



University of Buckingham

Financial Statements

2016



THE UNIVERSITY OF BUCKINGHAM

Registered Charity Number 1141691

Financial Statements

for the year ended

31 December 2016

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CHAIRMAN'S STATEMENT

The role of Council is not only to ensure good governance and to hold University Officers to account, but actively to support the Vice-Chancellor and his staff in steering the University through waters that are always challenging across the higher education sector. In this context, 2016 was an exciting year as the University moved forward with strategic planning for the next decade, started work on its major new Medical School building at Milton Keynes Hospital, and drew up ambitious plans for campus development in Buckingham itself. Council approved proposals for a Bond Issue which, along with generous benefactions, will help fund the campus development. Notwithstanding its independent status, the University's finances are always at some risk from the unpredictable effects of changes in HE policy and visa requirements on admissions and fee income, but the income & expenditure account for 2016 recorded a healthy surplus, for which the Finance Director is to be congratulated. On the governance front, Council considered proposals to update the University Statutes, drawn up by a working group led by the Registrar, and it is hoped that revised Statutes will be implemented in 2017. On a lighter but no less important note, 2016 will be remembered for the 40th anniversary of the admission of the University's first students, which was very appropriately celebrated in some style.

Towards the end of the year, Council learned that Professor Alistair Alcock intended to retire in 2017 after 20 years of outstanding service to the University, including periods as Dean of Law, Deputy Vice-Chancellor and Acting Vice-Chancellor. Members of Council assisted in the process to find a new Deputy Vice-Chancellor, and were delighted by the appointment of Professor Jill Schofield, who has held senior positions at the Universities of York and Bristol. Jill will take over from Alistair in April 2017.

In relation to Council itself, I was very grateful for the support I received throughout a busy year from John McIntosh and Charles Jackson as Vice-Chairs, and from Julian Stafford and Mark Rushton as Chairs of the F&GP and Audit Committees respectively. Mark stepped down as Chair of Audit in December, and Charles Jackson will take over in 2017. Felicity Lusk and Luke Johnson resigned as non-executive members of Council and their insightful contributions will be missed. Finally, I told Council of my wish to stand down as Chair in 2017, and the search for my successor is now underway.

Prof Kenneth Siddle
Chairman of Council

VICE-CHANCELLOR'S PREFACE

Introduction

After two years the University showed a low level of profitability in the Financial Statements to end 2014 and 2015, it enjoyed the best year in our history in 2016.

Table 1 University Income and Expenditure Since 2010

Year	Restated FRS102						
	2010	2011	2012	2013	2014	2015	2016
	£000	£000	£000	£000	£000	£000	£000
Income	14,588	17,106	21,599	24,967	25,124	27,101	37,285
Expenditure	14,405	16,585	20,037	23,505	24,911	27,069	29,792
Exceptional Items	-	-	-	-	-	-	-
Surplus	183	521	1,562	1,462	213	32	7,891

Table 2 Student Numbers Since 2010

Year	2010	2011	2012	2013	2014	2015	2016
<i>Type of Student</i>							
Home	463	596	782	870	818	666	768
Overseas	539	578	678	661	502	582	597
Foundation/ non-degree	59	66	80	118	106	84	66
Total on campus	1061	1240	1540	1649	1426	1332	1431
Education PGCE/ MEd	210	266	393	550	612	680	801
London MA and MD	37	47	86	160	249	286	285
Total Registered	1308	1553	2019	2359	2287	2298	2517

Table 2 shows that the effect of two large intakes in 2012 and 2013 associated with higher fees coming in has now passed, but that overseas recruitment then picked up in 2015. In 2016, there has been a concentrated effort, led by the new Director of Recruitment and Marketing, James Seymour to restore growth in the University's Home student numbers, though with the removal of the numbers cap on undergraduate recruitment in the publicly funded Universities, the UK Higher Education market has become extremely competitive.

Table 3 shows that we have the best student:staff ratio amongst British Universities. We alone alongside with Oxford and Cambridge have retained the tradition of small group tutorial teaching in Britain, and our contact hours of some nine a week are one of our proudest boasts. This may also help to explain Buckingham's high level of student satisfaction, again the highest amongst British Universities and the award by The Times and The Sunday Times as the University of the Year for Teaching Quality.

VICE-CHANCELLOR'S PREFACE (Continued)

Table 3 Student:Staff Ratios and Student Satisfaction

University	Student:staff ratio	University	Satisfaction Position
Buckingham	9.6	Buckingham	1 st
UCL, London	10.2	Surrey	2 nd
Oxford	10.5	Keele	3 rd
Cambridge	11.0	Coventry	3 rd
SOAS, London	11.1	Liverpool Hope	5 th

The data come from the *Complete University Guide 2017*

<http://www.thecompleteuniversityguide.co.uk/league-tables/rankings?o=Student-Staff+Ratio&v=wide>

*News from the Schools**The Medical School*

Although the Medical School only had its third intake in January 2017, it already feels a central part of the University. The number of students having to retake years is very low compared to other medical schools and is a tribute to the School's support mechanisms which have been commended by the GMC as an example of best practise. The 2016 cohort is engaging enthusiastically with their second year course, and our first cohort have begun their Clinical Placements. So far feedback remains very good

A major focus of the school now is concentrated on the significant implementation work for the Clinical Stage of the curriculum. The University is working with Milton Keynes University Hospital, our local General Practitioners and St Andrew's Healthcare to ensure that clinical education can be delivered to high quality in busy clinical environments. We are grateful to our partners for the enthusiasm and hard work in establishing this most critical part of a medical degree. We have sufficient capacity in these providers for the first cohort, and we have been working hard to develop additional capacity in other providers to support increasing student numbers over the years and to accommodate the larger 2016 and 2017 cohorts. We are pleased that we have been able to sign an agreement with South Warwickshire Foundation Trust for a further 36 clinical places per year. Present indications are that we will be able to sustain an intake of around 90-100 using the current infrastructure and facilities on the campus. Applications for 2018 entry are very strong with 100 more at the end of March compared with any of the previous three cycles.

The Law School

The Law School had one of its most successful graduating cohorts in 2016 with over 62% of students achieving 1sts or 2.1 degrees upon final classification. This was the result of changes to our conventions which mirror University conventions in the state sector, the introduction of written assessments and the instigation of a new procedure (of both support and sanction) which focuses on ensuring that students work hard immediately on commencing their degree programme. The Guardian League tables metrics submitted in 2016 for 2017 place Buckingham Law School in 39th position. I am confident that given our enhanced entry tariff and our high percentage of good honours degree for 2016 that this will be improved leading to making Law at Buckingham even more attractive to prospective students. Significantly we maintain the top position of all Universities for 'graduate employability after six months' (Guardian League Table for Law 2017).

VICE-CHANCELLOR'S PREFACE (Continued)

Our students have been successful in national competitions in mooted and negotiation and we provide them with opportunities to participate in our Citizens Advice Bureau /Law Clinic in dealing with legal casework in a supervised context and also in our Street Legal programme observing judges and practitioners. Masterclasses are part of additional opportunities for our students, the former Lord Chief Justice, Lord Igor Judge delivered a lecture to a packed audience on Magna Carta in the spring of this year.

Academic staff have continued to contribute to public and international areas of legal concern having considerable impact on the important issues of social and legal concern, for example, with the Law Commission and Parliamentary Select Committees. Professor Bray advising on Treasure Troves, Professor Edwards on Women and International Human Rights, and Professor Hatchard with his work on Corruption and the need for good governance. Staff have also had an influence in shaping lawmaking acting as expert witnesses and were quoted in the UK and Hong Kong courts. Staff have led in their field at Conferences, for example Dr Paolini on Climate, Carbon & Cars, from *Mass v EPA* to our Electric Future, University of Connecticut, Law School, Hartford, Connecticut USA and also delivered professional training for example Dr Patricia Covarrubia delivered training, recently, to small and medium enterprises in Portugal on the importance of IP in internationalization strategies: the case of Latin America. Further contributions and edited collections have been published by Dr Sarah Sargent on Indigenous Rights and Dr Jocelyne Scutt on Women Law and Culture.

Staff continue to write the leading textbooks in their respective fields, Bray on Land Law, Brennan on Tort Law, and staff make a contribution to the major journals in their subject specialisms.

We have continued to return in 2016 a record 2m to the center which is a phenomenal achievement. We are undented and as the backbone of this University historically we look forward to developing new programmes; revising our existing Qualifying Law Degree product somewhat dictated in its content by the Professional body, and increasing our share of the market. Our predicted enhanced position in the league tables which will begin to be reflected in the 2018 tables due out at the end of 2017 we anticipate will have a significant impact on recruitment.

The School of Humanities

The History of Art Department's new MA in the **History of Collecting and the Art Market**, in partnership with the National Gallery, continues to attract high quality applicants, encouraged by generous scholarships from the Colnaghi art gallery and the Tavalozza Foundation. The department's undergraduates set an enviable target for the rest of the University in graduating with 100% 'good honours' (1sts and upper-second class) degrees; a record number began their studies with a term in Florence, based at the British Institute.

The **English Department** again performed superbly well in the National Student Survey (NSS), coming top in the United Kingdom with a 100% rating for overall satisfaction. The Department now has its largest ever cohort of research students, and runs two fortnightly seminar programmes, one in Buckingham and the other in London. The Department's journalists and media study students have joined ranks with students of **Modern Foreign Languages**, to produce and broadcast news bulletins in English, French, Spanish and Chinese. The Department is particularly delighted to welcome back Federica Battiato, a former first-class journalism student from 2016, as its new Studio Manager. Its English Language Studies team has strengthened its ties with Japan's 'top global' university, Soka, in Tokyo, and has bid farewell—with huge gratitude, after his more than 30 years at the University—to outgoing Head of Department, Gerry Loftus.

VICE-CHANCELLOR'S PREFACE (Continued)

Our **Modern Foreign Languages Department** has its largest number of students taking minor degree programmes in French and Spanish, thanks to the efforts of new Head of Department Dr Karine Deslandes.

The **Economics and International Studies Department** launched its flagship PPE programme; significant support from a major charity was secured for students from low income backgrounds. Dr Ali Kabiri was warmly welcomed as Head of Department, and the University's Centre for Security and Intelligence Studies (BUCSIS) welcomed Dr Bill Kappis, a distinguished early-career lecturer and researcher to its team of permanent teaching staff. Following a record intake in October 2016, Dr Kappis is helping deliver key modules to the largest ever number of postgraduate students that the Centre has enjoyed since its inception. The Politics section of the Department topped the country for student satisfaction in the NSS. The MSc in Money, Banking and Central Bank was given final approval; the MSc cements the relationship between the Institute of International Monetary Research (IIMR) and the University.

The **Humanities Research Institute**, in addition to its roster of distinguished Fellows, now boasts well over a hundred active researchers preparing MA and DPhil dissertations. It has developed new research programmes in Tudor History and the History of Western Architecture, which will run from the University's smart London offices at 51 Gower Street. The archaeological excavations at Blick Mead near Stonehenge, led by professorial research fellow David Jacques, and generously supported by the HRI, have continued to garner international press coverage.

The Business School

The Business School continues to do well in the National Student Survey, with the Accounting students being the most satisfied and those in Business Studies being in the top ten in the United Kingdom for overall satisfaction. The scores are 9% higher than the sector average. In the Guardian League Tables Accounting was ranked 26th out of 99 and Business & Management was ranked 25th out of 118 Business Schools.

The School works hard to ensure our courses evolve with the business environment and we constantly review and update our portfolio of programmes. In September 2017, the School will be introducing its new Business and Management programme, with employability firmly embedded in the curriculum. At the same time, the School is launching our Business and Management with Work Placement Year, which will give a small group of our talented students the opportunity to spend a year in business as part of their studies. The School will be developing an undergraduate programme in International Business and Marketing for launch in early 2018.

In January 2017, the Business School introduced its new postgraduate programme, the MSc in Entrepreneurial Consultancy and Practice, designed and run in conjunction with KPMG. The School is currently looking to expand its Business Improvement portfolio of postgraduate programmes with a new programme in Lean Design and Systems Innovation and is developing Integrated Masters programmes in Marketing, as well as other specialist management areas.

Our faculty members have been continuously engaged in each and every aspect of the research activities, including supervising postgraduate research (PGR) students, carrying forward research-based projects, publishing their research outcomes internationally, organising research-oriented events and disseminating the Business School's research, and representing our Business School at conferences, workshops, and seminars.

VICE-CHANCELLOR'S PREFACE (Continued)

There are 12 PGRs (six M.Phil. and six D.Phil.) actively carrying forward their research under the able guidance of our faculty members, which has resulted in joint publications and research paper presentations at various research conferences. In 2016, one DPhil student successfully completed their studies and one student upgraded from M.Phil. to D.Phil.

Professor Pauline Found has published three journal articles and three book chapters and has presented two conference papers along with her PGR students. Dr Marijana Baric has been continuously working on a European Commission Project as a Marie Curie Fellow and has published one journal article. Furthermore, Dr Gurcharan Singh has published two journal articles and Mr. John Bicheno has published the 5th edition of his book and a book chapter. Mr. Nigel Adams has spoken at four conferences. Mr. James Rowell and Dr V. Charles have each had one journal article accepted for publication.

Buckingham Lean Enterprise Unit (BLEU), which is a part of our Business School, has organised a four-day international conference titled the "European Lean Educator Conference", which included seven pre- and post-conference workshops, attracting 162 practitioners and academicians to participate as well as present their research outcomes. Also, ten workshops have been conducted on campus, wherein the course leaders have brought their current research to the classroom.

The School of Science and Postgraduate Medicine

The **Psychology Department** continued to grow in size in undergraduate numbers and now has among the highest number of acceptances for September among undergraduate departments at the university. The postgraduate research continues with four DPhil students having completed within the last year the department expects to be a contributor to REF. The department has identified three core research areas: Health Psychology, Creativity and Expertise, and Lifespan Relationships. In addition, the department expects to launch a taught masters in Health Psychology and a named research programme in Applied Positive Psychology in 2017. This latter programme will enable the department to develop another area of research in positive psychology and its applications. The department recruited four new lecturers in January 2017 (it had only recruited three in the previous seven years) to deal with the expanded intake numbers as it adjusts to a targeted intake of 84 in the 2017/18 cycle, doubling the intake from the 2015/16 cycle.

The **Applied Computing Department** continued to grow with the largest cohort of undergraduate students the Department has ever had. This enabled the recruitment of a new lecturer and an admissions officer. Among those completed studies in 2016 were the University's best performing undergraduate and postgraduate students as well as the first DPhil in Computing by Publication. The Department's collaborative multidisciplinary research with world leading universities, research institutes – Imperial College, Kings College, University of Aviero, Queen Charlotte & Chelsea, St Thomas Hospitals, and Wellcome Trust Sanger Institute – has led to several publications in journals, conferences and books. It is expanding research into augmented and virtual reality, artificial intelligence and agri tech. The Department successfully completed the University's first Knowledge Transfer Partnership project with Deepnet Security. Several academics were invited to deliver keynote speeches, invited talks and public lectures in the UK and abroad. Erasmus programmes with OVGUM Germany, SSST Bosnia & Herzegovina KTU Lithuania enabled staff/student exchanges. The Department has an active outreach programme to promote entrepreneurship, STEM in and diversity in computing, which includes coding tasters for Brownies and Startup Weekends.

VICE-CHANCELLOR'S PREFACE (Continued)

School of Education

The School of Education grew in student numbers by some 30% compared to the previous year. A large proportion of the growth was as a result of a new partnership with Premier Pathways - an education recruitment organisation, which now provides us with large numbers of trainee teachers from the state maintained sector. Our core courses also continue to grow – the iPGCE increased its number, as did the Assessment Only Route to QTS and the Ab Initio course.

We have now become the largest university provider of school-based PGCEs, and with our projected growth over the next 5 years will become the country's largest provider of all PGCEs.

Our Master's degree in Educational Leadership continues to lead the sector's provision for school leadership training and has become the qualification of choice in the independent school sector for aspirant and current head teachers.

We are aiming to offer 5 new courses in September 2017 and much of the writing for these have been completed in the least year.

Changes in Leadership

Having moved into the University 18 months ago, my principal activity has been to expand the numbers of undergraduates and post-graduates at Buckingham. The market is very strong with interest in the University up 30% amongst the undergraduates as against the market which is down 6%. Two new senior figures are Professor Jill Schofield who joined as Deputy Vice Chancellor from University of Bristol in April 2017, and James Seymour, who joined from the University of Aston, as Admissions Director. We are full of optimism that our growth will continue at a pace, and that we will be very well equipped to weather the Brexit storms that will affect most other universities much more severely.

STRATEGIC REPORT

Status and Administration

The University of Buckingham is a company incorporated by Royal Charter with authority to award taught and research degrees.

The University is a registered charity, registered at the Charity Commission under charity number 1141691 and has a bicameral constitution. Buckingham has a Senate and Council, plus an Academic Advisory Council ("AAC") and is a member 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") and have submitted data and narrative for the Teaching Excellence Framework (TEF) for the 2016/17 academic year. Like other British universities an important part of our mission is to contribute to scholarship and research. Until now, Buckingham has not participated in the Research Excellence Framework or RAE before it. However, it is our intention to submit data and case studies for the 2021 REF to benchmark the quality of our research expertise and compete for research funding from a range of sources.

The Council of the University has complete responsibility for the stewardship of the Charity's assets; its members focus on strategic decision making and ensuring adherence to its charitable objectives whilst delegating day-to-day operational responsibilities to the Executive and senior management team.

The University's governance includes two statutory bodies: Council and Senate. Council is the governing body and its members are Trustees of the University. It receives assurances that the University meets all legal and regulatory requirements imposed on it as a corporate body. Senate is the supreme academic authority with responsibility for the academic governance of the University.

Council powers are exercised through a number of sub-committees as follows (with terms of reference approved by Council):

- Audit Committee
- Finance & General Purposes Committee
- Buildings and Development Committee
- Equality and Diversity Committee*
- Ethics Committee
- Grievance Committee*
- Health and Safety at Work Committee
- Honorary Awards Committee*
- Nominations Committee
- Remuneration Committee

(* - Joint Committee of Council and Senate)

At the year end, the Council comprised 26 trustees.

STRATEGIC REPORT (continued)

Charitable Objectives

The Objects of the Charity, as set out in the aims of the University which operates under a Royal Charter and Statutes, are the advancement of education for the public benefit and the foundation, maintenance and support of an educational establishment for students, both male and female, to include residential accommodation and all necessary and proper ancillary services for such establishment. The University has had regard to the Charity Commission's guidance on public benefit.

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 achieve National Student Survey rankings of first or equal first in 2006, 2008, 2009, 2010, 2012, 2015 and 2016 and second in 2007, 2011, 2013 and 2014.

Structure of Reduced Two Year Degrees

Offering a reduced two year degree at the university is not the only factor which sets Buckingham apart from the rest of the sector. The University operates a four term academic year with multiple intakes. Students starting in September would normally have five terms in their first academic year.

Term 1	September - December
Term2	January – March
Term3	April – June
Term 4	July – September
Term 5	September/October – December

The second year would follow the pattern of terms 2 – 5.

For the Business and Management degrees, September starters have four terms in each academic year, finishing in the September (two years later).

Public Benefit

Council recognises the obligations of the University as a Charity to contribute to public benefit. Following the publication of the guidance from the Charity Commission, including the specific guidance for educational institutions, and the outcome of the first reviews of public benefit by the Charity Commission, the Trustees have reviewed the existing approach to public benefit.

Council views our bursary awards as important in helping students from families who would otherwise not be able to afford the fees to benefit from a University education. Our bursary awards are made available to all who meet the general entry requirements and are made on the basis of need or to relieve hardship. In making means tested awards we consider a number of factors including family income, investments and savings, assets and family circumstances.

A number of scholarships and bursaries are offered to home and international students for undergraduate and postgraduate programmes.

STRATEGIC REPORT (continued)

The University of Buckingham Foundation has total funds of £3.2m all of which is for the benefit of the University. Within the £3.2m, £865k is available for scholarships and bursaries, along with most of the income earned on the permanent endowments of £2m. £163k is available for grants and other projects and £179k is held as unrestricted donations.

In the year the University awarded total scholarships, bursaries and prizes of £909k (including funded scholarships). Excluding prizes of £10k, scholarships and bursaries were broken down as: £42k Foundation funded, £57k from restricted donations received by the University and £800k funded from university income.

The University is keen to increase participation in the local vicinity and for those potential students who may find that going away to study is too expensive.

The University operates a “Five Counties” bursary with a value of £2,500 (2017: £2,000) per academic year. For 2016 the details are:

The applicant must currently reside in one of the five counties of; Buckinghamshire (including Milton Keynes), Bedfordshire, Northamptonshire, Oxfordshire or Hertfordshire.

To qualify, the student must meet the conditions of the offer and make Buckingham the firm UCAS choice or make a firm acceptance of a direct offer of a place.

If the applicant is in receipt of a Maintenance Loan in excess of £5,000 from Student Finance England, a further £1,100 bursary is awarded per academic year.

A maintenance Loan bursary is not combined with 5 counties but can be combined with high achievers.

An automatic scholarship, worth £2,500 per annum is available to undergraduate Home (UK/EU) students (excluding Medicine) achieving ABB or above/or equivalent in their A Levels (Changing to AAB from September 2017).

From September 2017 the Five Counties and High Achiever scholarships are being reduced to £2,000 per year.

Being regarded as an independent university under the terms of Student Finance England, Buckingham students are entitled to a £6,000 (£6,165: 2017/2018) tuition fee loan per year. This is slightly lower than the up to £9,000 (£9,250: 2017/2018) for publically funded universities. However maintenance loans are awarded in the same way as any other university.

The aim of the “Five Counties” and the Maintenance Loan Bursaries is to allow a student claiming student tuition and maintenance loans to cover nearly all Buckingham’s tuition fees with them. Students or their sponsors will still have to meet any maintenance costs, but as they will live near Buckingham and the degree programme can be completed in two years rather than three elsewhere, the bursary will made studying much more financially viable.

Financial Activities and Results

The Financial Statements

The Financial Statements presented by the Trustees comprise the consolidated results of the University and its associated charity, The University of Buckingham Foundation as detailed in the supplementary information.

STRATEGIC REPORT (continued)

Results for the Period

For the year ended 31 December 2016 the University only recorded a surplus of £7.89m and a group surplus of £8.19m. This compares to a University only surplus of £32k and group surplus of £139k for the previous year. These results are reported in accordance with the new rules under FRS102.

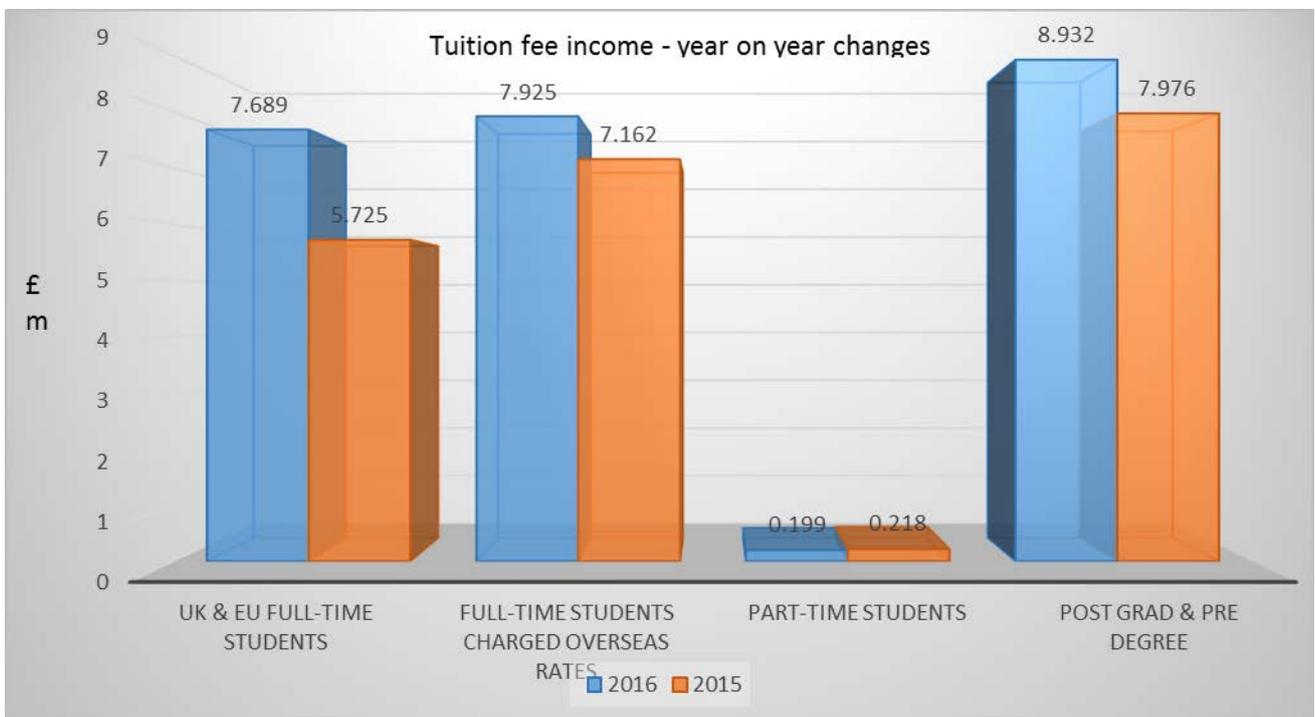
The statement of changes in reserves identifies the unrestricted surplus per the I&E account of £1.6m which is before the release of restricted funds spent in the year of £501k. The £501k represents expenditure of prior year restricted donations, which the University has no control over. With this release, the surplus was £2.1m, represented by the total movement on the Unrestricted Reserve.

These results for 2016 are the best in Buckingham’s 40 year history.

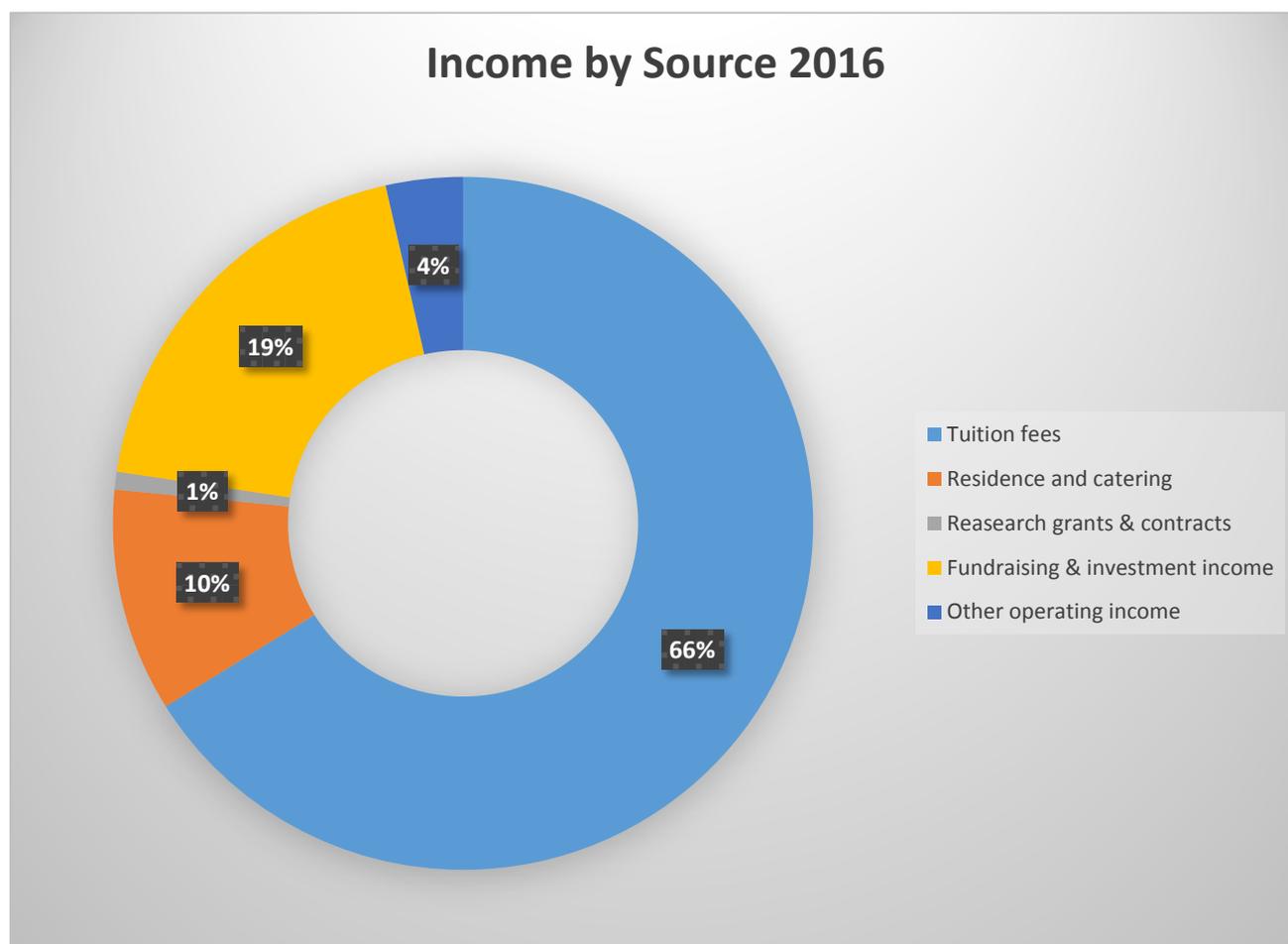
The income from tuition fees for the period, as set out in note 1, was £24.8m compared to £21.1m for the year ended 31 December 2015. The increase is predominantly due to the new Medical School.

During the year, the number of students on full time undergraduate course increased; with UK and EU full time student numbers increasing by 23%. Overseas full time undergraduate student numbers increased by 5%

Part time undergraduate student numbers fell during the year by 24%.
 Post-graduate student numbers remained almost static with a small decline of 2%.
 Pre degree and non-degree student numbers fell by 9%.
 Student numbers within the School of Education increased by 18%.



STRATEGIC REPORT (continued)



Total income increased by 37.9% year on year. Fundraising and investment income grew greater than six times the previous year (£6.2m) with unrestricted donations being predominantly made direct to the University. Other operating income grew by £210k (18.7%) which was mainly in residences.

Excluding donations, the biggest overall rise was in Tuition fees being a year on year change of £3.7m (17.4%).

The consolidated total income for the year was £37.4m compared to £27.1m for the year ended 31 December 2015.

The University's Consolidated Income, Expenditure and Results for the year to 31 December 2016 are summarised as follows:

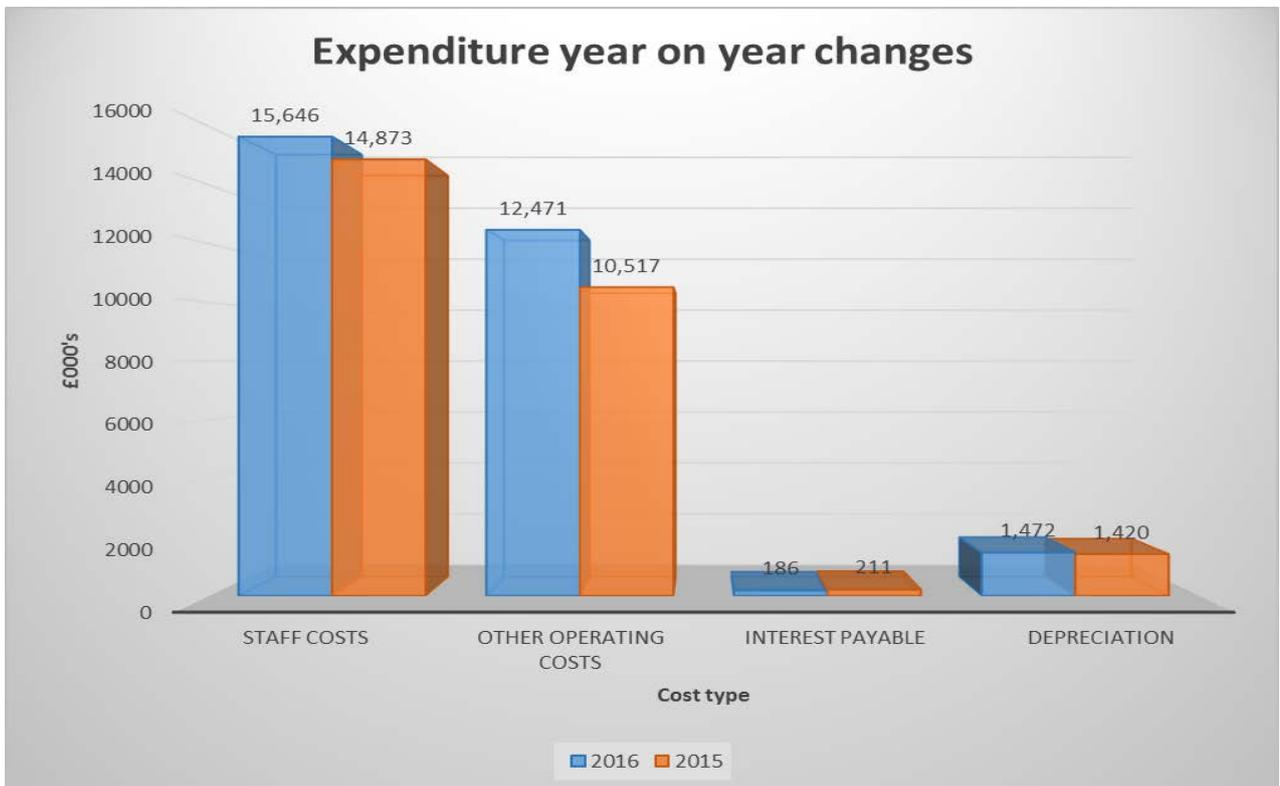
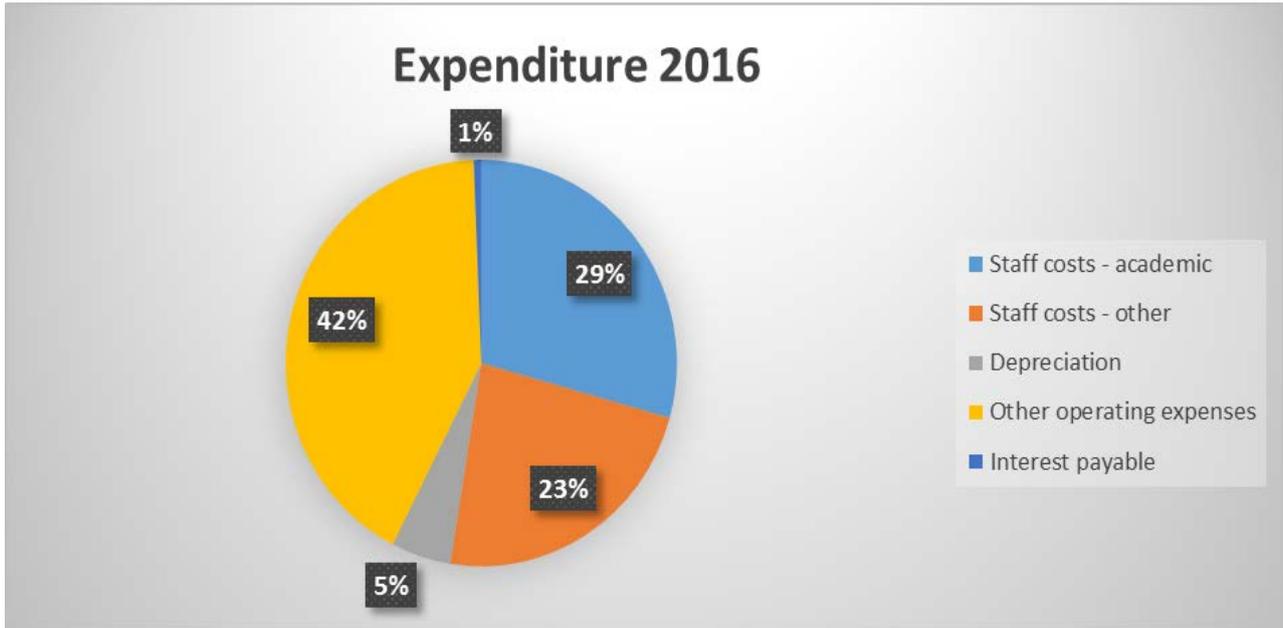
	2016 £000	2015 £000
Income	37,414	27,132
Expenditure	(29,775)	(27,021)
Surplus on continuing operations	7,639	111
Gain on investments	553	28
Surplus for the year	8,192	139

STRATEGIC REPORT (continued)

Expenditure:

There has been a growth in total expenditure year on year of 10%. Expenditure on staff costs has risen by 5%. However, with the growth of the Medical School and the School of Education, more staff costs have come via invoiced labour within other operating expenditure. Academic invoiced labour costs amount to £2.35m, which is an increase of 13.5% over the previous year.

Total other operating costs of £12.5m have increased 19% and the total invoiced labour costs included within this of £2.43m (2015 £2.12m), are predominantly academic.



STRATEGIC REPORT (continued)

Reserves

The Charity requires reserves for the following reasons:

- Market fluctuations could impact significantly on the number of students attending the University courses. The University's income is substantially derived from its revenues from academic programmes, and accordingly will rely on reserves if there is a temporary reduction in student numbers.
- The University has substantial ongoing commitments relating to the welfare and education of the students and needs to maintain a level of reserves sufficient to continue to meet these commitments.
- The University requires reserves to fund the Medical School growth which opened in January 2015 and subsequent investment required in 2017 for the clinical stages of the course, and of increasing and further developing research activities.

The University continues to develop a programme for investment in the refurbishment of the estate. A £40m Private Placement is planned in 2017 which is to fund the expansion of the campus estate over the next two and a half years.

Buckingham's distinctive position

Based on HESA returns, our student-staff ratio in 2015/16 was 10.4 (2014/15: 9.6). 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.

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. The University has submitted data for assessment in the Teaching Excellence Framework (TEF) for the 2016/17 academic year.

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

Ancillary Business Activities

Research. In principle we expect research income to cover its related direct costs. 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.

STRATEGIC REPORT (continued)

Staff

At the year-end we have the equivalent of 328 full time equivalent members of staff, 111 academic, 169 support and 48 manual/other staff, who are committed to the ethos of supporting our students as individuals.

Royal Charter

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

Financial Risk Management Objectives and Policies

The group's main financial instruments are cash and quoted investments within the Foundation. In addition, items such as trade debtors and trade creditors arise directly from its operations. The main purpose of these financial instruments is to manage the finance for the group's operations.

The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below.

The main risks arising from the group's financial instruments are market risk, liquidity risk and credit risk. The Trustees review and agree policies for managing each of these risks and they are summarised below.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk.

- Currency risk

The group is exposed to some translation and transaction foreign exchange risk. However the Trustees do not consider this risk to be significant to the group's operations and accordingly there are no hedging provisions in place.

- Interest rate risk

During 2016 the University had three bank loans including a term loan of £1m drawn down in 2010 with a variable interest rate of 1.15% above LIBOR. There was no repayment of principal in the first five years but the loan started to be repaid in 2015 with the total amount to be repaid over a period of fifteen years. The interest on this loan is therefore at risk of increasing should base rate rise during the repayment period. The second loan is a mortgage of £3m with a fixed interest rate of 4.35% repayable by instalments over twelve years, drawn down in 2011. The third loan was drawn at the start of 2015 with a fixed interest rate of 3.22% repayable over twelve years. Since the second and third loan rates have been fixed there is no interest rate risk on these loans. However, with the planned £40m Private Placement in 2017, the University intends to repay these loans prior to the offering.

- Price risk

The group's exposure to price risk consists mainly of movements in the value of the group's investments in quoted shares. The group employs investment managers who work within guidelines set out by the University of Buckingham Foundation Board. These guidelines include limits on the total investment in any one particular equity instrument, and in any one sector of the market. The aim is to try to manage price risk, as far as possible. The Trustees of the Foundation keep under review these guidelines and regularly review the performance of the investments and the performance of the investment managers against the guidelines set by the Trustees.

STRATEGIC REPORT (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. 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.

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.

Liquidity Risk

Net current liabilities have improved greatly from the previous year, helped by the increase in cash during the year of £2.8m. Our credit control policies provide a comfortable cash buffer derived from fees in advance, which have increased recently due to the higher tuition fee income. With the University continuing to be in surplus since 2010, net current liabilities and hence liquidity risk will show improvements. Budget setting and monitoring are the main controls.

Credit risk

The group's principal financial assets are quoted investments (within the Foundation), cash and trade debtors. The credit risk associated with the investments and cash is limited as the counterparties are established financial institutions. The principal credit risk arises therefore from its trade debtors. The nature of the group's client base is such that it is not significantly exposed to large customers. The Trustees therefore concentrate efforts on ensuring that the processes around the giving of credit are sufficiently robust.

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.

Outlook

The results for 2014 and 2015 were affected by the major investment in the start-up of the new Medical School, funded from surplus. Now the Medical School, which opened in January 2015 has completed its second year of operation and is no longer drawing on reserves, but is contributing to them. 2015 had the further transitional effect of accounting changes due to FRS102 which saw the loss of deferred capital grant releases to income through the I&E and the requirement for provisions against the University's share of the USS pension deficit.

The results for 2016 being unfettered by such factors are now representative of the hard work being put in by the staff of the University and past investment is starting to show benefits. The University only total comprehensive income for the year at £7.89m is indeed the highest surplus in University history. With the exclusion of donations received in the year, the University has returned an operational surplus of £1.6m as indicated by the unrestricted comprehensive income for the year. This again represents record results for the University.

2017 is now aiming to be a record year in terms of capital investment for the University.

Work is undergoing at Milton Keynes Hospital Trust for construction of a new Medical School academic building costing circa. £9m and work will also commence on the new Buckingham campus Vinson centre for liberal economics costing circa. £6m.

STRATEGIC REPORT (continued)

In 2017 the University will be seeking to issue a 20 year term Bond either through a Private Placement (Private Offering) for £30m in Senior Notes or via a Charity Retail Ethical Bond. This funding supports the aims and aspirations of the University in delivering the estates strategy of the University ten-year plan.

This investment will transform the estate and allow realistic plans for the development of the campus and will achieve:

- Enhanced learning resources
- Improved learning space
- Improved access to IT and media technology
- Development of central catering facilities for the campus.
- Expanded student accommodation

Prior to the launch of the Private Placement, all current banks loans have been repaid from cash balances.

The extra interest charges attached to the offering, will impact on the 2017 results but have been included in the budget, and although lower than 2016, the University is anticipating another good financial result.



P JENNINGS
Finance Director

STATEMENT OF CORPORATE GOVERNANCE

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.

- Council is the governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. It has a majority of members from outside the University (lay members). For a full list of members of Council, see page 18.
- 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.
- 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 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 Operational Senior Managers.

Operations of Council

Although 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 usually meets four times a year, inter alia recommends budgets, and monitors financial performance in relation to approved budgets. The Committee has one sub-committee, covering Buildings and Development.

The Audit Committee is responsible for reporting to Council on systems of internal control and financial reporting arrangements and reviewing the effectiveness of the internal controls annually. The Audit Committee is responsible for the appointment of the Auditors' and approving their remuneration.

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

Other committees comprise:

Health and Safety at work committee, Equality and Diversity committee and Ethics committee

MEMBERS OF COUNCIL

Ex officio members:

The Chancellor - Lady T Keswick
The Chairman of Council - Professor K Siddle
The Vice-Chancellor – Sir A Seldon
The Deputy Vice-Chancellor – Professor A Alcock (Resigned 31 March 2017)
The Deputy Vice-Chancellor – Professor Jill Schofield (Appointed 1st April 2017)

Appointed members:

Up to three nominated by the Academic Advisory Council:

Dr K Elliott
Mr J McIntosh

Up to two appointed by Buckinghamshire County Council:

Mr M Appleyard
Mr W Whyte

Up to 16 appointed by co-option:

Professor Joe Harrison
Mr C Jackson
Mr Luke Johnson (Resigned 11th September 2016)
Mr Brandon Lewis MP
Mr Brian Kingham
Ms F Lusk (Resigned 17th June 2016)
Mr M Rushton
Mr J Stafford

Up to two members of Convocation:

Dr S Tomassi

UBAA

Mr James Baker
Ms L Long

Up to five nominated by Senate:

Professor John Drew
Professor Susan Edwards
Dr Kenny Langlands
Dr Claire Stocker
Professor Bob Watt (Resigned 27th September 2016)

Up to two elected from the non-teaching staff:

Miss Bethany Carter
Ms Pearl Lewis

Three registered students of the University

One graduate student elected by the graduate students of the University
One student elected by the undergraduate students of University
The President of the Students' Union

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. Council is required to keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and University and of the income and expenditure for that year.

In causing the financial statements to be prepared, 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 Group and University will continue in operation.

Council has taken reasonable steps to:

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

The key elements of the Group and University's high level controls, 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, risks and quarterly reviews of financial results involving variance reporting and updates of forecasts;
- 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 complies with the Statement of Recommended Practice on Accounting for Further and Higher Education 2015. An internal audit function is not deemed necessary under the current guidance due to the size of the University, although we are actively looking to commission an outsourced internal audit service.

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING COUNCIL OF THE UNIVERSITY OF BUCKINGHAM

Report on the financial statements

Our opinion

In our opinion, The University of Buckingham's group financial statements and university's financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the university's affairs as at 31st December 2016 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of section 144 of the Charities Act 2011 and Regulation 8 of The Charities (Accounts and Reports) Regulations 2008).

What we have audited

The financial statements comprise:

- the group and university Balance Sheets as at 31 December 2016;
- the group and university Statement of Comprehensive Income for the year then ended;
- the group and university Statement of Changes in Reserves for the year then ended;
- the group Cash Flow Statement for the year then ended;
- the Statement of Principle of Accounting Policies; and
- the notes to the financial statements.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Governing Council has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Respective responsibilities of the Governing Council and auditors

As explained more fully in the Responsibilities of the University's Council in relation to the Financial Statements, the Governing 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 ISAs (UK & 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 the Governing Council as a body in accordance with Statue 11 of the Charters and Statutes of the institution as well as the charity's trustees as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 24 of The Charities (Accounts and Reports) Regulations 2008) 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 group and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Governing Council; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Governing Council judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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



Jonathan Gilpin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes

6 JULY 2017

- The maintenance and integrity of The University of Buckingham website is the responsibility of the Governing 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 the financial statements may differ from legislation in other jurisdictions.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of Preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention. The accounting policies have been applied consistently over the period.

2 Basis of Consolidation

The financial statements for the Group are the consolidation of the financial statements of the University, the University of Buckingham Foundation and Medical Property Management Limited. The University of Buckingham Foundation has been consolidated from the 1 January 2011 as there were no material transactions between that date and the date of deemed control on 14 January 2011. Medical Property Management Limited has been consolidated for the first time this year since its incorporation in January 2016. The University has not consolidated any other subsidiary as in the opinion of Council, the other subsidiaries are not material.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

3 Income Recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income, unless a restricted donation has been received for the scholarship.

Validation fee income is recognised when delivered and known with certainty.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant Funding

Grants (including research grants) from non-government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

3 Income Recognition (continued)

Donations and Endowments

Non exchangeable transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised as income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised as income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are five main types of donations and endowments identified within reserves:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted donations – the donor has not specified the use of the donation and so it is to be used for the general benefit of the University.
3. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of University.
4. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
5. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

4 Pension schemes

The Aviva 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 NEST Auto Enrolment scheme (AES) 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. The employer's contributions payable for each accounting period are accounted for as expenditure. In addition, under the new SORP the University is required to provide for the future liability of the deficit recovery plan implemented by the USS. This provision will be released over time as the liability is discharged.

The University of Buckingham Employee Benefits Plan (EBP), established as a defined contribution scheme by trust deed was 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 Library books

The cost of purchasing library books is written off to the income and expenditure account as it is incurred. (Note7, other operating expenses).

6 Maintenance of premises

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

7 Taxation and charitable status

The University is a Registered Charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478 – 488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively 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.

8 Depreciation (Fixed Assets)

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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%
Equipment:	
Furniture, furnishings and equipment	10%-20%
Office equipment	10%-20%
Science laboratory equipment	20%-25%
Motor vehicles	20%
Computing equipment and software	25%
Specialist science laboratory equipment	33%

9 Investments & Investment Properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the surplus or deficit. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 December each year.

Investments in subsidiaries are carried as cost less impairment.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

10 Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

11 Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) The University has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of economic benefit will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

12 Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

GROUP AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 £000	University 2016 £000	Group 2015 £000	University 2015 £000
Income					
Tuition fees and education contracts	1	24,745	24,745	21,081	21,081
Research grants and contracts	2	310	310	338	338
Other income	3	5,227	5,227	4,752	4,752
Investment income	4	198	144	132	76
Total income before endowments and donations		30,480	30,426	26,303	26,247
Donations and endowments	5	6,934	6,859	829	854
Total income		37,414	37,285	27,132	27,101
Expenditure					
Staff costs	6	15,646	15,646	14,873	14,873
Other operating expenses	7	12,471	12,502	10,517	10,565
Depreciation	10	1,472	1,458	1,420	1,420
Interest and other finance costs	8	186	186	211	211
Total expenditure	9	29,775	29,792	27,021	27,069
Surplus before other gains and losses		7,639	7,493	111	32
Gain on investments		553	398	28	-
Surplus for the year		8,192	7,891	139	32
Total comprehensive income for the year		8,192	7,891	139	32
represented by:					
Endowment comprehensive income for the year		3,155	2,962	85	-
Restricted comprehensive income for the year		3,252	3,328	151	173
Unrestricted comprehensive income/(expense) for the year		1,785	1,601	(97)	(141)
Surplus for the year		8,192	7,891	139	32
Attributable to:					
Non-controlling interest		-	-	-	-
University		8,192	7,891	139	32
Total comprehensive income for the year attributable to:					
Non-controlling interest		-	-	-	-
University		8,192	7,891	139	32

All items of income and expenditure relate to continuing activities.

GROUP AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2016

Group	Income and expenditure reserve			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
Balance at 1 January 2015	2,795	5,575	11,542	19,912
Surplus/(deficit) from the income and expenditure statement	85	151	(97)	139
Other comprehensive income	-	-	-	-
Transfers between reserves	61	-	(61)	-
Release of restricted funds spent in year	(366)	(486)	852	-
Balance at 1 January 2016	2,575	5,240	12,236	20,051
Surplus from the income and expenditure statement	3,155	3,252	1,785	8,192
Other comprehensive income	-	-	-	-
Transfers between reserves	48	(48)	-	-
Release of restricted funds spent in year	(101)	(485)	586	-
Total comprehensive income for the year	3,102	2,719	2,371	8,192
Balance at 31 December 2016	5,677	7,959	14,607	28,243

University	Income and expenditure reserve			Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000	
Balance at 1 January 2015	43	5,826	11,515	17,384
Surplus/(deficit) from the income and expenditure statement	-	173	(141)	32
Other comprehensive income	-	-	-	-
Transfers between reserves	-	-	-	-
Release of restricted funds spent in year	(3)	(830)	833	-
Balance at 1 January 2016	40	5,169	12,207	17,416
Surplus from the income and expenditure statement	2,962	3,328	1,601	7,891
Other comprehensive income	-	-	-	-
Transfers between reserves	48	(48)	-	-
Release of restricted funds spent in year	(56)	(445)	501	-
Total comprehensive income for the year	2,954	2,835	2,102	7,891
Balance at 31 December 2016	2,994	8,004	14,309	25,307

GROUP AND UNIVERSITY BALANCE SHEETS AT 31 DECEMBER 2016

Royal Charter Company number RC000730

	Note	Group 2016 £000	University 2016 £000	Group 2015 £000	University 2015 £000
Non-current assets					
Fixed Assets	10	26,629	25,959	25,626	25,626
Investments	11	8,983	6,744	2,607	23
		<u>35,612</u>	<u>32,703</u>	28,233	25,649
Current assets					
Trade and other receivables	12	2,517	2,513	2,742	2,741
Cash and cash equivalents		10,989	10,965	10,224	10,178
		<u>13,506</u>	<u>13,478</u>	12,966	12,919
Less: Creditors amounts falling due within one year	13	<u>(14,813)</u>	<u>(14,812)</u>	(14,599)	(14,603)
Net current liabilities		<u>(1,307)</u>	<u>(1,334)</u>	(1,633)	(1,684)
Total assets less current liabilities		34,305	31,369	26,600	23,965
Creditors: amounts falling due after more than one year	14	(4,595)	(4,595)	(5,199)	(5,199)
Provisions					
Pension provisions	15	(1,350)	(1,350)	(1,350)	(1,350)
Other provisions	15	(117)	(117)	-	-
Total net assets		<u>28,243</u>	<u>25,307</u>	20,051	17,416
Restricted reserves					
Income and expenditure reserve – endowment	16	(5,677)	(2,994)	(2,575)	(40)
Income and expenditure reserve – restricted	17	(7,959)	(8,004)	(5,240)	(5,169)
Unrestricted reserves					
Income and expenditure reserve – unrestricted		<u>(14,607)</u>	<u>(14,309)</u>	(12,236)	(12,207)
	18	<u>(28,243)</u>	<u>(25,307)</u>	(20,051)	(17,416)

The financial statements were approved by the Governing Body, Council on 16th June 2017 and were signed on its behalf by:



Sir A Seldon
Vice-Chancellor



Mr P Jennings
Finance Director

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Group 2016 £000	Group 2015 £000
Cash flow from operating activities		
Surplus for the year	8,192	139
Adjustment for non-cash items		
Depreciation	1,472	1,420
(Decrease)/ increase in tuition fees received in advance	(597)	1,138
Decrease/ (increase) in debtors	225	(690)
Increase/ (decrease) in creditors	805	(221)
Increase in provisions	117	208
Pension costs less contributions payable	-	364
Adjustment for investing or financial activities		
Investment income	(198)	(132)
Interest payable	192	211
Profit on sale of fixed assets	-	-
	<hr/>	<hr/>
Net cash inflow from operating activities	10,208	2,437
Cash flows from investing activities		
Investment income	198	132
Endowment funds invested	(6,376)	(76)
Withdrawal of deposits	-	-
Payments made to acquire fixed assets	(2,475)	(1,986)
	<hr/>	<hr/>
	(8,653)	(1,930)
Cash flows from financing activities		
Interest paid	(192)	(211)
Interest element of finance lease rental payment	-	-
New secured loans	-	2,812
Repayments of amounts borrowed	(590)	(316)
Capital element of finance lease rental payments	(8)	(5)
	<hr/>	<hr/>
	(790)	2,280
Increase in cash and cash equivalents in the year	<hr/>	<hr/>
	765	2,787
Cash and cash equivalents at the beginning of the year	<hr/>	<hr/>
	10,224	7,437
Cash and cash equivalents at the end of the year	<hr/>	<hr/>
	10,989	10,224

NOTES TO THE FINANCIAL STATEMENTS**1 Tuition fees and education contracts**

	Group	University	Group	University
	2016	2016	2015	2015
	£000	£000	£000	£000
Full-time undergraduates-Home & EU	7,689	7,689	5,725	5,725
Full-time undergraduates-International	7,925	7,925	7,162	7,162
Part-time undergraduates	199	199	218	218
Postgraduates – Home & EU	3,871	3,871	3,315	3,315
Postgraduates - International	4,072	4,072	3,888	3,888
Pre and non-degree courses	989	989	773	773
	24,745	24,745	21,081	21,081

2 Research grants and contracts

	Group	University	Group	University
	2016	2016	2015	2015
	£000	£000	£000	£000
Research Charities	6	6	-	-
Government	57	57	-	-
Industry and Commerce	125	125	302	302
Other	122	122	36	36
	310	310	338	338

3 Other income

	Group	University	Group	University
	2016	2016	2015	2015
	£000	£000	£000	£000
Residences and catering	3,898	3,898	3,633	3,633
Validation fees	781	781	753	753
Other income	548	548	366	366
	5,227	5,227	4,752	4,752

4 Investment income

	Group	University	Group	University
	2016	2016	2015	2015
	£000	£000	£000	£000
Investment income on endowments	72	18	56	-
Investment income on restricted reserves	59	59	-	-
Other investment income	67	67	76	76
	198	144	132	76

NOTES TO THE FINANCIAL STATEMENTS (continued)**5 Donations and endowments**

	Group	University	Group	University
	2016	2016	2015	2015
	£000	£000	£000	£000
New endowments	2,558	2,558	-	-
Donations with restrictions	3,200	3,187	147	137
Foundation donations with restrictions	-	90	-	36
Unrestricted donations	1,176	1,024	682	681
	6,934	6,859	829	854

6 Staff costs

	Group	University	Group	University
	2016	2016	2015	2015
	£000	£000	£000	£000
Salaries	13,086	13,086	12,295	12,295
Social security costs	1,200	1,200	1,037	1,037
Movements on USS provision	-	-	364	364
Other pension costs	1,360	1,360	1,177	1,177
Total	15,646	15,646	14,873	14,873

Emoluments of the Vice-Chancellor	Group	University	Group	University
	2016	2016	2015	2015
	£	£	£	£
Salary	191,268	191,268	103,917	103,917
Benefits	-	-	-	-
Pension contribution to USS	-	-	-	-
	191,268	191,268	103,917	103,917

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.

Two members of staff earned over £100,000, excluding employer's pension contributions in 2016 (2015: none).

Average number of equivalent full time members of staff	Group/ University	Group/ University
	2016	2015
	Number	Number
Academic	103	123
Research	8	8
Support	169	147
Manual	48	54
	328	332

NOTES TO THE FINANCIAL STATEMENTS (continued)**6 Staff costs (continued)****Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation paid to key management personnel.

	Group/ University 2016 £000	Group/ University 2015 £000
Key management personnel compensation	1,239	1,227
	1,239	1,227

Council members

Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of Council, being drawn from local public and private sector organisations, it is inevitable that transactions may take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures. There were no such related party transactions in the year (2015: none)

3 members of council have received honoraria from the University during the year, totalling £10,000 (2015: £10,000).

The total expenses paid to or on behalf of the council members in the year was £1,421 (2015: £4,639). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events in their official capacity.

7 Other operating expenses

	Group 2016 £000	University 2016 £000	Group 2015 £000	University 2015 £000
Other operating expenses include:				
Residences and catering	1,143	1,204	1,335	1,396
Research grants and contracts	201	201	197	197
Scholarships, bursaries and prizes (excluding funded scholarships)	826	826	521	521
Books, periodicals and electronic resources	173	173	167	167
Heat and light (excluding residences)	207	207	227	227
Repairs and maintenance (excluding residences)	1,051	1,051	647	647
Invoiced labour costs	2,379	2,379	2,047	2,047
Grants to Students Union	100	100	100	100
Grant to Alumni Association	2	2	-	-
External auditors remuneration in respect of audit services	35	35	51	51
External auditors remuneration in respect of non-audit services	25	25	31	31
Other	6,329	6,299	5,194	5,180
	12,471	12,502	10,517	10,564

NOTES TO THE FINANCIAL STATEMENTS (continued)**8 Interest and other finance costs**

	University/ Group 2016 £000	University/ Group 2015 £000
On bank loans repayable wholly or partly in more than five years	180	202
Finance lease interest	6	9
	186	211

9 Analysis of expenditure by activity

	Group 2016 £000	University 2016 £000	Group 2015 £000	University 2015 £000
Academic and related expenditure	16,207	16,207	14,384	14,384
Administration and central services	7,853	7,809	6,680	6,665
Premises	2,660	2,660	2,574	2,574
Residences and catering	2,576	2,637	2,602	2,665
Research grants and contracts	479	479	781	781
	29,775	29,792	27,021	27,069

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

10 Fixed assets

<u>UNIVERSITY</u>	Freehold land	Freehold buildings	Equipment	Assets in course of construction	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 January 2016	5,142	23,074	9,095	336	37,647
Additions	-	54	1,196	541	1,791
Transfers	-	-	(91)	91	-
Disposals	-	-	-	-	-
At 31 December 2016	5,142	23,128	10,200	968	39,438
Accumulated depreciation:					
At 1 January 2016	-	7,574	4,447	-	12,021
Charge for the year	-	455	1,003	-	1,458
Disposals	-	-	-	-	-
At 31 December 2016	-	8,029	5,450	-	13,479
Net book value:					
At 31 December 2016	5,142	15,099	4,750	968	25,959
At 31 December 2015	5,142	15,500	4,648	336	25,626

NOTES TO THE FINANCIAL STATEMENTS (continued)**10 Fixed assets (continued)**

<u>GROUP</u>	Freehold land	Freehold buildings	Equipment	Assets in course of construction	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 January 2016	5,142	23,074	9,095	336	37,647
Additions	-	738	1,196	541	2,475
Transfers	-	-	(91)	91	-
Disposals	-	-	-	-	-
At 31 December 2016	5,142	23,812	10,200	968	40,122
Accumulated depreciation:					
At 1 January 2016	-	7,574	4,447	-	12,021
Charge for the year	-	469	1,003	-	1,472
Disposals	-	-	-	-	-
At 31 December 2016	-	8,043	5,450	-	13,493
Net book value:					
At 31 December 2016	5,142	15,769	4,750	968	26,629
At 31 December 2015	5,142	15,500	4,648	336	25,626

The market value of land and buildings is considered to be in excess of the carrying value. Assets held under finance leases had a net book value of £12,400. Depreciation of these assets in the year was £7,440.

11 Investments

University	University 2016 £000	University 2015 £000
Shares in subsidiary undertakings	700	-
Shares in CVCP Properties Plc at cost	23	23
Listed investments	2,962	-
Cash investment deposits	3,059	-
	6,744	23
Group	Group 2016 £000	Group 2015 £000
Shares in CVCP Properties Plc at cost	23	23
Listed investments	4,683	1,652
Investment properties	-	684
Cash investment deposits	4,277	248
	8,983	2,607

The University owns 0.54% of the issued ordinary share capital in CVCP Properties Plc, the company that owns the offices of Universities UK. There is no material difference between cost and net market value.

NOTES TO THE FINANCIAL STATEMENTS (continued)**12 Trade and other receivables**

	Group	University	Group	University
	2016	2016	2015	2015
	£000	£000	£000	£000
Amounts falling due within one year:				
Student receivables	1,652	1,652	1,525	1,525
Other trade receivables	234	230	583	582
Prepayments and accrued income	607	607	610	610
Amounts due from subsidiary companies (not consolidated)	24	24	24	24
	2,517	2,513	2,742	2,741

The amounts due from subsidiary companies relate to the limited companies incorporated in connection with the Bachelor of Business Enterprise teaching programme. These are unsecured interest free loans.

13 Creditors: amounts falling due within one year

	Group	University	Group	University
	2016	2016	2015	2015
	£000	£000	£000	£000
Bank loans	567	567	567	567
Student fees received in advance	10,375	10,375	10,972	10,972
Trade payables	841	841	806	806
Social security and other taxation payable	359	359	321	321
Other payables	1,503	1,502	1,086	1,090
Obligations under finance leases	11	11	5	5
Accruals and deferred income	1,157	1,157	842	842
	14,813	14,812	14,599	14,603

NOTES TO THE FINANCIAL STATEMENTS (continued)**14 Creditors: amounts falling due after more than one year**

	University /Group 2016 £000	University/ Group 2015 £000
Bank and other loans	4,589	5,179
Obligations under finance leases	6	20
	4,595	5,199

	University/ Group 2016 £000	University/ Group 2015 £000
<u>Bank and other loans</u>		
Repayable to Santander by October 2023	1,750	2,000
Repayable to Santander by January 2027	2,562	2,812
Repayable to Royal Bank of Scotland Plc by December 2030	844	934
	5,156	5,746
Less amounts falling due within one year	(567)	(567)
	4,589	5,179

Analysis of loan repayments

	University/ Group 2016 £000	University/ Group 2015 £000
Between one and two years	567	567
Between two and five years	1,700	1,700
After five years	2,322	2,912
	4,589	5,179

The Royal Bank of Scotland 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 Santander bank loan ending 2023 is split into:

- A fixed fund loan at 1.5% margin above the swap rate of 2.66% on £2,150,000: and
- A fixed fund loan at 2% margin above the swap rate of 2.66% on £850,000.

It is secured by legal charges over 22 residential properties.

The Santander £3 million bank loan ending 2027 is a fixed funds loan of £3,000,000 at 1.5% margin above a fixed swap rate of 1.72%. This loan is secured against the Chandos Road Building.

The three bank loans are repayable by instalments.

NOTES TO THE FINANCIAL STATEMENTS (continued)**15 Provision for liabilities and charges**

Pension provisions EBP	University/ Group 2016 £000	University Group 2015 £000
At 1 January	129	158
Additions	-	-
Utilised in the year	-	(29)
At 31 December	129	129
Pension provisions – obligation to fund USS pension deficit		
	University/ Group 2016 £000	University Group 2015 £000
At 1 January	1,221	857
Additions	-	364
Utilised in the year	-	-
At 31 December	1,221	1,221
Total pension provision	1,350	1,350
Other provisions		
	University/ Group 2016 £000	University Group 2015 £000
At 1 January	-	127
Increase in provision	117	-
Release to income and expenditure	-	(127)
At 31 December	117	-

NOTES TO THE FINANCIAL STATEMENTS (continued)**16 Endowment reserves**

Restricted net assets relating to endowments are as follows:

<u>2016</u>	Group Restricted Permanent £000	Group Restricted Expendable £000	Group Total Endowment £000	University Restricted Permanent £000	University Restricted Expendable £000	University Total Endowment £000
Capital	1,596	678	2,274	-	40	40
Accumulated income	151	150	301	-	-	-
Balance at 1 January	1,747	828	2,575	-	40	40
New endowments	2,558	-	2,558	2,558	-	2,558
Other reserves transfer	48	-	48	48	-	48
Investment income	50	20	70	17	-	17
Expenditure	(110)	(18)	(128)	(67)	-	(67)
Increase in market value of investments	498	56	554	398	-	398
At 31 December	4,791	886	5,677	2,954	40	2,994
Represented by:						
Capital	4,652	733	5,385	2,954	40	2,994
Accumulated Income	139	153	292	-	-	-
	4,791	886	5,677	2,954	40	2,994

<u>2015</u>	Group Restricted Permanent £000	Group Restricted Expendable £000	Group Total Endowment £000	University Restricted Permanent £000	University Restricted Expendable £000	University Total Endowment £000
Capital	1,596	1,009	2,605	-	43	43
Accumulated income	75	115	190	-	-	-
Balance at 1 January	1,671	1,124	2,795	-	43	43
New endowments	-	-	-	-	-	-
Other reserves transfer	61	-	61	-	-	-
Investment income	33	24	57	-	-	-
Expenditure	(35)	(331)	(366)	-	(3)	(3)
Increase in market value of investments	17	11	28	-	-	-
At 31 December	1,747	828	2,575	-	40	40
Represented by:						
Capital	1,596	678	2,274	-	40	40
Accumulated Income	151	150	301	-	-	-
	1,747	828	2,575	-	40	40

NOTES TO THE FINANCIAL STATEMENTS (continued)**16 Endowment reserves (continued)**

Analysis by type of purpose:

	Group	University	Group	University
	2016	2016	2015	2015
	£000	£000	£000	£000
Scholarships and bursaries	2,409	-	2,417	-
Research support	110	40	100	40
Prize funds	73	-	58	-
General	3,085	2,954	-	-
	5,677	2,994	2,575	40

Analysis by asset:

	Group	University	Group	University
	2016	2016	2015	2015
	£000	£000	£000	£000
Fixed assets	684	-	-	-
Investments	4,643	2,921	1,652	-
Investment properties	-	-	684	-
Current and non-current asset investments	277	-	-	-
Cash and cash equivalents (including investment deposits)	73	73	239	40
	5,677	2,994	2,575	40

17 Restricted reserves

Reserves with restrictions are as follows:

	Unspent Capital Grants		Donations/ Grants		2016 Total		2015 Total	
	Group	University	Group	University	Group	University	Group	University
	£000	£000	£000	£000	£000	£000	£000	£000
Balances at 1 January	5,067	5,067	173	102	5,240	5,169	5,575	5,826
New grants	-	-	-	-	-	-	-	-
New donations	3,000	3,000	200	277	3,200	3,277	151	173
Other reserves transfer	(48)	(48)	(8)	(8)	(56)	(56)	-	-
Investment income	59	59	-	-	59	59	-	-
Capital grants utilised	(254)	(254)	-	-	(254)	(254)	(254)	(254)
Expenditure	-	-	(230)	(191)	(230)	(191)	(232)	(576)
At 31 December	7,824	7,824	135	180	7,959	8,004	5,240	5,169

NOTES TO THE FINANCIAL STATEMENTS (continued)**17 Restricted reserves (continued)**

Analysis of donations by type of purpose:

	Group 2016 £000	University 2016 £000	Group 2015 £000	University 2015 £000
Scholarships and bursaries	77	116	32	58
Research support	106	142	77	71
Prize funds	1	2	-	2
General	3,016	3,017	42	42
	3,200	3,277	151	173

18 Total reserves

	Group 2016 £000	University 2016 £000	Group 2015 £000	University 2015 £000
At 1 January	20,051	17,416	19,912	17,384
Surplus for the year	8,192	7,891	139	32
At 31 December	28,243	25,307	20,051	17,416

19 Capital commitments

At the year end there were £444,422 of capital commitments outstanding in respect of contracts for future capital expenditure entered into by the University (2015: £129,252). The University's Council has authorised a capital budget for 2017 of £9,672k (2016: 5,972k).

20 Pension commitments

The Aviva Group Personal Pension Plan (GPP) and the NEST Auto Enrolment Scheme (AES) are defined contribution schemes, so no commitment exists beyond the employer's contractual contributions for each accounting period. The NEST scheme is a money purchase scheme contracted into the State Second Pension (S2P), which covers a small number of staff under auto enrolment.

However, the University of Buckingham Employee Benefits Plan (EBP) has defined benefit for those members with Guaranteed Minimum Pension rights, and the Universities Superannuation Scheme (USS) provides defined benefits and so entail long term liabilities, for which the University is ultimately responsible. The University accounts for the deficit of EBP's assets over liabilities and its share of USS's deficit. The latest actuarial information on each scheme is set out below.

The Universities' Superannuation Scheme

The Universities' Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which during 2016 provides benefits based on final pensionable salary. The assets of the scheme are held in a separate fund administered by the trustee, Universities' Superannuation Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)**20 Pension commitments (continued)**

The appointment of directors to the board of the trustee is determined by the Company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2014. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The next formal valuation of the scheme is due as at 31 March 2017.

At the 31 March 2014 actuarial valuation, the trustee put in place a recovery plan setting out the contributions required to remove the shortfall in the scheme.

The funding position has fluctuated since the 2014 formal valuation and the deficit has increased from £5.3 billion to £10.0 billion, using the same assumptions decided upon for the 2014 valuation.

With the scheme estimated to have a shortfall of £10.0 billion as at 31 March 2016, this is equivalent to a funding level (the ratio of assets to liabilities) of 83%.

	As at 31 March 2016 £bn	As at 31 March 2015 £bn
Liabilities	59.8	57.3
Assets	49.8	49.1
Surplus/ (shortfall)	(10.0)	(8.2)
Funding Level	83%	86%

The liabilities of £59.8 billion have been estimated with financial assumptions based on market conditions as at 31 March 2016 and take into account the revised benefit structure effective 1 April 2016 consistent with the 2014 valuation results.

Analysis of the movement in the deficit:

Deficit at 31 March 2014	£5.3 billion
Reduced expected future investment returns	£8.4 billion
Higher than expected actual investment returns	(£3.0) billion
Contributions paid versus cost of accrual	£0.4 billion
Actual pension decreases	(£1.1) billion
Deficit at 31 March 2016	£10 billion

At 31 March 2014 actuarial valuation, the Trustee put in place a recovery plan setting out the contributions required to remove the shortfall in the scheme.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Pension commitments (continued)

The USS scheme, being a private occupational pension scheme falls under the remit of the pensions Regulator. As such it is required to meet certain levels of funding.

The recovery plan introduced certain changes to the scheme:

- In 2015 employers were paying 16% of payroll and this is was increased to 18% from 1 April 2016. This included a provision for the correction of the past service deficit as at 31 March 2014.
- Final salary accruals ceased as at 31 March 2016. Benefits built up before this date were protected but going forward accrued benefits will be increased annually in line with CPI, rather than increases in final salary.
- All members will build up future defined benefits based on Career Revalued Benefits (CRB).

University of Buckingham Employee Benefits Plan

The last actuarial valuation of the scheme was prepared as at 6 April 2014. The valuation results indicated the scheme was 97% funded and the calculated shortfall of £13k was addressed by payments made during the course of the year.

The EBP is a defined contribution (money purchase) scheme which includes guaranteed minimum pension (GMP) benefits. The scheme started to wind up on 31 January 2008 when it operated on a contracted in basis. However, prior to 6 April 1997 the scheme was contracted out on a Guaranteed Minimum Pension (GMP) basis.

Those members with GMP benefits in respect of contracted out service prior to April 1997 have pensions payable from the scheme which must not be less than the GMPs specified in legislation.

The GMP rights mean the scheme provides a defined benefit.

The contributions for retirement benefits are invested with the Royal London – Mutual Insurance Society. On retirement the full proceeds of each members Individual Account are used to secure benefits in terms of the rules of the scheme, via the purchase of an annuity policy.

The EBP pension provision relates to potential payments to encourage a reduction in Scheme membership by way of Transfer Values or the purchase of annuities, where possible.

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 based on Scottish Life's buyout valuation at 6 April 2011 showed an overall value of £346,000 (2010: £453,703). This value exceeded the realisable value of the members GMP funds by £100,000 (2010: £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.

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 2016 of £129,000 (2015: £129,000) in respect of the liability and costs incidental to it.

NOTES TO THE FINANCIAL STATEMENTS (continued)**20 Pension commitments (continued)**

Cost to the University	Group/University	Group/ University
	2016	2015
	£000	£000
Contributions to USS	989	866
USS pension provision	-	364
Contributions to GPP	368	309
Contributions to AES	3	2
	<hr/>	<hr/>
Total pension cost for the year (note 6)	1,360	1,541

Contributions outstanding at the year end

	Group/ University	Group/ University
	2016	2015
	£000	£000
To USS	131	119
To GPP	87	33
To AES	1	-
Total outstanding	219	152

21 Related party transactions

Mr Brian Kingham, a member of Council made an unrestricted donation of £250k and a restricted donation of £40k in the year.

22 Subsidiary undertakings

The University of Buckingham is the ultimate parent, and produces the only consolidated financial statements for the Group.

From 14 January 2011 the University was in a position of deemed control over the University of Buckingham Foundation ('Foundation') a separate registered charity. The position of control arose due to resignation of independent trustees which meant that the majority of trustees on the Foundation were members of the University.

As there were no material transactions between 1 January 2011 and 14 January 2011, the University consolidated the assets, liabilities and results of the Foundation from 1 January 2011. The assets and liabilities of the Foundation on consolidation at 1 January 2011 were:

	£
Fixed Asset Investments	2,765,580
Current Assets	451,534
Current Liabilities	<u>(256,283)</u>
Net Current Assets	<u>2,960,831</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Subsidiary undertakings (continued)

Represented by unrestricted funds £178,516, Restricted funds £44,103 and Endowment funds £3,021,745. Cash within the foundation in current assets was £13,113.

A new subsidiary Medical Property Management Limited was incorporated in the year. The University of Buckingham owns 100% of the share capital.

Organisation	Principal Activity	Status
The University of Buckingham Foundation	Promotion of the charitable purposes of the institution	100% controlled
Medical Property Management Limited	Property management	100% controlled

The University owns one limited company, which was incorporated in connection with the Bachelor of Business Enterprise teaching programme. The University also has a minority (25%) 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 including these in the consolidated financial statements.