments spent 11.5% more than in 2006. 3% was due to further devolution of marketing costs to the schools and 4% to salary inflation. The rest was due variously to sickness cover, fuller staffing and additional student numbers.

6. Financial results

Table 6 below shows that tuition fee income increased by 3.6% (2006: 3.8% and 2005: 3.2%). Student numbers grew and prices increased but the fee rate mix was adverse. Residences and catering income was up 10.2% (2006: 4.4%; 2005: 0.8%), due to an increase to full occupancy.

Research income was 28.5% down (2006: 0.3% down; 2005: 4.6% down), due to reduced income from metabolic research. Overhead recovery from research contracts – income less direct costs – was £97,000 negative (2006: £97,000 positive; 2005: £127,000 positive).

Other operating income was up 20.2% (2006: 6.9%; 2005: 164.8%). Validation income continued to grow, due to more students at Sarajevo and the ESE. Fundraising income fell by 61.7% (2006: 29.2% down; 2005: 134.7% up). The main reason for the fall was the completion of the medical school feasibility study and its related funding from the Garfield Weston Foundation.

Staff costs rose by 5.7% (2006: 4.6%; 2005: 5.7%), mainly due to an increase in teaching costs. Other operating expenses fell by 1.3% (2006: down 0.4%; 2005: 5.6% up), partly due to the inclusion in 2006 of the costs of creating a business "hatchery" for SEEDA.

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

	2007	2006	2005	2007/6	2006/05
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>% change</u>	<u>% change</u>
Tuition fees	7,324	7,072	6,812	3.6%	3.8%
Residences and catering income	1,644	1,492	1,429	10.2%	4.4%
Research grants and contracts	698	961	964	-27.4%	-0.3%
Other operating income (Note)	888	739	691	20.2%	6.9%
Income from fundraising activities	77	201	284	-61.7%	-29.2%
Interest from bank deposits	<u>114</u>	<u>73</u>	<u>84</u>	<u>56.2%</u>	<u>-13.1%</u>
Total income	<u>10,745</u>	<u>10,538</u>	<u>10,264</u>	<u>2.0%</u>	<u>2.7%</u>
Staff costs	6,838	6,457	6,171	5.7%	4.6%
Depreciation	693	663	651	4.5%	1.8%
Other operating expenses	3,324	3,357	3,369	-1.0%	-0.4%
Interest payable	<u>38</u>	<u>40</u>	<u>52</u>	<u>-5.0%</u>	<u>-23.1%</u>
Total expenditure	<u>10,893</u>	<u>10,517</u>	<u>10,243</u>	<u>3.6%</u>	<u>2.7%</u>
Surplus/(deficit) on continuing activities	(148)	21	21		
Exceptional expenditure	<u>110</u>	-	<u>66</u>		
Surplus/(deficit) for the year	<u>(258)</u>	<u>21</u>	<u>(45)</u>		
<u>Note on other operating income:</u>	2007	2006	2005		
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>		
Validation fees	414	246	136		
Reimbursements from SEEDA	230	210	72		
Brunel's contribution to the Medical school study	-	35	136		
Other	<u>244</u>	<u>248</u>	<u>347</u>		
Total	888	739	691		

7. Cash flow, capital expenditure and loans

Total cash flow was £127,000 negative (2006: £328,000 positive; 2005: £42,000 positive). The year end cash balance was £1,654,000 (2006: £1,781,000; 2005: £1,453,000).

Operating cash flow was £500,000 positive (2006: £846,000; 2005: £573,000), the deterioration being due to the deficit. This would have been offset by improvements made in the collection of students' fees in advance (for the third year in a row), but it was counteracted by an increase of £431k in debtors, due to billings late in the year for research and validation services.

OPERATING AND FINANCIAL REVIEW (continued)

7. Cash flow, capital expenditure and loans (continued)

Capital expenditure was £588,000 (2006: £455,000; 2005: £416,000). The major projects were to upgrade catering facilities (£97,000), replace the telephone system (£70,000) and complete Internet access in student accommodation (£68,000).

The catering upgrade was financed by an interest free loan repayable over ten years to our catering contractors. Loan repayments of £212,000 (2006: £96,000; 2005: £147,000) were made on schedule. Of the remaining debt of £539,000 (2006: £654,000; 2005: £750,000) the bank loans are repayable in instalments by 2012.

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 £13,000 (2006: £161,000; 2005: £253,000).

In addition, the University reported income from other donors of £64,000 (2006: £40,000; 2005: £31,000). The main gifts came from the Garfield Weston Foundation, to fund a Research Professor in Modern History and from the Wincott Foundation, to fund two eminent journalists as Visiting Professors.

9. Medical school

During 2006, Brunel University decided to withdraw from the project to develop undergraduate medical training and Buckingham's Council concluded that the project could not be afforded solely from the University's own resources. Funding options are still being explored. Meanwhile a postgraduate Clinical MD is being piloted in 2008 with the Ealing Hospital NHS Trust.

10. Conclusion and prospects

2007 saw many positive developments, notably a substantial increase in student numbers, reinforcement of our character as a British university and further progress in promoting our public reputation.

However, it also saw a return to deficit, which is expected to continue in 2008 and 2009 as we invest in staffing to cope with increased student numbers and diversification, and to better address the management challenges ahead.

We aim however to return to surplus based on balanced growth that makes optimum use of our resources – more home students, at least stable numbers of international students and more validation activity at partner institutions. Significant estate investments may be needed to support expansion, diversification and modernisation.

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 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 2008

Ex officio members:

The Chancellor - Sir Martin Jacomb
The Vice-Chancellor - Dr G T E Kealey
The Deputy Vice-Chancellor – Professor N Foster
The President of the Students' Union – Mr U-A Roberts

Appointed members:

Two appointed by the
Privy Council:

Mrs C Woodhead (Chairman)
Mr J P Cunningham

Three nominated by the
Academic Advisory Council:

Professor K Elliott
Professor D R 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 S Bergqvist
Ms S Deaves
Mr A Green
Mr R T Knight
Mr M Lancaster MP
Ms K Okonski
Mrs A Phillips
Mr W I D Plaistowe (Vice-Chairman)
Mr M Rushton
Mr B Tavener
Dr R von Heusinger

Two members of
Convocation:

Two vacancies

Five nominated by
Senate:

Mrs J Bray
Dr J Drew
Dr S Hawlin
Professor A Smithers
Dr J Tapsell

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 D Terhorst
One student elected by the undergraduate students of
University: Ms E Abraham

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 annually. 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 2007 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 (2003) and applicable 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 (2003). 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 2007, 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 (2003), and United Kingdom Generally Accepted Accounting Practice.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Milton Keynes

5 June 2008

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 2003 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 fourteen limited companies, two of which have not traded in the year. The other twelve 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

Tuition fees representing student fees received and receivable are recognised in the accounting period they are attributable to.

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.

Residence and catering income is credited to the income and expenditure account on a receivable basis.

3 Donations

Donations in support of the University are generally made to the University of Buckingham Foundation, a separate registered charity. Donations received by the University for restricted purposes, whether from the University of Buckingham Foundation or directly from a donor, are credited to deferred income, then released when the related expenditure is incurred. Donations received without restriction are credited direct to income.

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 established by trust deed.

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, updated to 31 December each year. In addition the scheme's actuary reports on the funding of the scheme at the University's year end accounting date.

5 Depreciation

The capitalisation limit is £500 for computer equipment, £3,000 for other items. Equipment costing more than the limit is capitalised. Other equipment is written off in the year of purchase.

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 2007**

	Note	2007 £000	2006 £000
Income			
Tuition fees	1	7,324	7,072
Residences and catering income		1,644	1,492
Research grants and contracts		698	961
Other operating income		888	739
Income from fundraising activities	2	77	201
Interest from bank deposits		<u>114</u>	<u>73</u>
Total income		<u>10,745</u>	<u>10,538</u>
Expenditure			
Staff costs	3	6,838	6,457
Depreciation	8	693	663
Other operating expenses	4	3,324	3,357
Interest payable	5	<u>38</u>	<u>40</u>
Total expenditure		<u>10,893</u>	<u>10,517</u>
(Deficit)/surplus on continuing activities before exceptional items		(148)	21
Exceptional expenditure: continuing activities	7	<u>110</u>	<u>-</u>
(Deficit)/surplus for the year retained within general reserves		<u>(258)</u>	<u>21</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 2007**

	Note	2007 £000	2006 £000
Fixed assets			
Tangible fixed assets	8	11,348	11,453
Investments	9	<u>23</u>	<u>23</u>
		<u>11,371</u>	<u>11,476</u>
Current assets			
Debtors	10	1,277	846
Cash at bank and in hand		<u>1,654</u>	<u>1,781</u>
		2,931	2,627
Creditors: amounts falling due within one year	11	<u>(3,737)</u>	<u>(3,198)</u>
Net current liabilities		<u>(806)</u>	<u>(571)</u>
Total assets less current liabilities		10,565	10,905
Creditors: amounts falling due after more than one year	12	(438)	(512)
Provision for liabilities and charges	13, 19	<u>(42)</u>	<u>(50)</u>
Net assets		<u>10,085</u>	<u>10,343</u>
Represented by:			
Capital benefactions	14	8,254	8,254
Reserves	15	<u>1,831</u>	<u>2,089</u>
		<u>10,085</u>	<u>10,343</u>

The Council approved the financial statements on pages 20 to 32 on 4 June 2008 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 2007**

	Note	2007 £000	2006 £000
Net cash inflow from operating activities	16	500	846
Return on investments and servicing of finance			
Interest received		114	73
Interest paid		<u>(38)</u>	<u>(40)</u>
Net cash inflow from returns on investments and servicing finance		<u>76</u>	<u>33</u>
Capital expenditure			
Payments to acquire tangible assets		<u>(588)</u>	<u>(455)</u>
Cash (outflow)/inflow before financing		(12)	424
Financing			
Other loan drawn down in year		97	-
Other loan repayment in year		(15)	
Bank loan repayment in year		<u>(197)</u>	<u>(96)</u>
(Decrease)/increase in cash in the year	17	<u>(127)</u>	<u>328</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Tuition fees

	2007 £000	2006 £000
Full-time undergraduates – home fee rates	485	51
Full-time undergraduates – standard fee rates	5,060	5,495
Part-time undergraduates	120	98
Post graduates	1,357	1,123
Pre degree and non degree courses	<u>302</u>	<u>305</u>
	<u>7,324</u>	<u>7,072</u>

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

	2007 £000	2006 £000
Revenue donations	64	40
Amounts received from University of Buckingham Foundation	<u>13</u>	<u>161</u>
	<u>77</u>	<u>201</u>

3 Employee information

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

	2007 Number	2006 Number
Academic/research	90	86
Support	81	86
Manual	<u>35</u>	<u>33</u>
	<u>206</u>	<u>205</u>
	£'000	£000
Wages and salaries	5,894	5,580
Social security costs	465	425
Pension costs	<u>479</u>	<u>452</u>
	<u>6,838</u>	<u>6,457</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Employee information (continued)

	2007 £000	2006 £000
Academic/Research	3,897	3,602
Support	2,527	2,445
Manual	<u>414</u>	<u>410</u>
	<u>6,838</u>	<u>6,457</u>

The salary paid to the Vice-Chancellor was £119,112 (2006: £114,470). Pension contributions amounted to £16,667 (2006: £16,026). 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 (in either year ended 31 December 2007 or 2006).

4 Other operating expenditure

The total includes expenses incurred on:-	2007 £000	2006 £000
Residences and catering	451	448
Research grants and contracts	258	300
Scholarships, bursaries and prizes	318	420
Books, periodicals and electronic resources	133	126
Heat and light (excluding residences)	227	228
Repairs and maintenance (excluding residences)	160	147
Grants to Students Union	31	30
Auditors' remuneration	20	19
Other services provided by the auditors	6	5

5 Interest

	2007 £000	2006 £000
On bank loans wholly repayable within five years	<u>38</u>	<u>40</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	2007 Total £000	2006 Total £000
Academic departments	3,743	-	306	-	4,049	3,552
Research contracts	526	-	258	-	784	864
Residences and catering	106	250	613	38	1,007	999
Premises	606	269	522	-	1,397	1,291
Services	862	174	527	-	1,563	1,450
Administration	<u>995</u>	<u>-</u>	<u>1,098</u>	<u>-</u>	<u>2,093</u>	<u>2,361</u>
	<u>6,838</u>	<u>693</u>	<u>3,324</u>	<u>38</u>	<u>10,893</u>	<u>10,517</u>

7 Exceptional item

	2007 £000	2006 £000
Dispute settlement costs	(140)	-
Release of pension restructuring cost provision	<u>30</u>	<u>-</u>
	<u>(110)</u>	<u>-</u>

The dispute settlement costs consist of professional fees for an HR dispute and an allowance for severance costs.

8 Tangible fixed assets

	Freehold land £000	Freehold buildings £000	Equipment £000	Total £000
Cost:				
At 1 January 2007	1,709	12,882	2,740	17,331
Additions	-	34	554	588
Disposals	<u>-</u>	<u>-</u>	<u>(253)</u>	<u>(253)</u>
At 31 December 2007	1,709	12,916	3,041	17,666
Accumulated depreciation:				
At 1 January 2007	-	4,692	1,186	5,878
Charge for the year	-	258	435	693
Disposals	<u>-</u>	<u>-</u>	<u>(253)</u>	<u>(253)</u>
At 31 December 2007	-	4,950	1,368	6,318
Net book value:				
At 31 December 2007	<u>1,709</u>	<u>7,966</u>	<u>1,673</u>	<u>11,348</u>
At 31 December 2006	<u>1,709</u>	<u>8,190</u>	<u>1,554</u>	<u>11,453</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9	Fixed asset investment	2007	2006
		£000	£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.		
10	Debtors	2007	2006
		£000	£000
	Student debtors	87	48
	Other debtors	<u>1,190</u>	<u>798</u>
		<u>1,277</u>	<u>846</u>
11	Creditors: amounts falling due within one year	2007	2006
		£000	£000
	Bank loans	147	198
	Other loans	10	-
	Fees received in advance	1,553	1,326
	Trade creditors	362	420
	Taxation and social security	207	140
	Other creditors	871	745
	Accruals and deferred income	<u>587</u>	<u>369</u>
		<u>3,737</u>	<u>3,198</u>
12	Creditors: amounts falling due after more than one year		
	Bank and other loans	2007	2006
		£000	£000
	Repayable to Royal Bank of Scotland Plc by 2010	254	407
	Repayable to Barclays Bank Plc by 2012	203	247
	Other Loan	<u>82</u>	<u>-</u>
		<u>539</u>	<u>654</u>
	Less amounts falling due within one year	<u>(157)</u>	<u>(198)</u>
		382	456
	Deferred income	<u>56</u>	<u>56</u>
		<u>438</u>	<u>512</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Creditors: amounts falling due after more than one year (continued)

Analysis of loan repayments

Between one and two years	157	147
Between two and five years	193	284
After five years	<u>32</u>	<u>25</u>
	<u>382</u>	<u>456</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. The other loan relates to an interest free loan financing the purchase of catering equipment at the University.

13 Provision for liabilities and charges

	Disputes (note 7) £000	Pension (note 19) £000	2007 £000	2006 £000
			Total	Total
At 1 January	-	50	50	66
Released during the year	-	(38)	(38)	(25)
Added during the year	<u>30</u>	—	<u>30</u>	<u>9</u>
At 31 December	<u>30</u>	<u>12</u>	<u>42</u>	<u>50</u>

A provision of £30,000 has been added in the year in respect of the anticipated settlement of an HR dispute during 2008.

14 Capital Benefactions

	2007 £000	2006 £000
Past donations used to fund capital expenditure:		
Specific endowments	4,506	4,506
General endowments	<u>3,748</u>	<u>3,748</u>
	<u>8,254</u>	<u>8,254</u>

15 Reserves

	2007 £000	2006 £000
At 1 January	2,089	2,068
(Deficit)/surplus for the year	<u>(258)</u>	<u>21</u>
At 31 December	<u>1,831</u>	<u>2,089</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Reconciliation of operating surplus to operating cash flow

	2007	2006
	£000	£000
(Deficit)/surplus for the year	(258)	21
Depreciation	693	663
Loss on disposal of fixed assets	-	-
Release of deferred income	-	(10)
Interest received	(114)	(73)
Interest paid	<u>38</u>	<u>40</u>
	359	641
Decrease in provisions	(8)	(16)
(Increase)/decrease in debtors	(431)	231
Increase/(decrease) in fees paid in advance	227	(6)
Increase/(decrease) in other non bank creditors	<u>353</u>	<u>(4)</u>
Net cash inflow from operating activities	<u>500</u>	<u>846</u>

17 Analysis of changes in net funds

	2007	Change		Change	
	£000	in 2007	2006	in 2006	2005
		£000	£000	£000	£000
Cash at bank and in hand	1,654	(127)	1,781	328	1,453
Debt due within one year	(157)	41	(198)	(51)	(147)
Debt due after one year	<u>(382)</u>	<u>74</u>	<u>(456)</u>	<u>147</u>	<u>(603)</u>
Total	<u>1,115</u>	<u>(12)</u>	<u>1,127</u>	<u>424</u>	<u>703</u>

18 Capital commitments

At the year end there were £89,000 of capital commitments outstanding in respect of contracts for future capital expenditure entered into by the University (2006: £94,000). The University's Council has authorised a capital budget for 2008 of £350,000 (2007: £470,000).

19 Pension commitments

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. USS provides benefits for academic and senior administrative staff in the university sector. EBP provides benefits for other staff of the University.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Pension commitments (continued)

Universities Superannuation Scheme

The latest triennial 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 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.

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, carried out as at 5 April 2007 by a professionally qualified actuary confirmed 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)

19 Pension commitments (continued)

Contributions to the EBP ceased to be made after 31 December 2007 and members were offered participation in a Group Personal Pension (GPP) with Norwich Union from 1 January 2008. The provision for the cost of closing the EBP scheme is £12,000 (2006: £50,000), most of which is expected to be incurred during 2008 (note 13).

The GMP element will be bought out by the purchase of deferred annuities, but currently it is not considered that there will be a shortfall. The independent actuary reported to the University that the surplus on an actuarial basis as at 31 December 2007 was approximately £6,000 (2006: £5,000 deficit).

Cost to the University

	2007	2006
	£000	£000
Contributions to USS	427	403
Contributions to EBP	<u>52</u>	<u>49</u>
Total pension cost for the period	<u>479</u>	<u>452</u>

20 Post Balance Sheet Event

A sale of a small plot of surplus land was completed in February 2008. The net proceeds were £387,000, giving rise to a profit on disposal of £313,000.

21. Related party transactions

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 £13,000 (2006: £161,000).