



# **The University of Buckingham**

**Annual Report & Financial Statements  
For the year ended 31 December 2019**

**Registered Charity Number 1141691**

# **Annual Report & Financial Statements**

## **For the year ended 31 December 2019**

### **TABLE OF CONTENTS**

TABLE OF CONTENTS.....	2
LEGAL AND ADMINISTRATIVE INFORMATION.....	3
MEMBERS OF COUNCIL.....	4
VICE-CHAIR'S STATEMENT .....	5
VICE-CHANCELLOR'S STATEMENT .....	7
TRUSTEES' REPORT ("STRATEGIC REPORT").....	9
STATEMENT OF RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL IN RELATION TO THE FINANCIAL STATEMENTS.....	28
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL.....	30
INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE UNIVERSITY OF BUCKINGHAM.....	34
GROUP AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME.....	38
GROUP AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES .....	39
GROUP AND UNIVERSITY STATEMENTS OF FINANCIAL POSITION .....	41
GROUP CASH FLOW STATEMENT .....	42
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES.....	43
NOTES TO THE FINANCIAL STATEMENTS .....	68

## **LEGAL AND ADMINISTRATIVE INFORMATION**

### **Corporate Status**

The University of Buckingham (the "University") is incorporated by Royal Charter, number RC000730. The University is a Registered Charity, number 1141691.

### **Principal place of business**

The University of Buckingham  
Yeomanry House  
Hunter Street  
Buckingham  
MK18 1EG

### **Independent auditors**

PricewaterhouseCoopers LLP  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

### **Bankers**

National Westminster Bank plc  
Stony Stratford Branch  
80 High Street  
Stony Stratford  
Milton Keynes  
MK11 1AJ

## MEMBERS OF COUNCIL

### The composition of the Council

Pursuant to Statute 15, the Council shall comprise ex-officio members, independent members and elected members. We acknowledge occasional gaps between resignations and appointments provided governance oversight.

#### (a) Ex officio members

The Chancellor	Dame Mary Archer (appointed 24 February 2020) Lady Tessa Keswick (resigned 1 February 2020)
The Chair of Council	Mr Mark Rawlinson (appointed 1 December 2021) Mr Rory Tapner (resigned 30 November 2021)
The Vice-Chair of Council	Professor John McIntosh CBE (resigned 12 October 2020) Professor Joe Harrison (an existing appointed Council member, who was appointed as Vice-Chair 22 February 2021)
The Treasurer	Mr Mohammad Syed
The Vice-Chancellor	Professor James Tooley (appointed 1 October 2020) Sir Anthony Seldon (resigned 30 September 2020)
Pro Vice-Chancellor x 2	Dr Jane Tapsell (resigned 10 March 2020, reappointed 12 June 2020) Professor James Tooley (appointed to Council 10 March 2020) Professor John Clapham (resigned 31 May 2020)
The President of the Students' Union:	
Ms Caitlin Botha	(appointed 1 January 2022)
Mr Kristoffer Sheard	(appointed 1 January 2021, resigned 31 December 2021)
Ms Daria Ermolenko	(appointed 20 March 2020, resigned 31 December 2020)
Mr Robindra Banerji	(appointed 28 August 2019, resigned 20 March 2020)
Mr Edward Dolley	(appointed 6 March 2019, resigned 28 August 2019)
Ms Boluwatife Ishola	(appointed 29 August 2018, resigned 6 March 2019)

#### (b) Appointed members

No fewer than six and no more than ten additional lay members of the Council who are not employees of the University, as may be nominated and appointed by the Council:

Mr Nick Hillman	
Ms Penny Jones	
Mr Mark Rushton	
Professor Alan Smithers	(appointed 15 January 2019)
Mr Stephen Rubin QC	(appointed 13 August 2019)
Mrs Milly Soames	(appointed 7 January 2020)
Rt Hon Brandon Lewis MP	(resigned 16 April 2019)
Dr Ann Limb CBE	(resigned 24 June 2019)
Dr Keith Bothongo	(appointed 27 April 2021)
Mr Christopher Hollis	(appointed 26 July 2021)

#### (c) Elected members

Three members of the Senate elected by that body from among its elected members:

Dr Jacqueline O'Dowd	(appointed 14 September 2020)
Professor Adolfo Paolini	(appointed 14 September 2020)
Mr Hongbo Du	(appointed 14 September 2020)
Dr Patricia Covarrubia	(resigned 25 November 2020)
Dr Kenny Langlands	(resigned 31 July 2020)
Dr Claire Stocker	(resigned 3 September 2020)

One member of the non-academic staff to be elected from among their own number:

Mr Callum Roberts	(appointed 25 November 2020)
Mr Chris Payne	(resigned 25 November 2020)

## VICE-CHAIR'S STATEMENT

As I write a brief overview for our 2019 Financial Statements, I do so in the knowledge that the year that followed was more than an *annus horribilis*. 2020 was the year that for so long had been predicted by those who look for Black Swans and events that are sometimes beyond our imagination.

It was a year in which all parts of the globe suffered. It will, however, now be the responsibility of those most developed economies to remember that they have a duty to broader mankind than just their own backyard. I believe that we learned and started to move towards a more caring and forgiving society, but we concentrated on those nearest to our own front door. Recovery will take time, and the long term consequences of the debt burden assumed by Governments can only be unwound over many years, perhaps decades. This will be a huge test of our humanity and require a willingness to look beyond our shores.

With this in mind, the University of Buckingham has continued to be a seat of Higher Education whose doors will remain open to all comers from all over the world. We thrive on a diverse population, whether it be our student population, our academic colleagues or professional services teams. We cherish our independence, but need still to give meaning to that independence. Our commitment to free speech and thinking continues, as it does in all universities, but at the University of Buckingham it is a way of life.

During the course of 2020, a number of Governance issues were raised by the Charity Commission which encouraged us to examine our operating procedures across all aspects of the University. These included the functioning of Council, Senate and some executive roles. The result of our internal investigations has led to changes being recommended to Council and Senate to improve accountability and increase the clarity of segregation of responsibilities. These recommendations have been accepted in full and in most cases have already been implemented. A new Charter and set of Statutes was presented to Senate and Council, and has subsequently been approved by the Privy Council. In addition a comprehensive set of Ordinances and new Schemes of Delegation have also been approved and are now being implemented.

The result of these changes will significantly improve the strategic and day-to-day operations of the University, increasing accountability, and transparency. We pay tribute to our former Vice-Chair of Council, John McIntosh CBE, for his considerable personal commitment, which led to a series of recommendations being implemented in these important areas.

The 2019 Financial Statements are being presented significantly later than we, or the Office for Students, would have liked. The reasons for the delays are numerous and complex, including resourcing issues caused by Covid. However, it would be wrong to blame Covid for everything. We had concerns about financial controls and risks of financial misreporting which, after a lengthy investigation, has allowed us to present this set of Financial Statements. We reviewed everything with great care, including the activities of certain former employees and financial transactions more widely.

The delay in presenting the 2019 Financial Statements has delayed the submission of the 2020 and 2021 Financial Statements as a consequence. Naturally, we will be doing everything we can to accelerate their production.

## VICE-CHAIR'S STATEMENT (continued)

The results of the time delay, and the depth of investigation, has meant we have chosen to perform an extremely thorough review of the accounting treatment of various items in these financial statements. We have had to make a number of large accounting provisions, for example in relation to the lease of the Crewe campus. However, we are renegotiating these contracts with a view to a significant reduction in lease costs that will thereafter allow us to release some of these provisions. At the date these financial statements were signed, financially onerous provisions relating to our joint venture exist. Accordingly, we have made appropriate financial provision. Our core operating results are the best indicator of our trading during 2019.

Our Council was thrilled to have appointed James Tooley as our Vice-Chancellor in 2020, from within our own senior team of academics. James will continue to guide the University of Buckingham as we emerge from the relentless challenges of the recent past and current, to a more prosperous future in 2022 and beyond.

In 2021, our Council met on more occasions than it would in any normal year. I thank all our Council members for their time and energy, and continued support of a special and unique University.

Rory Tapner stood down as Chair of The University of Buckingham Council on 30 November 2021, after five years in this role. I wish to record the Council's warm appreciation of Rory's dedicated service to our University. I am therefore writing this report as the Vice-Chair and a current Council member who has served since before the start of the accounting basis period for these financial statements. Mark Rawlinson was appointed as Chair of Council on 1 December 2021. My fellow Council members and I warmly welcome Mark and look forward to working with him on the continued delivery of robust governance in the years to come.



**Professor Joe Harrison**  
**Vice-Chair of Council**

## VICE-CHANCELLOR'S STATEMENT

I took over as Vice-Chancellor on 1 October 2020, in the middle of global upheaval with lockdowns and quasi-lockdowns dominating our concerns. But I am writing this knowing that we have come out of a particularly difficult period for the University and for the world at large, and that we are poised for much better times ahead.

Clearly, as our Vice-Chair of Council, Joe Harrison, observes, these 2019 Financial Statements are being published considerably later than we or our regulators would have liked. There have been a multitude of reasons for this, including difficulties caused by the global pandemic, but also the other reasons noted in the Vice-Chair's Statement.

These Financial Statements make for difficult reading, in particular the very significant accounting provisions we have had to make relating to the Crewe campus. These provisions may reduce significantly if there is successful renegotiation of the terms of our occupancy there. Our student numbers have recovered very well as we exit from the difficult experience of the pandemic. We are one of the universities leading the return to fully face-to-face teaching and learning. As our Vice-Chair has pointed out, we took great care to address governance issues that came to light and continue to do so.

*The Sunday Times'* "Good University Guide 2022" shows the positive trajectory on which the university is embarked. It is gratifying to see the University back in the top 100 – we have climbed nearly 20 places to joint 89<sup>th</sup> this year, compared to 108<sup>th</sup> in the 2021 Guide. On two particularly important categories, "Best for Jobs" and "Teaching Quality", we are doing exceedingly well. We are ranked 6<sup>th</sup> (out of 132) in the "Best for Jobs" category, just below Oxford and Cambridge and above Bath and Warwick. This shows how readily our graduates can get graduate-level employment. We are also comfortably in the top 20 for Teaching Quality (ranked 12<sup>th</sup>).

Restrictions on free speech in British universities has been a big concern to many, which has led to the Government introducing the Higher Education (Freedom of Speech) Bill in Parliament earlier this year. The University of Buckingham has always been at the forefront of thinking here. We are strongly opposed to "cancel culture" and "non-platforming". In 2020, we were placed in the top group for its culture of academic liberty and protection of freedom of speech by the London-based think-tank, *Civitas*. The University fosters an open environment in which arguments are assessed on their intellectual merits, rather than their conformity with academic fashions – and we will continue this resolutely in 2022 and beyond.

There have been many changes at the University of Buckingham during in the past three years. These have taken place against the backdrop of the extraordinary events across the world. In Spring 2020, the first lockdown was introduced in England in response to the coronavirus (Covid-19) pandemic; lockdowns and quasi-lockdowns dominated much of what we have done since, making this a particularly unusual period for our students and our community.

Our University adapted quickly to the new circumstances, moving all of our teaching, learning and assessment online, and hosting virtual and socially distanced events for students. The Estates and Student Welfare team implemented changes across campus to make all our facilities Covid-safe and supported the well-being of those on and off-campus. However, as soon as government regulations allowed, we re-introduced face-to-face teaching where possible, beginning with a hybrid, blended learning model for our students, and progressing further.

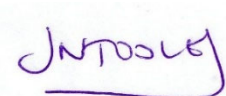
## VICE-CHANCELLOR'S STATEMENT (continued)

Many universities came under scrutiny in the media for their approach to accommodation charges during the lockdowns. We quickly decided that students should have fees refunded for rooms unused for any Covid-related reasons, and this policy continued thereafter.

Despite 2019 being a challenging year, our student numbers have been maintained year - on year, and stand at around 3,000 students as at early 2022. Applications to study continue to be strong as we exit the pandemic, although our mix of students appears to be changing, with more postgraduates in general and fewer undergraduates, apart from in Medicine. In June 2019 we were delighted that the first students graduated from our new Medical School (part of our new Faculty of Medicine and Health Sciences). It has gone from strength to strength since, including recruiting students to the campus at Crewe, in partnership with the Indian group, Apollo Hospitals.

There were some important changes during 2020. Sir Anthony Seldon announced his planned departure as Vice-Chancellor in March 2020, leaving at the end of September 2020. The University thanks Sir Anthony for his five years in office. In February 2020, Dame Mary Archer became our new Chancellor, succeeding Lady Tessa Keswick. I wish to put on the record my deep thanks for all Lady Keswick did for the University during her time of office and thanks to Dame Mary too for all she has done since taking over. John McIntosh CBE, Vice-Chair of Council, also stepped down in 2020, and I want to thank him for his commitment to Buckingham over the years.

Rory Tapner extended his time in office as Chair of Council to afford continuity during this difficult period and stepped down on 30 November 2021. Again, I thank Rory for all his tremendous work that he has done for the University, and especially for the personal support he has given me throughout my time here. I look forward to working with our new Chair of Council, Mark Rawlinson, in the years to come.



**Professor James Tooley**  
**Vice-Chancellor**



## TRUSTEES' REPORT ("STRATEGIC REPORT")

The Trustees' Report ("Strategic Report") represents the strategic review for the Group and University.

### Corporate Status

The University of Buckingham was incorporated by Royal Charter on 11 February 1983. Prior to that, the University College at Buckingham was founded in 1973 and admitted its first students in 1976. During 2021 the University undertook a comprehensive review of its corporate and academic governance. The review led to substantive revisions to the University's Charter and Statutes, the revised documents being ratified by the Privy Council on 28 April 2021, as well as the development of the University's Ordinances, Scheme of Delegation and associated committee Terms of Reference.

The University is not-for profit and is a Recognised Body under Statutory Instrument No.2992 (The Education (Recognised Bodies) (England) Order 2013); it is authorised by its Royal Charter to award taught and research degrees in perpetuity.

The University is registered with the Office for Students (OfS) in the Approved provider category. Approved higher education providers (HEPs) differ from Approved (Fee Cap) HEPs in being able to levy uncapped tuition fees for undergraduate degrees but with the caveat that students at Approved providers can only access student loan funding to the lower limit (currently £6,165 per annum for three-year programmes and £7,400 per annum for two-year programmes). As an Approved provider, the University is unable to access any direct government funding for learning & teaching, research or capital activity; even so, with the exception of the Access and Participation Plan, the University remains subject to the full suite of OfS Conditions of Registration.

The University group financial statements include two subsidiaries, being Medical Property Management Ltd and The University of Buckingham Foundation. The latter is a charitable trust whose purpose is to advance education, in particular supporting and promoting the education of students at the University, and to promote research into academic and scientific fields of learning. Financial statements of these entities can be obtained from the University's principal place of business, which is: The University of Buckingham, Yeomanry House, Hunter Street, Buckingham MK18 1EG.

### Charitable objects

As codified in the University's statutes, these are the advancement of learning and knowledge by teaching and research, and to enable students to obtain the advantages of university education.

The Trustees have had due regard to the Charity Commission's guidance on public benefit during their stewardship of the University's activities.

In particular, the Trustees have taken care to:

- a. Make strategic decisions that further the charitable objects;
- b. Maximise public benefit to significant numbers of beneficiaries who are local to Buckingham, as well as more widely;
- c. Manage and mitigate risks to our beneficiaries and to the University itself.

Later in this Strategic Report, in particular within sections describing our activities relating to Learning and Teaching, Research, and Scholarships and Bursaries, we have illustrated how public benefit has been achieved.

## **TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)**

### **Buckingham's distinctive position**

The University was an early innovator, pioneering the accelerated two-year honours degree some 40 years ago. This is a cost-effective route for students to spend less on tuition and living costs than if they were taking a three-year degree, and enter employment a year earlier if they wish, or leave after three years with a Master's degree. The three-year honours degree option is of course also available.

A suitable motto is "Small is Beautiful": The University of Buckingham prides itself on the close personal attention afforded to its students, with small group tutorials the most important part of its teaching. The small size of the campus and the town also promote the sense of personal attention.

We have held a number of events open to the public, as well as our staff and students, at University premises, such as lectures and music concerts. It has been a pleasure to welcome members of the local community to these. We will continue to host such events whilst being mindful of Covid safety requirements.

### **Staff**

At the 2019 year-end we had 399 full time equivalent members of staff (2018: 384), comprising 184 academic (2018, re-presented: 132), 17 research (2018, re-presented: 4), 165 support (2018: 200) and 33 manual staff (2018: 48), who are all committed to supporting our students as individuals.

### **Learning and teaching**

The founders of the University were driven by a desire to cultivate an institution that was rigorously independent; this ethos has underpinned three striking features of the University's provision:

1. the pioneering of an eight-term (two-year) accelerated undergraduate degree;
2. an early focus on the student experience; and
3. a resourcing model in which academic staff teach for three out of the four terms, with the remaining term given over to research, external engagement and programme review, that ensures the availability of senior and permanent teaching staff throughout the full calendar year.

Whilst keeping a keen eye on affordability, the University sets fee levels that fund a high-quality academic experience, incorporating personalised learning and pastoral support, enabling students to thrive. The University's robust academic and personal tutorial systems have been integral to the University's results in the Teaching Excellence Framework (TEF) – in which the University attained Gold in June 2017.

The University aims to ensure that all students feel as though they are stakeholders in their University and that it revolves around them rather than the other way around. As such, the University places a very high value on the staff-student partnership: students are represented on academic committees at every level and their feedback, both formal (via satisfaction surveys) and informal, is sought on both the University's courses as well as the wider learning environment. Feedback is discussed with the University Executive team and appropriate actions are taken as warranted.

## **TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)**

The University's student body is diverse, with substantial differentiation across all five demographic criteria. Female students form the majority, with approximately 2 in 5 from BME backgrounds, 1 in 5 declaring a disability, and 4 in 5 mature-aged (21+). The student body comprises 105 nationalities with the largest numbers coming from the UK (70%). The remaining 30% are drawn from Nigeria, China, Indonesia, the United States, Canada, Pakistan, Germany, Iraq and Japan.

Based on HESA returns, our student to academic teaching staff ratio in 2019 was 17.1:1 (2018: 17.5:1).

### **Collaborative Partners**

The University validates and in some cases franchises academic programmes and/or the learning & teaching of selected institutions within the UK and overseas. Whilst such activities are increasing, such collaborations create payment and reputational risks for us. Therefore, we apply suitable due diligence and contractual arrangements with prospective new academic partners.

### **Research**

Like other British universities, an important part of our intellectual mission is for our academics and graduate students to contribute to research and scholarship. Areas of growth and investment in Buckingham include: Artificial Intelligence, Educational Research, Entrepreneurship, Diabetes, Medical Education, Modern History, Public Understanding of Economics and Entrepreneurship and Quantum Biosciences. As an independent university, Buckingham is not required to participate in the Government's Research Excellence Framework. On the agenda for the 2022 is to regain Independent Research Organisation (IRO) status, to allow the University to bid for UK Research and Innovation (UKRI) grants in its own right. In principle, we expect research income to cover its related direct costs because we do not receive "core" research funding from UK Research and Innovation (UKRI) or other national research funding bodies.

## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### Scholarships and Bursaries

The University's Scholarships and Bursaries programme is an important part of assisting students to benefit from a University education. Our bursary awards are available to all undergraduates and postgraduates who meet the general entry requirements. Awards 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. Students or their sponsors have to meet any maintenance costs. However, living near Buckingham and the degree programme being completed in two years rather than three elsewhere, makes studying much more financially viable.

The University of Buckingham Foundation has total assets less current liabilities of £4.5 million at 31 December 2019 (2018: £4.7 million), which are only available for the benefit of the University and are subject to the terms of the Foundation's trust deed. At 31 December 2019, £3.3 million (2018: £3.1 million) of these funds are available for scholarships and bursaries, grants and other projects.

In the year, the University awarded total scholarships, bursaries and prizes of £1.4 million (2018: £1.4 million). These scholarships and bursaries include funded, named scholarships from the Foundation of £503,000 (2018: £371,000). These are recorded within Curriculum costs, itself within Other operating expenses.

The University is keen to increase participation within higher education in Buckingham and the local area, especially for those potential students who may find that going away to study is too expensive. Two specific methods of student support are offered to potential students; the Buckingham Bursary aimed at students in receipt of a maintenance loan and the High Achievers Scholarship, aimed at UK students achieving AAB or above at A-level and who make Buckingham their first choice. A maintenance loan bursary can be combined with a High Achiever scholarship.

As an independent university operating under the terms of Student Finance England, Buckingham undergraduate UK/EU students are entitled to a £6,165 tuition fee loan per year. This is lower than the £9,250 fees for state-funded universities. However, maintenance loans are awarded in the same way as any other university.

Buckingham's fast-tracked two-year degrees mean that our students complete their degrees sooner and can be out in the workforce up to a year earlier than graduates emerging from a traditional three-year degree programme.

## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### Financial Summary

The University recorded a deficit for the year of £19.8 million (2018, restated: surplus of £7.1 million) and a Group deficit of £17.5 million (2018, restated: surplus of £6.4 million).

*The main features of the year compared with the prior year:*

- Undergraduate tuition fee income increased by £2.5 million, 11% higher, with continued strong growth in the Medical School.
- Validation income from our collaborations continues to grow, up 37% to £1.2 million.
- In 2018, the Group and University Statements of Comprehensive Income benefited from £7.1 million of donations and capital grants toward the Vinson Centre for the Public Understanding of Economics and Entrepreneurship.
- Postgraduate income fell from both Home (i.e. United Kingdom) and International students, by a total of £1.5 million at group level, due to the discontinuation of an academic programme of study and the reorganisation of the Education school.
- Staff costs (excluding USS pension costs) increased by £1.7 million at Group level, 9% higher, as the University invested to improve the capability and capacity of support functions.
- The Crewe campus opened to provide growth capacity for Medicine and Allied Health Sciences programmes, with our first students having started their studies there in September 2019.
- A significant, £1.9 million, increase in provision to reflect our share of future liabilities in the USS pension scheme, in common with the wider higher education sector. This is explained further at Notes 17 and 22.
- Another significant provision totalling £6.4 million was booked, relating to the Crewe campus to recognise an onerous lease. Note 17 provides further details.
- The Group holds £2.7 million of funds held in escrow relating to the financial guarantee contract connected with Booth Hall student accommodation. The funds were placed in escrow to cover a financial guarantee contract of the same value, which is held within Provisions in these financial statements. The financial guarantee relates to the level of student accommodation income from the Booth Hall student residences at the Crewe campus. Notes 14 and 17 provide further details.
- An impairment of £2.0 million to tangible assets, further to a valuation by independent third-party advisers.
- Cash balances improved with the drawdown of a new £10 million loan, taken out to fund developments on our Buckingham campus. Group cash and cash equivalents of 31 December 2019 totalled £16.8 million, representing an increase of £4.2 million on the prior year.
- Bank and other loans amounted to £18.0 million at 31 December 2019.
- Exceptional items totalling £11.2 million (2018: £nil) are detailed at Note 10.

**TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)**

The University and Group headline results for the year to 31 December 2019 are as follows. There are ten prior year adjustments. Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies. A number of these prior year adjustments required complex adjustments through reserves.

	<b>2019 Group £000</b>	<b>2019 University £000</b>	<b>2018 Restated Group £000</b>	<b>2018 Restated University £000</b>
<b>Income</b>	<b>39,794</b>	<b>39,948</b>	<b>45,270</b>	<b>45,489</b>
Staff costs	(22,037)	(21,993)	(18,489)	(18,372)
Other operating expenses, plus interest and other finance costs	(22,435)	(22,320)	(18,033)	(18,028)
Depreciation and amortisation	(2,439)	(2,000)	(1,867)	(1,647)
Exceptional items	(11,176)	(14,021)	-	-
<b>Total expenditure after exceptional items</b>	<b>(58,087)</b>	<b>(60,334)</b>	<b>(38,389)</b>	<b>(38,047)</b>
Gain on disposal of fixed assets	9	9	-	-
Gains / (losses) on investments	806	549	(447)	(341)
<b>(Deficit) / surplus for the year</b>	<b>(17,478)</b>	<b>(19,828)</b>	<b>6,434</b>	<b>7,101</b>
Total net assets	20,164	13,753	37,642	33,581
Cash and cash equivalents	16,837	15,758	12,678	12,037

**Income**

Total income for the Group at £39.8 million in 2019 was noticeably below that of the previous year (2018, restated: £45.3 million), with tuition fee increases offset by a one-off capital grant in 2018.

Tuition fees represent 83% of total income. Income from tuition fees was £32.8 million (2018: £31.9 million), a 3% increase on last year. Undergraduate students continue to be the main source of tuition fee income: Full-time Home & EU Undergraduates comprise £14.3 million, being 44% of tuition income (2018: £12.7 million, 40%) and Full-time International Undergraduates comprise £10.7m, being 33% (2018: £9.8 million, 31%).

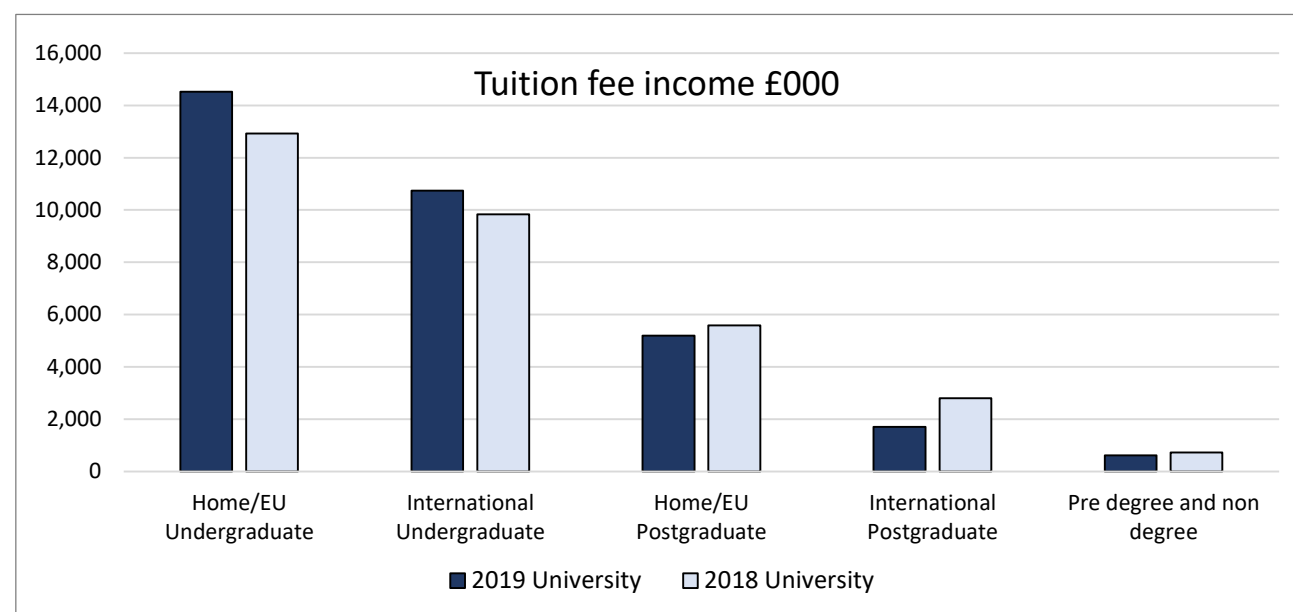
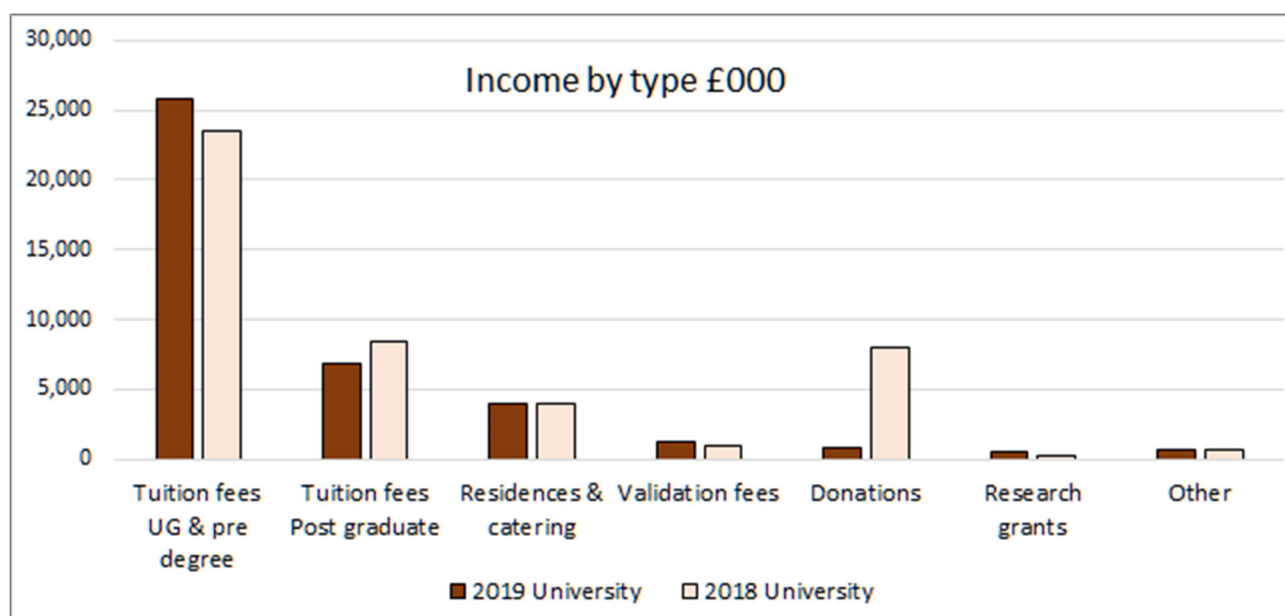
Undergraduate income improved in 2019 by £2.5 million (2018: £3.9 million) across both full-time UK and international students, being an 11% increase, due mainly to continued strong growth in the Medical School.

## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

Postgraduate income is £6.9 million, being 21% of tuition income (2018: £8.4 million, 26%). This fell by £1.5 million in 2019 (2018: increased by £0.1 million); this reduction was due to a fall in international students and particularly from the closure of a Postgraduate Certificate in Medicine course.

Residences and catering income on the Buckingham campus was unchanged at £3.9 million whilst our validation fees for programmes carried out by other parties increased by 37% to £1.2 million (2018: £0.9 million, a decrease of 13%).

At Group level, donation income in 2019 was £195,000 (2018: £7,653,000). This is a decrease of £7.5 million from previous year, arising principally because in 2018 the University received valuable capital grants.



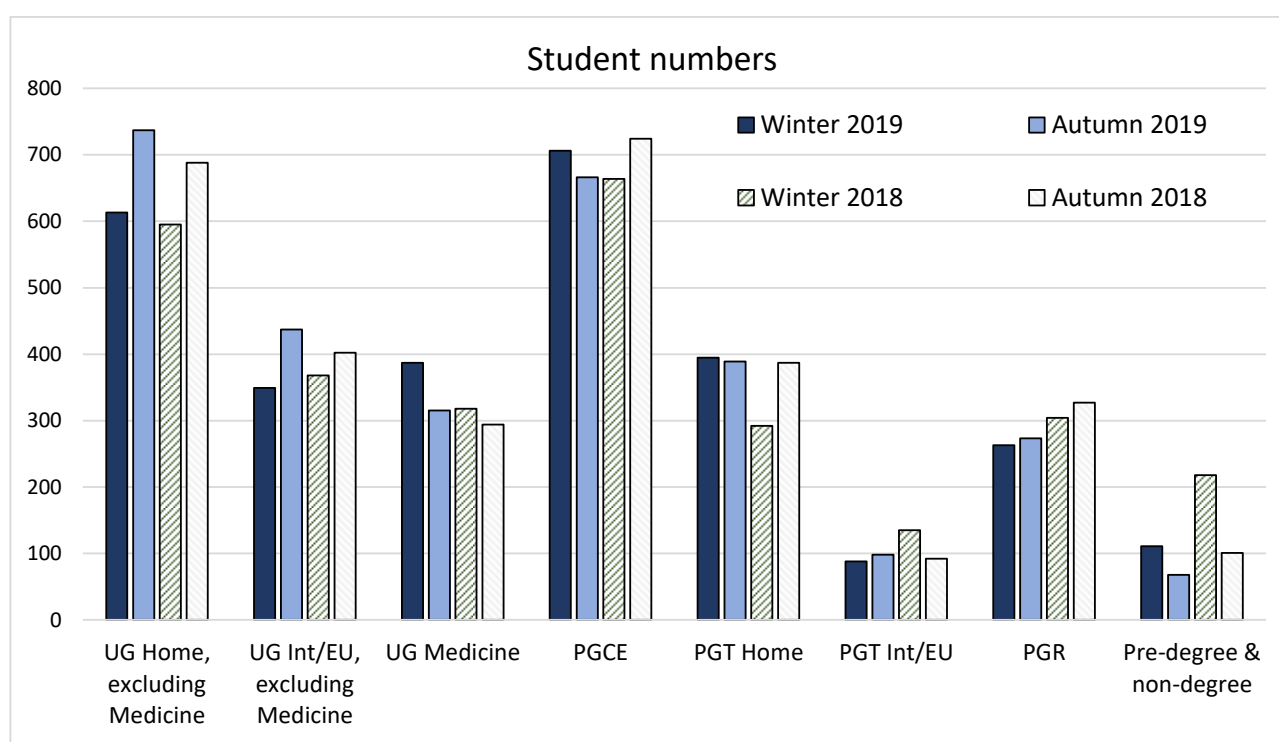
## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### Student numbers

Total student numbers (FTE) decreased slightly to 2,948 in 2019, down 0.2% from 2018. Home undergraduate (UG) students increased 5% from 2018 and remains the largest cohort across our whole student group. This increase offset a similar decline in UG International students. UG Medicine continues to show an improvement, as cohorts increase year on year.

Postgraduate taught (PGT) student numbers shows a similar trend to UG, with Home PGT numbers increasing, offset by a decline in International PGT. PGCE student numbers improved by 5%, as the School of Education implemented its reorganisation and introduced new leadership.

Note there are two intakes of new students every year. The terminology "Home" within the graphs above refers to UK students only.





## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### Expenditure

Group expenditure, before exceptional items, increased in 2019 by £8.5 million to £46.9 million; up 22% compared with the 5% underlying increase in income before endowments and donations. This includes an increase of £1.9 million in the provision for future liabilities due to the USS pension scheme. Particular items are:

- Staff costs (excluding USS pension costs) increased by £1.7 million being 9% higher than 2018. This includes £657,000 severance costs (2018: £252,000) arising from local restructuring to improve the efficiency of departments and prioritise future resources in other Schools/departments. Most of the remaining increase was in Professional Services as the University sought to improve its professional capability and capacity.
- Other operating costs increased by £4.3 million, up 25%. Our statutory audit costs and other professional fees for 2019, as disclosed in Note 7, were very significant at £1.9 million (2018: £0.1 million). This was attributable to the need to perform highly detailed investigations on a number of issues, plus the complexity of various technical accounting issues such as an onerous lease relating to the Crewe campus.
- The University continues to use scholarships and bursaries to improve its student recruitment, and to support students who would otherwise struggle financially to join Buckingham. The University spent £1.4 million on this support, (2018: £1.1 million).

There are a number of exceptional items in 2019 at Group level as detailed at Note 10:

- Crewe campus onerous lease provision of £6.4 million.
- The Group holds £2,671,000 of funds held in escrow relating to the financial guarantee contract connected with Booth Hall student accommodation. The funds were placed in escrow to cover a financial guarantee contract of the same value, which is held within Provisions in these financial statements. The financial guarantee relates to the level of student accommodation income from the Booth Hall student residences at the Crewe campus.
- Impairment of certain freehold land and buildings (the University's sites at Tingewick Road, Station Road, Ford Meadow) further to an external valuation, plus equipment and assets in the course of construction, by a total of £2.0 million.

Additionally, and within the University financial statements only, there is an impairment of £3.0 million to the carrying value of the University's investment in Medical Property Management Ltd.

## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### Key performance indicators

The University uses key performance indicators (KPIs) to monitor its performance.

	2019	2018
<b>KPIs covering academic performance of The University of Buckingham</b>		
Student satisfaction: National Student Survey data	89%	91%
Quality of teaching: National Student Survey data	87%	90%

These KPIs have remained relatively static between the two years above.

### KPIs covering financial strength of The University of Buckingham group

Cash and cash equivalents	£16,837,000	£12,678,000
External borrowing as a percentage of total income	45%	22%
(Deficit) / surplus for the year	(£17,478,000)	£6,434,000

The change in cash and cash equivalents, plus external borrowing as a percentage of total income, arises largely due to an additional bank loan of £10 million (which was repaid subsequently in 2021). The change in (deficit) / surplus for the year arises from a number of factors, including certain exceptional items, and is explained elsewhere in these financial statements.

### The University of Buckingham Foundation, a Group entity

Key matters are as below. Further details are provided within the Financial Statements of the Foundation.

Scholarships and other disbursements made in 2019 by the Foundation, in support of the University's activities, were £503,000 (2018: £371,000). These funded scholarships and the development of BSc Business Enterprise and Innovation courses. The costs of development of these courses was supported partly by the Klatten endowment.

The strong stock market performance in 2019 resulted in gains in the Foundation's investment valuations of £257,000, (2018: reduction of £106,000). This was a major contributor in reducing net outgoing resources to £159,000 (2018: £360,000).

### Statement of Financial Position

Net assets, when considered at the University level, decreased from £33.6 million to £13.8 million during the year. This was driven primarily by a number of non-cash items, being provisions and asset impairments as recorded in the Statement of Comprehensive Income.

During the year, the Group made additions to tangible assets of £1.8 million, mainly on estates improvements at the Buckingham campus.

The Vinson Centre for the Public Understanding of Economics and Entrepreneurship was opened officially in late 2018. The Statement of Financial Position was updated accordingly. The cost of £8.5 million (comprised of £8.1 freehold buildings and £0.4 million equipment) was funded largely by generous external funding. The building is used to pursue teaching, research and outreach activities,

## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

reflecting the continuing ethos of the classic liberal tradition at the University and will further enhance the University's historic partnership with the Institute of Economic Affairs.

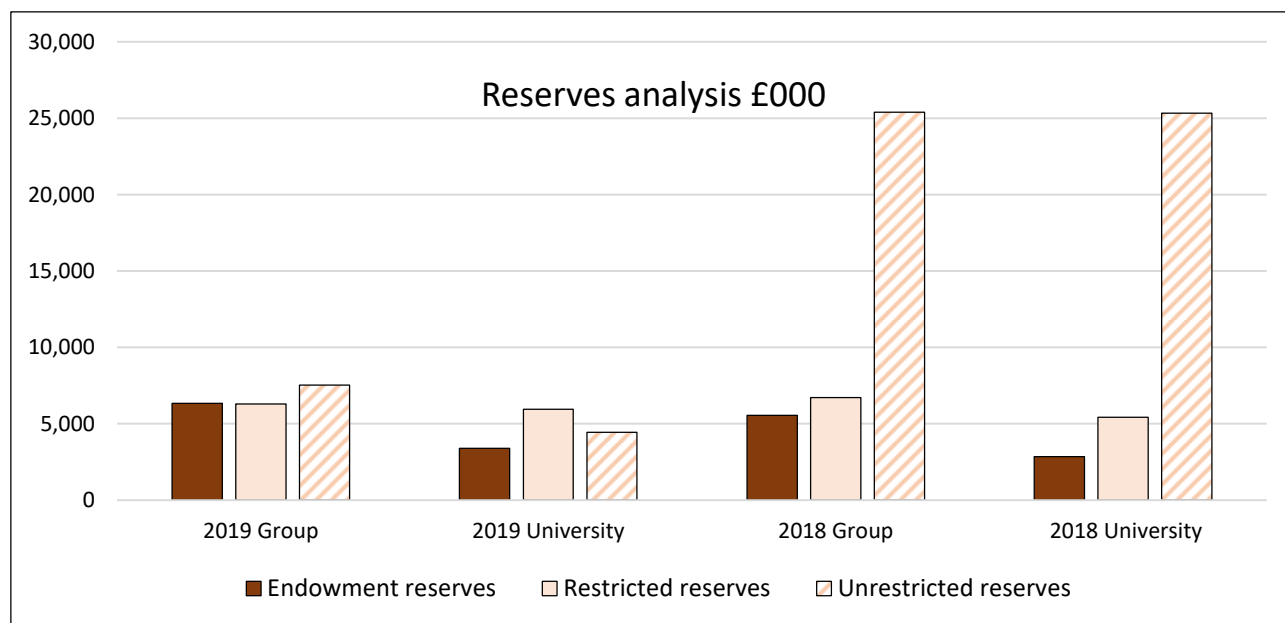
### Reserves

The Group aims to maintain an appropriate level of unrestricted reserves and cash resources for the following reasons:

- Market fluctuations may significantly impact the number of students attending University courses, as well as the mix of courses and students. The University gains most of its income from academic programmes and relies on reserves if there is a reduction in student numbers, whether permanent or temporary.
- 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 has commitments to its lenders to repay capital and interest on its borrowings.

The Group's unrestricted reserves declined significantly to a figure of £7.5 million in 2019, driven by the financial performance in this year as discussed elsewhere in these Financial Statements, compared to a figure of £25.0 million in 2018.

Over the course of the next five years, we expect our unrestricted reserves to return to and remain positive from new programme development that ensures student numbers remain healthy.



## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### Cash Flow and Financing

The University held liquid cash balances of £15.8 million at the year-end (2018: £12.0 million) an improvement of £3.8 million. This means that the University is in a strong position in terms of cash resources.

Group cash balances were £16.8 million (2018: £12.7 million).

During the year, we drew down a new £10.0 million loan from NatWest to fund developments on our Buckingham campus and for general operating purposes, supplementing our existing £8.0 million loan.

The University is taking steps to ensure that our cash position improves and that we generate sufficient surpluses to ensure funds for future investment. In particular, to provide high-quality teaching that attracts new students.

The University has taken a deliberate decision to implement, as far as possible, face-to-face teaching as we exit the pandemic, in order to provide a high-quality student experience. Early indications are that student numbers during 2022 are satisfactory, exceeding numbers from 2020, albeit 2022 enrolments are slightly lower than those for 2021.

The University forecasts to breach its bank covenants. The University would not have been compliant with bank covenants in 2020 and 2021 but the University received ongoing support from NatWest, which agreed to delay the measurement of the covenant so as not to trigger an event of default.

### Principal risks

The University considers its principal risks lie in the eight key areas below and has taken active steps to identify and mitigate these as well as other detailed operational risks. The University has limited exposure in respect of student from EU countries and from EU suppliers and therefore considers that Brexit is not a significant risk.

#### a. Financial

A number of financial risks have been elaborated on in later paragraphs of the financial statements. Financial risks, at the very worst case, could jeopardise the going concern status of the University. The University has taken steps to contain costs. In particular, there was a restructuring in 2020 that resulted in a significant number of staff redundancies. Also, as we emerge from the Covid pandemic, we are taking steps to actively promote student recruitment and we are encouraged that students are keen to return to face-to-face tuition. However, there are a large number of higher education providers competing for students and if there is a significant shortfall in our student recruitment, this will create serious financial pressure. We believe the unique proposition Buckingham offers – especially as a private university with its pioneering two-year degrees – will continue to help us attract good students. The Vice-Chancellor is involved very actively in advancement and fundraising activities to generate philanthropic donation income.

## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### **b. Covid (a non-adjusting post balance sheet event)**

The University has a significant proportion of overseas students. After travel restrictions eased, many overseas students were reluctant to come to the United Kingdom to start or resume higher education, with a resultant loss of income to the University. The lockdown in 2020 caused us significant operational difficulties. We implemented a phased return to on-campus working thereafter. The Covid situation has been managed actively by the Executive Team and will continue to be managed carefully in the future. Measures taken to mitigate risk have included additional cleaning, safe distancing within the workplace, and home working (where possible and judicious).

### **c. Staffing**

We are at risk from not being able to recruit and retain proficient staff – with a resultant adverse impact on the student experience and the quality of administrative services. In particular, we ensure sufficient staff resources are available at crucial times, such as for exam marking and new student registration. Among our mitigation measures, we take particular care about staff engagement, well-being, and professional development. The Vice-Chancellor holds regular 'town hall' meetings to discuss current and future issues with staff colleagues, plus there are events to promote staff well-being. Being a relatively small organisation, we recognise we are reliant on a number of key individuals – but our collegiate approach allows information and expertise to be shared so that we can cross-cover absences where needed and in some cases bring in interim staffing.

### **d. Built Estate**

Whilst our academic space and student accommodation is sufficient for our current needs, we need to be aware of and respond to changes in these requirements. Accordingly, in 2019, we engaged Carter Jonas to perform a strategic review of our estate and help inform our decision-making. We sold some student housing that was not popular with students then reinvested the proceeds in our business operations. In 2021, a major internal refit was performed on the Tanlaw Mill building, which houses our Students' Union; this will provide modern and appealing student facilities. The Hunter Street campus is near the River Great Ouse; whilst we have experienced problems with flooding in some buildings, we were able to continue operations in unaffected buildings with little disruption to services. During 2022, we will be preparing a new business continuity plan addressing estates issues as well as many other operational areas.

### **e. Information Systems and Data Security**

An information security breach could severely impact our operations, reputation, and possibly lead to regulatory fines. Therefore, we keep IT systems and cybersecurity under constant review and deploy IT security measures and enhancements proactively. We also keep abreast of new technologies in case these disrupt connectivity, functionality, or lifestyles – with consequent impacts on how we should best approach our delivery of teaching, learning, and research.

## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### f. Regulatory Compliance

We liaise regularly with our regulators, so they are aware of measures we are taking to deliver regulatory compliance and we ensure we are aware of the changing regulatory landscape. The principal regulatory bodies are:

The University of Buckingham	Office for Students
The University of Buckingham Foundation	Charity Commission
Medical Property Management Limited	Companies House

These financial statements were completed and delivered to regulators significantly later than their due date. We had informed and made representations to regulators of the reasons for the delay; in particular, the need for detailed investigatory work, staff absences due to Covid, and the difficulty in recruiting and retaining qualified accountants. As a result of late submission of the financial statements, the University is exposed to regulatory sanctions including fines and additional conditions of registration.

The University is also mindful of regulatory compliance relating to immigration, employment law and our academic activities generally (and particularly within healthcare and education).

### g. Joint Venture

The Crewe campus was a new joint venture, working with two partners that we had not worked with before and based at a location around 120 miles away from Buckingham. Whilst these factors present considerable risk, Crewe gave us the opportunity to expand our medical and allied health provision and draw on expertise and financial partnership with Apollo Hospitals, a large healthcare provider in India. Starting academic provision at the Crewe campus, especially in context of the Covid lockdown, proved challenging. Colleagues from the Medical School based at Buckingham have been actively managing the Crewe operations along with academic and professional colleagues based at Crewe. Our Medical School provision at Crewe is now working well, with strong student recruitment, and we are exploring commencing Podiatry plus other Allied Health Sciences provision at Crewe in future.

### h. Pension Scheme Costs

Like other universities, we faced significant costs relating to staff who are members of defined benefit pension schemes. There are currently 91 members of the USS pension scheme. The USS pension scheme is not available to new staff, unless they are scheme members already. Occupational pension provision for new staff is delivered via an Aviva defined contribution scheme. We continue to face risk regarding future pension cost increases, as discussed further at Note 26.

## Financial Risk Management Objectives and Policies

The Group's main financial instruments are cash and quoted investments held by the University and 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 fund 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.

## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### a. Market risk

This encompasses:

1. Currency risk: The Group is exposed to some translation and transaction foreign exchange risk in respect of cash and cash equivalents plus investments. However, this risk is not significant to the Group and accordingly there are no hedging provisions in place.
2. Interest rate risk: A further loan of £10.0 million was drawn in December 2019. This is in addition to £8.0 million remaining on a loan drawn in November 2017. Details of the loans are in Note 16. Since the loan interest rate is fixed, there is no interest rate risk.
3. Share price risk: The Group's exposure to share price risk consists mainly of movements in the value of the Group's investments in quoted shares.

The University of Buckingham Foundation has engaged investment managers who work within the cautious risk appetite set by the Trustees. Similarly, the University has engaged trustees or managers of other funds held by the University, again applying a cautious risk appetite. 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 manage price risk, as far as possible. The Trustees of the Foundation and Trustees of other funds keep these guidelines under review and regularly review the performance of the investments and the performance of the investment managers against the agreed guidelines.

### b. Liquidity risk

The University has significant liquid cash resources arising from funds drawn down from the loans. The University manages its liquidity risk through regular cash flow forecasts and other financial management information tools. Also, the University monitors cash resources as a proportion of operating costs through the year, to take into account peaks and troughs in cash flows. Our credit control policies provide a cash buffer derived from fees in advance and we monitor and follow up outstanding receivables.

### c. Credit risk

The Group's principal financial assets are quoted investments held by the University (and via the Foundation), cash and trade debtors. Quoted investments are managed by independent professional advisers, working with a cautious risk appetite set by the University of Buckingham and The University of Buckingham Foundation. The credit risk associated with the investments and cash is limited, as the counterparties are well-established financial institutions. The principal credit risk arises therefore from the Group's receivables. The nature of the Group's client base, being mainly undergraduate and postgraduate students, is such that it is not significantly exposed to any single individual customer, although there are a number of commercial and institutional clients. For example, the University validates other providers' programmes in the UK and internationally. The Trustees therefore concentrate their efforts on ensuring that the processes around credit approval and debt collection are sufficiently robust. In 2021, we reviewed debt collection procedures to deliver a balanced approach to protecting the assets of the University whilst not adversely impacting student completion.

## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### 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 Risk, Audit and Compliance Committee undertakes rolling reviews of risk management.

In January 2020, the Charity Commission wrote to the University, relaying concerns that had been raised with them anonymously. The Commission asked some follow-up questions in July and September 2020. These related mostly to the joint venture around the Crewe campus, as well as a small number of other governance and management issues. The University took the concerns very seriously and provided detailed responses based on a substantial investigation conducted by the then Chair of the Risk, Audit and Compliance Committee (RACC).

Following on from the RACC investigation, the University implemented RACC's recommendations for improving governance. These include a full revision of the Charter and Statutes of the University, plus the scheme of delegation and ordinances. The University also commissioned external specialist firms to deliver three phases of investigative work, focusing on the business conduct of several past and current senior staff officers of the University. RACC also performed a separate detailed investigation, performed in-house and focussing on financial transactions.

During the investigative work, items noted included:

- a. A former senior staff officer having placed themselves in a position of conflict of interest with that of the University.
- b. Significant and previously unidentified VAT liabilities dating back to late 2017 and early 2018 within Medical Property Management Limited, which is a wholly owned subsidiary of the University.
- c. Insufficient engagement by the governing body as a whole in decision-making on strategic-level issues.

The investigative work found there had been:

- a. No inappropriate loss of cash from the University or its subsidiaries;
- b. No issues of concern relating to current staff officers.

Findings were presented to and discussed by Council in early autumn 2021, which concluded the suite of investigative work provides fully comprehensive and satisfactory assurance to allow them to subsequently sign off the final financial statements. The University Council and Executive Management Team have taken on board all lessons learned.

The University co-operated fully with the Charity Commission, submitting over 100 documents to evidence our improved approaches to governance and management. On 1 September 2021, the Charity Commission concluded that their investigation was closed and no further action was required of the University.



## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### Forward outlook, including Covid-19

As our Vice-Chancellor reported in his statement, we, like other higher education providers, have faced a great deal of challenge and uncertainty in recent years - and will continue to do so in the years to come. During 2020 and 2021, we had to adapt swiftly to the pandemic. In particular:

- Moving academic delivery online.
- Implementing Covid safety measures on campus, for staff and students (which we continue to keep in place in early 2022).
- Also, we felt duty bound to refund pre-paid accommodation costs for students who were no longer able to attend on campus. This kept their goodwill to ensure their continued studies.

In response to significant financial challenges, even without the impact of Covid, the University set in place a Financial Recovery Plan in mid-2020. Major components of this were:

- The implementation of a restructuring programme, with associated redundancies.
- The sale of some local residential properties that are not core to the University's activities. The property sales will have no impact on the delivery of teaching and services provided but will improve our financial resilience and provide funds for investment in our estate.
- Renegotiated bank financing arrangements, as explained in more detail later.
- Starting the process to renegotiate the agreement with the joint venture partners for our Medicine and Allied Health provision in Crewe. This includes seeking a significantly lower cost for our arrangement to occupy certain buildings on the Crewe campus plus changes to the University's share of surplus from the joint venture. Negotiations are complex but proceeding satisfactorily.
- Actively seeking significant unrestricted donations.

These actions are intended to result in the University maintaining a satisfactory liquidity position, as defined by available cash resources, through to the end of 2023.

The University has been successful in renegotiating its lending facilities with NatWest to reduce borrowing levels to a more affordable position and revise lending covenants. New agreements, set out in more detail in Note 26, will ensure that the University has sufficient funds to operate for the foreseeable future, and importantly has relief from measurement of covenant compliance until December 2022 which enables it to transition to a more sustainable financial position thereafter. The University is grateful to NatWest for its continued support during this difficult period.

The impact on the University of leaving the European Union (EU) at the beginning of 2020 has been overshadowed by the more significant impact of Covid-19. The Brexit transition arrangements have protected the University during 2020 and the financial exposure following the end of those transitional arrangements is relatively low. The University has a small number of students from the EU, where recruitment has reduced and a small number of EU sourced suppliers, relating generally to construction materials or research equipment. Overall, the impact of Brexit is not expected to be significantly positive or negative.

The University has not met its financial statements filing obligations on a timely basis so is subject to potential regulatory action, which may include sanction and fines. The nature and timing of any regulatory action has yet to be determined at this time. Accordingly, there is no certainty with respect to the actions the regulators may take or otherwise and the impact on the operations of the University.

## **TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)**

The University forecasts to breach its debt service covenants based on its current forecasts, albeit has the ability to repay its borrowings to cure any breach. The University has been exposed to a number of unexpected significant one-off cash outflows in recent periods and is currently negotiating to lower the contracted cost of its lease of the Crewe campus. These factors increase the level of uncertainty in the completeness of cash outflows included in the forecasts. Furthermore, in the case of the severe but plausible downside forecast, the University would not have sufficient liquidity to repay the related debt and cure a covenant breach.

Despite the financial recovery steps taken, the unpredictable duration and impact of Covid-19 and the complexity of negotiations with the Crewe joint venture partner all introduce material uncertainty into our forecasting.

### **Climate change**

We recognise climate change as an important matter for the University and the wider community. The University has already taken steps to reduce consumption of energy (such as modern heating and lighting systems, insulation) and we re-use and recycle materials where possible. The Vice-Chancellor and Senior Executive Team recognise there is more to do over the coming years to assess and respond to climate risks.

Some buildings on the Hunter Street campus are only about 200 feet away from the River Great Ouse. Modern buildings have been constructed with this flood risk in mind. However, we have had instances of the basements of some older Hunter Street buildings being flooded due to abnormally high river levels. There was some damage but we were able to continue business operations without significant disruption. Whilst these were acute one-off instances, climate change may result in flooding at Hunter Street becoming a more serious and chronic physical risk.

The University, like other organisations, needs to transition to more environmentally friendly means of delivering its objectives. There is desire for this from within the University and we will see increasing demands to make changes to our working practices and our built estate as a result of societal changes and new legislation.

### **Risk exposure to Ukraine and Russia**

Occasionally, we receive a handful of students from these countries and we note the tragic conflict that exists currently in Ukraine. Otherwise, we have no business operations connected to these countries, so there is minimal and immaterial risk exposure.

### **Post balance sheet events**

These are detailed at Note 26 to the financial statements.

## TRUSTEES' REPORT ("STRATEGIC REPORT") (continued)

### Going concern

The Group and University's financial statements are prepared on a going concern basis, based on Council members' assessment of the financial position, operating model, and forecast cash flows. This assumes the group and University will continue in operational existence for the foreseeable future including meeting its future obligations as they fall due and settling payments within the agreed terms for a period of at least twelve months from the date of signing these financial statements.

The adverse impact of the COVID-19 pandemic has been widespread and severe and the ongoing effect remains materially uncertain.

The pandemic has affected many aspects of business and personal life that may ultimately impact the group and University, ranging from property values, the nature of education provision in relation to the University's own offering, and the extent to which the future developments can progress.

The University experienced financial challenges and a decline in financial operating performance in recent years. As mentioned elsewhere, our responses included measures to reduce costs, such as a necessary programme of staff redundancies to help ensure our long-term financial sustainability.

The University has not met its financial statements filing obligations on a timely basis and is subject to potential regulatory action, which may include sanction and fines. The nature and timing of any regulatory action has yet to be agreed at this time. Accordingly, there is no certainty with respect to the actions the regulators may take or otherwise and the impact on the operations of the University.

The University expects to breach its debt service covenants in the next twelve months based on its current forecasts, albeit has the ability to repay its borrowings to cure any breach if it were to arise. However, the University has been exposed to a number of unexpected significant one off cash outflows in recent periods, and is currently negotiating to lower the contracted cost of a significant lease. These factors increase the level of uncertainty in the completeness of cash outflows included in the forecasts. Furthermore, in the case of the severe but plausible downside forecast, the University would not have sufficient liquidity to repay the related debt and cure a covenant breach.

After making enquiries and discussions around the potential actions which include the deferral of the assessment of covenants, the sale of certain capital assets and a programme of cost restructuring, Council is satisfied that it remains appropriate to prepare the group and University financial statements on a going concern basis. However, these conditions, set out above, indicate the existence of a material uncertainty which may cast significant doubt about the group and University's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not include any adjustments that would result if the financial statements were not drawn up on a going concern basis.

**Professor James Tooley**  
Vice-Chancellor

**Pramod Philip**  
Interim Chief Financial Officer

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

### Responsibilities and activities of the Council in relation to the financial statements

The Council is responsible for preparing the Annual Report and financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). In accordance with its regulatory responsibilities under section 18 of Schedule 7 of the Education Reform Act 1988, the University's Council presents audited financial statements for each financial year.

The financial statements have also been prepared in accordance with:

- The Statement of Recommended Practice "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)"; and
- The Charities Act 2011.

The financial statements have also been prepared in accordance with the provisions of the Statement of Recommended Practice – Accounting for Further and Higher Education 2019 and meet the requirements of the Office for Students accounts direction dated 19 June 2018. The University has engaged an external service provider to deliver internal audit services, as required under the Office for Students' conditions of registration.

The Council is required to keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and University, 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 and comply with the Charities Act 2011 and the provisions of its Royal Charter. 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 is responsible for safeguarding the assets of the Group and University and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Council is also responsible for the maintenance and integrity of the charity and financial information included on the University's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## STATEMENT OF RESPONSIBILITIES OF THE UNIVERSITY'S COUNCIL IN RELATION TO THE FINANCIAL STATEMENTS (continued)

### Operations of Council

Council's powers are exercised through a number of sub-committees, whose terms of reference were approved by Council:

- Finance, Estates and Resources Committee;
- Risk, Audit and Compliance Committee;
- Nomination, Performance and Remuneration Committee
- Diversity and Inclusion Committee\*
- Grievance Committee\*
- Honorary Appointments and Awards Committee\*

(\* Joint Committee of Council and Senate)

### Operations of Senate

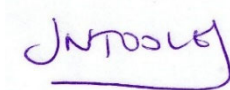
Senate's powers are exercised through a number of sub-committees, whose terms of reference were approved by Senate:

- University Research Committee
- University Learning & Teaching Committee
- University Collaborations Committee
- Diversity and Inclusion Committee\*
- Grievance Committee\*
- Honorary Appointments and Awards Committee\*

(\* Joint Committee of Council and Senate)



**Professor Joe Harrison**  
Vice-Chair of Council



**Professor James Tooley**  
Vice-Chancellor



**Pramod Philip**  
Interim Chief Financial Officer

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

### Introduction

This statement of corporate governance and internal control covers the period from 1 January 2019 to the date of approval of these financial statements.

### Corporate governance structure

The University of Buckingham was established in 1976 and was incorporated by Royal Charter (number RC000730) on 11 February 1983. The conduct of the University's affairs is governed by the Articles of Association, incorporating the Instrument and Articles of Government, approved by the Privy Council.

During 2016/17 and 2018/19, the University undertook full reviews of its academic governance. Both reviews led to substantive revisions to the University's Charter and Statutes, the latter set being ratified by the Privy Council on 13 February 2019.

The University is registered as an Approved Provider with the Office for Students (UKPRN: 10007787) and is a registered charity (number 1141691). It is authorised by its Royal Charter to award taught and research degrees in perpetuity. The University is a member of Universities UK.

The University has a bicameral constitution comprising the Council and the Senate. Whereas the Council is the governing body and its members are Trustees of the University, the Senate is the principal academic authority, responsible for the setting and maintenance of threshold academic standards and for assuring and enhancing the quality of students' learning opportunities.

The Council of the University has 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 Vice-Chancellor, the Executive and senior leadership team. It receives assurances that the University meets all legal and regulatory requirements imposed on it as a corporate body.

The Senate of the University is its principal academic authority, Senate's responsibilities include: the regulation and control of all academic awards as well as the programming and teaching that facilitates students' admission to said academic awards, the management of the formalities associated with making academic awards and the regulation of University discipline. The Senate is responsible for overseeing the development of the University's academic portfolio (including all associated research, learning and teaching and assessment activities), for the admission of students and for all areas pertaining to academic delivery and support.

The principal academic and administrative officer of the University is the Vice-Chancellor, who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University and who is the Chair of the Senate. The Vice-Chancellor also chairs the Senior Management Team (SMT), comprising the Pro Vice-Chancellor for Student Experience, the Chief Financial Officer and the Registrar & Director of Professional Services and also chairs the Executive Committee, comprising the SMT and other members of the University senior management.

The University performed a detailed review of its governance structures, including the amendment of the charter and statutes, which was concluded in 2021.

## **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

### **Oversight of Corporate Governance, Risk Management, Statutory and Regulatory Responsibilities**

The Risk, Audit and Compliance Committee of the Council (RACC) provides much of the oversight of the University's corporate governance and risk management. This is through reports to the Committee from executive management, the University's internal auditors, and from the University's risk management lead from whom a report is received at every meeting of RACC. The Council, in turn, considers the minutes of RACC as a standing item. The Council receives updates on matters relating to Corporate Governance from the Vice-Chancellor and approves the Terms of Reference of its Committees on an annual basis.

The Council and its Committees ensure that the University complies with its statutory and regulatory responsibilities. The Finance, Estates and Resources Committee (FERC) together with Senate provide much of the oversight of compliance with OfS' ongoing conditions of registration. FERC also oversees compliance with the University's statutory obligations in relation to health and safety.

The University's management accounts are considered by the Council, FERC and RACC on at least a quarterly basis.

### **Scope of responsibility**

The Council has ultimate responsibility for the University's system of internal control and for reviewing its effectiveness. The Council has delegated to RACC and the Vice-Chancellor the day-to-day responsibility for maintaining sound systems of internal control that support the policies, aims and objectives of the University whilst safeguarding the public funds and assets, in accordance with responsibilities set out in the Office for Students' conditions of registration. The Vice-Chancellor is also responsible for reporting to the Council any material weaknesses or breakdowns in internal control.

### **The purpose of the system of internal control**

The system of internal control is an on-going process designed to identify the principal risks to the achievement of the University's plans, policies and objectives; to evaluate the extent of those risks; and to manage them efficiently, effectively, and economically. Such a system is designed to manage and mitigate rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

### **The risk and control framework**

The Council has taken reasonable steps to ensure:

- There are appropriate financial and management controls in place to safeguard the assets of the Group and University and prevent and detect fraud, with any concerns investigated thoroughly before the financial statements are signed off;
- The economical, efficient and effective management of the Group and University's resources and expenditure; and
- Funds from whatever sources and administered by the University for designated purposes have been applied properly for those purposes and managed in accordance with applicable legislation.

## **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

### **The risk and control framework (continued)**

A process is in place for identifying, evaluating, and managing the significant risks facing the University, that the associated procedures have been in place and operational throughout the year, notably through the regular review and updating of the University's Risk Register. The Risk Register details strategic and recurrent risks and covers governance, management, quality of service, reputational, operational, compliance as well as financial risks together with the range of mitigating controls in place and the early warning indicators for each risk. The Risk Register is under continuous review by senior management and RACC. This enables the University to ensure that it is able to monitor and manage risks in an ever-changing environment.

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

- Risk Management is led by the Academic Registrar and Director of Professional Services supported by senior managers and reports into RACC;
- A medium and short-term financial planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updated of forecast outturns; and
- Clearly defined requirements for approval and control of expenditure - with investment decisions involving capital or revenue expenditure being subject to review according to approval levels set by FERC.

### **Review of effectiveness**

The Council receives periodic reports from RACC (including copies of minutes of their meetings) and arrangements are in place to ensure regular reports from University management on their actions to manage risks in their areas of responsibility. Reviews by Council of the effectiveness of the system of internal control are informed by the work of external auditors, including their management letters, internal auditors, and other reports.

As mentioned elsewhere in this document, the Chair of RACC oversaw a suite of comprehensive investigation work in response to concerns that had been raised to the Charity Commission as well as concerns internally, relating to management and governance issues including those related to the Crewe joint venture. There was detailed examination of the conduct of staff officers of the University. The investigative work identified some issues relating to the activities of former staff but found no issues relating to current staff.

RACC recognises a weakness in internal control in that there had been no independent due diligence performed before the University decided to enter the Crewe joint venture. The University relied instead largely on assessment performed internally – and this assessment should have been more comprehensive. Lessons have been learned and the governing body, as a whole, is now involved in detail in major decision-making, supported via necessary external professional advice. Council recognises that clearly codified decision-making processes before major financial commitments are entered into, plus challenge from within Council and from independent external advisers, are important for a robust risk and control framework – and this has been implemented.



## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

### Nominations, Performance and Remuneration Committee

The Nominations, Performance and Remuneration Committee (NPRC) normally meets bi-annually to monitor the performance of Officers of the University (including the Vice-Chancellor) and members of the University's Executive Committee and to determine their remuneration and conditions of service. The Vice-Chancellor attends all meetings other than those involving consideration of his own salary.

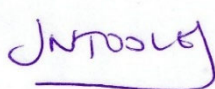
NPRC met three times in 2019 - on 22 May, 7 October and 11 November; the additional meeting reflecting the volume of business during the year and to consider nominations for the appointment of the Chancellor. The full terms of reference and membership of NPRC are at <https://www.buckingham.ac.uk/about/handbooks/governance-handbook/>.

In 2019 and 2020 NPRC considered a range of matters concerning remuneration, including the Promotions Policy for Academic and Professional Services staff, the Gender Pay gap report and action plan, a report on the Organisational Change programme and a policy on succession planning. In addition, NPRC reviewed the salaries of all officers of the University (including the Vice-Chancellor) and of higher-paid staff. In considering the remuneration of these staff, NPRC was informed by benchmark data and retention factors, alongside the responsibilities of the role and size of the institution. All requests for salary review of the officers of the University and members of the University's Executive Committee require the submission of a business case, including relevant benchmark data.

NPRC sets the salary of the Vice-Chancellor taking account of the nature of the role, the institution and performance. The Chair of Council undertakes an annual appraisal of the Vice-Chancellor's performance in the previous year, agreeing objectives for the next 12-month period. This takes place at the end of each calendar year.



**Professor Joe Harrison**  
Vice-Chair of Council



**Professor James Tooley**  
Vice-Chancellor



**Pramod Philip**  
Interim Chief Financial Officer

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

## Report on the audit of the financial statements

### Opinion

In our opinion, The University of Buckingham's group financial statements and University 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 31 December 2019 and of the group's and University's income and expenditure, gains and losses and changes in reserves, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Charities Act 2011 and Regulation 15 of The Charities (Accounts and Reports) Regulations 2008 and the requirements of the Office for Students' Accounts direction (OfS 2018.26).

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), which comprise: the Group and University Statements of Financial Position at 31 December 2019; the Group and University Statements of Comprehensive Income, the Group and University Statements of Changes in Reserves and the Group Cash Flow Statement for the year then ended; the Statement of Principal Accounting Policies; and the notes to the financial statements.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Basis of preparation - Going Concern section included within Note 1 of the "Statement of Principal Accounting Policies" to the financial statements concerning the group's and the University's ability to continue as a going concern.

The University has not met its financial statements filing obligations on a timely basis and is subject to potential regulatory action, which may include sanctions and fines. The nature and timing of any regulatory action has yet to be agreed at this time. Accordingly, there is no certainty with respect to the actions the regulators may take or otherwise and the impact on the operations of the University.

The University forecasts to breach its debt service covenants in the next twelve months based on its current forecasts, albeit has the ability to repay its borrowings to cure any breach if it were to arise. However, the University has been exposed to a number of unexpected significant one off cash outflows in recent periods, and is currently negotiating to lower the contracted cost of a significant lease. These factors increase the level of uncertainty in the completeness of cash outflows included in the forecasts. Furthermore, in the case of the severe but plausible downside forecast, the University would not have sufficient liquidity to repay the related debt and cure a covenant breach.

These conditions, along with the other matters explained in the Basis of preparation - Going Concern section included within Note 1 of the "Statement of Principal Accounting Policies" to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the University's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the University were unable to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Council is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Trustees' Report ("Strategic Report")*

Under the Charities Act 2011 we are required to report to you if, in our opinion, the information given in the Trustees' Report ("Strategic Report") is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

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

### Responsibilities for the financial statements and the audit

#### *Responsibilities of the Council for the financial statements*

As explained more fully in the Statement of Responsibilities of the University's Council in relation to the financial statements set out on pages 28 and 29, the Council, whose members are also the trustees of the University for the purposes of charity law, is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the group's and the University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the group and the University or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

We are eligible to act and have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the University's Council as a body in accordance with section 151 of the Charities Act 2011 and regulations made under section 154 of that Act (Part 4 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.

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

### Other required reporting

#### Charities Act 2011 exception reporting

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 by the University; or
- the University financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2018.26)

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

East Midlands

26 May 2022

## GROUP AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2019

		Group 2019 £000	University 2019 £000	Group 2018 £000 Restated	University 2018 £000 Restated
<b>Income</b>					
Tuition fees and education contracts	1	32,778	32,778	31,852	31,852
Research grants and contracts	2	493	493	244	244
Other income	3	6,126	5,716	5,383	5,297
Investment income	4	202	134	138	84
<b>Total income before donations and endowments</b>		<b>39,599</b>	<b>39,121</b>	37,617	37,477
Donations and endowments	5	195	827	7,653	8,012
<b>Total income</b>		<b>39,794</b>	<b>39,948</b>	45,270	45,489
<b>Expenditure</b>					
Staff costs	6	(22,037)	(21,993)	(18,489)	(18,372)
Other operating expenses	7	(22,025)	(21,972)	(17,689)	(17,684)
Amortisation	11	(92)	-	-	-
Depreciation	12	(2,347)	(2,000)	(1,867)	(1,647)
Interest and other finance costs	8	(410)	(348)	(344)	(344)
<b>Total expenditure before exceptional items</b>	9	<b>(46,911)</b>	<b>(46,313)</b>	(38,389)	(38,047)
Exceptional items	10	(11,176)	(14,021)	-	-
<b>Total expenditure after exceptional items</b>		<b>(58,087)</b>	<b>(60,334)</b>	(38,389)	(38,047)
<b>(Deficit) / surplus after exceptional items and other gains / (losses)</b>		<b>(18,293)</b>	<b>(20,386)</b>	6,881	7,442
Gain on disposal of fixed assets	12	9	9	-	-
Gains / (losses) on investments	13	806	549	(447)	(341)
<b>(Deficit) / surplus for the year</b>		<b>(17,478)</b>	<b>(19,828)</b>	6,434	7,101
<b>Total comprehensive (expenditure) / income for the year</b>		<b>(17,478)</b>	<b>(19,828)</b>	6,434	7,101
<b>Represented by:</b>					
Endowment income / (expenditure) for the year		799	559	(524)	(346)
Restricted (expenditure)/income for the year		(418)	367	4,547	4,978
Unrestricted (expenditure) / income for the year		(17,859)	(20,754)	2,411	2,469
<b>(Deficit) / surplus for the year</b>		<b>(17,478)</b>	<b>(19,828)</b>	6,434	7,101

The Group income is attributable to the University and its subsidiaries. There is no non-controlling interest. All income and expenditure of the University and its subsidiaries relates wholly to continuing operations.

Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies. The policies and notes on pages 43 to 104 form part of the Financial Statements.

## GROUP AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES

### FOR THE YEAR ENDED 31 DECEMBER 2019

Group	Income and expenditure reserves			Total £000 Restated
	Endowment £000	Restricted £000 Restated	Unrestricted £000 Restated	
<b>Balance at 1 January 2018, as presented previously</b>	6,067	13,774	16,047	<b>35,888</b>
Adjustment relating to the Milton Keynes Academic Centre – LEP grant	-	(2,000)	2,000	-
Adjustment relating to the release of the donation from Milton Keynes University Hospitals NHS Trust regarding the Milton Keynes Academic centre	-	-	210	<b>210</b>
Adjustment relating to the donation toward the Vinson Centre	-	(4,890)	-	<b>(4,890)</b>
Adjustment relating to donated properties	-	(4,726)	4,726	-
<b>Balance at 1 January 2018, restated</b>	6,067	2,158	22,983	<b>31,208</b>
(Deficit) / surplus for the year, as stated originally	(318)	2,542	(1,689)	<b>535</b>
Release of restricted funds spent in year, as presented previously	(206)	(866)	1,072	-
Adjustments relating to the reduction of accruals	-	-	1,009	<b>1,009</b>
Adjustment relating to the release of the donation toward the Vinson Centre	-	4,890	-	<b>4,890</b>
Adjustment relating to LEP grant received in relation to the Vinson Centre	-	(2,189)	2,189	-
Adjustment relating to the reversal of prior year capital grant release	-	170	(170)	-
<b>(Deficit) / surplus for the year ended 31 December 2018, restated</b>	(524)	4,547	2,411	<b>6,434</b>
<b>Balance at 1 January 2019, restated</b>	5,543	6,705	25,394	<b>37,642</b>
Surplus / (deficit) for the year ended 31 December 2019	799	(418)	(17,859)	<b>(17,478)</b>
<b>Balance at 31 December 2019</b>	<b>6,342</b>	<b>6,287</b>	<b>7,535</b>	<b>20,164</b>

## GROUP AND UNIVERSITY STATEMENTS OF CHANGES IN RESERVES (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2019

University	Income and expenditure reserves			
	Endowment £000	Restricted £000 Restated	Unrestricted £000 Restated	Total £000 Restated
<b>Balance at 1 January 2018</b>	3,176	12,050	15,934	<b>31,160</b>
Adjustment relating to the Milton Keynes Academic Centre – LEP grant	-	(2,000)	2,000	-
Adjustment relating to the release of the donation from Milton Keynes University Hospitals NHS Trust regarding the Milton Keynes Academic centre	-	-	210	<b>210</b>
Adjustment relating to the donation toward the Vinson Centre	-	(4,890)	-	<b>(4,890)</b>
Adjustment relating to donated properties	-	(4,726)	4,726	-
<b>Balance at 1 January 2018, restated</b>	3,176	434	22,870	<b>26,480</b>
(Deficit) / surplus for the year, as stated originally	(258)	2,660	(1,200)	1,202
Release of restricted funds spent in year, as presented previously	(88)	(554)	642	-
Adjustments relating to the reduction of accruals	-	-	1,009	<b>1,009</b>
Adjustment relating to the release of the donation toward the Vinson Centre	-	4,890	-	<b>4,890</b>
Adjustment relating to LEP grant received in relation to the Vinson Centre	-	(2,189)	2,189	-
Adjustment relating to the reversal of prior year capital grant release	-	171	(171)	-
<b>(Deficit) / surplus for the year ended 31 December 2018, restated</b>	(346)	4,978	2,469	<b>7,101</b>
<b>Balance at 1 January 2019, restated</b>	2,830	5,412	25,339	<b>33,581</b>
Surplus / (deficit) for the year ended 31 December 2019	559	367	(20,754)	<b>(19,828)</b>
<b>Balance at 31 December 2019</b>	<b>3,389</b>	<b>5,779</b>	<b>4,585</b>	<b>13,753</b>

Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.



# GROUP AND UNIVERSITY STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2019

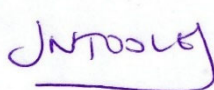
	Note	Group 2019 £000	University 2019 £000	Group Restated 2018 £000	University Restated 2018 £000
<b>Fixed assets</b>					
Intangible assets	11	-	-	-	-
Tangible assets	12	39,467	31,411	41,963	33,657
Investments	13	5,679	7,605	4,822	9,988
		<b>45,146</b>	<b>39,016</b>	<b>46,785</b>	<b>43,645</b>
<b>Current assets</b>					
Investments	13	1,033	-	1,731	-
Trade and other receivables	14	6,895	7,732	5,053	5,782
Cash and cash equivalents		16,837	15,758	12,678	12,037
		<b>24,765</b>	<b>23,490</b>	<b>19,462</b>	<b>17,819</b>
<b>Creditors amounts falling due within one year</b>	15	<b>(19,674)</b>	<b>(19,488)</b>	<b>(18,516)</b>	<b>(18,533)</b>
<b>Net current assets / (liabilities)</b>		<b>5,091</b>	<b>4,002</b>	<b>946</b>	<b>(714)</b>
<b>Total assets less current liabilities</b>		<b>50,237</b>	<b>43,018</b>	<b>47,731</b>	<b>42,931</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(17,000)</b>	<b>(17,000)</b>	<b>(8,000)</b>	<b>(8,000)</b>
Pension provisions	17	(3,225)	(3,225)	(1,350)	(1,350)
Other provisions	17	(9,848)	(9,040)	(739)	-
<b>Total net assets</b>		<b>20,164</b>	<b>13,753</b>	<b>37,642</b>	<b>33,581</b>
<b>Restricted reserves</b>					
Income and expenditure reserve – Endowment	18	6,342	3,389	5,543	2,830
Income and expenditure reserve – Restricted	19	6,287	5,779	6,705	5,412
Income and expenditure reserve – Capital grants		-	-	-	-
<b>Unrestricted reserves</b>					
Income and expenditure reserve – Unrestricted		7,535	4,585	25,394	25,339
Non-controlling interest		-	-	-	-
<b>Total reserves</b>	20	<b>20,164</b>	<b>13,753</b>	<b>37,642</b>	<b>33,581</b>

Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.

The financial statements on pages 38 to 104 were approved by Council on 26 May 2022 and were signed on its behalf by:



**Professor Joe Harrison**  
Vice-Chair of Council



**Professor James Tooley**  
Vice-Chancellor



**Pramod Philip**  
Interim Chief Financial Officer

# GROUP CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2019

	Group	Group Restated
	2019	2018
	£000	£000
<b>Cash flow from operating activities</b>		
(Deficit) / surplus for the year	(17,478)	6,434
<b>Adjustments for non-cash items</b>		
Depreciation	2,347	1,867
Amortisation	92	-
Impairment of intangible assets	154	-
Impairment of tangible assets	1,982	-
Decrease / (increase) in student receivables	952	(225)
(Increase) in other debtors, prepayments, and accrued income	(2,794)	(1,430)
Increase in creditors	1,158	1,630
Increase in other provisions	9,109	-
Addition to VAT provision included within interest payable	(62)	-
Increase in pension provision, excluding interest of £25,000 (2018: £nil)	1,850	-
<b>Adjustments for investing or financial activities</b>		
Interest payable	410	344
Investment gain	(806)	447
Disposal of fixed assets	(9)	-
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(3,095)</b>	<b>9,067</b>
<b>Cash flows from investing activities</b>		
Disposal of investments	712	19
(Purchase) of investments	(65)	(1,507)
(Payments) to acquire intangible assets	(246)	-
(Payments) to acquire tangible assets	(1,836)	(13,515)
Proceeds of fixed asset disposals	12	-
<b>Net cash (outflow) from investing activities</b>	<b>(1,423)</b>	<b>(15,003)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(323)	(344)
New secured loans	10,000	-
Repayments of amounts borrowed	(1,000)	(1,000)
Capital element of finance lease rental payments	-	(10)
<b>Net cash inflow / (outflow) from financing activities</b>	<b>8,677</b>	<b>(1,354)</b>
Increase / (decrease) in cash and cash equivalents in the year	<b>4,159</b>	<b>(7,290)</b>
Cash and cash equivalents at the beginning of the year	<b>12,678</b>	<b>19,968</b>
Cash and cash equivalents at the end of the year	<b>16,837</b>	<b>12,678</b>

Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### 1 Basis of Preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP 2019): Accounting for Further and Higher Education and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102)", and the Charities Act 2011.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value. The accounting policies have been applied consistently over the period.

The Financial Statements reflect the requirements of the accounts direction dated 19 June 2018 issued by the Office for Students.

The functional currency of the group is UK sterling and all financial statements have been prepared to the nearest thousand pounds.

The financial statements have been prepared and give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure is required following Statement of Recommended Practice – Accounting for further and higher education issued on 1 October 2018, since this statement of recommended practice is most relevant to the University, rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 January 2019.

The University has taken advantage of exemptions in FRS 102 from:

- a. Preparing a statement of cash flows for the University, on the basis that it is a qualifying entity and the consolidated statement of cash flows included in these financial statements includes the University's cash flows.
- b. The financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated Financial Statement disclosures.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 1 Basis of Preparation (continued)

#### Basis of preparation - Going concern

The Group and University's financial statements are prepared on a going concern basis, based on Council members' assessment of the financial position, operating model, and forecast cash flows. This assumes the group and University will continue in operational existence for the foreseeable future including meeting its future obligations as they fall due and settling payments within the agreed terms for a period of at least twelve months from the date of signing these financial statements.

The adverse impact of the COVID-19 pandemic has been widespread and severe and the ongoing effect remains materially uncertain.

The pandemic has affected many aspects of business and personal life that may ultimately impact the group and University, ranging from property values, the nature of education provision in relation to the University's own offering, and the extent to which the future developments can progress.

The University experienced financial challenges and a decline in financial operating performance in recent years. As mentioned elsewhere, our responses included measures to reduce costs, such as a necessary programme of staff redundancies to help ensure our long-term financial sustainability.

The University has not met its financial statements filing obligations on a timely basis and is subject to potential regulatory action, which may include sanction and fines. The nature and timing of any regulatory action has yet to be agreed at this time. Accordingly, there is no certainty with respect to the actions the regulators may take or otherwise and the impact on the operations of the University.

The University expects to breach its debt service covenants in the next twelve months based on its current forecasts, albeit has the ability to repay its borrowings to cure any breach if it were to arise. However, the University has been exposed to a number of unexpected significant one off cash outflows in recent periods, and is currently negotiating to lower the contracted cost of a significant lease. These factors increase the level of uncertainty in the completeness of cash outflows included in the forecasts. Furthermore, in the case of the severe but plausible downside forecast, the University would not have sufficient liquidity to repay the related debt and cure a covenant breach.

After making enquiries and discussions around the potential actions which include the deferral of the assessment of covenants, the sale of certain capital assets and a programme of cost restructuring, Council is satisfied that it remains appropriate to prepare the group and University financial statements on a going concern basis. However, these conditions set out above indicate the existence of a material uncertainty which may cast significant doubt about the group and University's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not include any adjustments that would result if the financial statements were not drawn up on a going concern basis.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 2 Basis of Consolidation

The financial statements for the Group are the consolidation of the financial statements of the University of Buckingham (the "University"), the University of Buckingham Foundation ('the Foundation') and Medical Property Management Ltd. The University has not consolidated its other subsidiaries, being:

- a. Buckingham Business Enterprises Ltd, whose net assets and financial performance are immaterial for the purpose of giving a true and fair view.
- b. University of Buckingham Medical Sciences North Ltd, whose net assets and financial performance are immaterial for the purpose of giving a true and fair view.

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.

The close relationship between the University and the Foundation is a determining factor in the University exercising effective control. The Trustee board, including the Chair of Trustees, agree that the primary intent of the Foundation is to support the University and are guided by the University in decisions relating to the distribution of funds.

The makeup of the Foundation board is an important, but not the only, factor. Trustees are appointed by the trustee board and the University has a specified minimum number set out in the Foundation trust deed. At the financial year end the Foundation Board comprises four trustees appointed by the University and four independent of the University.

Membership of the Board fluctuates over time but the trustees are clear that their intent is to manage and invest endowments and thereby provide funds for the University in support of its students and staff. They are strongly guided by the University in where funds should be directed, such guidance contributing to the decision to consolidate the results of the Foundation.

Associated companies are accounted for using the equity method. Investment in an associate is held at cost less accumulated impairment losses.

An investment in a subsidiary company is held at cost less accumulated impairment losses in the University's financial statements.

### 3 Income Recognition

This accounting policy covers: Tuition fees and education contracts, Research grants and contracts, Other income, Investment income, and Donations and endowments.

In general, income from the sale of goods or services (including student accommodation and catering) is recognised and credited to the Group Statement of Comprehensive Income when they are supplied to the external customers or the terms of the contract have been satisfied fully in the view of the University.

Tuition fee income is stated gross of any expenditure which is not a discount. Tuition fee income is credited to the Group Statement of Comprehensive Income over the period in which students are studying.

Bursaries and scholarships are accounted for as expenditure and not deducted from income, unless a restricted donation has been received for the scholarship. This reflects these are a cost to the University, as part of its delivery of student support.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 3 Income Recognition (continued)

Validation fee income is recognised when the University is satisfied that its financial and academic due diligence processes have been completed, a contract has been signed, a fee invoice is raised upon the third-party provider, and collection of the fees will occur with reasonable certainty. (Validation involves the University reviewing the educational offerings of third-party providers of being a suitable standard for those providers' students to receive University of Buckingham degrees.)

Franchise fee income is recognised when the associated student fee income has been billed to students and the collection of these fees will occur with reasonable certainty. (Franchising involves a third-party provider delivering the University of Buckingham's curriculum to students, who are students of The University of Buckingham, at an external location.)

Both of the above types of income are shown within Other income at Note 3.

Investment income is credited to the Group Statement of Comprehensive Income on a receivable basis.

Income received in advance of performance related conditions being met is recognised as deferred income within Creditors on the Statement of Financial Position and released to income as or when any conditions are met.

#### *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.

#### *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 once 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.

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

### **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 (NEST-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, the University is required to provide for the future liability of the deficit recovery plan implemented by the USS.

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 scheme's trustees on the funding of the scheme at the schemes most recent valuation date, April 2017.

### **5 Taxation and Charitable status**

The University is a Registered Charity within the meaning of Part 3 of the Charities Act 2011. It is a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. 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 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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 6 Tangible Fixed Assets and Depreciation

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. Depreciation is provided on a straight-line basis on other assets at the following annual rates so as to write off the cost/valuation:

Buildings	2%
Equipment:	
Furniture, furnishings, equipment	10% - 20%
Office equipment	10% - 20%
Science laboratory equipment	20% - 25%
Motor vehicles	20%
Computing equipment & software	25%
Specialist laboratory equipment	33%

On the grounds of materiality, the above six categories have been aggregated as equipment.

Impairments of tangible assets are made if there is an indication that the recoverable value of the asset or its economic value in use (whichever is the lower) is below the carrying value of the asset. Where necessary, third party valuations are obtained to assist the determination of any necessary change in carrying value at the year-end date.

### 7 Intangible Assets

An established curriculum for teaching of Podiatry was acquired by the University's subsidiary, Medical Property Management Ltd, from a third party during the year. It is intended that this will be licensed to support Podiatry teaching by the company's parent entity, the University of Buckingham, at the Crewe campus. As the start date and funding to support the Podiatry course is uncertain, impairment has been made against the cost of the licence.



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 8 Investments and joint ventures

#### Investments

Investments in listed shares are re-measured to fair value at each year-end date. Gains and losses on re-measurement are recognised in surplus or loss for the period. Gains or losses on disposal are recognised within Gains / (losses) on investments within the Statement of Comprehensive Income.

Investments in subsidiaries are carried as cost less impairment.

#### Joint ventures

Interests in joint ventures are accounted for using the equity method, after being recognised initially at cost in the consolidated Statement of Financial Position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the Group Statement of Comprehensive Income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described below.

### 9 Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 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.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 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 Statement of Financial Position but are disclosed in the notes to the financial statements.

### 12 Reserves

Reserves are classified as restricted or unrestricted. There are two types of restricted reserves:

- a. The first type of restricted reserve, "Endowment reserves", include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.
- b. The second type of restricted reserve, called "Restricted reserves", includes balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds, and unspent balances of restricted donations in line with the British Universities Finance Directors Group (BUFDG) Implementation Guidance to the SORP. Reserve transfers are made between Restricted and Unrestricted reserves for the depreciation on assets that were funded by grants or donations with restrictions on those underlying assets.

### 13 Leases

The Group and the University are lessees of property and whether an arrangement is or contains a lease depends on the substance of that arrangement. Leases in which substantially all the risk and rewards incidental to the ownership of an asset are transferred to the lessee by the lessor are classed as finance leases. Leases which are not finance leases are classified as operating leases. Gross rental expenditure in respect of operating leases is recognised on a straight-line basis over the term of the leases, unless another systemic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset. Rent free periods are accounted for within the Statement of Financial Position as Accruals and deferred income.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 14 Financial instruments

The group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when:

- (a) the contractual rights to the cash flows from the asset expire or are settled; or
- (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or
- (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 14 Financial instruments (continued)

#### ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from fellow group entities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. These are accounted for under Section 21 of FRS 102. Where appropriate, a provision has been made and/or a contingent liability disclosed.

The Group holds £2,671,000 of funds held in escrow relating to the financial guarantee contract connected with Booth Hall student accommodation. The funds were placed in escrow to cover a financial guarantee contract of the same value, which is held within Provisions in these financial statements. The financial guarantee relates to the level of student accommodation income from the Booth Hall student residences at the Crewe campus.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 15 Critical Accounting Judgements and Estimates

The preparation of financial statements requires management to make judgements and adopt estimates that affect the financial statements during the reporting period. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *a) Critical judgements in applying the Group and University's accounting policies*

##### *(i) Evaluation of the Universities Superannuation Scheme as a multi-employer scheme*

The University has judged that the USS meets the definition of a multi-employer scheme for the reasons set out in Note 22, Pension Commitments, extracts from which are set out here.

The scheme is a hybrid pension scheme, providing defined benefits for all members as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Therefore, as required by Section 28 of FRS 102 "Employee benefits", the University accounts for the scheme as if it were a defined contribution scheme.

The University has also determined that in calculation of the USS year-end provision at 31 December 2019, the schedule of contributions from September 2019, as issued by the USS trustees and based on the 2018 valuation, should be used. Further disclosure has been included in Note 22.

##### *(ii) Effective control of the University of Buckingham Foundation*

The University has judged that it is in a position of effective control arising from a number of factors, notwithstanding that the Foundation is a distinct charitable trust, therefore the results of the Foundation have been consolidated in the Group financial statements.

The trust deed for the Foundation declares that its primary purpose is to advance the education of the public by, in particular, supporting and promoting the education of students attending the University and by benefiting the wider academic community and purposes of the University as a whole.

The close relationship between the University and the Foundation is a determining factor in the University exercising effective control. The Trustee board, a number of whom are officers of the University, agree that the primary intent of the Foundation is to support the University and are guided by the University in decisions relating the distribution of funds.

##### *(iii) The extent of control over a joint venture, Apollo Buckingham Health Sciences Campus Ltd (ABHSC)*

The University has a 40% shareholding in ABHSC. It has judged that this should be accounted for as a joint venture and as a jointly controlled entity. ABHSC is governed by a joint venture agreement (JVA) between the University and the other two parties holding the remaining shareholding, with no single party having majority control. The JVA sets out the contractual terms governing the joint venture and as such the University has judged that it will account for its shareholding and the results of ABHSC in accordance with the equity method.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 15 Critical Accounting Judgements and Estimates (continued)

#### *a) Critical judgements in applying the Group and University's accounting policies (continued)*

##### *(iv) Estimate of financial guarantee contract*

The University has provided a commitment to make good any shortfall on the level of student accommodation income at the Booth Hall student residences in Crewe. The lease of Booth Hall was taken out by ABHSC from Manchester Metropolitan University. The Council of the University of Buckingham considers that due to the level of uncertainty of financial performance of the ABHSC joint venture and the level of student accommodation income, the full amount of the financial guarantee may need to be invoked.

#### *b) Critical estimates in applying the Group and University's accounting policies*

In the preparation of the Group financial statements, management (in conjunction with third-party independent experts regarding property valuations) has made estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for income and expenses during the year. Actual results could differ from these estimates.

##### *(i) Depreciation and impairment of fixed assets*

Assets are depreciated as set out in Note 6, Principal Accounting Policies, which are judged to be an appropriate assessment of the useful life of assets, and assuming that the University is operating as a going concern on the Buckingham campus for the foreseeable future.

The University's material fixed assets are reviewed annually to determine whether their book value should be reduced due to their value being impaired. Estimates are made of the extent of any impairment on individual assets or related groups of assets.

##### *(ii) Onerous contract provisions*

The University has a liability under non-cancellable operating leases for its Crewe campus. The lease is effective for 10 years from 2019, with a rent review from 1 January 2025 and an option to renew beyond 10 years. More details are set out in Note 25.

The financial viability of the Crewe campus is dependent on income from Medical and Allied Health students, generated through their teaching and learning at Crewe and on the University's share of surpluses as set out in the Joint venture agreement with the Crewe partners.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 15 Critical Accounting Judgements and Estimates (continued)

#### *b) Critical estimates in applying the Group and University's accounting policies (continued)*

The Crewe campus operating lease is considered to be an onerous lease as the expected net revenues to the University from all relevant activities at Crewe is materially less than the operating lease costs over the lease period, both on a net present value basis. The University uses internal assumptions on forecast student numbers and income and discount rates, and assesses the net revenue due to the University in accordance with the profit share arrangements set out in the Crewe joint venture agreement.

#### (iii) Impairment of receivables

Student and commercial/trade receivables are reviewed at least annually to determine the extent to which a provision is required against debts that have a reasonable risk of non-payment. The risk reflects the length of time for which the debt has been unpaid and the reason for non-payment.

The University assesses such debts on an individual student or customer basis and does not include general provisions. The University continues to seek payment of such debts until all reasonable efforts have been exhausted.

#### (iv) USS provision

Management, aided by external third-party advisers, has made estimates, as set out in Note 22, on economic and mortality assumptions, including pay awards, as well as estimates of changes to the future membership of the scheme as the scheme is closed to new entrants to the University, unless new staff are transferring benefits.

A key assumption is that future contribution rates will not change, apart from the unwinding of the deficit recovery plan.

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

### **16 Related party transactions**

The Group and University discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature, such as regular payments, are aggregated unless, in the opinion of the Council, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

### **17 Termination benefits**

Termination benefits of any kind relating to staff are based upon the relevant employment contracts, length of service, discretionary awards, and any statutory requirements.

### **18 Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are items that are material either because of their size or their nature, or that are non-recurring and are considered as exceptional items.

### **19 Prior year adjustments**

It has been necessary to make ten prior year adjustments in these financial statements. Some of these adjustments are required to correct the opening position at 1 January 2018 and others are required to correct the accounting treatment of matters within the year ended 31 December 2018. The impact of all of the prior year adjustments are given in the following tables, with additional information provided on the pages thereafter.



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

## 19 Prior year adjustments (continued)

Prior year adjustments restating the Group Statement of Comprehensive Income for the year ended 31 December 2018

		Construction & fit-out costs	Reduction of accruals & deferred income	Adjustment relating to donated properties	VAT repayable and capitalisation	Investments, deposits, cash	MK Academic Centre - LEP grant	MK Academic Centre - donation	Vinson Centre - donation	LEP grant in relation to the Vinson Centre	Depreciation on donated properties	Unspent capital grants	
	31 December 2018 As presented previously	a	b	c	d	e	f (i)	f (ii)	g	h	i	j	31 December 2018 Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>													
Tuition fees and education contracts	31,852	-	-	-	-	-	-	-	-	-	-	-	31,852
Research grants and contracts	244	-	-	-	-	-	-	-	-	-	-	-	244
Other income	5,383	-	-	-	-	-	-	-	-	-	-	-	5,383
Investment income	138	-	-	-	-	-	-	-	-	-	-	-	138
<b>Total income before donations and endowments</b>	<b>37,617</b>	-	-	-	-	-	-	-	-	-	-	-	<b>37,617</b>
Donations and endowments	2,763	-	-	-	-	-	-	-	4,890	-	-	-	7,653
<b>Total income</b>	<b>40,380</b>	-	-	-	-	-	-	-	<b>4,890</b>	-	-	-	<b>45,270</b>
<b>Expenditure</b>													
Staff costs	18,489	-	-	-	-	-	-	-	-	-	-	-	18,489
Other operating expenses	18,698	-	(1,009)	-	-	-	-	-	-	-	-	-	17,689
Amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	1,867	-	-	-	-	-	-	-	-	-	-	-	1,867
Interest and other finance costs	344	-	-	-	-	-	-	-	-	-	-	-	344
<b>Total expenditure before exceptional items</b>	<b>39,398</b>	-	<b>(1,009)</b>	-	-	-	-	-	-	-	-	-	<b>38,389</b>
Exceptional items	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditure after exceptional items</b>	<b>39,398</b>	-	<b>(1,009)</b>	-	-	-	-	-	-	-	-	-	<b>38,389</b>
<b>(Deficit) / surplus after exceptional items and other gains / (losses)</b>	<b>982</b>	-	<b>1,009</b>	-	-	-	-	-	<b>4,890</b>	-	-	-	<b>6,881</b>
Gain on disposal of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains / (losses) on investments	(447)	-	-	-	-	-	-	-	-	-	-	-	(447)
<b>(Deficit) / surplus for the year</b>	<b>535</b>	-	<b>1,009</b>	-	-	-	-	-	<b>4,890</b>	-	-	-	<b>6,434</b>
<b>Total comprehensive (expenditure) / income for the year</b>	<b>535</b>	-	<b>1,009</b>	-	-	-	-	-	<b>4,890</b>	-	-	-	<b>6,434</b>

# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

## 19 Prior year adjustments (continued)

### Prior year adjustments restating the Group Statement of Financial Position at 1 January 2018

The impact of the prior year adjustments is tabulated below, for the relevant line items only.

		Construction & fit-out costs	Reduction of accruals & deferred income	Adjustment relating to donated properties	VAT repayable and capitalisation	Investments, deposits, cash	MK Academic Centre - LEP grant	MK Academic Centre - donation	Vinson Centre - donation	LEP grant in relation to the Vinson Centre	Depreciation on donated properties	Unspent capital grants	
	1 January 2018 As presented previously	a	b	c	d	e	f (i)	f (ii)	g	h	i	j	1 January 2018 Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Fixed assets</b>													
Tangible assets													
- Freehold buildings	15,759	-	-	-	655	-	-	-	-	-	-	-	16,414
<b>Creditors: amounts falling due within one year</b>	(17,331)	-	-	-	-	-	-	210	(4,890)	-	-	-	(22,011)
<b>Creditors: amounts falling due after more than one year</b>													
Other provisions	-	-	-	-	(655)	-	-	-	-	-	-	-	(655)
<b>Impact upon:</b>													
<b>Total net assets</b>	<b>38,550</b>	-	-	-	-	-	-	-	-	-	-	-	<b>38,550</b>
<b>Restricted reserves</b>													
Income and expenditure reserve													
- Endowment	6,067	-	-	-	-	-	-	-	-	-	-	-	6,067
Income and expenditure reserve													
- Restricted													
Income and expenditure reserve													
- Restricted reserves	4,968	-	-	-	-	-	(2,000)	-	-	-	-	(810)	2,158
Income and expenditure reserve													
- Capital grants	8,806	-	-	(4,726)	-	-	-	-	(4,890)	-	-	810	-
	<u>13,774</u>	-	-	(4,726)	-	-	(2,000)	-	(4,890)	-	-	-	<u>2,158</u>
<b>Unrestricted reserves</b>													
Income and expenditure reserve													
- Unrestricted	16,047	-	-	4,726	-	-	2,000	210	-	-	-	-	22,983
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total reserves</b>	<b>35,888</b>	-	-	-	-	-	-	210	(4,890)	-	-	-	<b>31,208</b>

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

## 19 Prior year adjustments (continued)

## Prior year adjustments restating the Group Statement of Financial Position at 31 December 2018

	Construction & fit-out costs	Reduction of accruals & deferred income	Adjustment relating to donated properties	VAT repayable and capitalisation	Investments, deposits, cash	MK Academic Centre - LEP grant	MK Academic Centre - donation	Vinson Centre - donation	LEP grant in relation to the Vinson Centre	Depreciation on donated properties	Unspent capital grants	
31 December 2018	a	b	c	d	e	f (i)	f (ii)	g	h	i	j	31 December 2018 Restated
As presented previously												
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Fixed assets</b>												
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Tangible assets												
- Freehold land	5,345	-	-	-	-	-	-	-	-	-	-	5,345
- Freehold buildings	20,520	8,077	-	-	739	-	-	-	-	-	-	29,336
- Equipment	6,795	443	-	-	-	-	-	-	-	-	-	7,238
- Assets in the course of construction	8,564	(8,520)	-	-	-	-	-	-	-	-	-	44
Investments	6,626	-	-	-	(1,804)	-	-	-	-	-	-	4,822
	<b>47,850</b>	-	-	-	<b>739</b>	<b>(1,804)</b>	-	-	-	-	-	<b>46,785</b>
<b>Current assets</b>												
Investments	-	-	-	-	1,731	-	-	-	-	-	-	1,731
Trade and other receivables	5,053	-	-	-	-	-	-	-	-	-	-	5,053
Cash and cash equivalents	12,605	-	-	-	73	-	-	-	-	-	-	12,678
	<b>17,658</b>	-	-	-	<b>1,804</b>	-	-	-	-	-	-	<b>19,462</b>
<b>Creditors: amounts falling due within one year</b>												
Bank loans	(1,000)	-	-	-	-	-	-	-	-	-	-	(1,000)
Student fees received in advance	(10,735)	-	-	-	-	-	-	-	-	-	-	(10,735)
Trade payables	(4,109)	-	-	-	-	-	-	-	-	-	-	(4,109)
Social security and other taxation payable	(666)	-	-	-	-	-	-	-	-	-	-	(666)
Other payables	(1,113)	-	-	-	-	-	210	-	-	-	-	(903)
Obligations under finance leases	-	-	-	-	-	-	-	-	-	-	-	-
Accruals and deferred income	(2,112)	-	1,009	-	-	-	-	-	-	-	-	(1,103)
Amounts due to subsidiary undertakings	-	-	-	-	-	-	-	-	-	-	-	-
	<b>(19,735)</b>	-	<b>1,009</b>	-	-	-	<b>210</b>	-	-	-	-	<b>(18,516)</b>
<b>Net current assets / (liabilities)</b>	<b>(2,077)</b>	-	<b>1,009</b>	-	<b>1,804</b>	-	<b>210</b>	-	-	-	-	<b>946</b>
<b>Total assets less current liabilities</b>	<b>45,773</b>	-	<b>1,009</b>	-	<b>739</b>	-	<b>210</b>	-	-	-	-	<b>47,731</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>(8,000)</b>	-	-	-	-	-	-	-	-	-	-	<b>(8,000)</b>
Pension provisions	(1,350)	-	-	-	-	-	-	-	-	-	-	(1,350)
Other provisions	-	-	-	-	(739)	-	-	-	-	-	-	(739)
	<b>(9,350)</b>	-	-	-	<b>(739)</b>	-	-	-	-	-	-	<b>(10,089)</b>
<b>Total net assets</b>	<b>36,423</b>	-	<b>1,009</b>	-	-	-	<b>210</b>	-	-	-	-	<b>37,642</b>
<b>Restricted reserves</b>												
Income and expenditure reserve												
- Endowment	5,543	-	-	-	-	-	-	-	-	-	-	5,543
Income and expenditure reserve												
- Restricted	-	-	-	-	-	-	-	-	-	-	-	-
Income and expenditure reserve												
- Restricted reserves	3,855	-	-	-	-	(2,000)	-	4,890	-	-	(40)	6,705
Income and expenditure reserve												
- Capital grants	11,595	-	-	(4,726)	-	-	-	(4,890)	(2,189)	170	40	-
	<b>15,450</b>	-	-	<b>(4,726)</b>	-	<b>(2,000)</b>	-	<b>(2,189)</b>	<b>170</b>	-	-	<b>6,705</b>
<b>Unrestricted reserves</b>												
Income and expenditure reserve												
- Unrestricted	15,430	-	1,009	4,726	-	-	2,000	210	-	2,189	(170)	25,394
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total reserves</b>	<b>36,423</b>	-	<b>1,009</b>	-	-	-	<b>210</b>	-	-	-	-	<b>37,642</b>

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

## 19 Prior year adjustments (continued)

Prior year adjustments restating the University Statement of Comprehensive Income for the year ended 31 December 2018

	31 December 2018  As presented previously  £000	Construction & fit-out costs	Reduction of accruals & deferred income	Adjustment relating to donated properties	VAT repayable and capitalisation	Investments, deposits, cash	MK Academic Centre - LEP grant	MK Academic Centre - donation	Vinson Centre - donation	LEP grant in relation to the Vinson Centre	Depreciation on donated properties	Unspent capital grants	31 December 2018  Restated  £000
	a	b	c	d	e	f (i)	f (ii)	g	h	i	j		
<b>Income</b>													
Tuition fees and education contracts	31,852	-	-	-	-	-	-	-	-	-	-	-	31,852
Research grants and contracts	244	-	-	-	-	-	-	-	-	-	-	-	244
Other income	5,297	-	-	-	-	-	-	-	-	-	-	-	5,297
Investment income	84	-	-	-	-	-	-	-	-	-	-	-	84
<b>Total income before donations and endowments</b>	<b>37,477</b>	-	-	-	-	-	-	-	-	-	-	-	<b>37,477</b>
Donations and endowments	3,122	-	-	-	-	-	-	4,890	-	-	-	-	8,012
<b>Total income</b>	<b>40,599</b>	-	-	-	-	-	-	<b>4,890</b>	-	-	-	-	<b>45,489</b>
<b>Expenditure</b>													
Staff costs	18,372	-	-	-	-	-	-	-	-	-	-	-	18,372
Other operating expenses	18,693	-	(1,009)	-	-	-	-	-	-	-	-	-	17,684
Amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	1,647	-	-	-	-	-	-	-	-	-	-	-	1,647
Interest and other finance costs	344	-	-	-	-	-	-	-	-	-	-	-	344
<b>Total expenditure before exceptional items</b>	<b>39,056</b>	-	<b>(1,009)</b>	-	-	-	-	-	-	-	-	-	<b>38,047</b>
Exceptional items	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditure after exceptional items</b>	<b>39,056</b>	-	<b>(1,009)</b>	-	-	-	-	-	-	-	-	-	<b>38,047</b>
<b>(Deficit) / surplus after exceptional items and other gains / (losses)</b>	<b>1,543</b>	-	<b>1,009</b>	-	-	-	-	<b>4,890</b>	-	-	-	-	<b>7,442</b>
Gain on disposal of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains / (losses) on investments	(341)	-	-	-	-	-	-	-	-	-	-	-	(341)
<b>(Deficit) / surplus for the year</b>	<b>1,202</b>	-	<b>1,009</b>	-	-	-	-	<b>4,890</b>	-	-	-	-	<b>7,101</b>
<b>Total comprehensive (expenditure) / income for the year</b>	<b>1,202</b>	-	<b>1,009</b>	-	-	-	-	<b>4,890</b>	-	-	-	-	<b>7,101</b>

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)****19 Prior year adjustments (continued)****Prior year adjustments restating the University Statement of Financial Position at 1 January 2018**

The impact of the prior year adjustments is tabulated below, for the relevant line items only.

		Construction & fit-out costs	Reduction of accruals & deferred income	Adjustment relating to donated properties	VAT repayable and capitalisation	Investments, deposits, cash	MK Academic Centre - LEP grant	MK Academic Centre - donation	Vinson Centre - donation	LEP grant in relation to the Vinson Centre	Depreciation on donated properties	Unspent capital grants	
	1 January 2018 As presented previously	a	b	c	d	e	f (i)	f (ii)	g	h	i	j	1 January 2018 Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Creditors: amounts falling due within one year</b>		(16,472)	-	-	-	-	-	210	(4,890)	-	-	-	(21,152)
<b>Impact upon:</b>													
<b>Total net assets</b>	<b>31,160</b>	-	-	-	-	-	-	210	(4,890)	-	-	-	<b>26,480</b>
<b>Restricted reserves</b>													
Income and expenditure reserve – Endowment	3,176	-	-	-	-	-	-	-	-	-	-	-	3,176
Income and expenditure reserve – Restricted													
Income and expenditure reserve – Restricted reserves	3,244	-	-	-	-	-	(2,000)	-	-	-	-	(810)	434
Income and expenditure reserve – Capital grants	8,806	-	-	(4,726)	-	-	-	-	(4,890)	-	-	810	-
	<u>12,050</u>	-	-	(4,726)	-	-	(2,000)	-	(4,890)	-	-	-	<u>434</u>
<b>Unrestricted reserves</b>													
Income and expenditure reserve – Unrestricted	15,934	-	-	4,726	-	-	2,000	210	-	-	-	-	22,870
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total reserves</b>	<b>31,160</b>	-	-	-	-	-	-	210	(4,890)	-	-	-	<b>26,480</b>

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

## 19 Prior year adjustments (continued)

## Prior year adjustments restating the University Statement of Financial Position at 31 December 2018

	31 December 2018  As presented previously	Construction & fit-out costs	Reduction of accruals & deferred income	Adjustment relating to donated properties	VAT repayable and capitalisation	Investments, deposits, cash	MK Academic Centre - LEP grant	MK Academic Centre - donation	Vinson Centre - donation	LEP grant in relation to the Vinson Centre	Depreciation on donated properties	Unspent capital grants	31 December 2018  Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Fixed assets</b>													
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Tangible assets													
- Freehold land	5,345	-	-	-	-	-	-	-	-	-	-	-	5,345
- Freehold buildings	14,638	8,077	-	-	-	-	-	-	-	-	-	-	22,715
- Equipment	5,110	443	-	-	-	-	-	-	-	-	-	-	5,553
- Assets in the course of construction	8,563	(8,519)	-	-	-	-	-	-	-	-	-	-	44
Investments	9,988	-	-	-	-	-	-	-	-	-	-	-	9,988
	<b>43,644</b>	<b>1</b>	-	-	-	-	-	-	-	-	-	-	<b>43,645</b>
<b>Current assets</b>													
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	5,782	-	-	-	-	-	-	-	-	-	-	-	5,782
Cash and cash equivalents	12,037	-	-	-	-	-	-	-	-	-	-	-	12,037
	<b>17,819</b>	-	-	-	-	-	-	-	-	-	-	-	<b>17,819</b>
<b>Creditors: amounts falling due within one year</b>													
Bank loans	(1,000)	-	-	-	-	-	-	-	-	-	-	-	(1,000)
Student fees received in advance	(10,735)	-	-	-	-	-	-	-	-	-	-	-	(10,735)
Trade payables	(4,050)	(1)	-	-	-	-	-	-	-	-	-	-	(4,051)
Social security and other taxation payable	(666)	-	-	-	-	-	-	-	-	-	-	-	(666)
Other payables	(1,113)	-	-	-	-	-	-	210	-	-	-	-	(903)
Obligations under finance leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Accruals and deferred income	(2,112)	-	1,009	-	-	-	-	-	-	-	-	-	(1,103)
Amounts due to subsidiary undertakings	(75)	-	-	-	-	-	-	-	-	-	-	-	(75)
	<b>(19,751)</b>	<b>(1)</b>	<b>1,009</b>	-	-	-	-	<b>210</b>	-	-	-	-	<b>(18,533)</b>
<b>Net current assets / (liabilities)</b>	<b>(1,932)</b>	<b>(1)</b>	<b>1,009</b>	-	-	-	-	<b>210</b>	-	-	-	-	<b>(714)</b>
<b>Total assets less current liabilities</b>	<b>41,712</b>	-	<b>1,009</b>	-	-	-	-	<b>210</b>	-	-	-	-	<b>42,931</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>(8,000)</b>	-	-	-	-	-	-	-	-	-	-	-	<b>(8,000)</b>
Pension provisions	(1,350)	-	-	-	-	-	-	-	-	-	-	-	(1,350)
Other provisions	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>(9,350)</b>	-	-	-	-	-	-	-	-	-	-	-	<b>(9,350)</b>
<b>Total net assets</b>	<b>32,362</b>	-	<b>1,009</b>	-	-	-	-	<b>210</b>	-	-	-	-	<b>33,581</b>
<b>Restricted reserves</b>													
Income and expenditure reserve													
- Endowment	2,830	-	-	-	-	-	-	-	-	-	-	-	2,830
Income and expenditure reserve													
- Restricted													-
Income and expenditure reserve													
- Restricted reserves	2,521	-	-	-	-	-	(2,000)	-	4,890	-	-	1	5,412
Income and expenditure reserve													
- Capital grants	11,635	-	-	(4,726)	-	-	-	(4,890)	(2,189)	171	(1)	-	-
	<b>14,156</b>	-	-	<b>(4,726)</b>	-	-	<b>(2,000)</b>	-	-	<b>(2,189)</b>	<b>171</b>	-	<b>5,412</b>
<b>Unrestricted reserves</b>													
Income and expenditure reserve													
- Unrestricted	15,376	-	1,009	4,726	-	-	2,000	210	-	2,189	(171)	-	25,339
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total reserves</b>	<b>32,362</b>	-	<b>1,009</b>	-	-	-	-	<b>210</b>	-	-	-	-	<b>33,581</b>

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 19 Prior year adjustments (continued)

#### a. Adjustment relating to capitalisation of construction and fit-out costs

An adjustment was necessary in 2018 to restate the capitalisation of the construction and fit-out costs of the Vinson Centre, which was opened officially in November 2018. It was deemed appropriate to reclassify the relevant balances of £8,520,000, which was moved out of assets in the course of construction and into freehold buildings and equipment. No depreciation was charged during 2018 on grounds that it was immaterial; depreciation of the Vinson Centre and its equipment commenced on 1 January 2019.

Also, Assets in the course of construction at 31 December 2018 within the University were stated originally at £8,563,000, whereas they should have been stated as £8,564,000. Accordingly, a £1,000 offsetting adjustment has been made to the £8,520,000 figure above, meaning the restatement totals £1,000, leaving the restated figure for Assets in the course of construction at £8,519,000.

This prior adjustment has had no impact upon Restricted or Unrestricted reserves.

#### b. Adjustments relating to the reduction of Accruals and deferred income

In 2019 it was identified that the Accruals and deferred income at 31 December 2018 had been overstated by £1,009,000 in respect of costs associated with Medical School. The 31 December 2018 comparatives have been restated to correct for this error. These adjustments have been made in the 2018 comparative figures within the Statement of Comprehensive Income within these financial statements and thus flow through to reserves.

This prior adjustment has not resulted in a transfer between Restricted and Unrestricted reserves.

#### c. Adjustment relating to donated properties

In periods prior to 2018, the University had received several properties which it capitalised at Fair Value and has subsequently amortised over the remaining life of the assets. There were carried forward previously within Unspent Capital Grants as part of Restricted Reserves. At the time of receipt there were no restrictive obligations and the University was free to dispose of the assets as it saw fit and use the resulting income freely. Hence, the income on receipt should have been recognised as an unrestricted donation at the point of receipt. The historical value of the donation, £4,726,000, recognised for the properties donated to the University prior to 1 January 2018, has been moved from Restricted to Unrestricted reserves, as there are no restrictions (for example around their sale or use) attaching thereto. There are no corresponding adjustments to the Statement of Comprehensive Income or the Statement of Financial Position as there are no comparative figures for 2016 or 2017 presented in these financial statements. Hence, this adjustment amends changes in the reserves disclosures only. This prior adjustment has necessitated a transfer from Restricted to Unrestricted reserves.

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)****19 Prior year adjustments (continued)****d. Adjustment for VAT repayable by the MPML subsidiary and adjustment relating to the capitalisation of VAT**

In MPML's accounts it was found necessary to make corrections to former VAT reclaims, after taking independent professional taxation advice. These are necessary due to the change in the VAT group structure made in early 2018 but implemented retroactively in late 2017, plus corrections regarding the use of the Capital Items Scheme. Further to this professional advice, the company has made an £808,000 provision for VAT repayable to HMRC including interest, as at 31 December 2019.

Of this figure, the taxation adviser considers £655,000 relates to corrections necessary in the year ended 31 December 2017 and £84,000 relates to corrections in the year ended 31 December 2018. Accordingly, prior year adjustments have been made as summarised in the table below.

	Restatements as at 1 January 2018			Restatements as at 31 December 2018			
	As reported at 1 Jan 2018	Prior year adjustments to 1 Jan 2018	Restated at 1 Jan 2018	As reported at 31 Dec 2018	Transactions as reported in year 2018	Prior year adjustments in year 2018	Restated at 31 Dec 2018
	[ a ]	[ b ]	[ a + b ]	[ c ]	[ d ]	[ e ]	[ b + c + e ]
<b>VAT provision</b>	£nil	£655,000	£655,000	£nil	£nil	£84,000	£739,000

As The University of Buckingham is able to recover minimal amounts of input VAT, the irrecoverable VAT of £739,000 has been capitalised as an addition to fixed assets. £655,000 of this was capitalised at 1 January 2018 and the remainder of £84,000 was capitalised within the year ended 31 December 2018.

This prior adjustment has had no impact upon Restricted or Unrestricted reserves.



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 19 Prior year adjustments (continued)

#### e. Investments, Deposits, Cash at bank and in hand, Cash in transit – at Group level

Certain cash deposits of The University of Buckingham Foundation were categorised as fixed asset investments in the financial statements for the year ended 31 December 2018. The Trustees have now categorised cash balances according to their intended holding period and in line with the guidance given in the SORP, namely:

- Cash deposits intended to be held up to three months is classified as Cash at bank and in hand within current assets;
- Cash deposits intended to be held more than three months and up to twelve months is classified as Investments within current assets;
- Cash deposits intended to be held for more than twelve months is classified as Investments within fixed assets.

The impact on the consolidated numbers is shown below:

	As reported at 31 Dec 2018 £000	Prior Year Adjustments to 31 Dec 2018 £000	Restated at 31 Dec 2018 £000
Fixed assets: Investments	6,626	(1,804)	4,822
Current assets: Investments	-	1,731	1,731
Current assets: Cash at bank and in hand	12,605	73	12,678

This prior year adjustment has no impact upon Restricted or Unrestricted reserves.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 19 Prior year adjustments (continued)

#### f. Adjustments relating to the Milton Keynes Academic Centre

##### (i) Adjustment relating to the Milton Keynes Academic Centre – LEP grant

In 2016, a £2,000,000 grant was received from the Buckinghamshire and Thames Valley Local Enterprise Partnership (LEP). The grant relates to construction of the Milton Keynes Academic centre, which was completed prior to 2018. At the point of receipt, the building had not been built, hence the restrictive obligation had not been met. As per the SORP, non-exchange transactions with performance-related conditions must be accounted for in accordance with the performance model and therefore the grant should have been retained as a deferred liability till then completion of construction and start of use which took place prior to 1 January 2018. However, no corresponding adjustments to the Statement of Comprehensive Income or the Statement of Financial position has been made as there are no comparative figures for 2016 or 2017 presented in these financial statements.

This grant was recognised within Restricted reserves originally. However, as there are no restrictions attached to this grant, an adjustment has been made at 1 January 2018 to restate the £2,000,000 grant, moving it from Restricted to Unrestricted reserves. Hence, this adjustment amends changes in the reserves disclosure only.

##### (ii) Adjustment relating to the release of the donation from Milton Keynes University Hospitals NHS Trust regarding the Milton Keynes Academic centre

In 2017, the University received £210,000 from Milton Keynes University Hospitals Foundation NHS Trust which was incorrectly included as part of the Other payables balance within Creditors: amounts falling due within one year. This follows the completion of construction and the start of use which took place prior to 1 January 2018. At 1 January 2018, an adjustment of £210,000 was recorded within Unrestricted reserves to recognise the donation income as part of reserves and the comparative balance sheets at 1 January 2018 and 31 December 2018 have been restated to correct Other payables within Creditors: amounts falling due within one year balance for this error.

#### g. Adjustments relating to the donation toward the Vinson Centre

In 2016 the University received a very generous donation of £4,890,000 toward to the costs of the Vinson Centre for the Public Understanding of Economics and Entrepreneurship (Vinson Centre). At the point of receipt, the building had not been constructed, hence the restrictive obligation had not been met. As per the SORP, non-exchange transactions with performance-related conditions must be accounted for in accordance with the performance model and therefore the donation income should have been retained as a deferred liability.

Originally, the donation of £4,890,000 was directly accounted as Donation income, prior to 2018. However, at 1 January 2018, the building was still being constructed and accordingly the donation should not have been taken to the Statement of Comprehensive Income at or before that date but shown instead as Accruals and deferred income within Creditors: amounts falling due within one year.

The construction of the building was completed in 2018 and made fully operational in November 2018. Accordingly, the income of £4,890,000 should have been recognised in the Statement of Comprehensive Income in 2018. There are restrictions attaching to the sale of this building, which cannot take place without the consent of a number of parties, including a representative of Lord Vinson. Accordingly, the donation remains restricted.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

### 19 Prior year adjustments (continued)

#### h. Adjustment relating to the LEP grant received in relation to the Vinson Centre

In 2018 the University received a grant of £2,189,000 from Buckinghamshire and Thames Valley Local Enterprise Partnership (LEP) as a contribution to the construction costs of the Vinson Centre. The Centre was completed in 2018 and made fully operational in November 2018. This grant was recognised within Restricted reserves originally. However, as there are no restrictions attached to this grant, an adjustment has been made at 31 December 2018 to restate the £2,189,000 grant, moving it from Restricted to Unrestricted reserves.

#### i. Adjustment relating to depreciation on donated properties

This adjustment relates to depreciation on donated properties that had previously been allocated to Restricted reserves in 2018. As there are no restrictions against these properties, no additional reserve transfer was required. The adjustment required to reverse the error is £170,000 at Group level and £171,000 at the University level.

#### j. Adjustments relating to unspent capital grants

This represents the transfer of the remaining £810,000 unspent capital grants at 1 January 2018 for the Group and University to other Restricted reserves. This makes the Capital grants restricted reserve nil at 1 January 2018 as set out in Note 19. The corresponding unspent Capital grants adjustment at 31 December 2018 for the Group was £40,000 and for the University was £(1,000). Similarly, this makes the Capital grants restricted reserve nil at 31 December 2018 for the Group and University, as set out in Note 19.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Tuition fees and education contracts

	Group 2019 £000	University 2019 £000	Group 2018 £000	University 2018 £000
Full-time undergraduates - Home & EU	14,274	14,274	12,694	12,694
Full-time undergraduates - International	10,742	10,742	9,828	9,828
Part-time undergraduates	252	252	233	233
Postgraduates - Home & EU	5,194	5,194	5,583	5,583
Postgraduates - International	1,702	1,702	2,791	2,791
Pre and non-degree courses	614	614	723	723
	<b>32,778</b>	<b>32,778</b>	<b>31,852</b>	<b>31,852</b>

### 2 Research grants and contracts

	Group 2019 £000	University 2019 £000	Group 2018 £000	University 2018 £000
Research charities	119	119	9	9
Government	-	-	60	60
Industry and commerce	374	374	175	175
	<b>493</b>	<b>493</b>	<b>244</b>	<b>244</b>

### 3 Other income

	Group 2019 £000	University 2019 £000	Group 2018 £000	University 2018 £000
Residences	3,414	3,414	3,546	3,546
Catering and bar	525	525	389	389
Validation fees	1,194	1,194	870	870
Other income **	993	583	578	492
	<b>6,126</b>	<b>5,716</b>	<b>5,383</b>	<b>5,297</b>

\*\* Other income comprises, in particular: registration fees, medical school materials, credit card commissions earned, and (at the Group level) rental income from parties outside The University of Buckingham.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****4 Investment income**

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Investment income on endowments	<b>134</b>	<b>66</b>	137	84
Other investment income	<b>68</b>	<b>68</b>	1	-
	<b>202</b>	<b>134</b>	138	84

**5 Donations and endowments**

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
			Restated	Restated
Donations with restrictions	<b>147</b>	<b>137</b>	348	337
Foundation donations with restrictions	-	<b>482</b>	-	133
Capital grants regarding the Vinson Centre ❖	-	-	7,079	7,079
Unrestricted donations	<b>48</b>	<b>208</b>	226	463
	<b>195</b>	<b>827</b>	7,653	8,012

A restatement has been made regarding the release of capital grants relating to the Milton Keynes Academic Centre. Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.

❖ Capital grants of £7,079,000 were received in respect of the Vinson Centre, comprising a donation of £4,890,000 which is included within Restricted Reserves and £2,189,000 which is included within Unrestricted reserves.

Details of endowment funds held by the group are provided at Note 18.

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

	<b>Group 2019 £000</b>	<b>University 2019 £000</b>	<b>Group 2018 £000</b>	<b>University 2018 £000</b>
Salaries ■	<b>16,666</b>	<b>16,622</b>	15,194	15,087
Social security costs	<b>1,553</b>	<b>1,553</b>	1,490	1,480
Pension costs, excluding USS	<b>1,810</b>	<b>1,810</b>	1,805	1,805
USS costs	<b>1,850</b>	<b>1,850</b>	-	-
Apprenticeship Levy	<b>158</b>	<b>158</b>	-	-
<b>Total</b>	<b>22,037</b>	<b>21,993</b>	18,489	18,372

■ Within salaries, compensation for loss of office (including voluntary severance) of £657,000 was paid in 2019 (2018: £252,000) which relates to 22 employees (2018: 9 employees). Within these figures, no payments were made in 2019 in respect of compensation for loss of office to members of the key management personnel (2018: £94,000, which relates to two key management personnel).

<b>Average number of equivalent full time members of staff</b>	<b>Group 2019 Number</b>	<b>University 2019 Number</b>	<b>Group 2018 Number</b>	<b>University 2018 Number</b>
Academic	<b>184</b>	<b>184</b>	132	132
Research	<b>17</b>	<b>17</b>	4	4
Support	<b>165</b>	<b>161</b>	200	196
Manual	<b>33</b>	<b>33</b>	48	48
	<b>399</b>	<b>395</b>	384	380

<b>Headcount of members of staff</b>	<b>Group 2019 Number</b>	<b>University 2019 Number</b>	<b>Group 2018 Number</b>	<b>University 2018 Number</b>
Academic	<b>405</b>	<b>405</b>	160	160
Research	<b>18</b>	<b>18</b>	13	13
Support	<b>182</b>	<b>178</b>	215	211
Manual	<b>41</b>	<b>41</b>	59	59
	<b>646</b>	<b>642</b>	447	443

There is a large increase in headcount of academic staff in 2019 compared to the prior year. This arises due to the employment of a large number of sessional lecturers (who generally work less than 0.2 full time equivalent) to teach Postgraduate Certificate in Education courses, in particular.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6 Staff costs (continued)

#### Remuneration of the Vice-Chancellor

Sir Anthony Seldon held the office of Vice-Chancellor during all of 2018 and until 30 September 2020. James Tooley was appointed Vice-Chancellor effective from 1 October 2020. Information set out in this note on the consideration of remuneration relates to the role of Vice-Chancellor generally. Details of emoluments set out below relate solely to Sir Anthony's appointment.

Emoluments of the Vice-Chancellor	Group 2019 £	University 2019 £	Group 2018 £	University 2018 £
Salary	150,000	150,000	151,795	151,795
Benefits – living accommodation ■	18,000	18,000	18,000	18,000
Pension contribution to USS	-	-	-	-
	<b>168,000</b>	<b>168,000</b>	169,795	169,795

At the start of 2019, the salary of the then Vice-Chancellor, Sir Anthony Seldon, was £150,000. This reflected the salary agreed upon his appointment in 2015, and a request from Sir Anthony that his pay be adjusted downwards (from £175,000 previously), in response to pressures from the external environment around Vice-Chancellors' pay within the UK Higher Education Sector. This position was reconfirmed at the NPRC meeting on 22 May 2019.

■ Sir Anthony Seldon did not receive any pension contributions during his tenure as Vice-Chancellor. As a requirement of the contract of employment, the Vice-Chancellor is required to reside at Ondaatje Hall in order to discharge their duties fully. There is considerable value to the University in the Vice-Chancellor residing at this property. The University, and not the Vice-Chancellor, has first call on the use of the ground floor and garden of Ondaatje Hall, which is used for hosting University seminars and events during the working week plus evenings and weekends. The annual rental value of Ondaatje Hall, a two-storey house, has been estimated by a local estate agent as £36,000 per annum. The Vice-Chancellor has exclusive use of the first floor only, so an £18,000 benefit is recorded. In these financial statements this has been treated as a non-taxable benefit in kind. These financial statements have represented the 2018 figures to reflect the new requirements of the Office for Students' Accounts Direction.

The Vice-Chancellor's objectives are agreed by the Council. The Vice-Chancellor's long-term objective is to deliver the University's strategy. Overall progress towards the delivery of that strategy is assessed each year.

Performance-related payments are not contractually a part of the Vice-Chancellor's salary package. No performance related payment was made to the Vice-Chancellor in the financial year ending 31 December 2018 (2018: none).

The Vice-Chancellor's salary falls below the average pay for University Heads of £248,182, as reported on the Office for Students website for data relating to academic year 2019-20.

The Vice-Chancellor's salary is 5.2 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. The Vice-Chancellor's salary is 4.1 times the median total remuneration of staff where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the University of its staff.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****6 Staff costs (continued)****Remuneration of higher paid staff**

The remuneration of higher paid staff accounted for in the Group Comprehensive Statement of Income is set out below. The columns marked “excluding pension contributions” represents the basic salary only.

£	31 Dec 2019 Number including pension contributions	31 Dec 2019 Number excluding pension contributions	31 Dec 2018 Number including pension contributions	31 Dec 2018 Number excluding pension contributions
100,000 - 104,999	2	1	-	2
105,000 - 109,999	-	1	2	-
110,000 - 114,999	-	1	1	1
115,000 - 119,999	1	-	-	-
120,000 - 124,999	3	1	1	2
125,000 - 129,999	1	-	-	-
130,000 - 134,999	1	1	1	-
135,000 - 139,999	-	2	-	-
140,000 - 144,999	-	1	2	-
145,000 - 149,999	-	-	-	-
150,000 - 154,999	1	1	1	1
155,000 - 159,999	1	-	-	-
160,000 - 164,999	2	-	-	-
165,000 - 169,999	1	-	-	-
	<b>13</b>	<b>9</b>	<b>8</b>	<b>6</b>



## 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 and are represented at the University's Executive Committee. Staff costs include salaries paid to key management personnel, plus employer's pension contributions.

	<b>Group / University 2019 £000</b>	<b>Group / University 2018 £000</b>
Key management personnel compensation	<b>2,490</b>	1,721
	<b>2,490</b>	1,721

	<b>Group / University 2019 £000</b>	<b>Group / University 2018 £000</b>
Key management personnel numbers	<b>22</b>	24
	<b>22</b>	24

#### Council members

Council members are the trustees for charitable law purposes.

A list of Council members who served at any time during the financial year and until the date these financial statements were formally approved is contained within an earlier section entitled "Members of Council".

Due to the nature of the University's operations and the composition of the Council, 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 arm's length and in accordance with the University's Financial Regulations and usual procurement procedures. Note 23 contains details of related party transactions in the year.

No members of Council received honoraria from the University during the year (2018: Nil).

The total expenses paid to or on behalf of the Council members in the year was £4,283 (2018: £15,230). This represents travel and subsistence expenses incurred in attending Council, Committee meetings and Charity events including fundraising in their official capacity.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****7 Other operating expenses**

	Group	University	Group Restated	University Restated
	2019	2019	2018	2018
	£000	£000	£000	£000
Other operating expenses include:				
External auditors' remuneration in respect of audit services	1,443	1,405	45	45
External auditors' remuneration in respect of non-audit services	4	4	23	23
Accountancy services from firms other than the external auditor	421	421	-	-
Other costs (see below for further analysis)	20,157	20,142	17,621	17,616
	<b>22,025</b>	<b>21,972</b>	17,689	17,684

The prior year adjustment relates to the release of over-accruals of medical school expenditure of £1,009,000 made in 2018 and as explained within Section 19 of the Statement of Principal Accounting Policies.

External auditors' remuneration has not been restated.

Total auditors' remuneration in respect of audit services for the year ended 31 December 2019 in relation to the University was £1,518,000. £1,405,000 has been recorded in 2019 with the final £115,000 not recorded due to the timing of the work that has been performed.

	Group Restated	University Restated
	2018	2018
	£000	£000
As per original 2018 financial statements	18,698	18,693
Prior year adjustment	(1,009)	(1,009)
Adjusted operating expenses	17,689	17,684

**Further analysis of other costs**

	Group	University	Group	University
	2019	2019	2018	2018
	£000	£000	£000	£000
Significant cost categories included within other costs:				
Curriculum costs	5,317	5,317	6,179	6,179
Medical student placement fees	4,812	4,812	4,436	4,436
Staff and student travel	1,775	1,775	1,778	1,778
Premises costs	3,490	3,521	1,545	1,540
Residence costs	605	605	865	865
General administrative expenses	3,913	3,867	2,718	2,718
Catering and merchandising costs	245	245	100	100
	<b>20,157</b>	<b>20,142</b>	17,621	17,616

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

	<b>Group 2019 £000</b>	<b>University 2019 £000</b>	<b>Group 2018 £000</b>	<b>University 2018 £000</b>
Bank loans	<b>323</b>	<b>323</b>	343	343
Pension finance interest	<b>25</b>	<b>25</b>	-	-
Finance lease interest	-	-	1	1
Interest payable to HMRC regarding VAT	<b>62</b>	-	-	-
	<b>410</b>	<b>348</b>	344	344

Interest payable to HMRC of £62,000 has been disclosed separately within the Group cash flow statement, to reflect this not having been paid at the year-end. Pension finance interest of £25,000 is also not included within interest paid within the Group cashflow statement.

The Pension finance interest relates to interest charges, incurred by the University of Buckingham, relating to the USS scheme.

**9 Total expenditure before exceptional items**

	<b>Group 2019 £000</b>	<b>University 2019 £000</b>	<b>Group 2018 £000 Restated</b>	<b>University 2018 £000 Restated</b>
Academic and related expenditure	<b>25,642</b>	<b>25,396</b>	25,264	25,264
Administration and central services	<b>12,569</b>	<b>12,832</b>	7,149	6,814
Premises	<b>5,697</b>	<b>5,082</b>	3,088	3,088
Residences	<b>1,845</b>	<b>1,845</b>	2,041	2,034
Catering and bar	<b>516</b>	<b>516</b>	670	670
Research grants and contracts	<b>642</b>	<b>642</b>	177	177
	<b>46,911</b>	<b>46,313</b>	38,389	38,047

The University has two classes of business being the provision of education and the delivery of research. The provision of residences, catering, bar plus administration and central services are ancillary activities. Administration and central services include one-off items as shown at Note 10.

Group Academic and central services expenditure does not include (primarily) £225,000 (2018: £75,000) of rent charged by MPML to the University, as this is eliminated upon consolidation.

Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10 Exceptional Items

	Group	University	Group	University
	2019	2019	2018	2018
	£000	£000	£000	£000
Booth Hall student accommodation	2,671	2,671	-	-
Crewe campus onerous lease provision	6,369	6,369	-	-
Impairment of tangible fixed assets	1,982	1,982	-	-
Impairment of intangible assets	154	-	-	-
Impairment of investments	-	2,999	-	-
<b>Total exceptional costs for the year</b>	<b>11,176</b>	<b>14,021</b>	-	-

#### Booth Hall student accommodation

The Group holds £2,671,000 of funds held in escrow relating to the financial guarantee contract connected with Booth Hall student accommodation. The funds were placed in escrow to cover a financial guarantee contract of the same value, which is held within Provisions in these financial statements. The financial guarantee relates to the level of student accommodation income from the Booth Hall student residences at the Crewe campus. The charge of £2,671,000 recorded above represents the initial recording of the financial guarantee contract provision in the year ended 31 December 2019.

#### Crewe campus onerous lease provision

This was calculated as the discounted net expenditure on the University's activities at the Crewe campus over the 10-year duration of the lease. This represents the lowest net cost of exiting our contractual commitments, which is the cost of fulfilling it.

#### Impairment of tangible fixed assets

Impairment of tangible fixed assets comprises the write down of values on the following University sites. An independent valuation of University land and buildings was performed by a third-party firm of Chartered Surveyors as part of a wider Estates Strategy review. This valuation noted a material reduction versus the previous carrying values.

	Group	University	Group	University
	2019	2019	2018	2018
	£000	£000	£000	£000
Tingewick Road	1,702	1,702	-	-
Station Road	152	152	-	-
Ford Meadow	128	128	-	-
<b>Total impairments for the year</b>	<b>1,982</b>	<b>1,982</b>	-	-

#### Impairment of intangible assets

This relates to the impairment within the financial statements of the Medical Property Management Ltd subsidiary of a curriculum for Podiatry education. Note 11 contains further details.

#### Impairment of investments

This reflects the diminution in value of University's Medical Property Management Ltd (MPML) subsidiary. This impairment in the subsidiary has arisen due the reduction in value of its net assets. The level of reduction within MPML was determined by the valuation information within the Estates Strategy review referred to above. This valuation noted a material decline in net assets versus the previous carrying value. This resulted in an impairment of the investment.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****11 Intangible assets**

	<b>Podiatry Curriculum £000</b>	<b>Total £000</b>
<b>At Group level:</b>		
<b>Cost:</b>		
Balance brought forward at 1 January 2019	-	-
Additions for the year	246	246
<b>Balance carried forward at 31 December 2019</b>	<b>246</b>	<b>246</b>
<b>Accumulated amortisation:</b>		
Balance brought forward at 1 January 2019	-	-
Amortisation	92	92
Impairment	154	154
<b>Balance carried forward at 31 December 2019</b>	<b>246</b>	<b>246</b>
<b>Net Book Amount:</b>		
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>
At 31 December 2018	-	-

An established curriculum for teaching of Podiatry was acquired by Medical Property Management Ltd from a third party during the year. It was intended that this will be used for Podiatry teaching by the company's parent, the University of Buckingham, at their Crewe campus and potentially licensed to third parties. The additions represent intellectual property purchased and do not meet the definition of a business as defined by FRS 102.

Given the uncertainty at the year-end as to whether regulatory approval to deliver the Podiatry course would be obtained, provision has been made against the remaining value of this intangible asset.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****12 Tangible assets**

<b><u>GROUP</u></b>	Freehold land £000	Freehold buildings Restated £000	Equipment Restated £000	Assets in course of construction Restated £000	<b>Total Restated £000</b>
<b>Cost:</b>					
At 1 January 2019	5,345	29,661	14,546	8,564	<b>58,116</b>
Adjustment relating to capitalisation of construction and fit-out costs	-	8,077	443	(8,520)	<b>-</b>
Adjustment relating to the capitalisation of VAT	-	739	-	-	<b>739</b>
At 1 January 2019, restated	<b>5,345</b>	<b>38,477</b>	<b>14,989</b>	<b>44</b>	<b>58,855</b>
Additions	-	97	1,163	576	<b>1,836</b>
Disposals ♦	-	-	(65)	-	<b>(65)</b>
<b>At 31 December 2019</b>	<b>5,345</b>	<b>38,574</b>	<b>16,087</b>	<b>620</b>	<b>60,626</b>
<b>Accumulated depreciation:</b>					
At 1 January 2019	-	9,141	7,751	-	<b>16,892</b>
Charge for the year	-	787	1,560	-	<b>2,347</b>
Disposals ♦	-	-	(62)	-	<b>(62)</b>
Impairments ☉	403	768	267	544	<b>1,982</b>
<b>At 31 December 2019</b>	<b>403</b>	<b>10,696</b>	<b>9,516</b>	<b>544</b>	<b>21,159</b>
<b>Net book amount:</b>					
<b>At 31 December 2019</b>	<b>4,942</b>	<b>27,878</b>	<b>6,571</b>	<b>76</b>	<b>39,467</b>
At 31 December 2018, restated	5,345	29,336	7,238	44	41,963

Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****12 Tangible assets (continued)**

<b><u>UNIVERSITY</u></b>	Freehold land	Freehold Buildings Restated	Equipment Restated	Assets in course of construction Restated	<b>Total Restated</b>
<b>Cost:</b>	£000	£000	£000	£000	<b>£000</b>
At 1 January 2019	5,345	23,593	12,799	8,563	<b>50,300</b>
Restatement	-	8,077	443	(8,519)	<b>1</b>
At 1 January 2019, restated	5,345	31,670	13,242	44	<b>50,301</b>
Additions	-	-	1,163	576	<b>1,739</b>
Disposals	-	-	(65)	-	<b>(65)</b>
<b>At 31 December 2019</b>	<b>5,345</b>	<b>31,670</b>	<b>14,340</b>	<b>620</b>	<b>51,975</b>
<b>Accumulated depreciation:</b>					
At 1 January 2019	-	8,955	7,689	-	<b>16,644</b>
Charge for the year	-	626	1,374	-	<b>2,000</b>
Disposals	-	-	(62)	-	<b>(62)</b>
Impairments ☉	403	768	267	544	<b>1,982</b>
<b>At 31 December 2019</b>	<b>403</b>	<b>10,349</b>	<b>9,268</b>	<b>544</b>	<b>20,564</b>
<b>Net book amount:</b>					
<b>At 31 December 2019</b>	<b>4,942</b>	<b>21,321</b>	<b>5,072</b>	<b>76</b>	<b>31,411</b>
At 31 December 2018, restated	5,345	22,715	5,553	44	33,657

Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.

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 £nil (2018: £nil). Depreciation of these assets in the year was £nil (2018: £4,960).

◆ During the year, various vehicles were part-exchanged. The cost of these vehicles was £65,000 and accumulated depreciation was £62,000, giving a net book value of £3,000. The part-exchange allowance received was £12,000, creating a net gain on disposals of £9,000.

☉ A total impairment of £1,982,000 (2018: £nil) has been recorded against certain University sites as given at Note 10. These assets have been written down to their fair value less cost to sell, which was determined by a professional valuation by an independent third party. The fair value less cost to sell is higher than the value in use based on the properties' expected future usage.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****13 Investments**

<b>Group</b>	<b>Note</b>	<b>Group 2019 £000</b>	<b>Group 2018 Restated £000</b>
Shares in ABHSC (a joint venture)	24	-	-
Shares in CVCP Properties Plc		23	23
Other listed investments		5,282	4,617
Cash investment deposits: Non-current		374	182
Cash investment deposits: Current		1,033	1,731
		<b>6,712</b>	<b>6,553</b>

<b>University</b>	<b>Note</b>	<b>University 2019 £000</b>	<b>University 2018 £000</b>
Investments in subsidiary undertaking		4,001	7,000
Shares in ABHSC (a joint venture)	24	-	-
Shares in CVCP Properties plc		23	23
Other listed investments		3,350	2,800
Cash investment deposits: Non-current		231	165
		<b>7,605</b>	<b>9,988</b>

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

The University owns a non-controlling interest of 40% (80 x £1 ordinary shares) in a joint venture, Apollo Buckingham Health Sciences Campus Ltd (ABHSC), being the company that purchased the Crewe campus from Manchester Metropolitan University.

Other listed investments represent equity shares, principally UK equities, managed by external independent professional fund managers. These are recognised as non-current asset investments, as they are held with a long-term intention to earn recurring income that pays for expenditure connected with Restricted and Endowment Funds.

Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.



# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 13 Investments (continued)

	Group Restated £000	University £000
At 1 January 2018	5,512	10,212
Net movement within the year ■	1,041	(224)
At 31 January 2018	6,553	9,988
Net movement within the year ■	159	(2,383)
At 31 January 2019	<b>6,712</b>	<b>7,605</b>

Originally, cash and cash equivalents at 31 December 2018 were £12,605,000. £73,000 has been reclassified from Investments into Cash and cash equivalents, resulting in a restated balance as at 31 December 2018 of £12,678,000. The corresponding adjustment to Investments has restated the balance from £6,626,000 to £6,553,000. Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.

■ The net movement in the year consists of:

	Group 2019 £000	Group 2018 Restated £000
Gains on investments as per University	549	(341)
Gains on investment as per Foundation	257	(106)
	806	(447)
Net disposal of investments	(647)	1,488
	<b>159</b>	<b>1,041</b>

	University 2019 £000	University 2018 £000
Gains on investments as per University	549	(341)
Impairment of subsidiary investment	(2,999)	-
	(2,450)	(341)
Increase in cash investment deposits	67	117
	<b>(2,383)</b>	<b>(224)</b>

The net movement in the year ended 31 December 2018 has been restated from £1,114,000 to £1,041,000, reflecting the reclassification of £73,000 from Investments into Cash and cash equivalents. The net disposal of investments for 2018 has been restated from £1,561,000 to £1,488,000, as set out in the re-presented tables above.

Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****14 Trade and other receivables**

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>				
Escrow funds	<b>2,671</b>	<b>2,671</b>	-	-
Student receivables	<b>1,814</b>	<b>1,814</b>	2,766	2,766
Other trade receivables	<b>1,538</b>	<b>1,469</b>	1,611	1,516
Prepayments and accrued income	<b>773</b>	<b>773</b>	645	645
Amounts due from subsidiary undertakings	-	<b>964</b>	-	824
Other debtors	<b>99</b>	<b>41</b>	31	31
	<b>6,895</b>	<b>7,732</b>	5,053	5,782

The amounts due from subsidiary undertakings are unsecured interest free loans and repayable on demand.

The Group holds £2,671,000 of funds held in escrow relating to the financial guarantee contract connected with Booth Hall student accommodation. The funds were placed in escrow to cover a financial guarantee contract of the same value, which is held within Provisions in these financial statements. The financial guarantee relates to the level of student accommodation income from the Booth Hall student residences at the Crewe campus. The University was required to place these funds in escrow as part of the arrangement made by ABHSC to lease the Booth Hall student accommodation. The funds held in escrow will be used to fund any shortfalls in the expected levels of student accommodation income.

The University has judged that this should be treated in the financial statements as a receivable rather than cash and cash equivalents. The restricted cash is contained in a bank account held jointly in escrow with Manchester Metropolitan University and, whilst this does represent cash funds, it is freely available only to the extent released by both parties following payment of rents due.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****15 Creditors: amounts falling due within one year**

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
			Restated	Restated
Bank loans	<b>1,000</b>	<b>1,000</b>	1,000	1,000
Student fees received in advance	<b>9,653</b>	<b>9,653</b>	10,735	10,735
Trade payables	<b>3,111</b>	<b>3,023</b>	4,109	4,051
Social security and other taxation payable	<b>559</b>	<b>512</b>	666	666
Other payables	<b>1,278</b>	<b>1,278</b>	903	903
Accruals and deferred income	<b>4,073</b>	<b>4,022</b>	1,103	1,103
Amounts due to subsidiary undertakings	-	-	-	75
	<b>19,674</b>	<b>19,488</b>	18,516	18,533

Any amounts owing to group companies are unsecured, interest free and repayable on demand.

Student fees received in advance relates to amounts paid by current students to the University in advance of them starting their studies.

Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****16 Creditors: amounts falling due after more than one year**

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loans	<b>17,000</b>	<b>17,000</b>	8,000	8,000
	<b>17,000</b>	<b>17,000</b>	8,000	8,000

**Analysis of loan repayments**

	<b>University / Group</b>	<b>University / Group</b>
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Due within one year, as shown at Note 15	<b>1,000</b>	1,000
Due between two and five years, as shown above	<b>7,750</b>	4,000
Due after five years, as shown above	<b>9,250</b>	4,000
	<b>18,000</b>	9,000

The £8.0 million external loan bears interest at a rate of 3.5% and is repayable in annual instalments of £1.0 million with a final payment of £3.0 million. This loan was fully drawn throughout 2019 and 2018. The terms of the loan were renegotiated in April 2020 which included a one-year capital repayment holiday until April 2021 and an extension of the final repayment date until October 2025.

On 28 November 2019, a further £10.0 million external loan was agreed with NatWest and fully drawn. This loan bears interest at a fixed rate of 2.89%, repayable by annual instalments of £1.25 million, an initial two year repayment holiday and a final payment of £3.75 million by December 2026.

Both loans are unsecured. Interest is paid as it falls due.

In February 2021, the University and NatWest agreed to refinance the loans, with amended terms, and have entered into new loan facility agreements which are set out in Note 26. The previous loans have been repaid and new loans drawn down, in accordance with the new facility agreements.

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

<b>Group</b>	Financial guarantee contract provision £000	Pension: Employee Benefit Plan £000	Pension: USS £000	VAT provision £000	Crewe Lease £000	<b>Total £000</b>
At 1 January 2018, as presented previously	-	129	1,221	-	-	<b>1,350</b>
Adjustment for VAT repayable by the MPML subsidiary	-	-	-	655	-	<b>655</b>
At 1 January 2018, as restated	-	129	1,221	655	-	<b>2,005</b>
Adjustment for VAT repayable by the MPML subsidiary	-	-	-	84	-	<b>84</b>
At 31 December 2018, as restated	-	129	1,221	739	-	<b>2,089</b>
Additions in 2019	2,671	-	1,875	69	6,369	<b>10,984</b>
At 31 December 2019	2,671	129	3,096	808	6,369	<b>13,073</b>

**Financial guarantee contract provision**

The Group holds £2,671,000 of funds held in escrow relating to the financial guarantee contract connected with Booth Hall student accommodation. The funds are placed in escrow to cover a financial guarantee contract of the same value, which is held within Provisions in these financial statements. The financial guarantee relates to the level of student accommodation income from the Booth Hall student residences at the Crewe campus.

**Employee Benefit Plan**

The Employee Benefit Plan is an in-house pension scheme that is in the process of being wound up. Provisions relate to guaranteed minimum payment equalisation and legal and professional costs relating to the wind-up.

**USS**

Figures recorded in the tables above for the USS pension represent the University's share of the scheme's liabilities and past deficits. USS will adjust its scheme contribution rates from time-to-time, in order to address the deficit in this multi-employer pension scheme. Note 22 provides further details of pensions.

The additional provision in 2019 in respect of the USS pension comprises £1,850,000 in respect of pension cost and £25,000 for associated finance interest charges, as explained at Note 8.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17 Provisions (continued)

#### Adjustment for VAT repayable by the MPML subsidiary

The VAT provision relates to the Medical Property Management Ltd (MPML) subsidiary which is required to repay £808,000 to HM Revenue and Customs (HMRC) relating to the correction of an over-claim of VAT in previous years.

At 1 January 2018, £655,000 was adjusted. A further £84,000 adjustment was made in the year ended 31 December 2018. A further £69,000 was added in the year ended 31 December 2019. Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.

MPML has contacted HM Revenue and Customs already to make disclosure that there has been a material error with its previous VAT reclaims and has been working with independent professional taxation advisers to finalise the quantum of monies repayable and the chronology for repayment. The company expects the repayment will need to be made in the second quarter of calendar year 2022.

Regarding penalties, the taxation advisers considered the most likely outcome is that any penalties in relation to the VAT error will be suspended. Therefore, no specific provision for penalties has been included within the £808,000 provision. However, should HMRC impose penalties, these could range between 0 – 70% of VAT due. At worst case, this would result in an additional liability of £522,000.

Further details of the prior year adjustment for VAT provision that required the restatement in 2018 are provided at Section 19 of the Statement of Principal Accounting Policies.

#### Crewe campus lease

Where anticipated costs in relation to a leasehold property exceed anticipated income, a provision is made for the future shortfall to the end of the lease. This provision relates to the Crewe campus lease and is contractually due to be utilised by 2024.

	Financial guarantee contract provision £000	Pension: Employee Benefit Plan £000	Pension: USS £000	VAT provision £000	Crewe Lease £000	Total 2019 £000
<b>University</b>						
At 1 January	-	129	1,221	-	-	1,350
Additions	2,671	-	1,875	-	6,369	10,915
Utilised in the year	-	-	-	-	-	-
At 31 December	2,671	129	3,096	-	6,369	12,265

**NOTES TO THE FINANCIAL STATEMENTS (continued)****18 Endowment reserves**

Restricted net assets relating to endowments are as follows:

<b>2019</b>	<b>Group Restricted Permanent £000</b>	<b>Group Restricted Expendable £000</b>	<b>Group Total Endowment £000</b>	<b>University Restricted Permanent £000</b>	<b>University Restricted Expendable £000</b>	<b>University Total Endowment £000</b>
Capital	4,256	733	<b>4,989</b>	2,558	24	<b>2,582</b>
Accumulated income	404	150	<b>554</b>	248	-	<b>248</b>
Balance at 1 January	4,660	883	<b>5,543</b>	2,806	24	<b>2,830</b>
Investment income	119	15	<b>134</b>	66	-	<b>66</b>
Expenditure	(103)	(38)	<b>(141)</b>	(54)	(2)	<b>(56)</b>
Increase in market value of investments	737	69	<b>806</b>	549	-	<b>549</b>
	753	46	<b>799</b>	561	(2)	<b>559</b>
<b>At 31 December</b>	<b>5,413</b>	<b>929</b>	<b>6,342</b>	<b>3,367</b>	<b>22</b>	<b>3,389</b>
<b>Represented by:</b>						
Capital	4,256	733	<b>4,989</b>	2,570	24	<b>2,594</b>
Accumulated Income	1,157	196	<b>1,353</b>	797	(2)	<b>795</b>
	<b>5,413</b>	<b>929</b>	<b>6,342</b>	<b>3,367</b>	<b>22</b>	<b>3,389</b>

The University endowment funds of £3,389,000 (2018: £2,830,000) comprise £3,350,000 of listed investments as stated at Note 13 (2018: £2,800,000) and £39,000 of cash (2018: £30,000). In certain instances, the University's bank accounts are used to pay endowment related expenditure and therefore this amount is deducted from the amount held by the investment manager when calculating cash held in endowment funds. The cumulative amount at 31 December 2019 of this expenditure was £192,000 (2018: £135,000).

At Group level, endowment funds of £6,342,000 (2018: £5,543,000) comprise £5,282,000 of listed investments (2018: £4,617,000) and cash of £1,060,000 (2018: £926,000).

At Group level, Investment income of £134,000 (2018: £129,000) represents restricted new donations, posted originally to unrestricted funds, but which were reclassified to restricted reserves because they had restrictions from donors upon the usage of these funds.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****18 Endowment reserves (continued)**

<b>2018</b>	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	4,256	733	<b>4,989</b>	2,558	26	<b>2,584</b>
Accumulated income	870	208	<b>1,078</b>	592	-	<b>592</b>
Balance at 1 January	5,126	941	<b>6,067</b>	3,150	26	<b>3,176</b>
Investment income	116	13	<b>129</b>	83	-	<b>83</b>
Expenditure	(164)	(42)	<b>(206)</b>	(86)	(2)	<b>(88)</b>
Decrease in market value of investments	(418)	(29)	<b>(447)</b>	(341)	-	<b>(341)</b>
	(466)	(58)	<b>(524)</b>	(344)	(2)	<b>(346)</b>
At 31 December	4,660	883	<b>5,543</b>	2,806	24	<b>2,830</b>
<b>Represented by:</b>						
Capital	4,256	733	<b>4,989</b>	2,558	24	<b>2,582</b>
Accumulated Income	404	150	<b>554</b>	248	-	<b>248</b>
	4,660	883	<b>5,543</b>	2,806	24	<b>2,830</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19 Restricted reserves

Reserves with restrictions are as follows:

2019	Unspent Capital Grants		Donations / Grants		Total	
	Group £000	University £000	Group £000	University £000	Group £000	University £000
At 1 January 2019, restated	-	-	6,705	5,412	6,705	5,412
New donations	-	-	147	619	147	619
Expenditure	-	-	(565)	(252)	(565)	(252)
	-	-	(418)	367	(418)	367
<b>At 31 December 2019</b>	-	-	6,287	5,779	6,287	5,779

New donations for the year amount to £147,000 at the Group level and £619,000 at the University level.

2018	Unspent Capital Grants		Donations / Grants		Total	
	Group £000 Restated	University £000 Restated	Group £000 Restated	University £000 Restated	Group £000 Restated	University £000 Restated
At 1 January 2018, as presented previously	8,806	8,806	4,968	3,244	13,774	12,050
Adjustment relating to the donation toward the Vinson Centre	(4,890)	(4,890)	-	-	(4,890)	(4,890)
Adjustment relating to donated properties	(4,726)	(4,726)	-	-	(4,726)	(4,726)
Adjustments relating to the Milton Keynes Academic Centre	-	-	(2,000)	(2,000)	(2,000)	(2,000)
Adjustments relating to unspent capital grants	810	810	(810)	(810)	-	-
<b>Adjusted at 1 January 2018, restated</b>	-	-	2,158	434	2,158	434
New grants ❖	-	-	4,890	4,890	4,890	4,890
Expenditure	-	-	(695)	(382)	(695)	(382)
New donations	-	-	348	470	348	470
Investment income	-	-	4	-	4	-
	-	-	4,547	4,978	4,547	4,978
<b>At 31 December 2018</b>	-	-	6,705	5,412	6,705	5,412

Income for the year amounts to £5,242,000 at the Group level and £5,360,000 at the University level.

All residual capital grants have been reclassified to restricted reserves in accordance with BUFDG Implementation Guidance to the SORP.

Prior year adjustments are disclosed within Section 19 of the Statement of Principal Accounting Policies.

❖ New grants relate to a historical donation of £4,890,000 toward the cost of the Vinson Centre, which is reflected as a prior year adjustment.

Section 19 of the Statement of Principal Accounting Policies provides further information on the restatements.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****20 Total reserves**

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
			Restated	Restated
At 1 January	<b>37,642</b>	<b>33,581</b>	31,208	26,480
(Deficit) / surplus for the year	<b>(17,478)</b>	<b>(19,828)</b>	6,434	7,101
<b>At 31 December</b>	<b>20,164</b>	<b>13,753</b>	<b>37,642</b>	<b>33,581</b>

**Analysis of donations and new grants in the year by type of purpose:**

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
			Restated	Restated
Scholarships and bursaries	<b>59</b>	<b>531</b>	195	317
Research support	<b>88</b>	<b>88</b>	150	150
Prize funds	-	-	3	3
New grants ❖	-	-	4,890	4,890
Unrestricted donations	<b>48</b>	<b>208</b>	2,415	2,652
	<b>195</b>	<b>827</b>	<b>7,653</b>	<b>8,012</b>

	<b>Group</b>	<b>University</b>	<b>Group</b>	<b>University</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
			Restated	Restated
Restricted donations	<b>147</b>	<b>619</b>	348	470
Unrestricted donations	<b>48</b>	<b>208</b>	2,415	2,652
New grants ❖	-	-	4,890	4,890
	<b>195</b>	<b>827</b>	<b>7,653</b>	<b>8,012</b>

❖ New grants relate to a historical donation of £4,890,000 toward the cost of the Vinson Centre, which is reflected as a prior year adjustment. The remaining £2,189,000 received in 2018 (as highlighted in Note 4) has been included as an unrestricted donation while the grant of the £4,890,000 is a restricted amount.

Section 19 of the Statement of Principal Accounting Policies provides further information on this and other prior year adjustments.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21 Capital commitments

At the year-end there were £235,000 of capital commitments outstanding in respect of contracts for future capital expenditure entered into by the Group and the University (2018: £356,000).

Capital expenditure authorised but not committed for both the Group and the University was £1.60 million (2018: £1.38 million).

### 22 Pension commitments

The University participates in the following pension schemes:

- The Aviva Group Personal Pension Plan (GPP) and the NEST Auto Enrolment Scheme (NEST-AES) are defined contribution schemes, so no commitment exists beyond the employer's contractual contributions for each accounting period. The NEST-AES is a money purchase scheme contracted into the State Second Pension (S2P), which covers a small number of staff under auto enrolment.
- The University of Buckingham Employee Benefits Plan (EBP) has defined benefits for those members with Guaranteed Minimum Pension rights and the University accounts for the deficit of EBP's liabilities over assets.
- The Universities Superannuation Scheme (USS) provides defined benefits, which entail long term liabilities, for which the University is ultimately responsible and accounts for its share of USS's deficit. The fund is valued every three years by professionally qualified independent actuaries. Membership of the fund is closed to new members of staff unless they are already members of the scheme through previous employments.

#### The Universities Superannuation Scheme

##### *Basis of the scheme*

USS is the main scheme covering academic and academic-related staff which provides pensions based in part on defined benefit career average and part defined contribution. The scheme is a hybrid pension scheme, providing defined benefits for all members as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

As required by Section 28 of FRS 102 "Employee benefits", the University accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Income represents the contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and an expense is recognised.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22 Pension commitments (continued)

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as USS.

In a multi-employer scheme, where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit, this results in the recognition of a liability for the contributions payable, (to the extent that they relate to the deficit) and the resulting expense is reflected in profit or loss in accordance with section 28 of FRS 102. The University is satisfied that the USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the latest available recovery plan at the year end.

#### *Financial impact of the scheme valuation*

A schedule of contributions based on the 31 March 2018 valuation has been agreed as:

	Employer	Employee
1 January 2019 to 31 March 2019	18.0%	8.0%
1 April 2019 to 30 September 2019	19.5%	8.8%
1 October 2019 to 30 September 2021	21.1%	9.6%
1 October 2021 onwards	23.7%	11.0%

These contributions include a provision for the costs of future accrual of defined benefits and contributions towards the correction of the deficit in the defined benefit section.

The University's provision for future liabilities increased by £1.9 million during the year to £3.1 million at 31 December 2019 (2018: £1.2 million).

#### *Actuarial information and assumptions*

Since the University cannot identify its share of USS Retirement Income Builder assets and liabilities, the following disclosures reflect those relevant for the scheme's assets and liabilities as a whole.

The University has 127 active members as at 31 December 2019.

**Discount rate:** 1.58% at 31 December 2019, based on the discount rate provided by the British Universities Finance Directors Group (BUFDG) as at 31 July 2019.

#### **Discount rate (forward rates)**

Years 1-10: CPI + 0.14% reducing linearly to CPI – 0.73%

Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55%

Years 21+: CPI + 1.55%

**Pension increases (CPI):** term dependent rates in line with the difference between the fixed interest and index linked yield curves less 1.3%

**Pay increases:** Future salaries increase rate 2%, no change in staff membership.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****22 Pension commitments (continued)****Mortality base table**

The main demographic assumption relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 31 March 2018 actuarial valuation.

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 years	24.4 years	24.4 years
Females currently aged 65 years	25.9 years	24.4 years
Males currently aged 45 years	26.3 years	26.3 years
Females currently aged 45 years	27.7 years	27.7 years

Figures in the table above are identical for 2018 and 2019; they are taken from the scheme valuation dated 31 March 2018 and there was no scheme valuation performed in 2019.

<b>Cost to the University</b>	<b>Group / University 2019 £000</b>	<b>Group / University 2018 £000</b>
Contributions to USS	1,302	1,204
Contributions to GPP	501	594
Contributions to AES	7	7
Increase in provision for USS liabilities	1,850	-
<b>Total pension cost for the year (Note 6)</b>	<b>3,660</b>	<b>1,805</b>

<b>Contributions outstanding at 31 December</b>	<b>Group / University 2019 £000</b>	<b>Group / University 2018 £000</b>
To USS	168	10
To GPP	71	164
To AES	-	11
<b>Total outstanding</b>	<b>239</b>	<b>185</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22 Pension commitments (continued)

#### *Most recent actuarial valuations*

A triennial actuarial valuation of the USS Retirement Income Builder was carried out at 31 March 2020 (the valuation date), using the projected unit method. This was performed 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.

At the valuation date of 31 March 2020, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a deficit of £14.1 billion and a funding ratio of 82.5%.

Following a consultation with Universities UK, University & College Union (UCU), and the Chair of the Joint Negotiating Committee (JNCC), it was agreed that employer and employee contributions of 21.1% and 9.6%, respectively, will be fixed until 30 September 2021. The USS trustees issued an actuarial recovery plan in September 2019, alongside a revised schedule of contributions.

In accordance with the requirements of FRS 102, the University currently recognises a provision for its obligation to fund past deficits arising within USS. The recovery plan in the 2018 actuarial valuation required employers to contribute 2.0% of salaries over the period 1 October 2019 to 30 September 2021, at which point the rate will increase to 6.0%. If the deficit contributions are made at this level and experiences follow the assumptions made in the recovery plan, the deficit is expected to be resolved by 31 March 2028.

It was agreed that by 30 September 2021 either an updated schedule of contributions from the 2020 valuation or a combined contribution rate of a minimum of 34.7% will be introduced. This option includes three main conditions imposed by the USS Trustee, in that universities will be subject to debt monitoring, a moratorium on leaving the scheme until completion of the 2020 valuation and that the USS Trustee would request *pari passu* security for Section 75 debt should an institution look to raise secured debt. The work of the USS Joint Expert Panel continues, and Universities have asked that USS consider their recommendations whilst carrying out the 2020 valuation.

Note 26 provides details of the most recent scheme valuations.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22 Pension commitments (continued)

#### The University of Buckingham Employee Benefits Plan (EBP)

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. The scheme was contracted out on a GMP basis prior to 6 April 1997.

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. On retirement the full proceeds of each member's individual account with Royal London are used to secure benefits in terms of the rules of the scheme, via the purchase of an annuity policy.

The net assets of the fund as at 5 April 2019 (the plan's financial year-end) were £81,000 with the value of investments designated to members valued on this date as £81,000. The assets of the plan are invested in units of various funds with Royal London.

The latest actuarial valuation of the scheme in place at the year-end was prepared as at 6 April 2017. The valuation results indicated the scheme was 75% funded with a calculated shortfall of £51,000. It was agreed that no further contributions will be made but UOB will continue to pay the cost of Pensions Protection Fund levies and the cost of any expenses other than those paid by Royal London.

The assumptions underlying the contributions required to address the valuation shortfall allow for changes since the valuation date. The purchase of immediate annuities for 3 members and deferred annuities for the remaining two members match the members' benefits. The assets at the valuation date are slightly in excess of the purchase price of the deferred annuities, leading to no shortfall in the scheme and no recovery plan contributions were required, despite a shortfall being shown at the valuation date.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****22 Pension commitments (continued)****The University of Buckingham Employee Benefits Plan (EBP) (continued)***Most recent valuations and actuarial information and assumptions*

There are 5 members of the scheme.

<b>Funding Position</b>	<b>6 April 2020 Valuation £000</b>	<b>6 April 2017 Valuation £000</b>	<b>6 April 2014 Valuation £000</b>
<b>Total GMP member liabilities</b>	<b>153</b>	<b>201</b>	<b>164</b>
<b>Assets</b>			
GMP accounts	-	113	113
Contingency account	7	43	39
Net current assets	(6)	(6)	(1)
<b>Total Assets</b>	<b>1</b>	<b>150</b>	<b>151</b>
<b>(Deficit)</b>	<b>(152)</b>	<b>(51)</b>	<b>(13)</b>
Funding ratio	1%	75%	92%

**Discount rate:**

Before retirement 0.8% p.a. (15 year gilts -0.75%)

After retirement 0.6% p.a. (20 year gilts -1.15%)

RPI inflation:	3.6% p.a.
CPI inflation:	2.7% p.a.
GMP increases in deferment:	Fixed rates

**Increases in payment:**

GMP earned before 6/4/88 level 0.0% p.a.

GMP earned on or after 6/4/88 (CPI max 3% p.a.) 2.7% p.a.

**Mortality base table:**

The main demographic assumption relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 6 April 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	<b>Male</b>	<b>Female</b>
Current pensioner aged 65 - cohort	87	88.7
Current pensioner aged 65 – period	85.1	86.9
Future pensioner aged 65 – 20 year in future	89.1	90.6
Future improvement rate	1.5%	1.25%

The EBP pension provision of £129,000 in the University relates to potential payments to encourage a reduction in Scheme membership by way of transfer values or the purchase of annuities, where possible. The provisions are required for GMP equalisation costs and legal advice, together with wind up costs. 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 aim has been for the benefits of the GMP members to be bought and replaced with a deferred annuity. The intention is to wind up the scheme and distribute assets to remaining members. Note 26 provides details of the most recent scheme valuations.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23 Related party transactions

Related party transactions for the year ended 31 December 2019 are as follows:

Name	University Role	Related Party and Relationship	Transaction	2019	2019	2019	2019	2018	2018	2018	2018
				Receipts	Payments	Debtors	Creditors	Receipts	Payments	Debtors	Creditors
						Outstanding balances				Outstanding balances	
Mr Rory Tapner	Council Member	Owner of Prafarata Consulting	Expenses as Chair of Council of the University	-	£3,809	-	-	-	£1,583	-	-
Mr John McIntosh	Council Member	Member of The University of Buckingham Council	Expenses as Vice-Chair of Council of the University	-	£474	-	-	-	-	-	-
Professor Joe Harrison	Council Member	Chief Executive Officer of Milton Keynes University Hospital NHS Foundation Trust	Operating Costs of the University	-	£2,899,354 (Payments were made to the NHS Trust and not to Professor Harrison personally)	-	-	-	£1,627,007 (Payments were made to the NHS Trust and not to Professor Harrison personally)	-	£2,436,947 (Payments were made to the NHS Trust and not to Professor Harrison personally)
Sir Anthony Seldon	Vice-Chancellor	Vice-Chancellor of the University of Buckingham	Donations to the University	-	-	-	-	£5,000	-	-	-
Mr Barnaby Lenon	Executive Team member	Director of Lenon Education Ltd	Executive management services as Dean of Education of the University	-	£120,000	-	-	-	-	-	-
Mr Ian Creagh	Executive Team Member in 2019	Director of Ian Creagh & Associates	Consultancy services provided to the University	-	-	-	-	-	£76,608	-	-
Mr Paul Jennings	Finance director and Executive Team member	Director of Apollo Buckingham Health Sciences Campus Ltd	Salary from a joint venture company	-	£40,000	-	-	-	-	-	-
		Secretary of Medical Property Management Ltd	Salary from a wholly-owned subsidiary	-	£15,000	-	-	-	-	-	-
Mr Colin Stocker	Estates Bursar and Executive Team member	Director of Medical Property Management Ltd	Salary from a wholly-owned subsidiary	-	£5,004	-	-	-	-	-	-
Professor John Clapham	Pro Vice-Chancellor and Executive Team member	Director of Medical Property Management Ltd	Salary from a wholly-owned subsidiary	-	£5,004	-	-	-	-	-	-
Ms Misty McCrory	Head of Human Resources and Executive Team member	Director of Medical Property Management Ltd	Salary from a wholly-owned subsidiary	-	£5,004	-	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23 Related party transactions (continued)

Related party transactions with the University's two subsidiaries for the year ended 31 December 2019 are as follows:

#### Medical Property Management Ltd (MPML)

Transaction	2019	2019	2019	2019	2018	2018	2018	2018
	Receipts	Payments	Debtors	Creditors	Receipts	Payments	Debtors	Creditors
			Outstanding balances				Outstanding balances	
Rental payments made by the University to MPML for the former's use of the Milton Keynes Academic Centre	-	£243,750	-	-	-	-	-	-
Rental payments from the University, for the use of the Milton Keynes Academic Centre	-	-	-	£56,250	-	-	-	£75,000
Working capital funding supplied by the University to MPML, in order to assist the latter with its operating expenditure	-	£150,000	-	-	-	£150,000	-	-
Amounts owed by MPML to the University	-	-	£461,123	-	-	£377,693	-	-

#### The University of Buckingham Foundation (UoBF)

Transaction	2019	2019	2019	2019	2018	2018	2018	2018
	Receipts	Payments	Debtors	Creditors	Receipts	Payments	Debtors	Creditors
			Outstanding balances				Outstanding balances	
Donations from UoBF to the University	£370,755	-	-	-	-	-	-	-
Rent paid by the University regarding student accommodation properties owned by UoBF	-	£61,000	-	-	-	£61,000	-	-
Donations from UoBF to the University that were due for payment but not received at the year-end date	-	-	£502,547	-	-	-	£370,755	-

Other related party transactions and disclosures are as follows:

- Apollo Buckingham Health Sciences Campus Ltd (ABHSC) is a related party of the University of Buckingham. The only transaction between the University and ABHSC in the prior year was the purchase for £80 of 40% of the ordinary share capital. There was one outstanding balance with ABHSC at the year-end, being a creditor of £80 for the share capital. Two of the five Board of Directors of ABHSC are University employees and the University is not considered to have control.

During the year the University entered into lease arrangements with ABHSC in respect of the campus at Crewe. The lease is for 10 years at a cost of £41.5 million. There is a rent-free period for the first £4.0 million rental, which operates from the date the lease commenced, this being 2 August 2019.

- Mr Mohammed Syed, Council member and Chair of the University's Finance, Estates and Resources committee, is a senior executive of a bank which is a member of National Westminster Bank plc (NatWest). NatWest are the University's main bankers and have provided loans to the University, as set out in Note 16.
- The University has purchased and distributed books written by Sir Anthony Seldon, Vice-Chancellor, in the interests of fostering good relationships with third parties. Neither the volume nor value are material but are disclosed as required by the SORP for Further and Higher Education (2019).

**NOTES TO THE FINANCIAL STATEMENTS (continued)****24     Subsidiary, joint venture, and associate undertakings**

<b>Company</b>	<b>Principal activity</b>	<b>Status</b>	<b>Holding of ordinary shares</b>	<b>Registered office</b>
Medical Property Management Ltd	Property holding and management, acquisition of academic curriculum	Subsidiary	100%	Yeomanry House Hunter Street Buckingham MK18 1EG
Buckingham Business Enterprise Ltd	Used as academic support for business, enterprise, and innovation students	Subsidiary	100%	Yeomanry House Hunter Street Buckingham MK18 1EG
The University of Buckingham Foundation	Receives, holds, and distributes donations, primarily in support of the University	A separately constituted unincorporated charity, under the effective control of the University	Not applicable	Yeomanry House Hunter Street Buckingham MK18 1EG
Apollo Buckingham Health Sciences Campus Ltd	Provides facilities management and student support services for medical and other Allied Health students on the University's Crewe campus	Joint venture	40%	College House The Campus Crewe Green Road Crewe Cheshire CW1 5DU
University of Buckingham Press Ltd	Publishers	Associate	25%	9 The Fairway Northwood HA6 3DZ
University of Buckingham Medical Sciences North Ltd	Dormant company	Subsidiary	100%	Yeomanry House Hunter Street Buckingham MK18 1EG

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 24 Subsidiary, joint venture, and associate undertakings (continued)

#### **Medical Property Management Ltd**

This wholly owned subsidiary has been consolidated in the University financial statements.

#### **Buckingham Business Enterprise Ltd**

The results of this wholly owned subsidiary are deemed to be immaterial to the results of the University so have not been consolidated.

#### **The University of Buckingham Foundation (the Foundation)**

The University is in a position of effective control arising from a number of factors, notwithstanding that the Foundation is a distinct charitable trust and therefore the results of the Foundation have been consolidated in the Group financial statements.

The trust deed for the Foundation declares that its purpose is to advance education, in particular supporting and promoting the education of students at the University, and to promote research into academic and scientific fields of learning.

The close relationship between the University and the Foundation is a determining factor in the University exercising effective control. The Foundation's Board of Trustees agrees that the primary intent of the Foundation is to support the University and the Trustees are guided by the University in decisions relating to the distribution of funds.

#### **Apollo Buckingham Health Sciences Campus Ltd (ABHSC)**

The University has a 40% shareholding in the company, ABHSC, which started to trade on 1 April 2019.

The loss for the period to 31 December 2019 is based on ABHSC's unaudited management accounts, including its share of the income and costs of operating leases entered into during the year. The share of operating lease income and costs is calculated in accordance with FRS 102 on a straight-line basis over the life of the leases.

The University has no contractual commitment to cover any losses of ABHSC but is committed to its contractual lease payments under a joint venture agreement. The University has made full provision of £6,369,000 to reflect the discounted net present value of this potential exposure, as shown in Note 17 of these financial statements.

The University does not have full access to the financial records of ABHSC. According to the unaudited ABHSC financial statements for the year ended 31 March 2020, filed at Companies House, the Statement of Financial Position therein shows retained losses of £137,000 from incorporation on 24 March 2017 to 31 March 2020. The University is unable currently to confirm whether this financial result is accurate. Accordingly, the University's shares in ABHSC are held at 31 December 2019 at a value of £nil (2018: £nil).

#### **University of Buckingham Press Ltd**

The results of the University's minority investment in this company are immaterial to the results of the University and have not been consolidated.

#### **University of Buckingham Medical Sciences North Ltd**

This subsidiary was registered after the year-end, on 29 January 2020, so its results have not been consolidated by the University. This company has remained dormant since its incorporation.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****25 Lease commitments**

The University entered into a joint venture agreement in October 2018 with Apollo Education UK Ltd and Unique Children's Community Interest Company, including a 10 year lease for the University's campus in Crewe, under which the University is committed to lease payments estimated at £40.1 million in total over 10 years, after the benefit of an initial £4.0 million rent-free amount. Lease payments are fixed amounts payable in accordance with the terms of the operating lease until 31 December 2024, following which there is a rent review option. There is an option to renew the lease after 10 years.

Total minimum lease payments under non-cancellable operating leases under the lease for the Crewe campus are as follows, after taking into account the £4 million rent-free amount:

	<b>Land and buildings 2019 £000</b>	<b>Other leases 2019 £000</b>	<b>Total 2019 £000</b>	<b>Land and buildings 2018 £000</b>	<b>Other leases 2018 £000</b>	<b>Total 2018 £000</b>
<b>Group and University</b>						
Not later than one year	-	-	-	-	-	-
Later than one year and not later than five years	16,388	-	16,388	-	-	-
Later than five years	23,662	-	23,662	-	-	-
	<b>40,050</b>	<b>-</b>	<b>40,050</b>	<b>-</b>	<b>-</b>	<b>-</b>

Onerous lease provisions have been recognised within Note 10.

No (2018: no) other amounts have been incurred in respect of operating leases in the year.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26 Post balance sheet events

#### a. Covid-19

The impact of Covid-19 is considered to be a non-adjusting post balance sheet event. The Strategic Report provides further details.

#### b. Banking Arrangements

In April 2020 the University and National Westminster Bank plc agreed revised terms in respect of the loans drawn down in 2017 and 2019, including a one-year capital repayment holiday until April 2021. The total amounts payable were unchanged and the final repayment date was extended to October 2025.

In February 2021 the University and National Westminster Bank plc agreed to refinance the University's existing loans, with amended terms and have entered into new loan facility agreements. This will improve the University's cash flows and reduce the level of total borrowings to a more sustainable level.

Facility agreements have been signed for a £5 million term loan, repayable in five years and a £7 million revolving credit facility again for five years, reducing to a £5 million facility after 2 years. The terms, including financial covenants are similar to the current arrangements.

The existing loans of £17.75 million were repaid and new loans drawn down, in accordance with the new facility agreements. The revolving credit facility remains unused.

The bank covenant calculation was non-compliant in December 2020; this is considered to be a non-adjusting post balance sheet event. However, the University negotiated amended terms for the covenant. In particular, that funds held in escrow relating to the financial guarantee provided by the University on the Booth Hall student accommodation at the Crewe campus could be included among the cash held at bank, thus making the covenant compliant. National Westminster Bank plc confirmed that the covenants would not be measured again until December 2022.

#### c. USS pension

In respect of the USS pension scheme, a new Schedule of Contributions has been signed and filed with The Pensions Regulator based on the 2020 Valuation with an effective date of 1 October 2021. This represents a significant deterioration compared with the 2018 valuation that was used in these financial statements. As the effective date occurred after 31 December 2019 but before the financial statements are signed this constitutes a non-adjusting balance sheet event.

The USS Trustee board has agreed the future contribution rates effective from 1 October 2021, with employer contributions at 21.4% and member contributions at 9.8%. This replaces the employer and member contributions in place to 30 September 2021 of 21.1% and 9.6% respectively. In February 2022 the board confirmed they will pursue their initial proposal to instigate a small increase in contribution rates from the 2018 valuation but extend the deficit recovery period as a result of the decision to proceed with benefit change by the Joint Negotiating Committee (JNC).

Management are assessing the impact of this revised schedule of contributions on the reported deficit provision.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26 Post balance sheet events (continued)

#### d. Employee Benefit Plan (EBP)

Since the year end an updated assessment of the schemes value was completed as at 6 April 2020. No changes were made to the scheme's funding objective or funding method. However, the Scheme is required to equalise benefits for the effect of Guaranteed Minimum Pensions (GMP). It is likely to be required to provide additional benefits as a result of GMP equalisation and, as such, an allowance has been estimated and included in the updated valuation. The estimate was calculated using a method broadly consistent with a GMP conversion approach. The estimated additional liabilities arising from GMP equalisation for insured pensioners and transferred members has increased the shortfall by £134,000. The University, as employer, has agreed to make monthly contributions of £2,000 until 2027 to fund the shortfall.

#### e. Office for Students (OfS)

In March 2022, OfS wrote to give a provisional decision that they would impose a regulatory penalty of £119,000 for the period up to September 2021 due to the late submission of financial statements. The University was invited to make representations on this issue, giving the reasons for the delay and explaining the highly detailed investigatory work that had to be performed before the preparation and audit of the financial statements could be concluded. OfS will take our representations into account before making a final decision. Additional penalties for periods beyond September 2021 are possible.

#### f. Apollo Buckingham Health Sciences Campus Ltd (ABHSC)

The University has entered into negotiations with ABHSC, the joint venture company for the Crewe campus. The provision of Allied Health teaching on this campus is growing well but the University wishes to review and revise the commercial and financial arrangements, as set out in the joint venture agreement, plus the University's arrangements to occupy certain buildings on campus. On 24 December 2021, the University and Apollo Education UK Ltd (one of the two other joint venture partners) signed an agreement covering:

- a. The intended rescission of the extant joint venture agreement;
- b. The intended rescission of the arrangement to occupy certain buildings;
- c. The creation of a new memorandum of understanding as a precursor to a new joint venture agreement regarding operations at the Crewe campus.

Rescission awaits legal confirmation by court. The 24 December 2021 agreement potentially requires the University to pay sums to ABHSC and/or Apollo Education UK Ltd if the University and Apollo Education UK Ltd do not reach agreement on a new memorandum of understanding. Even if these additional sums become payable, the University expects that its financial commitments overall, as disclosed in Note 25, will be lower than current commitments as a result of the new agreement. The University has already made a sufficient provision for this within these financial statements.

#### g. Buckinghamshire and Thames Valley Local Enterprise Partnership (BTVLEP)

In 2018, the University received £784,000 grant funding from BTVLEP toward the construction of the proposed Lady Keswick building. The performance conditions were not met in respect of £375,000 of the grant because the construction was aborted. The University repaid £375,000 to BTVLEP in 2021.

#### h. Restructuring programme

In 2020, the University implemented a restructuring programme that resulted in redundancies across the whole University, with an associated cost for redundancies of £1.2 million.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 27 Contingent liabilities

A letter of claim has been received from a third party relating to the University's financial obligations regarding the Crewe joint venture. Whilst this is a significant financial claim of £6.0 million, the University has sought legal advice and concludes the claim is without substance. Accordingly, no provision has been made.