

# **THE UNIVERSITY OF BUCKINGHAM**

**Financial statements**

**for the year ended**

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## **CHAIRMAN'S STATEMENT**

2006 was a good year for the University. We came top of the National Students' Survey, we celebrated our 30<sup>th</sup> anniversary, student numbers continued to grow, and we reported a small

## VICE-CHANCELLOR'S PREFACE

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

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

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

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

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

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

**The accounts** For 2006 we report surpluses on both our Income and Expenditure Account (I&E) and our Cash Flow statement. These surpluses are modest, but, as the Chairman notes, many r

## VICE-CHANCELLOR'S PREFACE (continued)

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

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

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

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

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

**Law School** The Law School won the 2006 UK National Negotiation Competition. Our achievement was particularly impressive because, while our team was composed of undergraduates, the others consisted largely of postgraduates following advocacy courses. I thank Janice Denoncourt, Tom Durbin and Charlotte Walsh for all they did to bring about our victory. Since we won the 2006 Competition, we shall be hosting the 2007 National Finals at Buckingham. The Law School were also finalists in the 2006 Oxford University Press National Mooting Competition, having won the English Spm8u,



## VICE-CHANCELLOR'S PREFACE (continued)

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

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

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

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

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

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

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

**Dr TERENCE KEALEY**  
Vice-Chancellor

## **OPERATING AND FINANCIAL REVIEW**

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

The University of Buckingham is in many ways similar to other British universities. We are a Royal Chart



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

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



## OPERATING AND FINANCIAL REVIEW (continued)

### 4. Risks (continued)

#### Bologna

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

#### Financial control

As with any business there are potential risks to the integrity of financial assets and financial information. The primary safeguards are the staffing of the finance office and its financial procedures. These are complemented by the Finance and General Purposes Committee's oversight of budgeting and management reporting and the Audit Committee's rolling review of risk management procedures.

### 5. Operating performance and trends

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

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

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

Table 2 – student numbers by level of study

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



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

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

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

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

## OPERATING AND FINANCIAL REVIEW (continued)

### 6. Financial results (continued)

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

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

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

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

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

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

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

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

### **8. Fund raising**

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

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

### **9. Medical school**

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

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

## **STATEMENT OF CORPORATE GOVERNANCE**

### **General**

Whilst the University, being a corporation formed by Royal Charter, does not fall within the regulation of the London Stock Exchange, the Council is satisfied that the University has

## MEMBERS OF COUNCIL AS AT 6 JUNE 2007

**Ex officio members:**

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

**Appointed members:**

Two appointed by the  
Privy Council:

Sir John Brigstocke (Chairman)  
Mr J P Cunningham

Three nominated by the  
Academic Advisory Council:

Professor M Smith  
Professor G Cohen  
Professor D R Myddelton

Up to two appointed by  
Buckinghamshire County Council:

Mrs M Clayton  
Mr D Polhill

Up to 16 appointed by  
co-option

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

Two members of  
Convocation:

Two vacancies

Five nominated by  
Senate:

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

Two elected from the non-  
teaching staff:

Mr M Day  
Mrs D Millns

Two elected from the

One graduate student elected by the graduate students

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

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

The Council keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the annual financial statements give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

suitable accounting policies are selected and applied consistently;

judgements and estimates are made that are reasonable and prudent;

applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Council has taken reasonable steps to:

ensure that there are appropriate financial and management controls in place to safeguard the assets of the University and prevent and detect fraud;

secure the economical, efficient and effective management of the University's resources and expenditure.

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

clear definitions of the responsibilities of, and the authority delegated to, heads of academic



**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University at 31 December 2006, and of the surplus of income over expenditure and the cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions.

PricewaterhouseCoopers LLP

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### 1 Basis of accounting

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

The University owns eight limited companies, two of which have not traded in the year. The other six have been incorporated in connection with the Bachelor of Business Enterprise teaching programme. However, none of them have income, expenditure, assets or liabilities that are material to the University. No value is seen in preparing consolidated accounts.

### 2 Recognition of income

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

Income from research contracts is included to the extent of the expenditure incurred during the year, together with any related recovery of overhead costs which can prudently be recognised. Where it is foreseen that a loss will be made on a contract, the value of the loss is included as a charge in the accounts.

### 3 Donations

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

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

### 4 Pension Schemes

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

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

## **STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)**

### **4 Pension Schemes (continued)**

The EBP is a defined contribution scheme. Pension costs are accounted for by charging against income the amount of employer's contributions payable to the pension scheme in respect of the accounting period. There are, however, Guaranteed Minimum Pension liabilities in respect of periods of membership prior to 6 April 1997. The adequacy of the scheme's funding is confirmed by qualified actuaries on the basis of triennial valuations. In addition the scheme's actuary reports on the funding of the scheme at the TfBnv3.6-5.5(y)pls a2475 TD-nwg of uiOT





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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Tuition fees

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

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

### 2 Income from fund raising activities

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

### 3 Employee information

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

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

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

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

The salary paid to the Vice-Chancellor was £114,470 (2005: £111,670). Pension contributions amounted to £16,026 (2005: £15,635). In addition, the Vice-Chancellor is required by his contract of employment to live in a house provided by the University, for which no taxable benefit accrues.

No other members of staff earned more than £70,000 (2005: one in the range £90-95,000).

**4 Other operating expenditure**

The total includes expenses incurred on:-	<b>2006</b>	2005
	<b>£000</b>	£000
Residences and catering	<b>448</b>	433
Research grants and contracts	<b>300</b>	280
Scholarships, bursaries and prizes	<b>420</b>	416
Books, periodicals and electronic resources	<b>126</b>	121
Heat and light (excluding residences)	<b>228</b>	162
Repairs and maintenance (excluding residences)	<b>147</b>	121
Grants to Students Union	<b>30</b>	

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6 Analysis of expenditure by activity

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

### 7 Tangible fixed assets

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



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

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

**17 Analysis of changes in cash**

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

**18 Capital commitments**

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

**19 Pension commitments**

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

**Universities Superannuation Scheme**

The latest actuarial valuation of the scheme was at 31 March 2005. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date.

It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****19 Pensions commitments (continued)**

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

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

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

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

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

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

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

**Cost to the University**

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

**20 Related Party Transactions**

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