

THE UNIVERSITY OF BUCKINGHAM

Annual Report and Financial Statements

for the year ended

31st December 2010

CONTENTS	Pages
Chairman's statement	1
Vice-Chancellor's preface	2-7
Operating and Financial Review	8-17
Statement of Corporate Governance	18
Members of Council	19
Responsibilities of Council in relation to the Financial Statements	20
Report of the independent auditors	21
Statement of principal accounting policies	22-23
Income and expenditure account	24
Balance sheet	25
Cash flow statement	26
Notes to the financial statements	27-35
Supplementary information – University of Buckingham Foundation	36

CHAIRMAN'S STATEMENT

The University continues to thrive with repeated success in the National Students' Survey, further rises in applications and student numbers and exciting plans for our extended campus. While the rest of the sector took in the implications of the Browne report, sharp cuts in teaching budgets and the proposed doubling of student fees, the University of Buckingham was shown to be the model on which the future of UK Higher Education may be based – putting the student first and charging a realistic fee for a first class education. And being independent, not beholden to either to government or shareholder, the University is able to protect its academic autonomy and freedom of endeavour and research.

In September the University celebrated the installation of our new Chancellor, Lord Tanlaw of Tanlaw Hill. Simon Tanlaw was one of the founding supporters of the University College at Buckingham before we gained our Royal Charter and he has been a loyal friend and advisor ever since. He has a close working knowledge of the University having served on Council and its committees over the last three decades and we look forward to working with him.

2010 saw the retirement of our longest serving member of Council. Professor David Myddleton of the Institute of Economic Affairs served the University and defended its principles for many years. He was a valued member and officer of both the Finance and Audit committees. We shall miss his sound advice and expertise. We also said goodbye to two of our most esteemed academics. Professor Len Evans and Professor Nigel Foster. Len, who retired as registrar, consolidated the University links with partner institutions worldwide. He worked alongside Nigel as Deputy Vice Chancellor and together they guided the University through its successful reintroduction into the League tables. Tino Sarentis who served on Council as Chairman of the UBAA stood down at the end of his period of office and we welcomed to Council Jeremy Nicholls who brings a wealth of experience of the Education sector.

We move into 2011 with excitement and enthusiasm planning for further growth in our student numbers, expansion of our academic team and the launch of our new Campus Development Plan

MRS CHLOE WOODHEAD
Chairman

VICE-CHANCELLOR'S PREFACE

Introduction I ended my Preface last year with the words "The University has prospered in this last, difficult, decade, and the prospects for the next one look good." Indeed they do. As the table below shows, we now have nearly 1,100 students on campus (just over 1,300 registered students including the PGCE and MEd students) which is more than ever before in our history. We came top of the National Student Survey (of satisfaction) yet again this year, for the fifth time in a row, and we have continued our march into the league tables: we entered the *Independent* newspaper league tables for the first time this year, coming 20th out of 115 British universities, bracketed between Sussex in the 19th position and Loughborough in the 21st position.

	Year	2004	2005	2006	2007	2008	2009	2010
<i>Type of Student</i>								
Home		189	224	247	311	339	385	513
Overseas		495	461	482	458	554	600	584
Total Campus Students		684	685	729	769	893	985	1097
Education		0	46	61	81	117	172	211
Total Registered Students		684	731	790	850	1010	1157	1308
Partner institutions' students		66	305	348	671	864	860	903
Total studying for Buckingham qualifications		750	1036	1138	1521	1874	2017	2211

The Estate To help accommodate our extra students, we have bought a number of houses on the outskirts of the town, giving us a further 20 bedrooms. Moreover, we are now planning to buy more houses, and to build new halls of residence (and eventually more teaching space) on the six acres of land we bought across the river last year. We could not have made the purchase of those six acres but for the generous gift of a benefactor, to whom we are hugely grateful.

The restoration of the exterior of Prebend House on Hunter Street is now complete, and we are hugely grateful to the Linbury Trust, who funded that. We also congratulate Mr Clive Martin, the Estates Bursar, who oversaw that work and who has, indeed, overseen a rejuvenation in our estate generally.

The Foundation The University of Buckingham Foundation is a separate charity that we established a few years ago to ensure that our donations are curated properly. Its original assets were in fact donated by the University, and moreover the University bears most of the on-going costs of fundraising, so to help provide a complete narrative of the activities of the University and the Foundation, a note has been added to the end of this document outlining the Foundation's assets.

Entry standards As pressure on admissions grows, so we are raising entry standards, currently by 40 UCAS points. Most universities in this world are so-called 'recruiting' universities - they are institutions that go out to find students - but the best universities are 'selecting' universities, which receive more applications than they can handle, so they have to select between them. We are becoming one of those.

VICE-CHANCELLOR'S PREFACE (continued)

Student care The raising of our entry standards and the expansion of the University are both obviously good things, but they also carry dangers. We have come top of the National Student Survey because we have been small enough to look after every student as an individual. And we have in the past admitted students who, on paper, have looked underqualified because we have been able to see through the paper into the person behind it and determine their potential. We must ensure as we grow that we do not lose our closeness to our students, and that we do not lose our awareness of each individual student's needs and abilities.

The Law School This School continues to have its successes. The Street Legal project, which provides mini pupillages, shadowing and other opportunities for law students, has won a City Solicitor's Education Trust award, which is impressive. The School continues to publish important research, and Professor Susan Edwards, the Dean, not only runs the School, but she also sets a magnificent example by her consistent production of articles in the most prominent peer-reviewed papers - while still finding time to edit the *Denning Law Journal*.

Amongst other authors this year are Dr Carol Brennan, who has published on Tort Law, Professor Nigel Foster who has published on German and EU Law, Mrs Judith Bray who has published on Land Law, and Dr Gregory Ioannidis who has published on sports law. Mr John Halladay and Dr Mary Welstead have both published in the *Denning* this year, while Drs Adolfo Paolini and Philip Larkin are currently preparing work for publication.

I'm delighted to report that two former members of the Law School, Professors Robert Pearce and Alistair Alcock, have now both returned to Buckingham. Professor Pearce publishes a series of authoritative books on Land, Trust and Irish Law, while Professor Alcock is the editor of *Gore-Brown on Companies*, which is one of the authoritative commercial law texts. We are hugely strengthened by their returns. But what we gain on the swings we lose on the roundabouts, and Professor Nigel Foster has returned to the University of Wales. Yet he has committed to visiting us on an annual basis to lecture on EU Law, and as he is an international authority on the subject, we are very grateful.

The School's curriculum continues to expand, and it has launched an oil and gas option on the LLM, which is proving to be successful. We continue to recruit new staff, and this year we have welcomed Ms Hepzibah Egede and Dr Sarah Sargent. And, to cope with the School's expansion, we have funded two new lectureships to complement the two vacant professorships we are refilling.

The School prides itself on preparing its students for the real world of practice, and it could not achieve that so well without the input of its visiting professors, amongst whom are the Hon Dr Jocelynne Scutt, Mr Robin Hollington QC, Sir Ivan Lawrence QC and Mr Michael Beloff QC, and we thank them all.

VICE-CHANCELLOR'S PREFACE (continued)

The School of Humanities This School too continues to thrive. The largest department within it is the Department of Education, which has made a dramatic league table entry this year. The Training and Development Agency for Schools is the body accountable to the Government's Department for Education for allocating, nationally, teacher training places. Each year it publishes *The Good Teacher Training Guide*, to rank the effectiveness of the different teaching training providers, of which there are no fewer than 231 in Britain. The providers are ranked on entry qualifications, OFSTED reports and graduates' employability. Let me quote from its report this year:- "The top university in 2010, as in 2009 and 2008, was Cambridge, followed by Oxford and Warwick. The top ten universities this year were mainly those in the two previous years, with one notable exception. The University of Buckingham entered for the first time and it has burst into the table in fifth place." Our Department of Education is only a few years old yet it is already in the very top rank. That is a tremendous tribute to its professors who include Chris Woodhead (the former Chief Executive of Ofsted) Anthony O'Hear (the Director of the Royal Institute of Philosophy) and Mr Peter Ireland who was recently the headmaster of Nelson Thomlinson School in Cumbria, which is itself regularly judged to be one of the best maintained schools in England. Alongside them, of course, are Professor Alan Smithers and Dr Pamela Robinson, perhaps the two most prominent education researchers in Britain.

Our current MA in Military History, which was the creation of Professor John Adamson, has been so successful that we are now launching alongside it an MA in Modern War Studies under the directorship of Professor Lloyd Clarke, who will continue as a senior lecturer in War Studies at the Royal Military College, Sandhurst. Our expansion into this field of history has been one of the triumphs of the University in recent years and is a tribute to the vision of Professor Adamson.

Equally, our MA in Global Affairs has been so successful that, to complement it, Professor David Armstrong is joining Professor Richard Langhorne as our second professor of global politics to develop a new MA in global diplomacy. Our global affairs programme was initially created by Mr Charles Henn, one of our first alumni, whose contribution we acknowledge gratefully.

We were very fortunate to receive a substantial grant from the Esmée Fairbairn Foundation to restore the teaching of art history at the University, and in consequence we are launching a new undergraduate programme in art history under the directorship of Professor Michael Liversidge to complement the existing postgraduate MA programme in Decorative Arts and Historic Interiors delivered in London by Mr Jeremy Howard and his team in collaboration with the Wallace Collection.

Within politics, we have appointed Dr Stephen Davies as the programme director at the Beloff Centre for the Study of Liberty. This appointment will help the School maintain its reputation as a centre for the study of classical liberal political and economic theory – a reputation that the late Professor Norman Barry, whom we still miss, helped to establish. Dr Davies will continue as the education director at the Institute of Economic Affairs in London, which is important to us because it was the libertarian think tank out of which this university was conceived 35 years ago.

VICE-CHANCELLOR'S PREFACE (continued)

Another libertarian within the School of Humanities is Professor Dennis O'Keeffe, the truancy expert who has supervised many of the PhDs that fall between Politics and Education, and I am grateful to him and his colleague Dr Michael Connolly for the boost they have provided for our research.

The English Department, thanks to Dr John Drew who runs our Dickens Journal Online project, celebrated recently the 150th anniversary of the publication of Charles Dickens's *Great Expectations* with a dinner at Lincolns Inn in London. Dr Drew is one of our most distinguished scholars, having recently won a Leverhulme Research fellowship. The English Department has, moreover, introduced new programmes in both English Studies and Journalism, and it is opening a Radio and Television studio to enhance the current media facilities. The opening of the studio was made possible only because of a generous donation from the Alumni Annual Fund, for which are very grateful.

The study of modern languages is growing remarkably, and we now have more than 100 students studying French or Spanish, either as part of their degree programme or on a voluntary basis, and I congratulate the staff for that achievement, which bucks the trend nationally.

The Business School This School too continues to thrive, and the *Guardian* newspaper's *Good University Guide for 2011* rated it the second in the country, behind only Warwick's, providing us with yet another remarkable league table success this year. The School continues to grow, and it has more than doubled the numbers of undergraduates on its management programmes over the last three years. We are employing more staff in consequence, and we have now recruited Dr Gurchan Singh as our new Lecturer in Finance, Mr Thomai Fillippeli as our new Lecturer in Economics, Ms Christine Jackman as the Chartered Institute of Marketing Programme Director and Ms Joanna Leach as our Study Co-ordinator.

The Business Enterprise programme continues to grow its reputation, and its staff are being increasingly asked to lecture nationally. The Centre for Automotive Management, too, continues to expand our executive education offerings, taking Buckingham-validated programmes out to our business clients and running high level quarterly Buckingham Automotive Forums for senior executives in the industry. The Centre is, further, linking with a university in Russia to introduce our automotive programmes into one of the most rapidly developing automotive markets in the world.

The Business School is also embarking on a new MBA specifically for graduates with no work experience. This is to meet the particular needs of our own graduates.

Successes such that the business school has enjoyed do not come about by accident and we are fortunate in the leadership of Dr Jane Tapsell, the Dean.

VICE-CHANCELLOR'S PREFACE (continued)

The School of Science The creation of our postgraduate medical school has been the achievement of Professors Karol Sikora, Jay Arnold and Rajat Mathur, and we congratulate them on the fact that within eight months of its opening the School had already closed its books on its first cohort of students because it had already filled all its places. The General Medical Council does not recognise postgraduate degrees as such, but it has awarded the University the privilege to grant exemption from the PLAB (Professional and Linguistics Assessment Board) for those students that our Postgraduate Deans deem to have the appropriate skills. This entitles our students to take paid employment in the NHS at weekends and to carry out locums. It is an important vote of confidence in our young school.

The postgraduate medical school is now expanding into other hospitals, and we are planning the creation of an undergraduate medical school as well.

The Department of Psychology is also doing well under the leadership of Dr Alan Martin, and it has enjoyed its largest ever entry, which can be attributed in part to being the only two year psychology degree in the UK that has been accredited by the British Psychological Society. The Department is expanding its research capacity, and this year it has six postgraduate research students, which is more than it has ever had.

The Clore Laboratory remains our major research engine, and this year its research grant income rose to £950,000. To have earned nearly a £1m in research grants in a climate as difficult as this without the benefit of government infrastructural support is a tremendous tribute to its director, Professor Mike Cawthorne.

The Department of Applied Computing continues to make progress, and it works successfully on its external links. One such is with Kurdistan, and Professor Sabah Jassim continues to reinforce that valuable connection. Another exciting link is with the Sarajevo School of Science and Technology in Bosnia and Herzegovina. We were introduced to Professor Ejup Ganic, its founder, by Margaret Thatcher, and we have been proud to have been associated with a School that is clearly the best science and technology school in Bosnia and which is helping that country recover from a bitter civil war. Earlier in the year the Sarajevo School marked Professor Chris Adams's retirement by conferring an honorary degree upon him, and we grateful for their gracious recognition of all that Chris Adams has done for them as well as for us.

Obituaries The University was sad to lose one of its Business Enterprise Students in September, and we lost one of our Business and Management students in December. We heard, also in September, of the death of one of our MBA alumni. We mourn them all.

Honorary degrees Honorary degrees were awarded this year to Baroness Helena Kennedy QC, Anthony Green RA, Lord Lawson of Blaby and Professor Len Evans. Those degrees were awarded at the last Graduation ceremonies to have been supervised by Mr Tom Merrick, who is retiring as Graduation Officer, and we wish him well.

VICE-CHANCELLOR'S PREFACE (continued)

Conclusion We were created 35 years ago as Britain's first – and still only – independent university. In that time we pioneered fees for international students (which the rest of the sector adopted only during the early 1980s) fees for home students (which the rest of the sector has adopted, incrementally, only since the early 2000s) and two year degrees (which the rest of the sector is only now considering adopting systematically.) We have been the sector's most consistent pioneer, and as consistently the rest of the sector has expressed doubts about us. But the trends in Britain today show that our founders had anticipated the future well.

We face uncertainties over Government policy, and until the White Paper is published in mid-2011 we will not know how Student Finance will evolve, nor how many of the suggestions made by the Browne Review will be adopted, but nonetheless we anticipate the future optimistically.

DR TERENCE KEALEY
Vice-Chancellor

OPERATING AND FINANCIAL REVIEW

1 The University's character and objectives

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

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

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

Teaching

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

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

Research and scholarship

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

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

Public policy

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

OPERATING AND FINANCIAL REVIEW (continued)

2. Business environment and strategies

The market in higher education

We are in competition with over 100 other institutions for a UK student population that HESA reported (in 2009/10) as consisting of almost 2.5 million students. Of these 2.09 million (84%) were UK domicile, 125,000 (5%) other EU students and 281,000 (11%) international students. There are a further 2 million international students worldwide (studying outside their own countries but not in the UK) who also represent a potential market.

Buckingham's distinctive position

Based on HESA returns, our student-staff ratio in 2009/10 was 8.9, compared to a UK 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 also promotes personal attention.

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

Product and service strategies

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

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

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

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

Pricing strategies

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

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

Marketing strategies

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

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

OPERATING AND FINANCIAL REVIEW (continued)

2. Business environment and strategies (continued)

Capacity and estates strategies

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

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

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

Financial strategies

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

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

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

Ancillary business activities

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

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

3. Resources

Financial resources

Although working capital is negative (current liabilities exceed current assets), fees received in advance provide sufficient operating cash. The recent investment of £2m in property has partly been funded by new borrowing facilities, repayable over 5-20 years.

OPERATING AND FINANCIAL REVIEW (continued)

3. Resources (continued)

Physical assets

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

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

Staff

We have the equivalent of 271 full time equivalent members of staff, 100 academic and 171 support staff, who are committed to the ethos of supporting our students as individuals.

Fundraising and supporters

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

Royal Charter

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

Strategic partnerships

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

4. Opportunities and risks

Tingewick Road site

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

Acceptability of two year degrees

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

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

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

Collaborations

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

OPERATING AND FINANCIAL REVIEW (continued)

4. Opportunities and risks (continued)

Quality reputation

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

Market size

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

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

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

UK competitors

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

Credit control

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

Liquidity risk

Increasing net current liabilities were partially due to the use of cash resources for the purchase of new student accommodation, and our credit control policies provide a comfortable cash buffer derived from fees in advance, which market circumstances have boosted recently. With the movement from deficits to surplus, net current liabilities and hence liquidity risk will show improvements. Budget setting and monitoring are the main controls.

Fraud and error

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

OPERATING AND FINANCIAL REVIEW (continued)

4. Opportunities and risks (continued)

Legal issues

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

Regulatory matters

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

5. Operating performance and trends

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

	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Law	414	32%	396	34%	389	39%
Business	241	18%	204	18%	197	19%
Science	137	11%	107	9%	80	8%
Humanities	<u>516</u>	<u>39%</u>	<u>450</u>	<u>39%</u>	<u>344</u>	<u>34%</u>
Total	1,308	100%	1,157	100%	1,010	100%

Table 2 – student numbers by level of study

	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Undergraduate	835	64%	749	65%	722	72%
Resident Postgraduate	158	12%	130	11%	111	11%
Non resident Postgraduate	290	22%	234	20%	135	13%
Pre degree	<u>25</u>	<u>2%</u>	<u>44</u>	<u>4%</u>	<u>42</u>	<u>4%</u>
Total	1,308	100%	1,157	100%	1,010	100%

Table 3 – student numbers by geography

	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
UK	500	38%	479	41%	370	37%
Other EU	247	19%	106	9%	86	8%
International	<u>561</u>	<u>43%</u>	<u>572</u>	<u>50%</u>	<u>554</u>	<u>55%</u>
Total	1,308	100%	1,157	100%	1,010	100%

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

OPERATING AND FINANCIAL REVIEW (continued)

5. Operating performance and trends (continued)

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

	<u>Law</u>	<u>Business</u>	<u>Science</u>	<u>Humanities</u>	<u>Total</u>
<u>2010</u>					
Tuition fees	3,914	2,228	1,249	3,015	10,406
Other income	<u>5</u>	<u>101</u>	<u>82</u>	<u>202</u>	<u>390</u>
School income	3,919	2,329	1,331	3,217	10,796
Direct expenditure	<u>1,297</u>	<u>1,118</u>	<u>926</u>	<u>1,991</u>	<u>5,332</u>
Contribution	2,622	1,211	405	1,226	5,464
<i>Contribution %</i>	67%	52%	31%	38%	51%
<u>2009</u>					
Tuition fees	3,782	1,748	823	2,492	8,845
Other income	<u>32</u>	<u>83</u>	<u>115</u>	<u>144</u>	<u>374</u>
School income	3,814	1,831	938	2,636	9,219
Direct expenditure	<u>1,246</u>	<u>1,165</u>	<u>775</u>	<u>1,626</u>	<u>4,812</u>
Contribution	2,568	666	163	1,010	4,407
<i>Contribution %</i>	67%	36%	17%	38%	48%

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 2010/2009</u>					
School income	2.8%	27.2%	41.9%	22.0%	17.1%
Direct expenditure	4.1%	(4.0%)	19.4%	22.4%	10.8%

Tables 4 and 5 above show that the income grew strongly for each school during the year. The improvements and/or static contribution rates between 2010 and 2009 indicate that with the exception of Law and Humanities, income grew proportionately faster than expenditure. The tables show the continued dominance of the Law school financially, but with big improvements from the other schools, particularly Business. On a "full economic costing" basis, where support and infrastructure costs are allocated to income earning activities, Law subsidises the other schools.

Business and Science increased their contributions with income growth outstripping direct expenditure; but the contribution from Humanities and Law remained static.

Note: School income consists mainly of tuition fees but also other income such as validation fees, other than ESE. It has not been adjusted for interdepartmental teaching on shared programmes and free choice courses.

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

OPERATING AND FINANCIAL REVIEW (continued)

6. Financial results

Table 6 – Income and expenditure summary

	2010	2009	2008	2010/9	2009/8
	£000s	£000s	£000s	% change	% change
Tuition fees	10,406	8,845	8,027	17.6%	10.2%
Residences and catering income	2,141	1,792	1,756	19.5%	2.0%
Research grants and contracts	895	724	580	23.6%	24.8%
Other operating income (note)	871	955	1,020	-8.8%	-6.3%
Income from fundraising activities	255	228	176	11.8%	29.5%
Interest from bank deposits	<u>20</u>	<u>36</u>	<u>134</u>	<u>-44.4%</u>	<u>-73.1%</u>
Total income	<u>14,588</u>	<u>12,580</u>	<u>11,693</u>	<u>16.0%</u>	<u>7.5%</u>
Staff costs	8,723	7,869	7460	10.9%	5.5%
Depreciation	737	711	716	3.7%	-0.1%
Other operating expenses	4,928	4,208	3,712	17.1%	13.4%
Interest payable	<u>17</u>	<u>5</u>	<u>28</u>	<u>3.4%</u>	<u>-82.1%</u>
Total expenditure	<u>14,405</u>	<u>12,793</u>	<u>11,916</u>	<u>12.6%</u>	<u>7.4%</u>
Surplus/(deficit) on continuing activities	183	(213)	(223)		
Exceptional income	-	-	<u>313</u>		
Surplus/(deficit) for the year	<u>183</u>	<u>(213)</u>	<u>90</u>		
<u>Note on other operating income:</u>	2010	2009	2008		
	£000s	£000s	£000s		
Validation fees	497	477	461		
Reimbursements from SEEDA	-	95	217		
Released from deferred capital grants	101	95	91		
Other	<u>273</u>	<u>288</u>	<u>251</u>		
Total	871	955	1,020		

Table 6 above shows that tuition fee income increased by 17.6% (2009: 10.2%). Student numbers grew and prices increased, although income growth was limited by an adverse fee rate mix (an increased proportion of EU undergraduates and Education postgraduates).

Income from residences and catering was up by 19.5 % (2009: 2.0%). A combination of an annual price increase of 4% increased students numbers, and an improvement in average occupancy. Research income was 23.6% up (2009: 24.8% increase), due to an increase in the contracts for metabolic research. The contribution from research contracts improved to £39,600 positive (2009: £21,000 negative).

OPERATING AND FINANCIAL REVIEW (continued)

6. Financial results (continued)

Other operating income was 8.8 % down (2009: 6.3% down) A number of grants such as SEEDA, came to an end in 2009. Growth of validation income increased slightly, reflecting more students being validated, coupled with a holding of the fee level. Fundraising income recovered.

Staff costs rose by 10.9% (2009: 5.5%), a 1.3% general salary increase and increased administrative and academic staffing in particular at senior levels to support the infrastructure of the organisation. Other operating expenses grew by 17.1% (2009: 13.4%). The main areas of increase were invoiced teaching on the Clinical MD and the PGCE, overseas travel and a retrospective rates charge.

7. Cash flow and liquidity

Total cash inflow was £889,000 positive (2009: £387,000 negative), with a cash inflow from operating activities of £3,098,000 (2009: £1,443,000). Other main differences between the two years were that capital expenditure was much higher in 2010, due to the completion of the purchase of the Tingewick road site and the purchase of five houses. Working capital changes benefited cash flow by £2,297,000 (2009: £1,089,000). The main factor was an increase of £1,337,000 in student fees in advance (2009: £897,000).

Consequently net current liabilities of £3,120,000 (2009: £1,892,000) worsened. Liquid assets (cash and debtors) cover 59% of short term liabilities (2009: 66%).

8. Capital expenditure and loans

Capital expenditure was £3,589,000 (2009: £1,583,000). The major projects were the completion and exchange on five new houses for student residences (£1,120,241); the purchase of the Tingewick Road site was completed with a further payment of £1,293,958.

9. Fund raising

The University's income from the University of Buckingham Foundation (a separate charity) was £137,600 (2009: £81,000), used mainly to fund scholarships. In addition, the University had income from other donors of £106,000 (2009: £146,000). Restricted donations were used to fund professorships in Business and Humanities, the Max Beloff Centre (notably the Norman Barry conference) and scholarships.

The release of deferred capital grants which is included in other operating income of £101,000 (2009: £95,000) is also income from fund raising, being phased recognition in income of past donations (in proportion to the depreciation of the building costs that they funded). Total income from fund raising therefore amounts to £356,000 (2009: £322,000).

OPERATING AND FINANCIAL REVIEW (continued)

10. Medical school

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

11. Conclusion and prospects

2010 saw continuing progress in achieving our mission of exemplifying the viability and merits of an independently funded university. Student numbers continued to grow, we reinforced our character as a British university, new courses were launched and we raised our profile further, through scholarship and participation in public policy debate.

Progress towards the objective of financial sustainability materially improved and a surplus is reported. Investments were made to modernise the estate and the purchase of land increased the footprint of the campus.

Recent and prospective changes in the home market have helped the university to move back into surplus. Already we are on track to achieve another surplus for 2011.

As well as sustained surpluses, donations and possibly land sales will be needed to help fund our investment plans to provide additional capacity and significant further growth after that.

P JENNINGS
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 19.
- 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 Audit Committee is responsible for the appointment of and approving the Auditors remuneration.

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 8 JUNE 2011

Ex officio members:

The Chancellor – Lord Tanlaw
The Vice-Chancellor – Professor T Kealey
The Acting Deputy Vice-Chancellor – Professor M Cawthorne
The President of the Students' Union – Miss A Olabimtan

Appointed members:

Up to three nominated by the
Academic Advisory Council:

Dr K Elliott
Professor M Smith

Up to two appointed by
Buckinghamshire County Council:

Mrs M Clayton
Mr D Polhill

Up to 16 appointed by
co-option:

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

Up to two members of
Convocation:

Mr C Gibbs
Ms S Tomassi

Up to five nominated by
Senate:

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

Up to two elected from the non-
teaching staff:

Mr C Martin
Mrs A Matsuoka

Up to two elected from the
student body:

One graduate student elected by the graduate students
of the University: Mr G Wollenmann
One student elected by the undergraduate students of
University: Miss A Dalancy

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;
- So far as they are aware, there is no relevant audit information (meaning information needed by the auditors in connection with preparing their report) that has not been disclosed to the auditors, and that they have taken reasonable steps to satisfy themselves that all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

INDEPENDENT AUDITORS' REPORT TO THE 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 2010 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of 'Responsibilities of the University's Council in relation to the financial statements' the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for Council as a body in accordance with Statute 11 of the Charters and Statutes of the institution and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the institution's affairs as at 31 December 2010 and of the income and expenditure, and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

PricewaterhouseCoopers LLP
Registered Auditors
Birmingham
26 September 2011

Notes:

- The maintenance and integrity of the University of Buckingham website is the responsibility of Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of accounting

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

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

2 Recognition of income other than donations

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

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

3 Donations

Donations received without restriction are credited direct to income.

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

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

4 Pension schemes

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

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

5 Depreciation

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

Buildings	2%
Furniture, furnishings and equipment	10%-20%
Office equipment	10%-20%
Science laboratory equipment	20%-25%
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 467 and 496(1) of the Corporation Tax Act 2010. During 2009, the University has applied for Registered Charity status, since the Charities Act 2006 is bringing the category of Excepted charities to an end. The application is expected to be successful since it is considered that the Public Benefit requirements are met.

As a charity the University is exempt from taxation in respect of income and capital gains received within categories covered by Chapters 2 and 3 of part 11 of the Corporation Tax Act 2010 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 2010**

	Note	2010 £000	2009 restated £000
Income			
Tuition fees	1	10,406	8,845
Residences and catering income		2,141	1,792
Research grants and contracts		895	724
Other operating income	2	871	955
Income from fundraising activities	3	255	228
Interest from bank deposits		<u>20</u>	<u>36</u>
Total income		<u>14,588</u>	<u>12,580</u>
Expenditure			
Staff costs	4	8,393	7,755
Exceptional staff costs	4	330	114
Depreciation	8	737	711
Other operating expenses	5	4,928	4,208
Interest payable	6	<u>17</u>	<u>5</u>
Total expenditure		<u>14,405</u>	<u>12,793</u>
Surplus/(deficit) for the year retained within reserves		<u>183</u>	<u>(213)</u>

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

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

2009 has been restated to reflect the re-categorisation of exceptional staff costs.

All results in the current and prior year arise from continuing operations.

BALANCE SHEET AT 31 DECEMBER 2010

Registered company number RC000730

	Note	2010 £000	2009 £000
Fixed assets			
Tangible fixed assets	8	14,744	11,892
Investments	9	<u>23</u>	<u>23</u>
		14,767	11,915
Endowment assets – cash		<u>81</u>	<u>62</u>
Current assets			
Debtors	10	1,377	1,202
Cash at bank and in hand		<u>3,304</u>	<u>2,434</u>
		4,681	3,636
Creditors: amounts falling due within one year	11	<u>(7,801)</u>	<u>(5,528)</u>
Net current liabilities		<u>(3,120)</u>	<u>(1,892)</u>
Total assets less current liabilities		11,728	10,085
Creditors: amounts falling due after more than one year	12	<u>(1,042)</u>	<u>(52)</u>
Provision for liabilities and charges	13, 20	<u>(276)</u>	<u>(120)</u>
Net assets		<u>10,410</u>	<u>9,913</u>
Deferred capital grants	14	2,855	2,560
Expendable endowments	15	81	62
Reserves	16	<u>7,474</u>	<u>7,291</u>
Total funds		<u>10,410</u>	<u>9,913</u>

The Council approved the financial statements on pages 22 to 35 onand they were signed on its behalf by:

Dr G T E Kealey
Vice-Chancellor

Mr P Jennings
Finance Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £000	2009 £000
Net cash inflow from operating activities	17	3,098	1,443
Return on investments and servicing of finance			
Interest received		24	40
Interest paid		<u>(17)</u>	<u>(5)</u>
Net cash inflow from returns on investments and servicing finance		<u>7</u>	<u>35</u>
Capital expenditure and financial investment			
Payments to acquire tangible assets		(3,589)	(1,583)
Deferred capital grant received		<u>201</u>	<u>37</u>
		<u>(3,388)</u>	<u>(1,546)</u>
Expendable endowment received		<u>30</u>	<u>2</u>
		<u>(3,358)</u>	<u>(1,544)</u>
Cash (outflow)/ inflow before financing		(253)	(66)
Financing			
Bank overdraft		152	-
New secured loan		1,000	-
Bank loan repayment in year		-	(311)
Other loan repayment in year		<u>(10)</u>	<u>(10)</u>
Increase/(decrease) in cash in the year (excluding endowments)	18	<u>889</u>	<u>(387)</u>

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

	2010	2009
	£000	£000
Full-time undergraduates-home fee rates	2,366	1,900
Full-time undergraduates-standard fee rates	4,878	4,444
Part-time undergraduates	113	111
Post graduates	2,660	2,005
Pre degree and non degree courses	<u>389</u>	<u>385</u>
	<u>10,406</u>	<u>8,845</u>

2 Other operating income

	2010	2009
	£000	£000
Interest on deferred debt receivable	4	4
Release from deferred capital grants	101	95
Validation fees	497	477
Other income	<u>269</u>	<u>379</u>
	<u>871</u>	<u>955</u>

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

3 Income from fund raising activities

	2010	2009
	£000	£000
Amounts received from University of Buckingham Foundation	138	82
Expendable endowments released to the Income and Expenditure account	11	14
Other revenue donations	<u>106</u>	<u>132</u>
	<u>255</u>	<u>228</u>

4 Employee information

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

	2010	2009
	Number	Number
Academic/research	106	100
Support	104	103
Manual	<u>35</u>	<u>35</u>
	<u>245</u>	<u>238</u>

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

	2010	2009 restated
	£000	£000
Wages and salaries	7,115	6,583
Social security costs	585	542
Pension costs	<u>693</u>	<u>630</u>
Sub total before exceptional costs	8,393	7,755
Exceptional staff costs	<u>330</u>	<u>114</u>
Total staff costs	<u>8,723</u>	<u>7,869</u>
Academic/Research	4,775	4,335
Support	3,087	2,915
Manual	531	505
Exceptional staff costs	<u>330</u>	<u>114</u>
Total staff costs	<u>8,723</u>	<u>7,869</u>

The salary paid to the Vice-Chancellor was £129,906 (2009: £129,960). Pension contributions amounted to £20,785 (2009: £18,743). 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 (2009: none).

Exceptional staff costs included £72,200 of termination payments in respect of three members of staff and £25,800 of redundancy costs for two posts. £232,000 relates to the change in the pension restructuring costs provision.

Prior year comparatives for exceptional staff costs have been amended to show disclosure in line with the current year.

5 Other operating expenses

The total includes expenses incurred on:-	2010	2009
	£000	£000
Residences and catering	1,110	815
Research grants and contracts	350	261
Scholarships, bursaries and prizes	260	328
Books, periodicals and electronic resources	132	107
Heat and light (excluding residences)	203	216
Repairs and maintenance (excluding residences)	244	259
Grants to Students Union	48	48
Grant to Alumni Association	10	10
Auditors' remuneration	24	22
Other services provided by the auditors:		
Student loan audit	2	2

NOTES TO THE FINANCIAL STATEMENTS (continued)**6 Interest payable**

	2010 £000	2009 £000
On bank loans wholly repayable within five years	-	5
On bank loans repayable wholly or partly in more than five years	<u>17</u>	<u>-</u>
	17	5

7 Analysis of expenditure by activity

	<i>Staff Costs</i> £000	<i>Deprec- iation</i> £000	<i>Other Expenses</i> £000	<i>Interest payable</i> £000	2010 Total £000	2009 Total £000
Academic departments	4,433	-	1,233	-	5,666	5,006
Research contracts	613	20	350	-	983	753
Residences and catering	105	297	1,110	-	1,512	1,174
Premises	795	288	411	17	1,511	1,450
Services	1,004	132	732	-	1,868	1,750
Administration	1,443	-	1,092	-	2,535	2,546
Exceptional staff cost	<u>330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330</u>	<u>114</u>
	<u>8,723</u>	<u>737</u>	<u>4,928</u>	<u>17</u>	<u>14,405</u>	<u>12,793</u>

The University has one class of business being the provision of Education.

NOTES TO THE FINANCIAL STATEMENTS (continued)**8 Tangible fixed assets**

	Freehold land	Freehold buildings	Equipment	Payments on account	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 January 2010	1,635	13,050	3,519	739	18,943
Additions	1,506	931	793	359	3,589
Transfers	660	25	85	(770)	-
Disposals	<u>-</u>	<u>-</u>	<u>(329)</u>	<u>-</u>	<u>(329)</u>
At 31 December 2010	3,801	14,006	4,068	328	22,203
Accumulated depreciation:					
At 1 January 2010	-	5,466	1,585	-	7,051
Charge for the year	-	262	475	-	737
Disposals	<u>-</u>	<u>-</u>	<u>(329)</u>	<u>-</u>	<u>(329)</u>
At 31 December 2010	<u>-</u>	<u>5,728</u>	<u>1,731</u>	<u>-</u>	<u>7,459</u>
Net book value:					
At 31 December 2010	<u>3,801</u>	<u>8,278</u>	<u>2,337</u>	<u>328</u>	<u>14,744</u>
At 31 December 2009	<u>1,635</u>	<u>7,584</u>	<u>1,934</u>	<u>739</u>	<u>11,892</u>

Market value of land and buildings is anticipated to be in excess of carrying value.

9 Investments

	2010 £000	2009 £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.

10 Debtors

	2010 £000	2009 £000
Student debtors	242	185
Other debtors	783	765
Prepayments	341	243
Loans to subsidiary companies	<u>11</u>	<u>9</u>
	<u>1,377</u>	<u>1,202</u>

11 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Other loans	10	10
Fees received in advance	4,561	3,224
Trade creditors	463	381
Taxation and social security	208	207
Other creditors	1,393	937
Bank overdraft	152	-
Accruals and deferred income	<u>1,014</u>	<u>769</u>
	<u>7,801</u>	<u>5,528</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**12 Creditors: amounts falling due after more than one year**

Bank and other loans	2010	2009
	£000	£000
Repayable to Royal Bank of Scotland Plc by December 2030	1,000	-
Other loan	<u>52</u>	<u>62</u>
	1,052	62
Less amounts falling due within one year	<u>(10)</u>	<u>(10)</u>
	1,042	<u>52</u>
Analysis of loan repayments		
Between one and two years	10	10
Between two and five years	82	42
After five years	<u>950</u>	-
	1,042	<u>52</u>

The bank loan bears interest at 1.15% above LIBOR and is 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 finishing March 2016.

13 Provision for liabilities and charges	2010	2009
	£000	£000
At 1 January	120	75
Released to Income and Expenditure	(76)	(6)
Additions from Income and Expenditure	<u>232</u>	<u>51</u>
At 31 December	276	<u>120</u>

The provision relates to the EBP pension fund and it has been increased to reflect management's estimate of the Guaranteed Minimum Pension shortfall and costs incidental in addressing it.

14 Deferred capital grants

	Freehold buildings	Equipment	2010	2009
	£000	£000	Total	Total
	£000	£000	£000	£000
Cost:				
At 1 January	2,523	37	2,560	2,618
Grants receivable	315	81	396	37
Released to income and expenditure account	<u>(83)</u>	<u>(18)</u>	<u>(101)</u>	<u>(95)</u>
At 31 December	<u>2,755</u>	<u>100</u>	2,855	<u>2,560</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**15 Expendable endowments (restricted)**

	2010	2009
	£000	£000
At 1 January	62	74
Received in the year	30	2
Transfer to Income and Expenditure account	<u>(11)</u>	<u>(14)</u>
At 31 December	<u>81</u>	<u>62</u>

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

16 Reserves

	2010	2009
	£000	£000
At 1 January	7,291	7,504
Surplus/(Deficit) for the year	<u>183</u>	<u>(213)</u>
At 31 December	<u>7,474</u>	<u>7,291</u>

17 Reconciliation of operating surplus to operating cash flow

	2010	2009
	£000	£000
Surplus/(Deficit) for the year	183	(213)
Depreciation	737	711
Release of deferred capital grant	(101)	(95)
Interest received	(24)	(40)
Interest paid	17	5
Release of endowment	<u>(11)</u>	<u>(14)</u>
	801	354
Increase in provisions	156	45
Decrease/ (Increase) in debtors	(175)	(102)
Change in deferred capital grant debtor	195	-
Increase in fees paid in advance	1,337	897
Increase in other non bank creditors	<u>784</u>	<u>249</u>
Net cash inflow from operating activities	<u>3,098</u>	<u>1,443</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**18 Analysis of changes in net funds**

	2010	Change in 2010	2009	Change in 2009	2008
	£000	£000	£000	£000	£000
Cash at bank and in hand	3,304	870	2,434	(375)	2,809
Endowment cash	<u>81</u>	<u>19</u>	<u>62</u>	<u>(12)</u>	<u>74</u>
	3,385	889	2,496	(387)	2,883
Overdraft	(152)	(152)	-	-	-
Loan due within one year	(10)	-	(10)	147	(157)
Loan due after one year	<u>(1,042)</u>	<u>(990)</u>	<u>(52)</u>	<u>174</u>	<u>(226)</u>
Total	<u>2,181</u>	<u>(253)</u>	<u>2,434</u>	<u>(66)</u>	<u>2,500</u>

19 Capital commitments

At the year end there were £1,822,834 of capital commitments outstanding in respect of contracts for future capital expenditure entered into by the University (2010: £1,304,000).

The University's Council has authorised a capital budget for 2011 of £2,142,000 (2010: £433,100).

20 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.

Calculations have been performed for each individual members realisable value in their GMP fund, the transfer value calculated using the Trustees' assumptions and the notional funds required to achieve a 4.2% critical yield analysis.

The Trustees and Employer have previously instructed that they wish to carry out an enhanced transfer value exercise for these GMP members using this data.

The final transfer value for the fund shows an overall value of £453,703. This value exceeds the realisable value of the members GMP funds by £132,630.

If a member, after taking financial advice, decides that he/she wishes to transfer his/her benefits to a new provider, then the Employer will need to provide this enhancement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Pension commitments (continued)

The value of money purchase funds alters daily and so fund values are not guaranteed. Consequently the university has recorded a provision in the accounts at 31 December 2010 of £276,000 in respect of the liability and costs incidental to it.

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

	2010	2009
	£000	£000
Contributions to USS	557	505
Contributions to GPP	<u>136</u>	<u>125</u>
Total pension cost for the period (note 4)	<u>693</u>	<u>630</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**20 Pension commitments (continued)****Contributions outstanding at the year end**

	2010	2009
	£000	£000
To USS	68	65
To GPP	<u>17</u>	<u>15</u>
Total outstanding	<u>85</u>	<u>80</u>

21 Related party transactions

The University's income receivable from the University of Buckingham Foundation, a separate charity established to support the University, was £137,600 (2009: £81,000), of which £43,000 was outstanding at the year-end (2009: £43,000).

Mr Christopher Woodhead, the husband of the Chairman of Council, billed fees to the University totaling £25,000 (2009: £23,000) for business development consultancy, of which £4,000 (2009: £2,000) was outstanding at the year end.

Professor Chris Woodhead (no relation), a member of the University's education faculty, is also the Chairman of Cognita Schools Ltd. Cognita sponsors students on the University's postgraduate education programmes, for which the company paid £116,200 (2009: £116,000). Nothing was outstanding at the year-end (2009: £nil).

In addition, Cognita supplies teaching services to the University, for which they billed £20,000 (2009: £nil). An amount of £7,000 was outstanding at the year-end (2009: £7,000).

22 Post Balance Sheet Events

The University completed the purchase of nine houses for £1,933,714 in January 2011 that were brought into use as student accommodation.

SUPPLEMENTARY INFORMATION

The University of Buckingham Foundation

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

The Foundation is a separate charity, whose objects are:

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

The Foundation's unaudited accounts for 2010 show net assets of £2,961,000, made up of:

- Unrestricted funds - £3,000
- Endowment funds – £2,887,000
- Other restricted funds - £71,000.

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