

THE UNIVERSITY OF BUCKINGHAM

Financial statements

for the year ended

31st December 2008

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CHAIRMAN'S STATEMENT

2008 was a very successful year for the University of Buckingham. Further evidence of the satisfaction of our students with success again in the National Student Survey and a rising roll taking student numbers to over 1000 are the justified results of the hard work and entrepreneurial spirit of our staff and supporters. We have been working this year not only to improve the experience of the Buckingham student but also to strengthen the Buckingham family with the employment of a full time Development Director and much hard work in our Alumni Office reinforcing links with our home and international alumni. The University is enriched by the involvement of alumni and we greatly appreciate the time and application that they give. Their commitment enhances the Buckingham experience for students both during their studies and after they have graduated and moved on.

During the year we have said goodbye to two long serving and loyal members of Council: John Cunningham who gave most generously of his time and advice and served not only on Council and many sub committees but also presided over the F&GP committee as Chairman during a period when the University's financial position strengthened under his careful watch. Bob Knight, with his calm and wise style brought his wealth of experience to the aid of the University over many years. We are indebted to both of them and thank them for their unstinting service. We are very fortunate to welcome to Council this year David Taylor, alumnus and entrepreneur, who will bring a further international angle to Council and Julian Stafford who brings his experience in chartered accountancy and business practice. These appointments will further strengthen our Council and the support it gives to our executive team.

The University is widening its influence both ideologically in the extensive interaction we have with politicians and policy makers and academically with new courses in Buckingham, collaborations with other colleges both in the UK and internationally and with the establishment of new centres of study here at Buckingham. We continue to expand but are always mindful of our ethos of excellent provision for our students; and of independence in academic endeavour.

MRS CHLOE WOODHEAD
Chairman

VICE-CHANCELLOR'S PREFACE

Introduction

I am delighted to report that in 2008, for the third year running, we came top of the National Student Survey. This independent research is commissioned annually by the Higher Education Funding Council for England. Students across the UK are asked to rate their universities in a number of categories in order to assess their satisfaction with the quality of the teaching, academic support and development opportunities provided to them. Our overall satisfaction rate is higher than all other UK universities and, compared with 2007, we have also improved our own performance in every category.

At the same time, we have also seen our student numbers continue to rise (figure 1) and we now have the highest number of students in our history, namely 1,010, which is one more than the previous record of 1,009 in 1992.

Figure 1: Breakdown of Student Numbers in the autumn term 2004-2008

Type of student	2004	2005	2006	2007	2008
Resident	676	678	702	766	882
Non resident	30	53	88	84	128
Total registered students	706	731	790	850	1010
Partner institutions' students	66	305	348	671	864
Total studying for Buckingham qualifications	772	1036	1138	1521	1874

Some of our growth has been achieved by creating new departments, and the new School of Education now has over 120 students registered on its various courses. Our new postgraduate medical school, which is less than a year old, has already filled all 20 places in its first cohort, and is now turning away applicants because we had planned for its first two years to limit numbers while we pioneer this new course. The success of the new course is attributable to our two remarkable postgraduate deans, Professor Rajat Mathur and Professor Jay Arnold. We have also seen growth in our collaborations, in particular with the European School of Economics (ESE) and the Sarajevo School of Science and Technology (SSST) whose students this year came over to Buckingham for their graduation.

The Built Environment

We have been making improvements to our two campuses. The building at the car park entrance off Hunter Street is being converted into a porters' lodge. It will be equipped with barriers across the roadway to provide better security for the car park as well as providing a greater sense of entry to the University. The Post Room, the Tanlaw Mill porters, and the night security officers are all being transferred to the new porters' lodge, to improve campus and student security.

At the same time we are upgrading 45 bedrooms in Verney Park to provide more student accommodation with en-suite facilities. We are also restoring the exterior of Prebend House to improve our Hunter Street frontage, and clearing the gardens to create a half mile lawned embankment along the river Ouse behind Nortons House and the Anthony de Rothschild Building to enhance the campus and improve student and staff facilities.

University Departments

The School of Law

Charlotte Walsh has retired as Dean, although she stays with us as a full-time member of staff. The University is very grateful for her five superb years of leadership; under her, the Law School flourished both in terms of student numbers and reputation, and she will always be remembered as an outstanding leader of the Law School.

VICE-CHANCELLOR'S PREFACE (continued)

I am delighted to report that Professor Susan Edwards has taken over as Dean, and we can feel already her determination to continue the growth of the Law School both in terms of numbers and reputation. Susan is, of course, a considerable scholar, and her editorship of the *Denning Law Journal* has been outstanding. She is the second founder of that journal. As part of her scholarship, she and Dr Mary Welstead published their book on Family Law last year with Oxford University Press; publishers also of Professor Nigel Foster's new books on EU law which supplement his highly respected portfolio of books on EU law. We also congratulate Dr James Brown who has achieved his doctorate.

New appointments include Dr Carol Brennan, whose own book on Tort was recently published, Mr Francis Grimmall, Mrs Rowena Meager, Dr Adolfo Paolini and Mr Noam Shemtov.

Sadly, I have to report the death of Dr Helen Desmond, who was a Law lecturer for many years and whose standing was demonstrated by the attendance at her funeral of so many staff and students.

The Business School

Professor Peter Cooke has joined us from the Nottingham Business School to establish his Centre for Automotive Management here at Buckingham. The School continues to forge links with other international business schools, and we are now working with FACO in France, CBS in Singapore, AIR in South Africa, and IIPM in India.

We welcome Anneke Edmonds as a new lecturer in Marketing and the Chartered Institute of Marketing Programme Director. Katie Balaam has also joined us as a lecturer in Accounting and Finance and we are delighted to welcome her back as she is one of our alumni.

School of Humanities

Professor Anthony Glees has joined us from Brunel to establish the University of Buckingham Centre for Security and Intelligence Studies. His Centre is already making an impact in the press and on campus, and is also contributing to the further success of the MA in Global Affairs.

After a break of five years we are now restarting courses in History of Art under Jeremy Howard's leadership. His new MAs will be based largely in London and will be taught in association with the Wallace Collection. Professors John Adamson and Saul David are also establishing a new MA in Military History to be taught in London.

The Department of Education, under Professors Anthony O'Hear, Christopher Woodhead and Alan Smithers, is emerging as a significant player in the education landscape in Britain. In a few years, we hope to see a University of Buckingham-trained teacher in most independent schools in Britain. Alan Smithers's and Pamela Robinson's Centre for Education and Employment Research is making an ever greater impact on policy makers and he regularly appears in the press and on radio and television.

Very sadly, Professor Norman Barry, one of the great scholars of liberty in Britain, died earlier this year. His obituaries in the *Times*, *Telegraph* and other newspapers spoke of the impact his scholarship and writing have made globally. He embodied the spirit of Buckingham as a centre of independence and unfettered thought and he was himself a most delightful man. His early death at a relatively young age was a great loss to this University.

The School of Science

We welcome two new members of staff, Dr Harin Sellahewa in the Department of Applied Computing and Dr Katherine Finlay in the Department of Psychology.

VICE-CHANCELLOR'S PREFACE (continued)

The Clore Laboratory is the UK's only university laboratory that survives without the government's Research Assessment Exercise (RAE) Quality Related (QR) infrastructural monies. This is because we are not funded by the government's Higher Education Funding Council for England (HEFCE). For a decade, the Clore was underpinned by a donor who provided several hundred thousand pounds a year as infrastructural support, which allowed the Clore Lab to write the project grants (from the research councils as well as from industry) by which to flourish. Unfortunately that donor – who became a friend of mine and who was a strong supporter of the ideals of the University – has died. The Clore Laboratory is therefore now looking for new sponsorship while it tries to negotiate the fall in income.

I have to report yet another death, that of Monique Heald who worked as a researcher in the Clore Laboratory. Her husband, Professor Mike Cawthorne, has created a scholarship fund in Monique's memory. To have had three deaths amongst current members of staff was a heavy blow this year, and we will miss Monique as we miss Helen and Norman.

Fundraising

The University Development office is responsible for fundraising for both the University (UB) and the University Foundation (UBF). The Foundation is a separate charity which holds and manages endowment and restricted funds donated for the benefit of the University.

University fundraising.

We received a pledge of £250,000 from the Esmée Fairbairn Foundation to restart teaching the History of Art and another pledge of £150,000 from the Linbury Trust towards the restoration of Prebend House and the creation of our new riverside embankment. £34,000 was provided by a donor for the refurbishment of the gym in the Tanlaw Mill. A new studentship in the Business school has been made possible by a donation of £8,000 as the first tranche of a pledge of £24,000.

We are very grateful for annual donations from John Desborough, Michael Gross and many others that add, in total, to a considerable sum. The Alumni Annual Fund is now raising over £7,000 each year which is directed specifically towards student facilities such as the refurbishment of the cellars and the purchase of a new minibus. Eddie Shoemith is sponsoring a new University Prize for Academic Distinction which sits alongside the Edgar Palamountain and Dame Barbara Shenfield Awards that speak of the continuing generosity of the Palamountain and Shenfield families.

The Foundation

Although the University of Buckingham Foundation produces its own annual accounts, I would like to record two donations here. The largest donation received by the Foundation was for over a third of a million pounds from the Cotswold Trust to fund a chair in dermatological cancer. The Chancellor, Sir Martin Jacomb, made a personal donation towards the restoration of Prebend House.

These monies, whether donated to the University or the Foundation, are absolutely essential to the growth of the University. Being a charity, we cannot raise capital any other way, and we would be horribly diminished without biochemical research, history of art, restoration of our estate, high-quality gym equipment, improved student facilities, scholarships and prizes.

VICE-CHANCELLOR'S PREFACE (continued)

Honorary degrees

At this year's Graduation ceremony honorary degrees were conferred upon Admiral Sir John Brigstocke KCB (former Chairman of the University Council), Professor Sir Martin Evans FRS (Nobel Laureate), The Rt.Hon. Frank Field (Labour MP for Birkenhead) and Sir Sydney Kentridge QC (Barrister and advocate for Steve Biko). The growth of the University forced us to run three, not two, ceremonies this year, which went well, and provided an appropriate send-off to a good year.

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, 2007 and 2008.

Research and scholarship

In addition to teaching we undertake externally-commissioned studies into metabolic science, educational policy, automotive manufacturing and applied computing. Some is funded publicly - by research councils or the European Commission - and some 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, health economics, global forest policy-making, financial regulation, business strategy, gender issues in criminal law, patent law, cognition, music Psychology, 19th century English literature, literacy development, local and church history. More recent appointments have brought scholarship in military history, terrorism, dermatology and public health.

Public policy

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

OPERATING AND FINANCIAL REVIEW (continued)

2. Business environment and strategies

The market in higher education

We are in competition with 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 to HESA for 2007/08 was 7.8, compared to a median of 17.6 (for 2006/07, the latest published national data). 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 improved considerably when we introduced differential pricing from autumn 2006, so that the difference between fees here and elsewhere is now greatly reduced. Our home students pay £16,080 (2009 rate) in tuition fees over the course of their studies compared to £9,435 elsewhere. As table 3 below shows, we have thereby succeeded in creating a more equal balance between home and international students, reinforcing our character as a British university, which we believe matters to all of our students.

International students. Our numbers recovered strongly in 2008 (after dropping in 2007), indicating that our pricing is 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 held them unchanged in September 2008 while other universities increased 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. 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. In principle we expect research income to cover its related direct costs (although this has not been achieved in the last two years). However, since we do not receive "core" research funding (i.e. from a funding council), we do not expect our research to contribute significantly to the cost of facilities and support services overall. Our research therefore relies on a cross subsidy from teaching, which we accept in order to maintain our academic reputation and enrich the experience of staff and students.

Validation. Over the years we have validated the teaching of several other institutions and awarded our degrees to their students. We have two main validations at present.

3. Resources

Physical assets

We own our attractive estate, set in the heart of the historic town of Buckingham. Its 14,200 square metres of building space house teaching rooms and other facilities. In addition we have 9,200 square metres of student accommodation comprising 457 rooms.

As the rooms are now generally fully occupied, we are increasingly reliant on the private rented sector in the town. This is starting to test our longstanding estimate that the estate's capacity is about 1,000 students (excluding non resident postgraduates) unless we develop it further. We own under-developed buildings that could provide more teaching space and undeveloped land on which additional residences might be built. We are currently considering an opportunity to purchase more land and buildings.

Financial resources (other than operating income)

Although working capital is negative (current liabilities exceed current assets), we have sufficient bank balances, funded by fees paid in advance, to provide operating cash. Such short term cash could not prudently be committed to long term projects, so we expect to rely on fund raising and bank loans to fund expansion. Previous loans have almost been repaid, leaving our properties mostly unencumbered and available as collateral security.

Staff

We have the equivalent of 228 full time equivalent members of staff, 101 academic and 127 support staff, who are committed to the ethos of supporting our students as individuals.

Fundraising and supporters

When the University started (and at various times since) donations were a major resource for developing the estate. More recently, the University of Buckingham Foundation (a separate charity) and the University itself have raised funds to help to fund the development of new courses, the restoration of old buildings, scholarships, prizes and research grants to our staff. The alumni are an increasingly valuable source of support.

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.

Strategic partnerships

We aim to build on our validations of the Sarajevo School of Science and Technology and the European School of Economics and on collaborations with the Indian Institute of Planning and Management and the West London Postgraduate Medical School.

4. Opportunities and risks

Market size

The world market in international higher education has been growing rapidly for many years, which provides us with major opportunities, enhanced latterly by Sterling's weakness, but there are risks.

- The market may cease growing, due to increasing local provision and the economic crisis.
- The UK's share of the market has been falling for many years - according to the Higher Education Policy Institute, due to high UK fees, increased competition (from the US, Europe and Australia); changing perceptions of relative academic quality and visa problems. Although Sterling's weakness may arrest the trend for now, it may resume later.

The home market also represents a major opportunity for Buckingham. We are now much more competitive on price and reputation. The government's intention to review the cap on top-up fees in 2010 may give a further boost to our competitiveness.

The home market is growing as more students are currently applying to universities as a result of the difficult jobs market, but in the medium term it may flatten or decline, despite the government's aspiration that 50% of each age group should have a university education. The difficult graduate jobs market may make young people think harder about whether to incur large debts for 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.

UK competitors

The compressed two year honours degree is no longer unique, as the government has now extended its piloting of the model to seven universities, including Northampton locally. However, this seems not to have harmed us. Indeed it gives positive publicity to the two year option. The grant of degree awarding powers to BPP Plc will present more of a challenge. They are offering compressed two year undergraduate and one year postgraduate degrees from autumn 2009 at their Law schools in Leeds, London and Manchester.

Quality reputation

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.

In the recent QAA audit, we received confidence in our management of learning opportunities and limited confidence in our management of academic standards. Although this is formally a successful outcome, it did reflect the opinion of the auditors that we needed to strengthen certain aspects of our management. We have undertaken to do so, but it should be noted that the QAA made no criticisms of our standards, only of management processes.

OPERATING AND FINANCIAL REVIEW (continued)

4. Opportunities and risks (continued)

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 due diligence procedures for assessing such opportunities.

Acceptability of two year degrees

The scheduled implementation of the Bologna declaration in 2010 will present a challenge to our reliance on compressed two year honours degrees, leading in due course to problems of recognition.

As well as continuing to offer two year degrees to students not affected by these issues, we plan to develop and promote more three year degrees, either on the traditional model or through the extension of existing curricula to include dissertations or credit bearing work placements. Although we may lose some students for whom the compressed study schedule is our critical competitive advantage, we expect three year degrees to attract different types of student.

Credit control

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

Liquidity risk

Despite moving into a net current liability position, we have not been short of liquid funds because our credit control policies provide a comfortable cash buffer derived from fees in advance, which market circumstances have boosted recently. We also have a £100,000 overdraft facility.

However, if deficits continue, net current liabilities and hence liquidity risk will tend to increase. The main controls over deficits 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 and periodically commissions reviews of 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 Prebend House. We have started to raise funds to restore it.

The 2006 Charities Act is bringing our Excepted charity status to an end, requiring us to apply to become a registered charity and to meet the "Public Benefit Test" to retain charitable status. Our main benefits to the public are the accessibility of our courses to all qualified applicants, enhanced by differential pricing for home applicants, and enhancing the UK's diversity of higher education provision. In addition we provide public lectures, concerts, facilities and other public benefits.

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

	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>
Law	389	39%	337	40%	309	39%
Business	197	19%	161	19%	171	22%
Science	80	8%	73	8%	48	6%
Humanities	<u>344</u>	<u>34%</u>	<u>279</u>	<u>33%</u>	<u>262</u>	<u>33%</u>
Total	1,010	100%	850	100%	790	100%

Table 2 – student numbers by level of study

	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>
Undergraduate	722	71%	635	75%	571	72%
Resident Postgraduate	118	12%	94	11%	83	11%
Non resident Postgraduate	128	13%	84	10%	88	11%
Pre degree	<u>42</u>	<u>4%</u>	<u>37</u>	<u>4%</u>	<u>48</u>	<u>6%</u>
Total	1,010	100%	850	100%	790	100%

Table 3 – student numbers by geography

	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>	<u>2006</u>	<u>%</u>
UK	370	37%	307	36%	224	28%
Other EU	86	8%	62	7%	46	6%
International	<u>554</u>	<u>55%</u>	<u>481</u>	<u>57%</u>	<u>520</u>	<u>66%</u>
Total	1,010	100%	850	100%	790	100%

Table 1 above shows strong growth in student numbers in each school. Table 2 shows the growth to have occurred at all levels of study, while table 3 shows stronger growth in home students, although international numbers have grown too.

Table 4 – Income and direct expenditure by school of study (£000s)

	<u>Law</u>	<u>Business</u>	<u>Science</u>	<u>Humanities</u>	<u>Total</u>
<u>2008</u>					
School income	3,480	1,684	817	2,302	8,282
Direct expenditure	<u>1,170</u>	<u>1,076</u>	<u>615</u>	<u>1,437</u>	<u>4,298</u>
Contribution	2,310	608	202	865	3,984
<i>Contribution %</i>	66%	36%	25%	38%	48%
<u>2007</u>					
School income	3,203	1,602	639	2,107	7,551
Direct expenditure	<u>1,098</u>	<u>1,059</u>	<u>394</u>	<u>1,207</u>	<u>3,758</u>
Contribution	2,105	543	245	900	3,792
<i>Contribution %</i>	66%	34%	38%	43%	50%
<u>2006</u>					
School income	3,121	1,646	473	2,006	7,246
Direct expenditure	<u>960</u>	<u>972</u>	<u>338</u>	<u>1,080</u>	<u>3,350</u>
Contribution	2,161	674	135	926	3,896
<i>Contribution %</i>	69%	41%	29%	46%	54%

OPERATING AND FINANCIAL REVIEW (continued)

5. Operating performance and trends (continued)

Table 5 – Changes in school Income and direct expenditure

	<u>Law</u>	<u>Business</u>	<u>Science</u>	<u>Humanities</u>	<u>Total</u>
<u>Change 2008/2007</u>					
School income	8.6%	5.1%	27.9%	9.3%	9.7%
Direct expenditure	6.6%	1.6%	56.1%	19.1%	14.4%
<u>Change 2007/2006</u>					
School income	2.6%	-2.7%	35.1%	5.0%	4.2%
Direct expenditure	14.4%	9.0%	16.6%	11.8%	12.2%

Tables 4 and 5 above show that the income of all four schools grew strongly but, as in 2007, direct expenditure grew proportionately faster, so that their contribution grew only modestly. Law and Business increased their contributions in line with income growth but Science and Humanities experienced falls due to additional staff taken on to support business development. Their percentage falls were also affected by additional income from postgraduate courses (in Medicine and Education respectively) being fully absorbed by additional direct expenditure.

The tables show the continued dominance of the Law school financially. On a "full economic costing" basis, where support and infrastructure costs are allocated to income earning activities, Law subsidises the other schools.

Note: *Schools income* is mainly tuition fees but it includes some validation fees and other income attributable to the schools of study. *Direct expenditure* is mainly teaching salaries but it includes school administration and the devolved element of marketing and scholarships. *Contribution* is the difference between the two, i.e. the contribution towards support and infrastructure costs.

6. Financial results

Table 6 below shows that tuition fee income increased by 9.6% (2007: 3.6%). Student numbers grew and prices increased but income growth was again limited by an adverse fee rate mix, due to an increased proportion of home undergraduates and Education postgraduates. Research income was 16.9% down (2007: 27.4% down), due to fewer grants for metabolic research. The contribution from research contracts was £153,000 negative (2007: £110,000 negative).

Residences and catering income was up 6.8% (2007: 10.2%) mainly due to price increases. Other operating income was up 4.2% (2007: 18.0%). Growth of validation income slowed, despite many more students being validated, because fee levels were renegotiated. Fundraising income recovered.

Staff costs rose by 10.2% (2007: 3.8%), mainly due to increases in teaching staff. Other operating expenses grew by 7.4% (2007: 3.0%), due mainly to payments for teaching and consultancy on the postgraduate medical course.

OPERATING AND FINANCIAL REVIEW (continued)**6. Financial results (continued)**

Table 6 – Income and expenditure summary

	2008	2007	2006	2008/7	2007/6
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>% change</u>	<u>% change</u>
Tuition fees	8,027	7,324	7,072	9.6%	3.6%
Residences and catering income	1,756	1,644	1,492	6.8%	10.2%
Research grants and contracts	580	698	961	-16.9%	-27.4%
Other operating income (Note)	1,020	979	830	4.2%	18.0%
Income from fundraising activities	176	77	201	128.6%	-61.7%
Interest from bank deposits	<u>134</u>	<u>114</u>	<u>73</u>	<u>17.5%</u>	<u>56.2%</u>
Total income	<u>11,697</u>	<u>10,836</u>	<u>10,629</u>	<u>7.9%</u>	<u>1.9%</u>
Staff costs	7,367	6,705	6,457	10.2%	3.8%
Depreciation	716	693	663	3.3%	4.5%
Other operating expenses	3,712	3,457	3,357	7.4%	3.0%
Interest payable	<u>28</u>	<u>38</u>	<u>40</u>	<u>-26.3%</u>	<u>-5.0%</u>
Total expenditure	<u>11,823</u>	<u>10,893</u>	<u>10,517</u>	<u>8.5%</u>	<u>3.6%</u>
(Deficit)/surplus on continuing activities	(126)	(57)	112		
Exceptional income and expenditure	<u>220</u>	<u>(110)</u>	-		
Surplus/(deficit) for the year	<u>94</u>	<u>(167)</u>	<u>112</u>		
<u>Note on other operating income:</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>		
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>		
Validation fees	461	414	246		
Reimbursements from SEEDA	217	230	210		
Released from deferred capital grants	91	91	91		
Other	<u>251</u>	<u>244</u>	<u>283</u>		
Total	1,020	979	830		

7. Cash flow and liquidity

Total cash flow was £1,238,000 positive (2007: £127,000 negative). The main factors were an increase of £774,000 in student fees in advance (2007: £227,000) and proceeds of £387,000 from selling surplus land. Net current liabilities fell to £620,000 (2007: £862,000). Liquid assets (cash and debtors) now cover 86% of short term liabilities (2007: 77%).

OPERATING AND FINANCIAL REVIEW (continued)

8. Capital expenditure and loans

Capital expenditure was £462,000 (2007: £588,000). The major projects completed relate to student security (CCTV and card access systems). In addition, work started on the next phase of ensuite conversions of student accommodation and the creation of a porters' lodge. Loan repayments of £156,000 (2007: £212,000) were made on schedule. The remaining debt is now £383,000 (2007: £539,000), a gearing ratio of only 3.8% (2007: 5.3%).

9. Fund raising

The University's income from the University of Buckingham Foundation (a separate charity) was £86,000 (2007: £13,000), mainly to fund scholarships. In addition, the University reported income from other donors of £81,000 (2007: £64,000), mainly to fund professorships in Business and Humanities.

10. Medical school

Options for an undergraduate medical school are still being explored. Meanwhile the Clinical MD has been successfully launched in partnership with the West London Postgraduate Medical School, with most of the teaching undertaken at Ealing hospital by NHS Trust staff.

11. Conclusion and prospects

2008 saw many positive developments, notably a further substantial increase in student numbers, reinforcement of our character as a British university and further progress in promoting academic reputation. The year also saw a return to surplus, due to the sale of unused land.

Nonetheless, the underlying trend is still for deficits, because increased student numbers and diversity of courses have resulted in increased costs, as has our determination to give students the best possible experience. Despite a further increase in student numbers, another deficit is expected in 2009. Higher than usual capital expenditure will also affect liquidity cover but operating funds are expected to remain comfortably sufficient.

A surplus is possible in 2010, if growth in student numbers continues and is not accompanied by a commensurate increase in costs. Further growth in student numbers depends on the market conditions remaining favourable, as well as on capacity constraints being overcome.

In the medium term there is a need to restore surpluses either by enlarging the estate, so as to achieve better economies of scale, or by bringing costs into line with income.

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, appointed by the University's Council.

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

Operations of Council

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

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

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

MEMBERS OF COUNCIL AS AT 3 JUNE 2009

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 D Orridge
Appointed members:	
Up to 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 C Woodhead (Chairman) Mr I Plaistowe (Vice-Chaiman) Mrs S Bergqvist Ms S Deaves Mr A Green Mr M Lancaster MP Ms K Okonski Mrs A Phillips Mr M Rushton MrJ Stafford Mr B Tavener Mr D Taylor Dr R von Heusinger
Up to two members of Convocation:	Miss Marian Okonula Ms Suzanna Tomassi
Up to five nominated by Senate:	Mrs J Bray Dr S Hawlin Professor A Smithers Dr J Tapsell
Up to two elected from the non-teaching staff:	Mr M Day Mrs D Millns
Up to two elected from the student body:	One graduate student elected by the graduate students of the University: Mr S Jain One student elected by the undergraduate students of University: Miss K Kila

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

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

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

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

The Council has taken reasonable steps to:

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

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

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

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

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

We have audited the financial statements ('the financial statements') of the University of Buckingham for the year ended 31 December 2008 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein

Respective responsibilities of members of council and auditors

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

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

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

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

Basis of audit opinion

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

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

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

Opinion

In our opinion:

The financial statements give a true and fair view of the state of affairs of the University as at 31 December 2008, the surplus of income over expenditure and cash flows for the year then ended, and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education (2007), and United Kingdom Generally Accepted Accounting Practice.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Milton Keynes

24 June 2009

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention and are presented in accordance with the Statement of Recommended Practice, Accounting for Further and Higher Education Institutions, (SORP) published in July 2007 and with applicable Accounting Standards in the United Kingdom. Where accounting treatments differ from the 2003 SORP, comparative figures have been amended, including a prior year adjustment (note 17) to the net deficit and reserves.

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

2 Recognition of income other than donations

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

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

3 Donations

Donations received without restriction are credited direct to income.

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

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

4 Pension schemes

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

4. Pension schemes (continued)

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

5 Depreciation

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

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

6 Library books

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

7 Maintenance of premises

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

8 Taxation and charitable status

The University is an Excepted charity within the meaning of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. During 2009, the University will apply for Registered charity status, since the Charities Act 2006 is bringing the category of Excepted charities to an end.

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

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

9. Provisions

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

INCOME AND EXPENDITURE ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £000	2007 (restated) £000
Income			
Tuition fees	1	8,027	7,324
Residences and catering income		1,756	1,644
Research grants and contracts		580	698
Other operating income	2	1,020	979
Income from fundraising activities	3	176	77
Interest from bank deposits		<u>138</u>	<u>114</u>
Total income		<u>11,697</u>	<u>10,836</u>
Expenditure			
Staff costs	4	7,367	6,705
Depreciation	9	716	693
Other operating expenses	5	3,712	3,457
Interest payable	6	<u>28</u>	<u>38</u>
Total expenditure		<u>11,823</u>	<u>10,893</u>
Deficit on continuing activities before exceptional items		(126)	(57)
Exceptional income/(expenditure): continuing activities	8	<u>220</u>	<u>(110)</u>
Surplus/(deficit) for the year retained within reserves		<u>94</u>	<u>(167)</u>

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

The prior year comparatives have been restated following the introduction of SORP 2007 (note 17).

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 2008**

	Note	2008 £000	2007 (restated) £000
Fixed assets			
Tangible fixed assets	9	11,020	11,348
Investments	10	<u>23</u>	<u>23</u>
		11,043	11,371
Endowment assets - cash		<u>74</u>	<u>83</u>
Current assets			
Debtors	11	1,100	1,302
Cash at bank and in hand		<u>2,809</u>	<u>1,571</u>
		3,909	2,873
Creditors: amounts falling due within one year	12	<u>(4,529)</u>	<u>(3,735)</u>
Net current liabilities		<u>(620)</u>	<u>(862)</u>
Total assets less current liabilities		10,497	10,592
Creditors: amounts falling due after more than one year	13	(226)	(382)
Provision for liabilities and charges	14, 21	<u>(75)</u>	<u>(42)</u>
Net assets		<u>10,196</u>	<u>10,168</u>
Deferred capital grants	15	2,618	2,675
Expendable endowments	16	74	83
Reserves	17	<u>7,504</u>	<u>7,410</u>
Total funds		<u>10,196</u>	<u>10,168</u>

The Council approved the financial statements on pages 20 to 34 on 23 June 2009 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 2008

	Note	2008 £000	2007 £000
Net cash inflow from operating activities	18	1,311	500
Return on investments and servicing of finance			
Interest received		152	114
Interest paid		<u>(28)</u>	<u>(38)</u>
Net cash inflow from returns on investments and servicing finance		<u>124</u>	<u>76</u>
Capital expenditure and financial investment			
Payments to acquire tangible assets		(462)	(588)
Receipt from sale of tangible assets		387	-
Deferred capital grant received		<u>34</u>	<u>-</u>
		<u>(41)</u>	<u>(588)</u>
Cash inflow/(outflow) before financing		1,394	(12)
Financing			
Bank loan repayment in year		(146)	(197)
Other loan drawn down in year		-	97
Other loan repayment in year		<u>(10)</u>	<u>(15)</u>
Increase/(decrease) in cash in the year	19	<u>1,238</u>	<u>(127)</u>

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

	2008	2007
	£000	£000
Full-time undergraduates – home fee rates	1,645	485
Full-time undergraduates – standard fee rates	4,388	5,060
Part-time undergraduates	117	120
Post graduates	1,503	1,357
Pre degree and non degree courses	<u>374</u>	<u>302</u>
	<u>8,027</u>	<u>7,324</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 Other operating income

	2008	2007
	£000	£000
		(restated)
Interest on deferred debt receivable	14	-
Release from deferred capital grants	91	91
Validation fees	461	414
Other income	<u>454</u>	<u>474</u>
	<u>1,020</u>	<u>979</u>

3 Income from fund raising activities

	2008	2007
	£000	£000
Amounts received from University of Buckingham Foundation	86	13
Expendable endowments released to the Income and Expenditure account	9	-
Other revenue donations	<u>81</u>	<u>64</u>
	<u>176</u>	<u>77</u>

4 Employee information

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

	2008	2007
	Number	Number
Academic/research	101	90
Support	93	81
Manual	<u>34</u>	<u>35</u>
	<u>228</u>	<u>206</u>

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

	2008	2007
	£000	£000
Wages and salaries	6,279	5,761
Social security costs	502	465
Pension costs	<u>586</u>	<u>479</u>
	<u>7,367</u>	<u>6,705</u>
Academic/Research	4,255	3,853
Support	2,643	2,438
Manual	<u>469</u>	<u>414</u>
	<u>7,367</u>	<u>6,705</u>

The salary paid to the Vice-Chancellor was £124,050 (2007: £119,112). Pension contributions amounted to £17,367 (2007: £16,667). In addition, the Vice-Chancellor is required by his contract of employment to live in a house provided by the University, for which no taxable benefit accrues. No other members of staff earned more than £100,000 (in either year ended 31 December 2008 or 2007).

5 Other operating expenses

The total includes expenses incurred on:-	2008	2007
	£000	£000
Residences and catering	506	464
Research grants and contracts	261	258
Scholarships, bursaries and prizes	231	318
Books, periodicals and electronic resources	145	133
Heat and light (excluding residences)	218	227
Repairs and maintenance (excluding residences)	382	312
Grants to Students Union	36	31
Auditors' remuneration	21	21
Other services provided by the auditors:		
Internal control review	11	6
Student loan audit	5	-

6 Interest payable

	2008	2007
	£000	£000
On bank loans wholly repayable within five years	<u>28</u>	<u>38</u>

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

	<i>Staff Costs £000</i>	<i>Deprec- iation £000</i>	<i>Other Expenses £000</i>	<i>Interest payable £000</i>	2008 Total £000	2007 Total £000
Academic departments	4,060	-	491	-	4,551	4,049
Research contracts	528	-	261	-	789	784
Residences and catering	286	252	506	28	1,072	1,007
Premises	475	287	779	-	1,541	1,397
Services	867	177	606	-	1,650	1,563
Administration	<u>1,151</u>	<u>-</u>	<u>1,069</u>	<u>-</u>	<u>2,220</u>	<u>2,093</u>
	<u>7,367</u>	<u>716</u>	<u>3,712</u>	<u>28</u>	<u>11,823</u>	<u>10,893</u>

8 Exceptional items

	2008 £000	2007 £000
Disposal of land at Lenborough Rd:		
Proceeds on disposal	401	-
Cost eliminated on disposal	(74)	-
Cost incurred on disposal	<u>(14)</u>	<u>-</u>
Surplus on disposal	<u>313</u>	<u>-</u>
Dispute settlement costs	(30)	(140)
Change in pension restructuring cost provision (note 14)	<u>(63)</u>	<u>30</u>
	<u>220</u>	<u>(110)</u>

The surplus on the disposal of land is being invested in providing ensuite accommodation in Harris House. The 2008 dispute settlement costs consist of additional professional fees and an award made to a former member of staff by the University's Visitor.

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

	Freehold land	Freehold buildings	Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 January 2008	1,709	12,916	3,041	-	17,666
Additions	-	6	377	79	462
Disposals	<u>(74)</u>	<u>-</u>	<u>(276)</u>	<u>-</u>	<u>(350)</u>
At 31 December 2008	1,635	12,922	3,142	79	17,778
Accumulated depreciation:					
At 1 January 2007	-	4,950	1,368	-	6,318
Charge for the year	-	258	458	-	716
Disposals	<u>-</u>	<u>-</u>	<u>(276)</u>	<u>-</u>	<u>(276)</u>
At 31 December 2008	-	5,208	1,550	-	6,758
Net book value:					
At 31 December 2008	<u>1,635</u>	<u>7,714</u>	<u>1,592</u>	<u>79</u>	<u>11,020</u>
At 31 December 2007	<u>1,709</u>	<u>7,966</u>	<u>1,673</u>	<u>-</u>	<u>11,348</u>

10 Investments

	2008 £000	2007 £000
Shares in CVCP Properties Plc at cost	<u>23</u>	<u>23</u>

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

11 Debtors

	2008 £000	2007 £000
Student debtors	117	87
Other debtors	967	1,190
Loans to subsidiary companies	<u>16</u>	<u>25</u>
	<u>1,100</u>	<u>1,302</u>

12 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank loans	147	147
Other loans	10	10
Fees received in advance	2,327	1,553
Trade creditors	359	362
Taxation and social security	179	207
Other creditors	948	869
Accruals and deferred income	<u>559</u>	<u>587</u>
	<u>4,529</u>	<u>3,735</u>

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

	2008	2007 (restated)
	£000	£000
Bank and other loans		
Repayable to Royal Bank of Scotland Plc by June 2010	152	254
Repayable to Barclays Bank Plc by 2012	159	203
Other Loan	<u>72</u>	<u>82</u>
	383	539
Less amounts falling due within one year	(157)	(157)
	<u>226</u>	<u>382</u>
Analysis of loan repayments		
Between one and two years	157	157
Between two and five years	69	193
After five years	<u>-</u>	<u>32</u>
	<u>226</u>	<u>382</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.

14 Provision for liabilities and charges

	Disputes (note 8) £000	Pension (note 21) £000	2008 Total £000	2007 Total £000
At 1 January	30	12	42	50
Released during the year	(30)	-	(30)	(38)
Additions during the year	<u>-</u>	<u>63</u>	<u>63</u>	<u>30</u>
At 31 December	<u>-</u>	<u>75</u>	<u>75</u>	<u>42</u>

The pension provision has been increased to reflect the actuary's latest estimate of the Guaranteed Minimum Pension shortfall in the EBP.

15 Deferred capital grants

	£000
At 1 January 2008 (restated):	
Buildings	2,675
Equipment	<u>-</u>
Total	<u>2,675</u>
Grants receivable in 2008:	
Buildings	-
Equipment	<u>34</u>
Total	<u>34</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**15 Deferred capital grants (continued)**

	£000
Released to income and expenditure account in 2008:	
Buildings	91
Equipment	-
Total	<u>91</u>

At 31 December 2008

Buildings	2,584
Equipment	<u>34</u>
Total	<u>2,618</u>

16 Expendable endowments (restricted)

	2008	2007 (restated)
	£000	£000
At 1 January	83	83
Transfer to Income and Expenditure account	<u>(9)</u>	<u>-</u>
At 31 December	<u>74</u>	<u>83</u>

	2008	2007 (restated)
Represented by:		
Capital	74	83
Accumulated income	<u>-</u>	<u>-</u>
	<u>74</u>	<u>83</u>

17 Reserves

	2008	2007 (restated)	2007 (restated)
	£000	£000	£000
At 1 January		2,089	
Prior year adjustment – transfer from capital benefactions		<u>5,488</u>	
At 1 January as restated	7,410		7,577
2007 deficit for the year as previously stated		(258)	
Prior year adjustment – release of deferred capital grants		<u>91</u>	
Surplus/(deficit) for the year	<u>94</u>		<u>(167)</u>
At 31 December	<u>7,504</u>		<u>7,410</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**17 Reserves (continued)**

Endowments were previously accounted for as capital benefactions, analysed as general or specific. The revised treatment reflects changes in accounting policy in accordance with SORP 2007. The former capital benefactions have been accounted for as follows:

	£000 Reserves	£000 Deferred capital grants	£000 Total
Amounts used to purchase land	1,041		1,041
Amounts used to purchase equipment (fully depreciated)	151		151
Amounts used to purchase buildings (partly depreciated)	1,787	2,766	4,553
Amounts used for revenue expenditure	95		95
Amounts whose use cannot be identified with certainty	<u>2,414</u>		<u>2,414</u>
Reclassified balances as at 1 January 2007	5,488	2,766	8,254
Release to income of capital grants during 2007	<u>91</u>	<u>(91)</u>	
Reclassified balances as at 31 December 2007	<u>5,579</u>	<u>2,675</u>	<u>8,254</u>

It is likely that much of the unidentified value would have been used to purchase land and buildings but in the absence of certainty it is not considered appropriate to account for it within deferred capital grants.

18 Reconciliation of operating surplus to operating cash flow

	2008 £000	2007 £000
Surplus/(deficit) for the year	94	(167)
Depreciation	716	693
Profit on disposal of fixed assets	(313)	-
Release of deferred capital grant	(91)	(91)
Interest received	(152)	(114)
Interest paid	<u>28</u>	<u>38</u>
	282	359
Increase/(decrease) in provisions	33	(8)
(Increase)/decrease in debtors	202	(431)
Increase in fees paid in advance	774	227
Increase in other non bank creditors	<u>20</u>	<u>353</u>
Net cash inflow from operating activities	<u>1,311</u>	<u>500</u>

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

	2008	Change		Change	
	£000	in 2008	2007	in 2007	2006
		£000	£000	£000	£000
Cash at bank and in hand	2,809	1,238	1,571	(127)	1,698
Debt due within one year	(157)	-	(157)	41	(198)
Debt due after one year	(226)	156	<u>(382)</u>	<u>74</u>	<u>(456)</u>
Total	<u>2,426</u>	<u>1,394</u>	<u>1,032</u>	<u>(12)</u>	<u>1,044</u>

20 Capital commitments

At the year end there were £384,500 of capital commitments outstanding in respect of contracts for future capital expenditure entered into by the University (2007: £89,000). The University's Council has authorised a capital budget for 2008 of £900,000 (2007: £350,000).

21 Pension commitments

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

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

University of Buckingham Employee Benefits Plan

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

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

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

However, in his update as at 31 December 2008 the actuary reported liabilities of £583,000, being a market price assessment of securing the members' GMP benefits by purchasing non-profit immediate and deferred annuities with an insurance company. Net of assets of £517,000, the deficit is £66,000.

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

EBP's actuary also evaluated the scheme on an actuarial basis consistent with last year. On this basis the scheme had a surplus of £31,000 (2007: £6,000 surplus). For the purpose of providing in the University's accounts, the former basis is considered appropriate, since it better reflects the reality of the planned closure of the scheme. Accordingly a deficit of £66,000 is included in the revised provision of £75,000 (2007: £12,000). The provision also includes an allowance for administrative costs.

Universities Superannuation Scheme

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

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

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

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

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

Cost to the University

	2008	2007
	£000	£000
Contributions to USS	473	427
Contributions to EBP	-	52
Contributions to GPP	<u>113</u>	<u>-</u>
Total pension cost for the period (note 4)	<u>586</u>	<u>479</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Pension commitments (continued)

Contributions outstanding at the year end

	2008 £000	2007 £000
To USS	61	56
To EBP	-	13
To GPP	<u>14</u>	<u>-</u>
Total outstanding	<u>75</u>	<u>69</u>

The reason why the contributions to the GPP in 2008 exceed the contributions to EBP in 2007 is that many more staff have joined the new scheme than were in the old one.

The above figures do not include changes in the provision for EBP closure costs.

22 Related party transactions

The University's income receivable from the University of Buckingham Foundation, a separate charity established to support the University, was £86,000 (2007: £13,000), of which £23,000 was outstanding at the year end (2007: £10,000).

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

Professor Chris Woodhead (no relation), a member of the University's education faculty, is also the Chairman of Cognita Schools Ltd. Cognita sponsors students on the University's postgraduate education programmes, for which they were billed £113,000 (2007: £30,000). Nothing was outstanding at the year end (2007: nil).

SUPPLEMENTARY INFORMATION

The University of Buckingham Foundation

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

The Foundation is a separate charity, whose objects are:

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

While the University now takes the lead on fund raising, any endowment donations received are transferred to the Foundation. The Foundation's emphasis is on managing assets through its investment managers, J O Hambro Investment Management, and disbursing funds in accordance with the donors' wishes.

The Foundation does nonetheless continue to receive some donations directly from donors as a result of its own past fund-raising activities. For example, when the University celebrated its 30th Anniversary in 2006, the Foundation launched an appeal to raise the substantial funds needed for the renovation of Prebend House (an 18th century building owned by the University); research, particularly into diabetes; professorships; and scholarships. The Foundation also still receives donations as a result of past Alumni Annual Fund appeals and an appeal to support the University's work in putting the journalistic writings of Charles Dickens online.

The Foundation's unaudited accounts for 2008 show total assets of £2,435,000, made up of:

- Unrestricted funds - £147,000
- Endowment funds – £2,216,000
- Other restricted funds - £72,000.

Of the endowment funds, £927,000 was given to fund a chair in dermatology, while most of the remainder was given to provide investment income to fund scholarships.