

LONDON'S GLOBAL UNIVERSITY



**Annual Report and Financial Statements  
for the year ended 31 July 2017**

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## COMMITTEE MEMBERSHIP

### Council (Trustees)

External Members:	Mr Ven Balakrishnan ♦* Mr Dominic Blakemore Lord (Tim) Clement-Jones ♦ Dr Andrew Gould Dame DeAnne Julius ♦* (Chair) Ms Nahid Majid Mr Simon Melliss ♦	Ms Lindsay Nicholson* Mr Philip Sturrock Baroness (Jo) Valentine ♦ Baroness (Diana) Warwick ♦*
Academic Members:	Professor Michael Arthur♦** (Provost) Professor Lucie Clapp* Professor David Coen Professor Annette Dolphin Dr Martin Fry	Dr John Hurst* Dr Saladin Meckled-Garcia (to 30/09/16) Dr Andrew Wills (from 01/10/16)
UCL Union:	Ms Halima Begum (to 15/07/17) Ms Sarah Al-Aride (from 16/07/17)	Mr Zakariya Mohran (to 15/07/17) Mr Mohammed Hamza Jamshaid (from 16/07/17)

### Finance Committee

External Members:	Dame DeAnne Julius Mr Simon Melliss (Chair – to 31/12/16) Mr Philip Sturrock (Chair – from 01/01/17)	Dr Ben Booth (to 30/09/16) Dr Gill Samuels Mr Richard Smothers Ms Sarah Whitney
Academic Members:	Professor Michael Arthur (Provost) Dr Stephanie Bird	Professor Sue Hamilton (to 30/09/16) Professor Alan Smith

### Audit Committee

External Members:	Mr Dominic Blakemore (Chair – from 07/04/17) Mr Ven Balakrishnan (from 03/05/17) Lord (Tim) Clement-Jones (Chair – to 06/04/17)	Mr Patrick Reeve Baroness (Jo) Valentine (from 01/10/17) Baroness (Diana) Warwick (to 30/09/16)
Academic Members:	Dr Andrew Wills (from 03/05/17)	

### Investments Committee

External Members:	Mr Chris Hills Mr Simon Melliss (Chair – to 31/12/16)	Mr Philip Sturrock (Chair – from 01/01/17) Ms Sarah Whitney
Staff Members	Mr Philip Harding	
UCL Union:	Mr Zakariya Mohran (to 15/07/17)	Mr Mohammed Hamza Jamshaid (from 16/07/17)

♦ denotes also member of Remuneration and Human Resources Strategy Committee

\* denotes also member of Nominations Committee

## FINANCIAL SUMMARY

	2017 £m	2016 £m
<b>CONSOLIDATED INCOME &amp; EXPENDITURE ACCOUNT</b>		
Tuition fees and education contracts	460.6	421.1
Funding body grants	194.6	192.1
Research grants and contracts	459.8	530.4
Other income	185.4	181.2
Investment income	6.4	6.9
Donations and endowments	20.6	25.1
<b>NET INCOME</b>	<b>1,327.4</b>	<b>1,356.8</b>
<b>TOTAL EXPENDITURE</b>		
	<b>1,255.2</b>	<b>1,233.9</b>
Loss on disposal of fixed assets	(0.2)	(1.0)
Gain on investments	12.2	6.2
Share of operating loss in joint ventures and associates	(1.8)	(3.1)
Actuarial loss in respect of pension schemes	-	(0.1)
Taxation	(2.1)	(3.9)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>80.2</b>	<b>121.0</b>
Intangible assets	16.4	-
Fixed assets	1,707.6	1,600.5
Investments	222.4	206.3
Net current liabilities	(38.6)	(82.1)
Total assets less current liabilities	1,907.8	1,724.7
Non-current liabilities	(483.5)	(373.4)
Pension provisions	(150.3)	(158.0)
Other provisions	(6.4)	(5.9)
<b>TOTAL NET ASSETS</b>	<b>1,267.6</b>	<b>1,187.4</b>
<b>Represented by:</b>		
Endowments	111.4	100.9
Reserves	1,156.0	1,086.3
Minority interest	0.2	0.2
	<b>1,267.6</b>	<b>1,187.4</b>
<b>OTHER KEY STATISTICS</b>		
Increase/(decrease) in cash in the year (£m)	96.1	5.6
Average student numbers	39,473	38,313
Average payroll numbers	14,568	14,237

## **OPERATING AND FINANCIAL REVIEW**

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### **Operating and Financial Review 2016-17**

The financial statements of UCL are prepared in accordance with the “Statement of Recommended Practice: Accounting for Further and Higher Education 2015” and with reference to the Memorandum of Assurance and Accountability which regulates the formal relationship between the Higher Education Funding Council for England (HEFCE) and UCL. HEFCE also acts on behalf of the Charity Commission as the principal regulator of UCL as an exempt charity, in accordance with the Charities Act 2006.

The financial statements include the consolidated results of UCL’s subsidiary companies, details of which are shown at Note 27. These accounts have been prepared on a going concern basis as described in section 1 of the Statement of Accounting Policies.

The Operating and Financial Review is organised into five sections covering: UCL’s strategy and long-term objectives; performance in 2016-17 in pursuit of those objectives in the core areas of research, education, innovation and enterprise; the financial review and outlook; our approach to risk management; and how we deliver public benefit.

### **Strategy and long term objectives**

UCL’s strategy, titled UCL 2034, seeks to build on our success and ensure that our distinctive approach to research, education and innovation will further inspire our community of staff, students and partners to transform how the world is understood, how knowledge is created and shared and the way that global problems are solved. In pursuit of this vision, six principal themes are articulated:

1. Academic leadership grounded in intellectual excellence
2. A global leader in the integration of research and education, underpinning an inspirational student experience
3. Addressing global challenges through our disciplinary excellence and distinctive cross-disciplinary approach
4. An accessible, publicly engaged organisation that fosters a lifelong community
5. London’s Global University: in London, of London and for London
6. Delivering global impact through a network of innovative international activities, collaborations and partnerships.

In support of these themes, strategically significant enabling activities must occur:

- A. Giving our students the best support, facilities and opportunities
- B. Valuing our staff and delivering on equality and diversity
- C. Financing our ambitions
- D. Delivering excellent systems and processes in support of UCL’s vision
- E. Maintaining a sustainable estate to meet our aspirations
- F. Communicating and engaging effectively with the world

A member of the senior team leads action in support of each of the principal themes and key enablers and progress is monitored by the executive and by Council.

### **Performance in 2016-17**

#### **Research**

The UCL Research Strategy presents an innovative cross-disciplinary research agenda, designed to deliver immediate, medium and long-term benefits to humanity. UCL is marshalling the breadth of its expert perspectives in order to address issues in their full complexity and contribute to the resolution of the world’s major problems. We are committed to the application of knowledge for the good of humanity.

#### *1<sup>st</sup> Research Aim – Leadership founded in excellence*

In addition to being consistently judged a world-leading university, all our indicators suggest that UCL continues to remain excellent across its full broad research spectrum and indeed is strengthening in many areas.

Preparations are underway for the Research Excellence Framework (REF) 2021; we aim to build on our excellent performance in REF2014, in which UCL was the top-rated university in the UK for ‘research power’, a measure of average research score multiplied by staff numbers submitted.

We are confident that UCL’s position as London’s research powerhouse will be sustained and enhanced through continued investment in people and facilities, and are pleased to report the following indicators:

- our 2016-17 research grant income was £452m, an increase of £25m compared to the previous year (excluding prior year income relating to one-off capital grants for the Sainsbury Wellcome Centre)
- UCL is ranked in the top 1% of higher education institutions globally by the QS World University Rankings, maintaining 7<sup>th</sup> place for the third year in a row

## OPERATING AND FINANCIAL REVIEW

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- consolidated data from six university ranking organisations puts UCL in the top 20 for research – or top 10 depending on the methodology used - while the newer Nature Index (a database that tracks the output of high-quality academic research) ranks UCL as 32nd globally
- UCL received funding from UK Research Councils totalling £85m (excluding the Science & Technology Facilities Council, for which figures are not yet published), putting us at the top of the group, ahead of Oxford, and exceeding our previous year's position
- UCL retained and strengthened its position in Europe, having been awarded funding worth in excess of €52.5m. In total, 85 projects were funded, bringing the number of Horizon 2020 projects funded since the programme's launch to 352. UCL researchers were awarded 21 European Research Council Grants and 34 Marie Curie International Fellowships
- Essential Science Indicators places UCL in 12th place by citation volume
- our number of postgraduate research students in 2016-17 remained steady at almost 5,800, and UCL awarded over 1,000 doctorates
- individual achievements included five Leverhulme awards for UCL researchers, the Harrison Prize for Professor Claudio Stern (UCL Biosciences) and three awards, including the Chapman Medal, for Professor Mohan Edirisinghe (UCL Mechanical Engineering). Four academics were elected as Fellows of the British Academy, four as Fellows of the Royal Society and three as Fellows of the Academy of Medical Sciences.

### *2<sup>nd</sup> Research Aim: Cross-disciplinarity grounded in expertise*

Following the review of the UCL Grand Challenges in 2015-16, this pan-institutional programme to bring cross-disciplinary expertise to bear on complex global problems has now launched two new challenges – Transformative Technology and Justice & Equality – and refocused the Intercultural Interaction challenge as Cultural Understanding. Over the last 12 months new steering groups have been established across the programme; Priority Themes have been identified for the Grand Challenges to pursue, and each Grand Challenge is now leading on the development and delivery of a Flagship Activity that will engage with the other five Grand Challenges and respond to the question 'How will society survive in the 22<sup>nd</sup> century?'.

Other progress included:

- UCL Grand Challenges distributed over £180k in funding to cross-disciplinary projects across UCL, involving every Faculty and several Professional Services departments. This included 15 small grants and, for the first time, an additional 16 small grants specifically to pairs of postdoctoral students, overseen by the UCL Doctoral School. Successful projects include a study of the language used in political campaigning during the EU referendum, an examination of legal costs as barriers to justice, and research into indoor heat distribution and comfort.
- following the success of the Africa Voices series of events in 2016, a new series was launched: India Voices. Timed to commemorate the 70<sup>th</sup> anniversary of Indian independence, the series brought academics and researchers from the subcontinent to London, to discuss contemporary India and its art, technology and growing challenges. UCL supported the Difficult Dialogues forum, focusing on healthcare, which was held in Goa in February 2017.
- the portfolio of UCL Research Domains was expanded to include Collaborative Social Science and Food, Metabolism & Society Domains, giving even more researchers the chance to meet colleagues with a like-minded interest, network and produce new research collaborations.

### *3<sup>rd</sup> Research Aim: Realising the impact of a global university*

UCL recognises that there are a number of routes to impact, and that timescales can range from the very short term to the longer term. We continue to support initiatives to help researchers realise the impact of their work, including through the work of the Research Impact Curation & Support, Research Domains and Public Policy teams.

UCL continues to provide leadership on Open Access (OA). Based on our previous OA spend, publishing Research Council-funded outputs, our OA block grant for 2016-17 was more than £1.6m: the largest amount and over 11% of the total block grant. We also received a Charities Open Access Foundation grant of £702k to support OA publications funded by third-sector partners. Researcher awareness of the new requirements for OA around REF improved and the numbers of OA publications are growing.

UCL Press, the UK's first fully open access university press, published 33 books and 80 journal articles. The *Why We Post* series, an examination of social media use led by UCL Anthropology, received almost 225,000 downloads, while the total UCL Press portfolio received more than 400,000 downloads in 190 countries and 26 dependencies. UCL Press won a UCL Professional Services Award for Brand Ambassador and was shortlisted for a Times Higher Education Leadership & Management Award for Outstanding Digital Innovation of the Year.

## **Education**

### *Teaching Excellence Framework and the UCL Education Strategy*

The Office of the Vice-Provost for Education and Student Affairs co-ordinated UCL's submission to the Teaching Excellence Framework (TEF) exercise, which resulted in a 'Silver' rating in May 2017. The TEF assesses university performance against a number of core metrics, including student satisfaction, non-continuation rates and graduate

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employment outcomes.

### *Academic Promotion and Reward*

The review of UCL's promotions criteria, led by the Vice-Provost (Education & Student Affairs) was completed in 2016-17, and a new Academic Careers Framework published, following extensive consultation across the UCL community. The new framework will be in use for promotions cases in the 2017-18 academic year.

### *Connected Curriculum*

The Centre for Advancing Learning and Teaching (CALT) continued to work with academic colleagues across the institution on the implementation of its Connected Curriculum framework, which sets out how UCL will develop as an institution offering 'research-based' education, supporting students to develop as researchers, and to learn through collective inquiry and collaboration. All undergraduate programmes have been benchmarked against the framework, and more than 250 modules were developed with the support of the 'Arena, Blended, Connected' tool.

### *UCL Arena*

UCL's professional development programme continues to expand, with a particular focus on supporting early career academics with their teaching, and on guiding staff with applications for accreditation by the Higher Education Academy (an important metric for university league tables). UCL appointed its 500<sup>th</sup> fellow in 2017, and its rate of growth in fellowship applications is currently the fastest in the Russell Group.

### *UCL ChangeMakers*

ChangeMakers supports student-led projects that scope and implement curriculum change in collaboration with staff in departments. The scheme continued to expand in 2016-17, from 52 projects in 2015-16 to over 100. Additional internal funds were secured to facilitate continued expansion and consolidation over the next two years.

### *Student Surveys*

UCL was significantly affected by the National Union of Students' boycott of the National Student Survey (NSS) and, as a result, the response rate fell below HEFCE's de minimis threshold for publication. We piloted a new survey for second-years – the Student Experience Survey (SES) – and introduced the 'New to UCL' survey for all new arrivals, both undergraduate and post-graduate. New to UCL attracted a high response rate of 30%, and reflected a high level of general satisfaction; SES attracted a response of around 15%, and will provide helpful early notification of problems that are likely to affect the NSS in subsequent years.

### *Global Citizenship Programme*

Around 750 students completed the Global Citizenship programme: UCL's two-week interdisciplinary programme for undergraduates, which runs in the period after summer examinations. Consolidation of activity is planned for 2017-18 towards a steady-state target of 1,000 completers per year (across six academic, and three vocational / employability strands).

### *Laidlaw Scholarship Programme*

UCL is now one of several universities running the Laidlaw Research and Leadership scholarship programme, generously funded by Lord Irvine Laidlaw. The scheme funds first and second-year undergraduate students to participate in paid research projects, and to undertake tailored leadership training alongside their studies. In 2016-17, 25 students were recruited, with a target of 50 recruits for 2017-18.

### *Student numbers*

Total student headcount for 2016-17 was 40,237, representing an increase of 910 (2.3%) over the total for 2015-16. This includes an increase in undergraduate (UG) students of 4.1% over the 2015-16 level, and in postgraduate taught (PGT) students of 7.5% offset by reductions in Initial Teacher Education (ITE) students, affiliate students (mainly US year-abroad students) and post-graduate research (PGR) students.

The number of overseas undergraduate affiliate students fell compared to the previous year to 764, with most of these at UCL for only part of the year. This appears to be the outcome of a strong marketing effort by UCL's London-based competitors.

The fall in total PGR numbers is a concern when both UG and PGT populations at UCL are increasing. The fall in intake reflected a fall in applications across many departments, particularly from EU students, suggesting that Brexit is a factor.

### ***Innovation and Enterprise***

UCL consulted on and launched a five-year cross-institutional strategy in 2016-17, centred on the following priorities:

- Improve UCL engagement with business and innovation partners
- Contribute to employability of all students, staff and the wider community
- Use our position in London to benefit London, the UK and the wider world
- Promote and embed an effective culture of innovation and knowledge exchange across UCL
- Contribute to the financial sustainability of the institution.

Activity during the year has been focused on the early implementation of the support and delivery of this strategy.

A new Business and Innovation Partnerships team is now in place, bringing together sector-focused support to strengthen UCL's ability to reach out to global corporates and SMEs. Sector coverage extends from pharmaceuticals

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and healthcare to transformative technologies, high value manufacturing and engineering, the built environment and creative industries, and includes dedicated London and policy partnerships resources. This team has established new and enhanced existing collaborations, including with Siemens, IBM, Cap Gemini and NovoNordisk; and, working with a diverse range of academics from different fields, initiated our highest ever total of Innovate UK Knowledge Transfer Partnership projects.

During 2016-17, the Entrepreneurship team's activities were firmly embedded at BaseKX, UCL's incubation space in King's Cross, with 35 UCL student or recent graduate companies resident in the Hatchery by July 2017. Through our business acceleration advisors, we have helped 40 new businesses to start, and supported start-ups to raise just over £1m. We have provided extra-curricular courses in entrepreneurship to over 900 individuals, and reached hundreds more through our Entrepreneurship Guest Lectures. In Autumn 2016, we launched the Farha New Venture Awards, with three £10,000 grants being awarded to support the development of competition-winning new businesses.

During the year, UCL secured HEFCE approval for a new 5-year Knowledge Exchange strategy as well as long-term HEIF funding of £3.35m per annum. A business plan was also developed for renewal of the EPSRC Impact Acceleration Account, resulting in the award of £5.4m over 3 years (2017-20) to distribute to the UCL community. During 2016-17 our funding committee has supported 60 innovation projects led by UCL researchers across the university to a total of £1.09m.

UCL Business supported the establishment of 3 new spin-outs in 2016-17: Bramble Energy, Gold Standard Phantoms, and CBK Sci Con Ltd. The UCL Technology Fund published its first report, detailing 15 investments and proof of concept projects supported. UCL Consultants has continued to grow its operation, including for the first time appointing a Director of Bespoke Short Courses.

### Financial review

UCL's summary consolidated comprehensive Income and Expenditure results for the year ended 31 July 2017 are summarised in the table below.

Results for the year ended 31 July 2017	2017 £m	2016 £m
<b>Total income</b>	<b>1,327.4</b>	<b>1,356.8</b>
Operating expenditure	(1,183.3)	(1,172.3)
Depreciation	(71.9)	(61.6)
<b>Total expenditure</b>	<b>(1,255.2)</b>	<b>(1,233.9)</b>
<b>Surplus before other gains and losses and tax</b>	<b>72.2</b>	<b>122.9</b>
Share in joint ventures, associates and non-controlling interests	(1.8)	(3.2)
Other gains and losses and tax	9.8	1.3
<b>Surplus for the year</b>	<b>80.2</b>	<b>121.1</b>
Other unrealised gains and losses	-	(0.1)
<b>Total comprehensive income for the year</b>	<b>80.2</b>	<b>121.0</b>

Total comprehensive income for the year was £80.2m (6.0% of total income), which is closely in line with UCL's FRS102 adjusted forecast of £83.5m.

UCL seeks to generate a surplus on its income and expenditure account in order to generate the cash necessary for investment in people, buildings and in technology, as well as to maintain a reserve that is sufficient to withstand the financial impact of operating in a higher risk environment than was the case in the past. The investment that is necessary to sustain and expand our world-class academic output requires a higher level of surplus than we have generated in recent years and plans are being implemented to increase this over a period of time towards a sustainable level.

The transition to FRS102 in 2015-16 and the adoption of new accounting policies, particularly surrounding the timing of revenue recognition, has resulted in a greater degree of volatility within the Statement of Comprehensive Income, which is in turn reflected in the £41m decrease in reported surplus when compared against prior year.

Included within the results for 2015-16 was the recognition of £83.2m in non-recurrent capital grant income (2016-17: £nil) as well as £11.6m of cost relating to movements on the USS and SAUL pension provisions (2016-17: £10.8m income).



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Looking beyond these two items reveals an increase in underlying surplus of £20m on prior year, which is consistent with the level of surplus increase targeted in the original 2016-17 budget, as calculated under a former UK GAAP method of accounting.

In line with much of the sector, UCL is considering how best to measure performance under FRS102 such that it can be monitored and benchmarked on a consistent basis in future years.

Our total income can be analysed as follows:

Source of income	2016-17		2015-16	
	£m	%	£m	%
Funding Council	194.6	15	192.1	14
Academic fees	460.6	34	421.1	31
Research contracts	459.8	34	530.4	39
Other operations	185.4	14	181.2	13
Interest	6.4	1	6.9	1
Donations and Endowments	20.6	2	25.1	2
<b>Total</b>	<b>1,327.4</b>		<b>1,356.8</b>	

Income from the Funding Council increased by £2.5m in the year (1%) to £194.6m and continues to account for around 15% of total income. Within this total, both grant funding for teaching (£37.8m) and research grant income (£134m) remained closely in line with prior year.

Academic fee income was up £39.5m (9%) to £460.6m. The largest contributor was fee income from full-time international (non-EU) students which increased by £19.0m (10%), driven primarily by an increase in student numbers. Fee income from full-time UK and EU student numbers also rose by £10.7m (7%).

Total income from research contracts was down £70.6m (13%) against the previous year. This is wholly attributable, however, to the recognition of non-recurrent capital grant funding of £83.2m in the prior year, combined with a £12.4m reduction in income relating to the Research and Development expenditure credit (RDEC) scheme, following the Government's decision to withdraw universities' entitlement to claim for expenditure incurred after 1 August 2015. These two items mask an underlying year on year increase of £25m which, as with previous years' growth, represents a remarkable achievement in an era of 'flat cash' funding from research councils and other government bodies, and is reflective of UCL's strength in securing such funding.

Core staff costs (salaries, national insurance and pension contributions) increased by 5% in the year to £715.3m (2015-16: £681.2m): broadly reflective of a 2% increase in average headcount. Total staff costs for the year amounted to £704.5m (2015-16: £692.8m) and this included a £10.8m credit derived from the unwinding of UCL's provisions against future enhanced pension contributions under the USS and SAUL recovery plans. In 2015-16, the recognition of additional commitments made in relation to both pension schemes resulted in a total cost of £11.6m, driving a year on year decrease in expenditure of £22.4m. Core staff costs stands at 54% of total income (2015-16: 50%).

Other operating expenses increased by £1.0m (<1%) to £471.6m, with minor increases across most categories of spend largely offset by reductions in scholarships and prizes (£2.9m, 3%), utilities (£5.6m, 31%) and repairs and maintenance (£7.7m, 22%). A £6m (20%) increase in payments to non-contract staff and agencies, to £35.6m, represented the most significant rise in costs.

Other operating expenses also include audit fees and other fees paid to UCL's auditors. Audit fees have increased from £0.2m to £0.3m, whilst non-audit fees have reduced from £0.2m to £0.1m.

Net assets increased in the year from £1,187m to £1,268m, with cash and short-term deposits up 35% at £215m. This represents 67 days' expenditure (excluding depreciation), compared to 50 at the previous year-end. The value of UCL's endowment assets at £111m (2015-16: £101m) reflects a 10% increase on prior year. Total reserves (excluding endowments) increased from £1,087m to £1,157m.

Net current liabilities stands at £38.6m (2015-16: £82.2m), however this includes £287m of research grant payments received in advance of spend and a further £35m of deferred income relating to advance receipt of capital grants. These amounts will be retained and recognised as income as UCL meets its obligations under the respective grant funding agreements and, as a result, current assets of £525m are sufficient to meet UCL's current cash obligations whilst maintaining an appropriate level of working capital.

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### *Capital expenditure*

The estate plays a vital role in the creation of a UCL sense of identity and place, contributes to UCL's world-class educational and research experience and is key to supporting the student experience. With such an important role, the estate must be fit for purpose, efficient and effective in support of the academic mission of the institution, while being sustainable financially and environmentally.

The Bloomsbury Masterplan, adopted in 2012, has been further developed alongside an Estate and Funding Strategy and academic planning to establish a programme of capital improvements. This year, 2016-17, has been year 3 of the 10-year programme that will see investment of over £1.2bn into UCL's infrastructure, across the whole estate. In addition, there is a strong focus on investing in strategic maintenance to reduce a legacy of poor condition, particularly in parts of the estate that are not subject to capital improvements.

A particular focus in estate planning is the improvement and expansion of student facing facilities including teaching and learning spaces.

Plans for a new 11-acre campus, part of the Mayor of London's new cultural and educational quarter proposals at the Queen Elizabeth Olympic Park in Stratford East London are progressing. Masterplanning the site is complete and detailed design of the first buildings totaling around 50,000 square metres is progressing well in parallel with academic planning. First facilities are expected to complete in 2021.

A significant issue for the University is the prospect of the development of the High Speed Two Terminus at Euston, which will result in both the loss of a number of facilities and adverse operational impact arising from construction work. Work is nearing completion to replace a large-scale critical facility.

The 10-year capital programme will be funded from a combination of existing reserves, cash generated from operations, philanthropy and new debt. In March 2015, a five-year revolving credit facility of £150m was secured with a club of four banks and, in February 2016, UCL concluded its negotiations with the European Investment Bank for a further £280m debt facility. As at the 2016-17 year-end, £100m had been drawn against the revolving credit facility and combined drawings against the two facilities are projected to increase to £210m by the 2017-18 year-end.

### *Financial outlook*

The outlook for UCL remains positive, despite the presence of risk and uncertainty in the UK higher education market. The university is implementing an integrated estate and financial strategy that supports the objectives set out in UCL2034. This is delivering a heightened and sustained programme of investment in our physical infrastructure over a 10 year period that will provide the capacity and quality of facilities to ensure we remain globally successful. In order to fund that programme, we are continuing to improve our financial operating performance over time and are raising finance through philanthropy, partnerships and new debt. The implementation of this strategy is reflected in our plans, targets and performance monitoring.

The changing funding and regulatory environment for higher education in the UK continues to offer both opportunities and challenges for UCL. The critical importance of the student experience is a critical driver for investment in the estate, improvement in teaching infrastructure and all other aspects that contribute to student well-being and success. The introduction of the Teaching Excellence Framework has added further emphasis and its future development is being closely monitored. UCL has increased the number of both UK/EU and international undergraduate students in 2017, although capacity constraints as well as external factors, such as the impact of the UK's withdrawal from the EU, will limit the rate at which this trend can continue.

Government funding for research, particularly science research, remains flat in cash terms and although we have gained admirably in market share, it would be unwise to assume this trend can continue.

UCL has weathered the initial impact of cuts in government funding, however there is more to come. Capital funding for universities has shrunk dramatically and it is now almost entirely the responsibility of universities to source funding for capital investment. UCL has an ambitious plan to transform the University's estate on an unprecedented scale. This will create the scale and quality of facilities commensurate with a world-leading university. The achievement of our targets for financial sustainability will be a critical determinant of our ability to support this investment.

### *Pension Schemes*

UCL participates in a number of pension schemes, the most significant of which are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements for the University of London (SAUL). Both are defined benefit schemes and are substantially in deficit. USS reported a scheme deficit of £5.3bn (89% funding level) at the last valuation in April 2014 and, as at March 2017, this is expected to have increased although final figures have not yet been confirmed. Investment performance has been satisfactory but the effect of ongoing quantitative easing, which has sustained gilt yields at historically low levels, has swollen the value of the liabilities. UCL is playing an active role along with other employers and the trustees to agree a solution that may include further benefit reform, to ensure USS remains both attractive and sustainable. UCL pays 18% of member employees' salaries into the scheme, as does every participating employer, and in 2016-17 this equated to £68.1m.

The SAUL pension scheme was also in deficit at the last formal valuation date by £59m, or 97% funded, as at 31 March 2014. UCL paid contributions of £11.7m into SAUL in 2016-17.

## **OPERATING AND FINANCIAL REVIEW**

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### **Managing risk**

UCL has a mature process for identifying, reviewing and monitoring those risks that pose the greatest threat to the achievement of its academic objectives. The strategic risk register is reviewed by the full senior management team and each risk is assigned an owner.

Controls and actions are identified to mitigate the risk, and an assessment is made of impact and likelihood, both inherent and residual (post-mitigation). The outcome of this assessment leads to a grading which, when overlaid with UCL's appetite for risk, results in the categorisation of risks between intolerable, severe and manageable.

Action is being taken in respect of all strategic risks but most urgently in respect of those with the highest severity rating. Those include risks associated with the provision and management of teaching and learning space, the substantial programme of construction work that is now underway and damage to international student recruitment caused by visa restrictions.

In parallel, UCL monitors and manages operational risk through a continuous cycle of internal audit. The focus of this work is reviewed annually in collaboration with UCL's internal audit partner, and results are reported periodically to Audit Committee.

### **Delivering public benefit**

UCL has exempt charity status, in accordance with part 3 of the Charities Act 2011 and is responsible to HEFCE, its principal regulator, which is charged with monitoring compliance with charity law obligations.

In exercising their powers and duties, UCL's trustees have taken due consideration of the guidance relating to public benefit published by the Charity Commission. UCL's objects, as outlined in its Royal Charter, are "to provide education and courses of study in the fields of Arts, Laws, Pure Sciences, Medicine and Medical Sciences, Social Sciences and Applied Sciences and in such other fields of learning as may from time to time be decided upon by the college and to encourage research in the said branches of knowledge and learning and to organise, encourage and stimulate postgraduate study in such branches."

In addition to its objects, UCL's global vision is informed by four clear principles of intent that form the basis of all it does:

- To enhance UCL's educational and research environment by promoting the global context in which UCL operates;
- To contribute throughout the range of UCL activity (research, teaching, learning, business links, and community engagement) to the resolution of problems of global significance;
- To contribute to UCL's financial stability by maximising income generation from all aspects of global activity where the potential to do so exists;
- To engage with public bodies, including UK Government, in matters of support for British higher education in a global market.

However, a university has a much broader charitable purpose than just advancing education and a wide range of activities undertaken at UCL in the past year support this broader public benefit.

#### *The advancement of education*

UCL was founded in 1826 to provide education to all who could benefit by it. UCL was the first university to admit students regardless of their race, class or religion and the first to admit women students on equal terms with men. UCL provides education to over 40,000 students at both undergraduate and postgraduate levels; 40% of UCL students come from outside the UK, attracted from countries around the globe.

UCL's widening participation strategy aims to raise awareness of higher education, to assist in the preparation for higher education by addressing the academic, social and cultural issues underlying historic levels of low participation, to enhance the diversity of UCL's student body by recruiting the brightest students regardless of their background and to improve the retention of students at UCL. In line with our Access Agreement UCL continues to set aside around £13m per annum to provide enhanced bursaries for students from low income families and to support outreach activities.

UCL's outreach activities include organised events and activities at UCL for school and college staff and students, and outreach work by UCL staff and students in schools and colleges. UCL staff visit schools to make presentations on higher education and the university applications procedure, and UCL student ambassadors visit schools and colleges to advise, mentor or tutor their students. UCL outreach activities also make the best possible use of community links and working with our museums and collections, provide an interactive teaching programme for schools and colleges

#### *The advancement of the arts, culture, heritage and science*

As well as providing education in these areas, for example through the UCL Centre for Museums, Heritage and Material Cultural Studies, UCL's outstanding collections cover a wide variety of disciplines, reflecting the range of the university's academic work. Three collections - the Petrie Museum, the Grant Museum and UCL Art Museum - are open to the public. Other collections are primarily for teaching and research but can be seen and studied by appointment.

## **OPERATING AND FINANCIAL REVIEW**

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### *Improving public policy*

UCL is committed to ensuring that the insights generated from our research are widely disseminated and communicated to policymakers. The institution-wide *UCL Public Policy Strategy* draws on the full breadth of our disciplines to ensure a multifaceted approach to the development of solutions to aspects of complex real-world policy challenges, of both immediate and long-term concern.

In 2016-17 UCL Public Policy highlights included:

- providing knowledge exchange opportunities for UCL academics and policymakers, including: eight policy placements for UCL researchers in six organisations; five public events; and four academic-policy roundtables, on academic engagement with foreign affairs in the context of Brexit, digital technologies and healthcare, the industrial strategy, and policy impact in the Research Excellence Framework
- building engagement and collaboration with policymakers and policy organisations including the Business, Energy & Industrial Strategy Select Committee, the Department for Environment, Food & Rural Affairs, the Foreign & Commonwealth Office, the Government Office for Science, the Department of Health, and the Commons and Lords Science & Technology Select Committees, as well as other policy stakeholders, including HEFCE, NESTA, Royal Society and the Wellcome Trust
- delivering policy outputs from UCL research, including seven UCL Research Insights briefings on Brexit, ageing population, air pollution, dementia prevention, the industrial strategy, and green infrastructure; and eight submissions to Parliamentary Select Committee Inquiries on Brexit, algorithms in decision-making, the industrial strategy and nuclear research
- enhancing the capacity of UCL's research community to engage with policy through: six Up Close & Policy sessions; 172 individual advice sessions; seven small grant awards; and the provision of support and funding for four academic-led policy-focused activities
- raising the profile of public policy engagement within UCL, with the inclusion of criteria around policy engagement and impact in the new UCL Academic Careers Framework; and the appointment of UCL's first Faculty Vice-Deans (Public Policy)

### *Student Volunteering*

UCL has a well-established culture of student volunteering. Annually, over 2,000 students participate in activities through the Volunteering Services Unit (VSU), such as organising football tournaments for homeless people, getting involved with campaigning organisations, teaching computer skills to local elderly people, or coordinating fundraising events for disability charities. The VSU also runs the Innovations Programme that supports students to develop their own proposals for new community programmes. The VSU also promotes one-off volunteering, involving students in fundraising activities, community festivals, conservation projects and other events across London.

### *The advancement of health and the saving of lives*

UCL Medical School is one of the largest in the country with a yearly intake of 330 undergraduate students. Our biomedical research ranges across pure and translational areas and from age and wellbeing, through cancer, cardiovascular and neuroscience to experimental and systems medicine. The UCL Medical School has a strong reputation for teaching informed by cutting-edge research. The School has a distinguished cadre of academic staff who are at the forefront of international research in medical sciences and clinical medicine.

Translational research is supported by close partnerships with NHS trusts. UCL Partners is an academic health sciences system, drawing UCL together with our major hospital partners in a joint mission to enhance medical research and teaching, clinical care and population health. This has led to significant benefits for the population.

### *Environmental sustainability*

UCL has continued its good progress in addressing its environmental sustainability issues, exemplified by the retention of its first class honours status in the University Green League. In 2016-17, UCL was ranked 29<sup>th</sup> in the League, performing in the upper quartile of all HEIs.

The major focus of UCL's environmental sustainability programme continues to be the work undertaken by UCL Estates. In 2016-17, UCL Estates completed the construction of 22 Gordon Street, home for UCL Bartlett, School of the Built Environment and achieved a BREEAM Excellent rating in line with its own strict requirements. Sustainability measures in the project included:

- Improved energy performance through enhanced building fabric and low energy systems
- Energy supply is supplemented using solar (photovoltaic) panels which generate clean, renewable electricity
- Healthy and productive teaching spaces - bringing light into the building and using healthy materials
- Reduced water consumption through more efficient sanitary fittings
- Low levels of construction and demolition waste with high levels of recycling

UCL Estates currently has 18 active BREEAM assessments with 14 on track for excellent ratings and one, the New Student Centre, currently on track to achieve a BREEAM outstanding rating.

## OPERATING AND FINANCIAL REVIEW

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The fit-out of St Martin's Le Grand achieved the first ever Gold rating under the new Ska Higher Education standard which raises the bar for sustainability best practice in refurbishments. Supporting the relocation of over 300 UCL staff, the project has transformed 2,200 sq. ft of office accommodation into a collaborative, high-quality open-plan workspace. In sustainability terms, the project delivered:

- High level of material reuse within the project: a wastage rate of 4.3%, well below the Ska benchmark of 15%
- Use of new energy efficient LED fittings
- Use of materials with a high recycled content and timber from sustainably managed woodlands
- Use of plants and natural materials (biophilia) for improved physical and emotional wellbeing

The other major sustainability programme at UCL is tackling climate change and in 2016-17 UCL achieved significant reductions in its carbon emissions. With a target to reduce emissions by 15% by 2020 (against 2005-06 baseline), UCL has achieved a 9.3% reduction with approximately 7% savings in the past year.

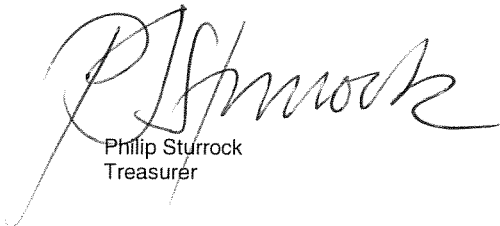
In 2017-18 UCL expects to deliver further savings through the following programmes:

- The development of a biobanking project with the aim of consolidating freezer facilities
- The development of a lab efficiency framework
- Continued implementation of the heating and cooling policy
- Installation of solar panels on the UCL archaeology building


Outside of these major programmes of work, UCL continues to engage with its community to deliver sustainability benefits. In 2016-17, over 60 awards were handed out to teams participating in the NUS Green Impact programme. This is an increase on previous years and demonstrates the burgeoning interest from UCL staff and students in supporting sustainability action.

UCL procurement has also been working actively to address sustainability through its procurement and purchasing activities. In 2016-17, UCL introduced new tools which should help to improve the sustainability of its supplier base by encouraging suppliers to identify and tackle environmental and social impacts. The NetPositive Supplier tool is currently being used by nearly 1,000 UCL suppliers.

All of this activity has been developed and managed through the framework of an Environmental Sustainability Management System. In 2017, UCL achieved EcoCampus Platinum accreditation and full ISO 14001 status.



Philip Sturrock  
Treasurer



Dame DeAnne Julius  
Chair of Council

## **CORPORATE GOVERNANCE**

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UCL is committed to exhibiting best practice in all aspects of corporate governance and endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

In 2015-16, UCL's governing body, the Council, undertook a review of its effectiveness, including an exercise to benchmark UCL's practices against the seven primary elements of Higher Education Governance set out in the Higher Education Code of Governance, published by the Committee of University Chairs (CUC) in December 2014. UCL continues to adhere to all elements of the code, and keeps under careful review its organisation and arrangements to ensure that the best principles of governance and management are maintained in a manner appropriate to the nature and character of the institution. In doing so, it takes into careful account such guidance as set out for example in the UK Corporate Governance Code and the Reports of the Committee on Standards in Public Life. This summary describes the manner in which UCL has applied those principles in order to ensure all relevant provisions are addressed in its governance arrangements.

The Council is responsible for the system of internal control operating within UCL and its subsidiary undertakings ("the Group") and for reviewing its effectiveness. Such a system can only provide reasonable, and not absolute, assurance against material misstatement or loss, and cannot eliminate business risk. The Council identifies areas for improvement in the system of internal control, based on reports and views from the Audit Committee, Academic Board and other committees.

At its November meeting each year, the Council carries out an annual assessment for the year ended 31 July by considering a report from the Audit Committee, and taking account of events since 31 July. The Council is of the view that there is an on-going process for identifying, evaluating and managing the Group's key risks and internal controls, that it has been in place for the whole of the year ended 31 July 2017 and that, up to the date of approval of the annual report and accounts, the process has been subject to regular review. The Council approaches this responsibility from the perspective of discharging its duties, as specified in the HEFCE Memorandum of Assurance and Accountability.

In accordance with the Statutes of UCL, the Council comprises external members, the President and Provost (Provost hereafter), elected academic staff members and student members (in numbers specified by Statute). The Statutes provide for the distinct roles of Chair and Vice-Chair of the Council, the Treasurer, and of UCL's Chief Academic and Administrative Officer, the Provost. The powers and duties of the Council are set out in the Statutes; the Council has adopted a Statement of Primary Responsibilities and a delegation framework. The Council holds to itself the responsibilities for the on-going strategic direction of UCL, approval of major developments and the receipt of regular reports from UCL officers on the day-to-day operation of its business and its subsidiary companies. The Council also acts as the board of trustees in the context of UCL's status as an exempt charity and in line with the responsibilities thereby incurred.

The Council normally meets six times each year (including an away day); it has several committees, including Finance Committee, Audit Committee, Remuneration and Human Resources Strategy Committee and Nominations Committee. All of these Committees are formally constituted with Terms of Reference.

The Finance Committee comprises external members, the Provost and academic staff members. The Committee meets at least four times annually, and is chaired by the Treasurer. Inter alia it recommends to the Council UCL's annual revenue and capital budgets, monitors performance in relation to the approved budgets and reviews UCL's annual financial statements with regard to UCL's financial performance and strategy.

The Committee also receives and considers reports from the Higher Education Funding Council for England as they affect UCL's business and monitors adherence with the regulatory requirements.

The Investments Committee, which reports to Finance Committee, is chaired by the Treasurer and comprises up to three other external members with investment expertise appointed by Council. It governs, manages and regulates the investments of UCL.

The Audit Committee, which meets at least three times annually, is chaired by an external member of Council and comprises a majority of external members. The Committee considers reports from the Internal Auditors arising from their audits, which highlight significant issues and management's response thereon and reviews the conclusions of this work. The Audit Committee also approves the annual programme of UCL's external provider of Internal Audit Services. Plans are drawn up based on assessment of the relative risks in relation to the UCL2034 Strategy, the significance of each operating area and their materiality in the context of overall UCL activity. In complying with Code provision C.2.1 (to conduct, at least annually, a review of the Group's system of internal controls), the Audit Committee conducts a high level review of the arrangements for internal control and data quality, with regular consideration of risk and control, as well as of the adequacy and effectiveness of procedures surrounding the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loans Company, HEFCE and other bodies. Review is based on reports received from the Vice Provost (Operations) and the chair of the Risk Management Working Group, and emphasis is given to obtaining the relevant degree of assurance and not merely reporting by exception. The results of this review are then reported to Council. The Committee is also responsible for meeting with the External Auditor to consider the nature and scope of the annual audit, and thereafter discuss audit findings, the management letter and internal control report arising out of the audit of the annual financial statements. The Audit Committee reviews the annual financial statements, paying particular attention to financial disclosures, accounting adjustments and control issues. Whilst UCL officers attend the meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee meets from time to time with the Internal and External Auditors on their own for independent discussions.

## **CORPORATE GOVERNANCE**

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The Risk Management Working Group is chaired by the Vice Provost (Operations) and takes overall responsibility for ensuring that the significant risks to UCL's corporate objectives are regularly reviewed, assessed, monitored and reported upon appropriately within UCL. It actively monitors and reports to the Provost's Senior Management Team (SMT) on progress, with agreed actions, on all the identified risks, other than those directly monitored by the Provost's SMT. It is also responsible for developing and providing documentation and guidance on the risk assessment process and regularly revises and updates the risk assessment criteria.

The Academic Board is a large body that provides advice to Council on a range of matters that have a bearing on UCL's academic activity. The Academic Committee, which reports to both the Academic Board and Council, is responsible for, inter alia, monitoring the effectiveness of UCL's academic strategies, policies and procedures in respect of the management of research, teaching and learning, the definition and maintenance of academic standards and the enhancement of the quality of the student experience.

The Nominations Committee considers the filling of vacancies in the external membership of Council and of other UCL Committees (except the Nominations Committee, for which Council itself considers vacancies in the external membership) and maintains an overview of Committee membership more generally.

The Remuneration and Human Resources Strategy Committee is chaired by the Vice-Chair of Council and comprises four other members of Council, including the Chair, and the Provost. It determines the annual remuneration of senior officers of UCL and where necessary decides on any severance payments. The Provost is excluded from discussions relating to his own remuneration package. The Remuneration and Human Resources Strategy Committee also receives a report of the annual review of all professorial salaries and administrative equivalents not otherwise considered by it. The remuneration of these staff is determined by the Provost in consultation with relevant Vice-Provosts and Deans and the Director of Human Resources. Salary levels are set to attract and retain members of staff for the successful operation of UCL, both academically and administratively, whilst being mindful of financial constraints and internal relativities. Modest awards are also made from time to time for exceptional individual performance. No remuneration is paid to external members of the Council or any of its Committees.

## **RESPONSIBILITIES OF THE COUNCIL OF UNIVERSITY COLLEGE LONDON**

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In accordance with UCL's Charter and Statutes, the Council is responsible for the administration and management of the affairs of UCL, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Council is responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of UCL and for ensuring that the financial statements are prepared in accordance with UCL's Charter and Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Assurance and Accountability agreed between the Higher Education Funding Council for England and the Council of UCL, the Council, through the Provost, its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of UCL and of the surplus or deficit and cash flows for that year.

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

- (i) suitable accounting policies are selected and applied consistently;
- (ii) judgments and estimates are made that are reasonable and prudent;
- (iii) applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (iv) financial statements are prepared on the going concern basis. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

- (i) ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- (ii) ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- (iii) safeguard the assets of UCL and prevent and detect fraud;
- (iv) secure the economical, efficient and effective management of UCL's resources and expenditure.

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

- (i) clear definitions of the responsibilities of, and authority delegated to, heads of academic and administrative departments;
- (ii) comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Council;
- (iii) a professional Internal Audit Service whose annual programme of work is approved by Audit Committee, endorsed by the Council and whose head provides the Provost, Audit Committee and Council with a report on internal audit activity within UCL and an opinion on the adequacy and effectiveness of UCL's system of internal control, including internal financial control;
- (iv) regular reviews of financial performance and key business risks, and termly reviews of financial forecasts including variance reporting and updating;
- (v) a comprehensive planning process for the short to medium term supported by detailed income, expenditure, capital and cash flow budgets and forecasts, including review and refresh of strategic objectives, the key risks affecting their achievement and key performance indicators of progress;
- (vi) embedded risk management policies and procedures incorporating identification, monitoring and review of internal controls moderating and mitigating key risks, covering all categories of risk at all levels of the organisation;
- (vii) clearly defined procedures for the approval and control of expenditure, with investment decisions involving capital or recurrent expenditure being subject to formal detailed review according to levels set by the Council.

Any system of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COUNCIL OF UNIVERSITY COLLEGE LONDON**

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### **Opinion**

We have audited the financial statements of University College London for the year ended 31 July 2017 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheet, Consolidated Cash Flow, Statement of Accounting Policies and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK".

In our opinion 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 July 2017 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and the Group's cash flows for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK"; and
- ▶ have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, set out on pages 1 to 13, other than the financial statements and our auditor's report thereon. The Council is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of practice**

In our opinion, in all material respects:

- ▶ funds from whatever source administered by the HEI for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COUNCIL OF UNIVERSITY COLLEGE LONDON**

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- ▶ funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions applied to them; and
- ▶ the requirements of the Higher Education Funding Council for England's Accounts Direction to higher education institutions for the relevant year's financial statements have been met.

### **Responsibilities of the Council**

As explained more fully in the fully in the Statement of Responsibilities of Council in the preparation of the Financial Statements set out on page 14 the University Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Council 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 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 University or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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 auditor's 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.

This report is made solely to the Council of University College London, as a body, in accordance with the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University College London and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



**Ernst & Young LLP, Statutory Auditor**  
**Edinburgh**  
**23 November 2017**

### Notes:

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

## CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	460,643	460,643	421,067	421,070
Funding body grants	2	194,639	194,639	192,107	192,107
Research grants and contracts	3	459,844	458,364	530,436	529,489
Other income	4	185,375	161,126	181,162	155,459
Investment income	5	6,344	6,374	6,911	6,814
<b>Total income before endowments and donations</b>		<b>1,306,845</b>	<b>1,281,146</b>	<b>1,331,683</b>	<b>1,304,939</b>
Donations and endowments	6	20,590	23,545	25,149	29,706
<b>Total income</b>		<b>1,327,435</b>	<b>1,304,691</b>	<b>1,356,832</b>	<b>1,334,645</b>
<b>Expenditure</b>					
Staff costs	7	704,519	696,650	692,800	684,517
Other operating expenses	8	471,577	455,867	470,567	455,737
Depreciation	13	71,919	71,814	61,587	61,461
Interest and other finance costs	9	7,242	7,399	8,906	8,894
<b>Total expenditure</b>	10	<b>1,255,257</b>	<b>1,231,730</b>	<b>1,233,860</b>	<b>1,210,609</b>
<b>Surplus before other gains losses and share of operating surplus/deficit of joint ventures and associates</b>		<b>72,178</b>	<b>72,961</b>	<b>122,972</b>	<b>124,036</b>
Loss on disposal of fixed assets		(246)	(246)	(962)	(962)
Gain on investments		12,204	13,954	6,168	497
Share of operating (deficit)/surplus in joint venture	16	(412)	-	198	-
Share of operating deficit in associate	17	(1,401)	-	(3,357)	-
<b>Surplus before tax</b>		<b>82,323</b>	<b>86,669</b>	<b>125,019</b>	<b>123,571</b>
Taxation	11	(2,119)	(2,072)	(3,878)	(3,795)
<b>Surplus for the year</b>		<b>80,204</b>	<b>84,597</b>	<b>121,141</b>	<b>119,776</b>
Actuarial loss in respect of pension schemes		(14)	(14)	(103)	(103)
<b>Total comprehensive income for the year</b>		<b>80,190</b>	<b>84,583</b>	<b>121,038</b>	<b>119,673</b>
Represented by:					
Endowment comprehensive income for the year		10,466	10,466	(3,082)	(3,082)
Restricted comprehensive income for the year		1,077	1,077	-	-
Unrestricted comprehensive income for the year		56,656	61,369	140,633	138,675
Pension reserve comprehensive income for the year		7,698	7,592	(15,918)	(15,816)
Revaluation reserve comprehensive income for the year		4,267	4,079	(842)	(104)
Attributable to the University		80,164	84,583	120,791	119,673
Attributable to the non-controlling interest		26	-	247	-
		<b>80,190</b>	<b>84,583</b>	<b>121,038</b>	<b>119,673</b>
<b>Surplus for the year attributable to:</b>					
Non controlling interest		26	-	247	-
University		80,178	84,597	120,894	119,279

All items of income and expenditure relate to continuing activities

UNIVERSITY COLLEGE LONDON  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017


**CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES**

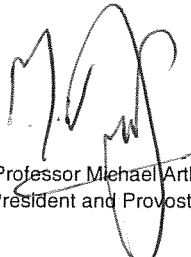
Consolidated	Income and expenditure account			Revaluation reserve	Pension reserve	Total excluding Non Controlling Interest	Non controlling interest	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>					
	£'000	£'000	£'000					
<b>Balance at 1 August 2015</b>	<b>104,046</b>	<b>4,806</b>	<b>1,062,809</b>	<b>36,830</b>	<b>(142,048)</b>	<b>1,066,443</b>	(72)	<b>1,066,371</b>
Surplus/(deficit) from the income and expenditure statement	6,466	-	131,085	(842)	(15,815)	120,894	247	<b>121,141</b>
Other comprehensive income	-	-	-	-	(103)	(103)	-	<b>(103)</b>
Transfers between revaluation and income and expenditure reserve	-	-	550	(550)	-	-	-	-
Release of restricted funds spent in year	(9,548)	-	9,548	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>(3,082)</b>	<b>-</b>	<b>141,183</b>	<b>(1,392)</b>	<b>(15,918)</b>	<b>120,791</b>	<b>247</b>	<b>121,038</b>
<b>Balance at 1 August 2016</b>	<b>100,964</b>	<b>4,806</b>	<b>1,203,992</b>	<b>35,438</b>	<b>(157,966)</b>	<b>1,187,234</b>	<b>175</b>	<b>1,187,409</b>
Surplus/(deficit) from the income and expenditure statement	15,594	3,047	49,558	4,267	7,712	80,178	26	<b>80,204</b>
Other comprehensive income	-	-	-	-	(14)	(14)	-	<b>(14)</b>
Transfers between revaluation and income and expenditure reserve	-	-	718	(718)	-	-	-	-
Release of restricted funds spent in year	(5,128)	(1,970)	7,098	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>10,466</b>	<b>1,077</b>	<b>57,374</b>	<b>3,549</b>	<b>7,698</b>	<b>80,164</b>	<b>26</b>	<b>80,190</b>
<b>Balance at 31 July 2017</b>	<b>111,430</b>	<b>5,883</b>	<b>1,261,366</b>	<b>38,987</b>	<b>(150,268)</b>	<b>1,267,398</b>	<b>201</b>	<b>1,267,599</b>
<b>University</b>								
University	Income and expenditure account			Revaluation reserve	Pension reserve	Total excluding Non Controlling Interest	Non controlling interest	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>					
	£'000	£'000	£'000					
<b>Balance at 1 August 2015</b>	<b>104,046</b>	<b>4,806</b>	<b>1,070,832</b>	<b>35,876</b>	<b>(141,714)</b>	<b>1,073,846</b>	-	<b>1,073,846</b>
Surplus/(deficit) from the income and expenditure statement	6,466	-	129,127	(104)	(15,713)	119,776	-	<b>119,776</b>
Other comprehensive income	-	-	-	-	(103)	(103)	-	<b>(103)</b>
Transfers between revaluation and income and expenditure reserve	-	-	550	(550)	-	-	-	-
Release of restricted funds spent in year	(9,548)	-	9,548	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>(3,082)</b>	<b>-</b>	<b>139,225</b>	<b>(654)</b>	<b>(15,816)</b>	<b>119,673</b>	<b>-</b>	<b>119,673</b>
<b>Balance at 1 August 2016</b>	<b>100,964</b>	<b>4,806</b>	<b>1,210,057</b>	<b>35,222</b>	<b>(157,530)</b>	<b>1,193,519</b>	<b>-</b>	<b>1,193,519</b>
Surplus/(deficit) from the income and expenditure statement	15,594	3,047	54,271	4	7,606	84,597	-	<b>84,597</b>
Other comprehensive income	-	-	-	-	(14)	(14)	-	<b>(14)</b>
Transfers between revaluation and income and expenditure reserve	-	-	711	(711)	-	-	-	-
Release of restricted funds spent in year	(5,128)	(1,970)	7,098	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>10,466</b>	<b>1,077</b>	<b>62,080</b>	<b>3,368</b>	<b>7,592</b>	<b>84,583</b>	<b>-</b>	<b>84,583</b>
<b>Balance at 31 July 2017</b>	<b>111,430</b>	<b>5,883</b>	<b>1,272,137</b>	<b>38,590</b>	<b>(149,938)</b>	<b>1,278,102</b>	<b>-</b>	<b>1,278,102</b>


**CONSOLIDATED AND UNIVERSITY BALANCE SHEET**

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Intangible assets	12	16,436	16,436	-	-
Fixed assets	13	1,707,607	1,706,913	1,600,495	1,599,568
Investments	15	221,101	225,271	201,391	206,830
Investment in joint venture	16	256	-	668	-
Investments in associate	17	1,023	-	4,281	-
		<u>1,946,423</u>	<u>1,948,620</u>	<u>1,806,835</u>	<u>1,806,398</u>
<b>Current assets</b>					
Stock		465	465	552	498
Trade and other receivables	18	309,317	312,668	303,357	305,636
Investments	19	-	-	39,791	39,791
Cash and cash equivalents		215,107	207,760	118,959	111,063
		<u>524,889</u>	<u>520,893</u>	<u>462,659</u>	<u>456,988</u>
Less: Creditors: amounts falling due within one year	20	(563,529)	(552,855)	(544,816)	(534,332)
		<u>(38,640)</u>	<u>(31,962)</u>	<u>(82,157)</u>	<u>(77,344)</u>
<b>Net current liabilities</b>					
		<u>(38,640)</u>	<u>(31,962)</u>	<u>(82,157)</u>	<u>(77,344)</u>
<b>Total assets less current liabilities</b>		<u>1,907,783</u>	<u>1,916,658</u>	<u>1,724,678</u>	<u>1,729,054</u>
Creditors: amounts falling due after more than one year	21	(483,474)	(482,176)	(373,409)	(372,111)
<b>Provisions</b>					
Pension provisions	22	(150,268)	(149,938)	(157,966)	(157,530)
Other provisions	22	(6,442)	(6,442)	(5,894)	(5,894)
<b>Total net assets</b>		<u>1,267,599</u>	<u>1,278,102</u>	<u>1,187,409</u>	<u>1,193,519</u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	23	111,430	111,430	100,964	100,964
Income and expenditure reserve - restricted reserve		5,883	5,883	4,806	4,806
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted before pension reserve		1,261,366	1,272,137	1,203,992	1,210,057
Pension reserve		(150,268)	(149,938)	(157,966)	(157,530)
Income and expenditure reserve - unrestricted after pension reserve		1,111,098	1,122,199	1,046,026	1,052,527
Revaluation reserve		38,987	38,590	35,438	35,222
		<u>1,267,398</u>	<u>1,278,102</u>	<u>1,187,234</u>	<u>1,193,519</u>
Non-controlling interest		201	-	175	-
<b>Total Reserves</b>		<u>1,267,599</u>	<u>1,278,102</u>	<u>1,187,409</u>	<u>1,193,519</u>

Approved by Council on 23rd of November 2017

  
Philip Sturrock  
Treasurer

  
Professor Michael Arthur  
President and Provost

  
Phil Harding  
Director of Finance

## CONSOLIDATED CASH FLOW

	Notes	July 2017 £'000	July 2016 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		80,204	121,141
<b>Adjustment for non-cash items</b>			
Depreciation	13	71,919	61,587
Amortisation of intangible assets	12	848	-
Gain on investments		(12,204)	(6,168)
Decrease in stock		87	140
Increase in debtors		(6,218)	(33,414)
Increase in creditors		13,236	64,020
Increase/(decrease) in pension provision	22	(7,712)	15,815
Increase in other provisions	22	548	4,289
Impairment of tangible fixed assets	13	3,510	
Impairment of fixed asset investments	15	80	251
Share of operating deficit in joint ventures	16	412	(198)
Share of operating deficit in associates	17	1,401	3,357
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(6,344)	(6,911)
Interest payable	9	4,579	4,698
Endowment income	6	(2,464)	(2,909)
Loss on sale of fixed assets		246	962
Capital grant income		(33,391)	(114,165)
<b>Net cash inflow from operating activities</b>		<b>108,737</b>	<b>112,495</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		184	48
Proceeds from sales of non-current asset investments		9,351	8,002
Capital grants receipts		51,236	56,774
Withdrawal of deposits		39,791	-
Investment income received		2,141	2,348
Endowment income received		3,294	2,956
Payments made to acquire fixed assets		(193,280)	(146,563)
Payments made to acquire intangible assets		(5,313)	-
New non-current asset investments		(13,494)	(11,303)
New loans to associate companies		(414)	(93)
New deposits		-	(13,292)
		<b>(106,504)</b>	<b>(101,123)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(2,914)	(2,824)
Interest element of finance lease and service concession payments		(1,384)	(1,835)
Endowment cash received		2,464	2,909
New unsecured loans		100,000	-
Repayments of amounts borrowed		(2,625)	(2,483)
Capital element of finance lease and service concession payments		(1,626)	(1,497)
		<b>93,915</b>	<b>(5,730)</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<b>96,148</b>	<b>5,642</b>
Cash and cash equivalents at beginning of the year		118,959	113,317
Cash and cash equivalents at end of the year		<b>215,107</b>	118,959
		<b>96,148</b>	<b>5,642</b>

## STATEMENT OF ACCOUNTING POLICIES

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### 1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (SORP 2015) and in accordance with Financial Reporting Standard FRS 102. UCL is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of investments.

UCL's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review. The financial position of UCL, its cash flows and liquidity position are also described here. UCL has considerable financial resources, along with funding from HEFCE, research grants and other teaching contracts across different geographic areas and industries. As a consequence, Council believes that UCL is well placed to manage its risks successfully, and has a reasonable expectation that UCL has adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

### 2. Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries (collectively referred to as 'the Group') for the financial year to 31 July 2017. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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.

Associated companies and joint ventures are accounted for using the equity method.

### 3. Income recognition

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

Tuition fee income is stated gross of any expenditure which is not a discount or fee waiver and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Bursaries and scholarships are accounted for gross, as expenditure, and are not deducted from income.

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

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

#### Grant funding

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

#### Capital grants

Government capital grants are recognised in income over the expected useful life of the purchased asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

## STATEMENT OF ACCOUNTING POLICIES

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### Donations and endowments

Donations and endowments are a subset of non-exchange transactions that may have restrictions on use and, in the case of donations, may also have performance related conditions attached. In all cases, income is recognised at the point UCL is entitled to the funds.

Donations and endowments without performance related conditions are recognised as income on receipt or, where relevant, at the point at which an agreement to donate or create an endowment is formally entered into.

Donations with performance related conditions (such as those intended to fund scholarships and academic Chairs) are recognised as income as the respective performance related conditions are met.

Income relating to donations and endowments with donor imposed restrictions is initially retained within the restricted reserve and is released to general reserves, via a reserve transfer, as the funds are expended in line with their restricted purpose.

Donations with no restrictions are recognised immediately in general reserves, subject to entitlement.

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 four main types of donations and endowments identified within reserves:

1. Restricted donations: where the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments: where the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments: where 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.
4. Restricted permanent endowments: where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

### Research and Development Expenditure Credit (RDEC)

Income in respect of RDEC claims made to HMRC is recognised as research income on entitlement and in the period to which it relates. The related tax charge is charged to taxation in the same period.

## 4. Accounting for retirement benefits

The Group contributes to three principal pension schemes on behalf of its employees: the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health Service (NHS) Pension Scheme.

Contributions were also made to the UCL (Former Medical Schools) Pension Scheme (UFMS).

The USS, SAUL and NHS pension schemes are multi-employer, defined benefit schemes for which it is not possible to identify UCL's share of the underlying assets and liabilities due to their mutual nature. These schemes are therefore accounted for as defined contribution schemes.

Liabilities are also recorded within provisions for contractual commitments to fund past deficits within the USS and SAUL schemes.

The UFMS is a single-employer defined benefit scheme and is accounted for as such. The scheme is funded, with assets held separately from those of the Group in trustee administered funds.

### Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the employer pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.



## STATEMENT OF ACCOUNTING POLICIES

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### Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, an employer's obligation is to provide the agreed benefits to current and former employees, such that actuarial risk surrounding the cost of benefits, and investment risk surrounding the return on assets set aside to fund those benefits are borne, in substance, by the employer. The Group recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which UCL is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Within the financial year, UCL settled its outstanding deficit in relation to past service obligations under the Essex Pension Scheme (a defined benefit scheme) and terminated its membership as a Scheme employer. No asset or liability is therefore recognised for this Scheme at the financial year-end.

### 5. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to UCL. Any unused benefits are accrued and measured as the additional amount UCL expects to pay as a result of the unused entitlement.

### 6. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease, and the corresponding lease liabilities, are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 7. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

### 8. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at year end rates. Foreign exchange differences arising on translation are recognised in Surplus or Deficit unless such funds are held for onward transmission to a research partner under an agency agreement, in which case they are included in creditors.

The assets and liabilities of foreign operations are translated to the Group's presentational currency, sterling, at the rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

## STATEMENT OF ACCOUNTING POLICIES

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### 9. Fixed assets

Fixed assets that are purchased or constructed by the Group are stated at cost less accumulated depreciation and accumulated impairment losses. For fixed assets that are acquired through donation or via the exchange of non-monetary consideration, fair value is used as a proxy for cost.

Items of land that had been revalued to fair value on the date of transition to the 2015 FE HE SORP are measured on the basis of deemed cost, being the revalued amount at 31 July 2014.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

#### Land and buildings

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives of 50 years.

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University and are depreciated as follows:

Major refurbishments	20 years
Fixtures and fittings	10 years

Buildings held on long leasehold are depreciated over the life of the lease up to a maximum of 50 years. No depreciation is charged on assets in the course of construction.

#### Equipment

Equipment, including computer equipment, costing less than £25,000 is recognised as expenditure in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Equipment funded by research grants	Term of grant
Other Equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each year end.

#### Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

### 10. Heritage assets

Heritage assets are individual objects, collections, specimens or structures of historic, scientific or artistic value that are held and maintained principally for their contribution to knowledge and culture.

Heritage assets acquired on or after 1st July 2006 and valued at over £25,000 are capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

Heritage assets acquired prior to 1st July 2006 have not been capitalised due to the difficulty and cost of attributing a reliable cost or value to them.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

## STATEMENT OF ACCOUNTING POLICIES

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### 11. Intangible assets and Goodwill

Intangible assets, excluding goodwill, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Purchased software and software development is capitalised where the cost exceeds a de minimus threshold of £25,000 and, in the case of software development, where existing functionality is enhanced. These assets are subject to periodic impairment reviews as appropriate, and are amortised over an estimated economic life of 10 years.

Costs associated with the research phase of an internal software development project and any subsequent training activity are expensed as incurred.

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition.

Where a combination is transacted at nil or nominal consideration such that does not represent a fair value exchange, the combination is deemed to be in substance a gift. Negative goodwill arising on the excess of the fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain immediately in the Statement of Comprehensive Income.

### 12. Investment Properties

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

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

### 13. Investments

Endowment asset investments and fixed asset investments in listed securities are stated at market value. Subsidiary and associate company investments are stated at cost less provision for impairment.

Current asset investments are held at amortised cost and are subject to annual impairment review.

### 14. Financial Instruments

UCL has elected to apply the provisions of Section 11 and Section 12 of FRS102 in full when accounting for financial instruments.

Financial assets and liabilities are recognised only when UCL becomes party to the contractual provisions of the instrument. Initial measurement is either at the transaction price or, where appropriate, at fair value through profit and loss. Financial assets and liabilities that arise as a result of a financing transaction are measured initially at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement is at amortised cost, except where the instrument is measured at fair value through profit and loss, in which case the instrument is revalued annually using an appropriate revaluation technique.

### 15. 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 ACCOUNTING POLICIES

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### 16. 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 benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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, the existence of which will only be confirmed by the occurrence of uncertain future events not wholly within the control of the University.

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

### 17. Accounting for Joint Operations, Jointly Controlled Assets and Jointly Controlled Operations

The University accounts for its share of jointly controlled entities using the equity method.

In the consolidated accounts, the Group's share of the results of jointly controlled entities is shown each year in the Statement of Comprehensive Income and the Group's share of gross assets and liabilities is incorporated in a single line in the Balance Sheet.

### 18. Taxation

UCL is an exempt charity within the meaning of Part 3 of the Charities Act 2011, and is therefore potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

UCL's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

### 19. Reserves

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

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

## NOTES TO THE ACCOUNTS

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>				
Full-time home and EU students	158,270	158,270	147,588	147,588
Full-time international students	209,709	209,709	190,685	190,685
Part time students	22,600	22,600	20,637	20,637
Other fees	13,918	13,918	13,637	13,637
Research training support grants	36,905	36,905	30,406	30,406
Short course fees	19,241	19,241	18,114	18,117
	<b>460,643</b>	<b>460,643</b>	421,067	421,070
<b>2 Funding body grants</b>				
<b>Recurrent grant</b>				
Higher Education Funding Council:				
Teaching	37,817	37,817	37,238	37,238
Research	134,069	134,069	131,498	131,498
Other	1,366	1,366	3,041	3,041
<b>Specific grants</b>				
Higher Education Innovation Fund	3,350	3,350	3,350	3,350
HEFCE capital grants	18,037	18,037	16,980	16,980
	<b>194,639</b>	<b>194,639</b>	192,107	192,107
<p>Capital grant funding is received from HEFCE in support of infrastructure projects and major equipment purchases. In line with UCL's adopted accounting policy choice for capital government grants (the accruals model), receipts are deferred in creditors and recognised as income on a systematic basis over the expected useful life of the asset to which the grant relates. Total capital funding received from HEFCE in the financial year was £19,976,000 (2016 - £32,285,000).</p>				
<b>3 Research grants and contracts</b>				
OST research councils	153,277	153,277	149,781	149,781
UK based charities	134,270	134,245	200,335	200,327
UK central government, local/health authorities, hospitals	59,785	59,512	62,276	62,164
UK industry, commerce and public corporations	16,524	16,144	16,244	16,171
EU government bodies	48,981	48,981	48,550	48,550
EU other	8,955	8,482	9,202	8,912
Other overseas	27,592	27,413	22,120	21,967
Other sources	2,565	2,565	1,657	1,657
Research and development expenditure credits	7,895	7,745	20,271	19,960
	<b>459,844</b>	<b>458,364</b>	530,436	529,489
<p>Income from research grants and contracts includes deferred capital grants released in the year of £8,225,000 (2016 - £90,048,000)</p>				
<p>Income recognised in respect of research and development expenditure credits includes an additional £4,916,000 in relation to the University's claim for the period 1 August 2014 to 31 July 2015. Income totalling £2,829,000, and relating to claims previously submitted in June 2015, has also been recognised in the year.</p>				
<b>4 Other income</b>				
Residences, catering and conferences	39,143	34,089	43,415	38,399
Other revenue grants	9,595	9,595	23,605	10,129
Other capital grants	910	910	986	986
Other services rendered	61,877	48,987	50,488	48,602
Health authorities	35,218	35,218	35,696	35,696
Other income	38,632	32,327	26,972	21,647
	<b>185,375</b>	<b>161,126</b>	181,162	155,459

## NOTES TO THE ACCOUNTS

	Note	Year Ended 31 July 2017		Year Ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>5 Investment income</b>					
Investment income on expendable endowments	23	2,668	2,668	2,414	2,414
Investment income on permanent endowments	23	626	626	542	542
Other investment income		3,050	3,080	3,955	3,858
		<b>6,344</b>	<b>6,374</b>	6,911	6,814
<b>6 Donations and endowments</b>					
New endowments	23	2,464	2,464	2,909	2,909
Donations with restrictions		13,340	13,340	15,952	15,952
Unrestricted donations		4,786	7,741	6,288	10,845
		<b>20,590</b>	<b>23,545</b>	25,149	29,706
<b>7 Staff costs</b>					
Salaries and wages		577,937	571,600	552,916	546,374
NI contributions		49,167	48,495	49,090	48,432
Movement on USS provision		(9,702)	(9,603)	7,704	7,720
Movement on SAUL provision		(1,053)	(1,039)	3,907	3,799
Other Pension costs		88,170	87,197	79,183	78,192
		<b>704,519</b>	<b>696,650</b>	692,800	684,517

	2017 £	2016 £
<b>Emoluments of the President and Provost:</b>		
Salary	365,208	361,590
Benefits	996	998
	<b>366,204</b>	362,588
Pension contributions	6,621	2,185
	<b>372,825</b>	364,773

### Remuneration of other higher paid staff:

The following sets out the remuneration of higher paid staff other than the Provost and President, excluding employer pension contributions:

	2017 No.	2016 No.
£100,001 - £110,000	75	92
£110,001 - £120,000	61	78
£120,001 - £130,000	41	52
£130,001 - £140,000	40	34
£140,001 - £150,000	35	39
£150,001 - £160,000	30	37
£160,001 - £170,000	30	30
£170,001 - £180,000	23	21
£180,001 - £190,000	15	22
£190,001 - £200,000	10	17
£200,001 - £210,000	8	10
£210,001 - £220,000	6	7
£220,001 - £230,000	7	3
£230,001 - £240,000	4	3
£240,001 - £250,000	1	2
£250,001 - £260,000	3	3
£260,001 - £270,000	-	1
£270,001 - £280,000	-	-
£280,001 - £290,000	2	-
£290,001 - £300,000	-	-
£300,001 - £310,000	-	-
£310,001 - £320,000	-	1
	<b>391</b>	452

## NOTES TO THE ACCOUNTS

The average number of individuals paid through the payroll during the year was 14,568 (2016 - 14,237).

Compensation for loss of office in respect of two higher paid employees totalled £279,500 (2016 - £171,000 in respect of four employees).

### Key management personnel

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

Key management personnel for the UCL Group are defined as follows:

**Members of UCL Council:** the ultimate governing body that oversees the management and administration of UCL and is responsible for the approval of UCL's mission and strategic vision as well as its long term academic and business plans.

**The President and Provost:** The principal academic and administrative officer of UCL, responsible for providing the leadership necessary to ensure that UCL operates in line with a clear strategic direction and that its activities are properly resourced.

**UCL Vice-Provosts:** Members of the Provost's senior management team, responsible for leading development and delivery of both strategy and operations in their respective areas of authority.

### Directors of consolidated Group entities

	2017 £'000	2016 £'000
Key management personnel compensation	3,051	2,319
Number of key management personnel included in above	17	15

### Council members

The University's council members are the trustees for charitable law purposes.

No trustee has received any remuneration from the group during the year (2016 - £nil). Seven trustees are also UCL employees but received no additional payment for acting as trustees. Total expenses paid to or on behalf of one trustee was £938 (2016 - £337). This represents travel expenses incurred in the capacity of Council member.

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>8 Other operating expenses</b>				
Residences and catering	23,399	20,929	21,571	19,829
Furniture, computer and other equipment costs	45,505	44,935	45,209	44,322
Academic consumables and laboratory expenditure	45,760	43,863	45,314	43,419
Books, publications and periodicals	14,984	14,979	14,370	14,353
Scholarships and prizes	81,092	81,066	83,984	83,978
General educational expenditure	8,713	8,706	7,039	7,038
Rents, rates and insurance	22,763	22,658	21,857	21,457
Heat, light, water and power	12,468	12,461	18,062	18,064
Service charges	9,281	9,291	9,260	9,268
Repairs and general maintenance	14,845	14,834	18,932	18,912
Long term maintenance	11,763	11,763	15,361	15,361
Telephone	2,327	2,303	2,157	2,092
Advertising and recruitment	6,179	6,029	6,136	5,984
Printing, postage, stationery and other office costs	7,387	7,269	5,996	5,786
Conference, travel and training	41,557	41,013	41,959	41,325
Professional fees	26,753	22,005	24,763	23,340
Audit fees	308	239	171	125
Other fees paid to auditors	98	98	180	180
Grants to Students Union and other student bodies	3,063	3,063	2,766	2,766
Payments to non contract staff and agencies	35,609	34,808	29,447	28,457
Other costs	57,723	53,555	56,033	49,681
	<b>471,577</b>	<b>455,867</b>	470,567	455,737

Other costs in the year of £57.7m includes an impairment of £3.51m relating to the cessation of works on the Queen's Square House redevelopment project.

## NOTES TO THE ACCOUNTS

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>9 Interest and other finance costs</b>				
Loan interest	3,774	3,774	3,803	3,801
Finance lease interest	1,384	1,384	1,653	1,653
Exchange differences	(580)	(416)	(758)	(758)
Unwinding of pension deficit funding	2,664	2,657	4,208	4,198
	<b>7,242</b>	<b>7,399</b>	8,906	8,894
<b>10 Analysis of total expenditure by activity</b>				
Academic departments	464,671	464,844	439,053	439,073
Academic services	76,779	78,446	79,171	80,944
Research grants and contracts	374,566	373,376	354,288	353,694
Residences and catering	31,359	28,889	30,306	28,564
Premises	146,203	146,203	148,994	148,994
Administration and central services	123,916	124,126	112,072	112,254
Other expenses	37,763	15,846	69,976	47,086
	<b>1,255,257</b>	<b>1,231,730</b>	1,233,860	1,210,609
<b>11 Taxation</b>				
Taxation charges and credits are in respect of corporation tax in the following subsidiary companies:				
	Note			
UCL Trading Ltd		3	-	(2)
UCL Properties Ltd		(5)	-	13
UCL Consultants Ltd		18	-	-
Mapping for Change Ltd		-	-	2
Relating to Research and Development Expenditure Credit	3	2,103	2,072	3,865
		<b>2,119</b>	<b>2,072</b>	3,878
<b>12 Intangible assets</b>				
<b>Software</b>				
<b>Cost</b>				
At 1 August 2016		-	-	-
Reclassification from fixed assets		13,493	13,493	-
Additions at cost		5,313	5,313	-
Disposals		(103)	(103)	-
<b>At 31 July 2017</b>		<b>18,703</b>	<b>18,703</b>	-
<b>Amortisation</b>				
At 1 August 2016		-	-	-
Reclassification from fixed assets		1,507	1,507	-
Charge for the year		848	848	-
Disposals		(88)	(88)	-
<b>At 31 July 2017</b>		<b>2,267</b>	<b>2,267</b>	-
<b>Net Book Value</b>				
<b>At 31 July 2017</b>		<b>16,436</b>	<b>16,436</b>	-
At 1 August 2016		-	-	-

Intangible assets relate to the purchase of software and software development costs. The net book value of assets held at 1 August 2016 has been reclassified from tangible fixed assets (Note 13).

The amortisation period of intangible assets is 10 years.



## NOTES TO THE ACCOUNTS

### 13 Fixed assets

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Equipment, plant and machinery £'000	Assets in the Course of Construction £'000	Total £'000
<b>Consolidated</b>					
<b>Cost</b>					
At 1 August 2016	1,396,627	422,410	220,479	146,816	2,186,332
Reclassification to intangible assets	-	-	(7,853)	(5,640)	(13,493)
Additions at cost	21,683	10,026	22,140	141,093	194,942
Transfers	44,909	1,625	1,929	(48,463)	-
Impairments	-	-	-	(3,510)	(3,510)
Disposals	(984)	-	(3,770)	(57)	(4,811)
<b>At 31 July 2017</b>	<b>1,462,235</b>	<b>434,061</b>	<b>232,925</b>	<b>230,239</b>	<b>2,359,460</b>
<b>Depreciation</b>					
At 1 August 2016	264,231	164,145	157,461	-	585,837
Reclassification to intangible assets	-	-	(1,507)	-	(1,507)
Charge for year	27,158	23,542	21,219	-	71,919
Disposals	(847)	-	(3,549)	-	(4,396)
<b>At 31 July 2017</b>	<b>290,542</b>	<b>187,687</b>	<b>173,624</b>	<b>-</b>	<b>651,853</b>
<b>Net book value</b>					
<b>At 31 July 2017</b>	<b>1,171,693</b>	<b>246,374</b>	<b>59,301</b>	<b>230,239</b>	<b>1,707,607</b>
At 31 July 2016	1,132,396	258,265	63,018	146,816	1,600,495
<b>University</b>					
<b>Cost</b>					
At 1 August 2016	1,396,627	421,310	219,104	146,816	2,183,857
Reclassification to intangible assets	-	-	(7,853)	(5,640)	(13,493)
Additions at cost	21,683	10,026	22,092	141,093	194,894
Transfers	44,909	1,625	1,929	(48,463)	-
Impairments	-	-	-	(3,510)	(3,510)
Disposals	(984)	-	(3,549)	(57)	(4,590)
<b>At 31 July 2017</b>	<b>1,462,235</b>	<b>432,961</b>	<b>231,723</b>	<b>230,239</b>	<b>2,357,158</b>
<b>Depreciation</b>					
At 1 August 2016	264,231	163,607	156,451	-	584,289
Reclassification to intangible assets	-	-	(1,507)	-	(1,507)
Charge for year	27,158	23,514	21,142	-	71,814
Disposals	(847)	-	(3,504)	-	(4,351)
<b>At 31 July 2017</b>	<b>290,542</b>	<b>187,121</b>	<b>172,582</b>	<b>-</b>	<b>650,245</b>
<b>Net book value</b>					
<b>At 31 July 2017</b>	<b>1,171,693</b>	<b>245,840</b>	<b>59,141</b>	<b>230,239</b>	<b>1,706,913</b>
At 31 July 2016	1,132,396	257,703	62,653	146,816	1,599,568

Assets relating to the purchase of software and software development have been reclassified to intangible assets during the year. The net book value of these assets at 1 August 2016 amounted to £11,986,000, being £13,493,000 of cost less £1,507,000 accumulated depreciation (Note 12).

The declared value of buildings for insurance purposes (day one basis) as at 1 August 2017 was £3.3bn (2016 - £3.3bn).

At 31 July 2017 freehold land and buildings included £613m (2016 - £613m) in respect of freehold land that is not depreciated.

The above includes properties held under finance lease. At 31 July 2017 the net book value of these assets was £20.8 million (2016 - £21.4 million) with a depreciation charge for the year of £0.6m (2016 - £0.7m).

## NOTES TO THE ACCOUNTS

### 14 Heritage assets

Since its foundation in 1826, UCL has acquired and established a number of significant collections of heritage assets representative of its interests in the arts, humanities, sciences and medicine. Many of the items contained therein are of international as well as national importance.

UCL's collections have made, and continue to make, a significant contribution to the furtherance of scholarship, promotion of innovation and the dissemination of knowledge for the public benefit.

The principal collections, acquired through a combination of donation, bequest, purchase and direct collection, are as follows:

**Petrie Museum of Egyptian Archaeology:** One of the greatest collections of Egyptian and Sudanese archaeology in the world, housing in excess of 80,000 artefacts that illustrate life in Nile Valley from prehistory

**UCL Art Museum:** A collection housing over 10,000 prints, drawings, sculptures, paintings and media works dating from the 1490s to the present day.

**Grant Museum of Zoology:** Founded in 1828 and now the only remaining university zoological museum in London, the collection houses around 68,000 specimens from across the animal kingdom including both endangered and extinct species.

Museums are open to the public, and special arrangements can be made to accommodate school visits as well as individual researchers.

UCL recognises that its status as a first class international university requires the adoption of internationally recognised standards of conduct in the acquisition, preservation, management and disposal of heritage assets, as well as meeting the requirements of United Kingdom legislation. Policies to ensure appropriate standards are maintained are set out in the Cultural Property Policy. UCL's Museums, Heritage and Cultural Property Committee is responsible for the oversight of all of UCL's activities in relation to heritage assets and for advising Council thereon.

There are no heritage assets capitalised in the balance sheet for the year ended 31 July 2017 as the volume of items, the elapsed time since acquisition and the information available on acquisition methods render the cost of identifying the appropriate accounting treatment disproportionate to the benefit to be derived by users of the financial statements. No additions in the year under review met the capitalisation threshold of £25,000.

### 15 Non-current investments

	Subsidiary companies £'000	Monies held on long term deposit £'000	Other investments £'000	Total £'000
<b>Consolidated</b>				
At 1 August 2016	-	17,368	184,023	201,391
Reclassification from Associates	-	-	300	300
Additions	-	1,689	12,879	14,568
Revaluations	-	-	14,304	14,304
Impairments	-	-	(382)	(382)
Disposals	-	-	(9,080)	(9,080)
At 31 July 2017	-	19,057	202,044	221,101
<b>University</b>				
At 1 August 2016	8,412	17,368	181,050	206,830
Additions	-	1,689	12,043	13,732
Revaluations	-	-	14,084	14,084
Impairments	-	-	(302)	(302)
Disposals	-	-	(9,073)	(9,073)
At 31 July 2017	8,412	19,057	197,802	225,271

Included in monies held on long term deposits is £19.1m (2016 - £17.4m) over which there is a legal charge. The deposit represents a security fund to meet the obligations under finance leases (Note 21).

Other investments are categorised as follows:

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £m	University £m	Consolidated £m	University £m
Portfolio of fixed interest securities, equities and cash	161.6	161.6	144.6	144.6
Investment properties	2.0	-	1.9	-
Shares in The Francis Crick Institute Ltd	33.6	33.6	33.5	33.5
Credit facility fee	0.6	0.6	0.9	0.9
Shares in other limited companies and partnerships	4.2	2.0	3.1	2.0
	202.0	197.8	184.0	181.0

## NOTES TO THE ACCOUNTS

Included in shares in other limited companies and partnerships is a £250,000 (2016 - £250,000) investment in 'Combined London Colleges University Challenge LP' (CLCUC), of which UCL is one of four limited partners. Under the terms of the Partnership Agreement, a manager has been appointed to manage the partnership and is responsible for setting operational procedures and for selecting, monitoring and realising investments. Consequently UCL has no significant influence over the operation of CLCUC and so does not account for it as an associate or joint venture.

### 16 Joint ventures

The UCL group has interests in the following joint ventures:

(a) **EuroTempest Ltd** is a joint venture company of Benfield, Royal & Sun Alliance and UCL Business Plc. The company transforms weather forecasts and observations into the specific information required to make successful live risk management decisions. The company prepares accounts to 31 December, and accounts to 31 December 2016 plus management accounts to 30 June 2017 are included.

(b) **Help Digital CIC** is a joint venture community interest company of UCL Business PLC and the Whittington Hospital NHS Trust. The company carries out activities to develop, commercialise and implement digital interventions in healthcare. The company prepares accounts to 31 July, and accounts to 31 July 2017 are included.

(c) **Imanova Ltd** is a joint venture company of UCL, Imperial College London (ICL), King's College London (KCL) and The Medical Research Council (MRC). Imanova owns and manages the Clinical Imaging Centre (CIC) located at Imperial College London's Hammersmith Hospital campus. The company prepares accounts to 31 March, and accounts to 31 March 2017 plus management accounts to 31 July 2017 are included. The company was acquired by Invicro LLC on 30 August 2017.

These joint venture investments are disclosed in the financial statements as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Share of Income:</b>		
EuroTempest	59	70
Help Digital	29	-
Imanova	2,200	2,859
	<u>2,288</u>	<u>2,929</u>
<b>Share of operating profit/(loss):</b>		
EuroTempest	(9)	(16)
Help Digital	4	-
Imanova	(407)	214
	<u>(412)</u>	<u>198</u>
<b>Share of gross assets:</b>		
EuroTempest	44	38
Help Digital	52	-
Imanova	1,215	1,473
	<u>1,311</u>	<u>1,511</u>
<b>Share of gross liabilities:</b>		
EuroTempest	(54)	(39)
Help Digital	(48)	-
Imanova	(953)	(804)
	<u>(1,055)</u>	<u>(843)</u>
<b>Share of reserves:</b>		
EuroTempest	(10)	(1)
Help Digital	4	-
Imanova	262	669
	<u>256</u>	<u>668</u>

## NOTES TO THE ACCOUNTS

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### 17 Associates

The UCL group has interests in the following associate companies:

- (a) 22.69% holding in ordinary shares of **Abcodia Ltd**. The company develops biomarkers. The company prepares accounts to 31 December and accounts to 31 December 2016 plus management accounts to 31 July 2017 are included.
- (b) 36.77% holding in ordinary shares of **Amalyst Ltd**. The company has been set up to commercially exploit the discovery of a class of catalysts which can replace expensive platinum in a range of hydrogen-based energy technologies. The company prepares accounts to 30 April and accounts to 31 April 2017 plus management accounts to 31 July 2017 are included.
- (c) 14.60% holding in ordinary shares of **Asio Ltd**, reduced from 23.28% following a share issue. The company has been set up to commercially exploit the development of a protocol and set of applications which enables data to be easily shared between users of devices that generate and 'hear' audio e.g. smart phones and computers. The company has been accounted for as an investment rather than associate in 2017.
- (d) 21.75% holding in the ordinary shares of **Atocap Ltd**, reduced from 28.93% following a share issue. The company has been set up to commercially exploit the development of novel systems for the production of complex, multicomponent capsules and fibres primarily for use in the healthcare sector. The company prepares accounts to 31 July, and accounts to 31 July 2017 are included.
- (e) 30.0% holding in the ordinary shares of **Brainminer Ltd**, reduced from 100% following a share issue. The company has been set up to develop an automated, extensible and personalised healthcare platform for assisting the clinical diagnosis of dementia. The company prepares accounts to 30 April and accounts to 30 April 2017 plus management accounts to 31 July 2017 are included. The company was consolidated as a subsidiary in the previous year.
- (f) 28.53% holding in preferred and ordinary shares of **Canbex Therapeutics Ltd**, reduced from 33.9% following a share issue. The principal activity of the company is research and development on two novel chemical series aimed at cannabinoid receptors. The disease targets are spasticity and pain. The company prepares accounts to 31 July, and accounts to 31 July 2017 are included.
- (g) 29.91% holding in **Domainex Ltd**. The principal activity of the company is to exploit its technology platform in the field of protein domain hunting, gene expression and protein structure analysis. The company prepares accounts to 30 April, and accounts to 30 April 2017 plus management accounts to 31 July 2017 are included.
- (h) 25.44% holding in **Endomagnetix Ltd**. The company develops medical devices. The company prepares accounts to 31 December, and accounts to 31 December 2016 plus management accounts to 31 July 2017 are included.
- (i) 10.54% holding in ordinary shares of **Freeline Therapeutics Ltd**, reduced from 25.94% following a share issue. The company is focused on the development and commercialisation of gene therapies for bleeding and other debilitating disorders. The company has been accounted for as an investment rather than associate in 2017.
- (j) 25.99% holding in ordinary shares of **Helicon Health Ltd**. The company provides a package of services for chronic condition management which includes web-based software, re-designed clinical service delivery, an accredited educational programme and a consulting service. The company prepares accounts to 31 July, and accounts to 31 July 2017 are included.
- (k) 45.00% holding in ordinary shares of **Movement Metrics CIC**. The company carries out research and experimental development in social sciences and humanities. The company prepares accounts to 31 July, and accounts to 31 July 2017 are included.
- (l) 34.8% holding in ordinary shares of **Multilyte Ltd**. The company is currently in the process of being wound up. Accounts to 03 July 2017 are included.
- (m) 45.0% holding in ordinary 'A' shares of **Pentraxin Therapeutics Ltd**. The company has been established for the purpose of developing and commercially exploiting certain technology for designing, synthesizing and developing novel therapeutic drugs. The company prepares accounts to 31 July, and accounts to 31 July 2017 are included.
- (n) 30.54% holding in ordinary shares of **Senceive Ltd**. The company provides information delivery services and products to industry. The company prepares accounts to 31 October, and accounts to 31 October 2016 plus management accounts to 31 July 2017 are included.
- (o) 44.17% holding in ordinary shares of **Trim Tots CIC**. The company has been established for the purpose of developing a community programme to provide a healthy lifestyle in pre-school children and their carers. The company prepares accounts to 28 February and accounts to 28 February 2017 are included.

## NOTES TO THE ACCOUNTS

The investment in associates is disclosed in the financial statements as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Share of operating profit/(loss):</b>		
Abcodia	(516)	(418)
Amalyst	(35)	(29)
Asio	-	(221)
Atocap	(49)	(21)
Canbex	(830)	(1,124)
Domainex	372	67
Endomagnetics	(499)	(427)
Freeline Therapeutics	-	(1,435)
Helicon Health	-	54
Movement Metrics	(8)	-
Multilyte	(2)	(1)
Pentraxin	21	35
Senceive	-	(57)
Trim Tots	(1)	-
	<b>(1,547)</b>	<b>(3,577)</b>
<b>Share of Taxation credit:</b>		
Abcodia	29	40
Canbex	-	8
Domainex	-	60
Endomagnetics	117	66
Freeline Therapeutics	-	46
	<b>146</b>	<b>220</b>
<b>Share of reserves:</b>		
Abcodia	-	487
Amalyst	21	56
Asio	-	42
Atocap	50	49
Canbex	120	448
Domainex	571	199
Endomagnetics	37	-
Freeline Therapeutics	-	2,823
Movement Metrics	11	19
Multilyte	58	60
Pentraxin	119	98
Trim Tots	36	-
	<b>1,023</b>	<b>4,281</b>
<b>Aquisition of investments in associates:</b>		
Endomagnetics	340	-
	<b>340</b>	<b>-</b>

## NOTES TO THE ACCOUNTS

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>18 Trade and other receivables</b>				
<b>Amounts falling due within one year:</b>				
Invoiced debtors	18,233	13,634	24,425	20,017
Research grants and contracts	176,369	176,369	179,783	179,783
Local health authorities/hospitals	17,026	17,026	20,979	20,979
Halls of residence debtors	824	824	726	726
Advances to members of staff	10,933	10,925	12,797	12,785
Inter company debtors	-	14,002	-	11,510
Other debtors and prepayments	84,632	79,888	63,761	59,836
<b>Amounts falling due after one year:</b>				
Loans to associate companies	1,300	-	886	-
	<b>309,317</b>	<b>312,668</b>	<b>303,357</b>	<b>305,636</b>

### 19 Current investments

General funds invested in securities	-	-	-	-
Short term deposits	-	-	39,791	39,791
	-	-	39,791	39,791

Amounts held as short-term deposits are money market investments and range from three months to one year maturity.

### 20 Creditors: amounts falling due within one year

Bank and other loans	1,695	1,695	1,771	1,771
Cruciform Private Development Loan	1,061	1,061	854	854
Research grants received on account	287,017	287,017	290,445	290,445
Purchase ledger creditors	52,168	49,303	42,921	41,571
Other creditors including taxation and social security	61,064	59,427	61,731	60,663
Obligations under finance leases	1,327	1,327	1,335	1,335
Accruals and deferred income	159,197	151,338	145,759	136,152
Inter-company creditors	-	1,687	-	1,541
	<b>563,529</b>	<b>552,855</b>	<b>544,816</b>	<b>534,332</b>

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:

Donations	2,925	2,925	2,179	2,179
Capital grants	34,884	34,884	25,431	25,431
Tuition fees in advance	5,550	5,550	2,315	2,315
	<b>43,359</b>	<b>43,359</b>	<b>29,925</b>	<b>29,925</b>

## NOTES TO THE ACCOUNTS

	Note	Year Ended 31 July 2017		Year Ended 31 July 2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>21 Creditors: amounts falling due after more than one year</b>					
Deferred income		317,160	315,862	302,721	301,423
Obligations under finance leases		34,490	34,490	36,108	36,108
Cruciform Private Development Loan		12,828	12,828	13,889	13,889
Long term bank loans		118,488	118,488	20,126	20,126
Salix Revolving Green Fund		508	508	565	565
		<b>483,474</b>	<b>482,176</b>	373,409	372,111
<b>Analysis of loan repayments:</b>					
In less than one year:					
Finance leases	20	1,327	1,327	1,335	1,335
Loans	20	2,756	2,756	2,625	2,625
In more than one year but no more than two years					
Finance leases		13,114	13,114	1,387	1,387
Loans		2,950	2,950	2,756	2,756
In more than two years but no more than five years					
Finance leases		21,376	21,376	34,721	34,721
Loans		110,659	110,659	9,704	9,704
In more than five years					
Finance leases		-	-	-	-
Loans		18,215	18,215	22,120	22,120
		<b>170,397</b>	<b>170,397</b>	74,648	74,648
In less than one year (Note 20)	20	(4,083)	(4,083)	(3,960)	(3,960)
		<b>166,314</b>	<b>166,314</b>	70,688	70,688

It is anticipated that UCL will exercise repayment options under the leasing arrangements between 20 and 25 years into the term of each lease. Security is provided to the lessors by way of annual payments into a security deposit (Note 15).

Included in bank loans are the following:

Lender	Amount £'000	Due <1 year £'000	Term	Interest rate		Borrower
Royal Bank of Scotland	12,141	1,278	2026	5.8	Fixed/Variable	UCL
Barclays	2,428	126	2036	0.6	Variable	UCL Institute of Education
Barclays	2,323	121	2036	5.9	Fixed	UCL Institute of Education
Barclays	1,670	46	2037	5.3	Fixed	UCL Institute of Education
Barclays	1,564	67	2037	1.2	Fixed	UCL Institute of Education
Consortium of banks	100,000	-	2020	0.9	Variable	UCL
	<b>120,126</b>	<b>1,638</b>				

## NOTES TO THE ACCOUNTS

### 22 Provisions for liabilities

<b>Consolidated</b>	<b>Obligation to fund deficit on USS pension £'000</b>	<b>Obligation to fund deficit on SAUL pension £'000</b>	<b>Defined benefit scheme obligations £'000</b>	<b>Total pension provisions £'000</b>	<b>Dilapidations £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 1 August 2016	153,602	3,907	457	157,966	5,596	298	5,894
Utilised in year	(9,702)	(1,053)	(457)	(11,212)	-	(48)	(48)
Additions	2,628	36	850	3,514	897	-	897
Releases	-	-	-	-	(301)	-	(301)
At 31 July 2017	<b>146,528</b>	<b>2,890</b>	<b>850</b>	<b>150,268</b>	<b>6,192</b>	<b>250</b>	<b>6,442</b>

<b>University</b>	<b>Obligation to fund deficit on USS pension £'000</b>	<b>Obligation to fund deficit on SAUL pension £'000</b>	<b>Defined benefit scheme obligations £'000</b>	<b>Total pension provisions £'000</b>	<b>Dilapidations £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 1 August 2016	153,274	3,799	457	157,530	5,596	298	5,894
Utilised in year	(9,603)	(1,039)	(457)	(11,099)	-	(48)	(48)
Additions	2,621	36	850	3,507	897	-	897
Releases	-	-	-	-	(301)	-	(301)
At 31 July 2017	<b>146,292</b>	<b>2,796</b>	<b>850</b>	<b>149,938</b>	<b>6,192</b>	<b>250</b>	<b>6,442</b>

Other provisions includes £250,000 (2016 - £298,000) compensation payable in respect of the termination of property leases.

The obligation to fund the deficits on the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL) arises from contractual obligations with the pension schemes to make payments in line with agreed recovery plans. The periods over which these recovery plans are in place are set out in Note 29. In assessing the value of the provisions, management has assessed future employees within the schemes and salary payment over the period of the contracted obligation.



## NOTES TO THE ACCOUNTS

### 23 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2017 Total £'000	2016 Total £'000
<b>Balances at 1 August 2016</b>					
Capital	17,368	1,057	78,745	97,170	100,406
Accumulated income	793	140	2,861	3,794	3,640
	18,161	1,197	81,606	100,964	104,046
Reclassification	(82)	-	82	-	-
New endowments	20	-	2,444	2,464	2,909
Investment income	588	38	2,668	3,294	2,956
Expenditure	(258)	(5)	(4,865)	(5,128)	(9,548)
Realised gains on investments	-	-	175	175	-
Increase in market value of investments	1,758	112	7,791	9,661	601
<b>Total endowment comprehensive income for the year</b>	2,026	145	8,295	10,466	(3,082)
<b>At 31 July 2017</b>	20,187	1,342	89,901	111,430	100,964
<b>Represented by:</b>					
Capital	19,420	1,240	87,507	108,167	97,170
Accumulated income	767	102	2,394	3,263	3,794
	20,187	1,342	89,901	111,430	100,964
<b>Analysis by type of purpose:</b>					
Lectureships	1,673	-	30,618	32,291	30,650
Scholarships and bursaries	5,320	-	30,323	35,643	32,053
Research support	11,594	-	14,794	26,388	24,105
Prize funds	925	-	4,766	5,691	5,111
General	675	1,342	9,400	11,417	9,045
	20,187	1,342	89,901	111,430	100,964
<b>Analysis by asset:</b>					
Fixed Income				18,668	18,531
UK equities				30,358	27,786
Global Equities				49,538	48,120
Alternative Investments				9,386	5,373
Cash				1,620	(85)
Debtors				1,860	1,239
				111,430	100,964

Within the year, unrealised gains on investments of £11.9m (2016 - £5.9m), primarily relating to revaluation of UCL's portfolio, were reclassified from comprehensive income to surplus and are now included within Gain on Investments in the Statement of Comprehensive Income and Expenditure.

24 Capital commitments	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted at 31 July 2017	97,752	97,752	118,360	118,360
Authorised but not contracted at 31 July 2017	523,575	523,575	166,461	166,461
	621,327	621,327	284,821	284,821

Commitments contracted as at 31 July 2017 include £39.1m for the development of the New Student Centre; £10.3m for the extension of Astor College; £6.1m for the restack of Torrington Place and £5.9m for the relocation of the MRC Prion Unit into the Courtauld building.

Major developments which were previously authorised but not contracted include £348.1m for the UCL East new campus development, £23m for the acquisition of Clare Hall, £17.9m for the refurbishment of Bloomsbury Theatre and £17.8m for the Interim Dementia Research Institute Hub.

## NOTES TO THE ACCOUNTS

### 25 Lease obligations

Total rentals payable by UCL under non-cancellable operating leases are as set out below:

	Year Ended 31 July 2017			Year Ended 31 July 2016		
	Land & Buildings £'000	Other £'000	Total £'000	Land & Buildings £'000	Other £'000	Total £'000
<b>Payable during the year</b>	<b>15,079</b>	<b>591</b>	<b>15,670</b>	10,945	438	11,383
<b>Future minimum lease payments due</b>						
Not later than 1 year	13,204	592	13,796	12,449	374	12,823
Later than 1 year and not later than 5 years	42,128	817	42,945	41,566	598	42,164
Later than 5 years	46,569	-	46,569	31,921	-	31,921
<b>Total lease payments due</b>	<b>101,901</b>	<b>1,409</b>	<b>103,310</b>	85,936	972	86,908

### 26 Related party transactions

The financial statements of UCL for the year ended 31 July 2017 include transactions with a number of organisations which fall within the definition of related parties under FRS 102 Section 33 'Related Party Disclosures'. Due to the nature of UCL's operations and the composition of Council (being drawn from local public and private sector organisations), it is inevitable that transactions in the normal course of business will take place with entities in which members of Council (or indeed other key management personnel) may have an interest. All such transactions, including those identified below, are conducted at arm's length and in accordance with UCL's Financial Regulations and usual procurement procedures.

UCL has taken advantage of the exemption within FRS 102 Section 33 and not disclosed transactions with wholly-owned subsidiaries. Outstanding balances with these entities at the 31 July 2017 are disclosed under Note 27 Subsidiary Undertakings.

Included in the financial statements are the following transactions between the University and related parties. In common with many universities, members of Council and other key management personnel sit on Research Councils, NHS Trust boards and other grant-awarding bodies which have their own internal procedures to avoid potential conflicts of interest.

	Income £'000	Expenditure £'000	Balance due to/(from) UCL at 31 July 2017 £'000
Academy of Medical Sciences	275	31	(152)
Alan Turing Institute	818	-	(29)
British Heart Foundation	5,514	-	3,197
Francis Crick Institute	159	1,361	7
KwaZulu-Natal Research Institute for TB-HIV	48	7,535	(1,401)
Medical Research Council	54,140	869	1,003
North Middlesex University Hospital NHS Trust	134	49	31
Science and Technology Facilities Council	13,794	228	970
UCL Hospitals NHS Foundation Trust	19,660	5,319	9,186
UCL Union	46	62	10
UCLPartners	830	221	769
Wellcome Trust	50,185	76	6,618

The following transactions also took place within the year:

Michael Arthur, UCL President and Provost, sits on the board of the Russell Group of Universities, of which UCL is a member and to which a £69k subscription was paid for 2016/17. He also serves as Vice-President of the British Liver Trust, which forwarded £21k of research funding to the University.

Baroness Jo Valentine is a member of the board of High Speed 2 Ltd. Included in UCL's income for the year is £22.3m of compensation payable by the Department for Transport in relation to the impact of the HS2 rail project on the University's datacentre near Euston station. The Baroness was also the Chief Executive Officer of London First until late 2016. UCL is a member organisation and paid London First a subscription fee of £15k for 2016/17.

Baroness Diana Warwick of Undercliffe serves as the Chair of Trustees of International Students House (ISH), a charity offering accommodation, facilities and support to students in London. Sales made by ISH to the University totalled £13k.

Philip Sturrock is the Chair of Governors of Queen Mary's Grammar School (Walsall), to which UCL provided £27k of funding from the IoE Confucius Institute for Schools.

## NOTES TO THE ACCOUNTS

Anthony Smith serves as a Governor of the WKCIC Group (Westminster Kingsway College and City and Islington College), from which the University made purchases to the value of £23k, chiefly in respect of placements and training courses for IoE PGCE students.

**THE FRANCIS CRICK INSTITUTE (FCI):** UCL is a founding member of the Francis Crick Institute, a biomedical research centre established by six distinguished partners from scientific and academic fields. In 2016/17 the University acquired additional shares in the Institute to the value of £160k, bringing its total investment to £33.6m. Other transactions with the FCI are tabulated above.

**THE ALAN TURING INSTITUTE (ATI):** The ATI was set up in 2015 as the national centre for data science. It is a joint venture comprising five founder universities and the EPSRC. Each founding member has pledged a £5m grant to the Institute, and a balance of £3.25m is held under creditors at 31 July 2017. Other transactions are included in the above table.

**MEDICAL RESEARCH COUNCIL (MRC):** In addition to the amount reported above under income, UCL received £4.5m of capital funding from the MRC towards the refurbishment of the Courtauld Building.

The Group has year end debtor balances with the following associate and joint venture companies:

	<b>Balance 1 August 2016 £'000</b>	<b>Cash transfers £'000</b>	<b>Income £'000</b>	<b>Other £'000</b>	<b>Balance at 31 July 2017 £'000</b>
Abcodia Limited	-	-	-	11	11
Analyst Limited	-	-	3	-	3
Atocap Limited	5	(8)	6	-	3
Domainex Limited	-	-	-	30	30
Endomagnetics Limited	307	(48)	42	(300)	1
Eurotempest Limited	-	(15)	31	-	16
Helicon Health Limited	9	-	-	(9)	-
Pentraxin Therapeutics Limited	21	(47)	38	-	12
Senceive Limited	16	(18)	25	-	23
Total debtors	<b>358</b>	<b>(136)</b>	<b>145</b>	<b>(268)</b>	<b>99</b>

Additionally, the Group has granted loans to the following associate companies:

	<b>2017 £'000</b>	<b>2016 £'000</b>
Abcodia Limited	652	373
Analyst Limited	25	25
Asio Limited	0	130
Domainex Limited	330	305
Endomagnetics Limited	0	10
Health Social Innovators	250	0
Helicon Health Limited	43	43
Total loans	<b>1,300</b>	<b>886</b>

## NOTES TO THE ACCOUNTS

### 27 Subsidiary undertakings

The following UCL subsidiary companies which are incorporated and registered in England and Wales and which have traded during the year have been consolidated into the financial statements:

Company	Principal Activity	Status	Class of shares	Proportion held	Amount owed to/(from) UCL at 31 July 2017 £'000
Bloomsbury Bioseed Fund Ltd (BBSF)	Investment in bio-technology start ups.	75% owned	Ordinary	75% - UCL	-
Mapping for Change CIC	A social enterprise specialising in participatory and community mapping projects, which focuses on providing mapping services to public, private and non-governmental 'third sector' organisations that are value driven and which principally reinvest their surpluses to further social, environmental or cultural objectives.	97.5% owned	Ordinary	97.5% - UCL	-
Thiologics Ltd	Provision of goods and services in bio-technology.	100% owned	Ordinary	100% - UCL Business	-
UCL Business Plc	Exploitation of intellectual property.	100% owned	Ordinary Ordinary 'A' Redeemable Preference	100% - UCL 100% - UCL 100% - UCL	6,092
UCL Consultants Ltd	Provision of administrative support to staff engaged in consultancy.	100% owned	Ordinary	100% - UCL	3,508
UCL Cruciform Ltd	Exploitation of intellectual property in the field of bio-medicine.	100% owned	Ordinary	50% - UCL 50% - UCL Cruciform Trust	485
UCL Investments Ltd	Property investment.	100% owned	Ordinary	100% - UCL	5
UCL Properties Ltd	Property development and investment.	100% owned	Ordinary	100% - UCL	3,906
UCL Residences Ltd	Commercial lettings of accommodation.	100% owned	Ordinary	100% - UCL	(1,687)
UCL Trading Ltd	Contracting, consultancy and other commercial	100% owned	Ordinary	100% - UCL	6
UCLB Investments Ltd	Investing in intellectual property commercialisation opportunities arising from UCL's research base, focusing in particular on the physical and life sciences.	100% owned	Ordinary	100% - UCL Business	-
UCLB Medical Devices Ltd (previously Evexar Medical Ltd)	Developing and commercialising medical and surgical devices.	100% owned.	Ordinary 'A' Ordinary 'B' Ordinary 'C'	100% - UCL Business 100% - UCL Business 100% - UCL Business	-
Somers Town Community Sports Centre	Operation of sports centre.	Limited by guarantee. UCL has the power to appoint 5 of the 9 trustees and so has effective control			-

The Group's interest in Brainminer Ltd was reduced to 30% during the year. The company is now accounted for as an associate.  
UCL DHS Ltd was dissolved during the year.

The following subsidiary companies were dormant during the year:  
Smart Target Ltd  
UCL Developments (No1) Ltd  
UCL Enterprises Ltd

UCL continues to provide guarantees to a number of subsidiaries to make additional financing available if required, to enable them to meet their liabilities as they fall due.

## NOTES TO THE ACCOUNTS

### 28 Connected charities

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or special purposes. None of these connected institutions are included as subsidiary undertakings in these consolidated financial statements as the University does not have control over their activities. The movements on the total funds of all connected institutions, as reported in their most recent published accounts, were as follows:

	Opening balance £'000	Income £'000	Expenditure £'000	Closing balance £'000
Brain Research Trust	14,846	4,199	4,180	14,865
UCL Cancer Institute Research Trust	2,519	912	1,316	2,115
Child Health Research CIO	13,868	1,807	912	14,763
Rheumatology Discretionary Fund	313	82	205	190
4 medical research funds with income below £100,000:	3,013	133	308	2,838
	<b>34,559</b>	<b>7,133</b>	<b>6,921</b>	<b>34,771</b>

All institutions were established to generate funds for the furtherance of scientific research in their respective areas within the UCL Medical School.

### 29 Pension schemes

#### Multi-employer plans

The Group contributes to three principal defined benefit multi-employer plans on behalf of its employees: the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the National Health service (NHS) Pension Scheme. A number of staff, transferred to UCL via historic business combinations, also belong on the Principal Civil Service Pension Scheme (PCSPS) and the Medical Research Council Pension Scheme (MRCPS). The schemes are externally funded and contracted out of the State Second Pension (S2P) and are valued every three years by professionally qualified independent actuaries using the projected unit method. Assets of each scheme are held in separate trustee administered funds.

It is not possible to identify UCL's share of the underlying assets and liabilities of these five schemes and they are therefore accounted for as if they were defined contribution schemes, with contributions recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Total costs for these schemes for the Group were:

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Contribution to USS	68,062	67,785	61,738	61,375
Contribution to SAUL	11,676	11,007	9,543	8,964
Contribution to NHS	6,564	6,537	6,874	6,825
Contribution to MRCPS	966	966	972	972
Contribution to PCSPS	52	52	51	51
Charge to staff costs in respect of UFMS	850	850	-	-
	<b>88,170</b>	<b>87,197</b>	<b>79,178</b>	<b>78,187</b>

Outstanding contributions to USS, SAUL, the NHS Pension Scheme, MRCPS and PCSPS were £11.1m at 31 July 2017 (2016 - £11.0m).

#### The Universities Superannuation Scheme

The latest actuarial valuation of the scheme was at 31 March 2014 (unaudited) using the projected unit method. The financial assumptions that had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	5.20%
Salary scale increases per annum - short term	3.50%
Salary scale increases per annum - long term	4.00%
Pension increases per annum - CPI	2.20%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 89 (91).

At the valuation date, the value of the assets of the scheme was £41.6bn and the value of the scheme's technical provisions was £46.9bn indicating a shortfall of £5.3bn. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

## NOTES TO THE ACCOUNTS

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As part of this valuation the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2031. As a result, employer contributions were increased from 16% to 18% in April 2016, with 2.1% of that higher rate specifically earmarked to reduce the existing deficit.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

Details of the scheme and the 2014 valuation can be found at [www.uss.co.uk](http://www.uss.co.uk)

### The Superannuation Arrangements of the University of London

The latest actuarial valuation of the scheme was at 31 March 2014 (unaudited) using the projected unit method. The financial assumptions that had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	
- before retirement	6.04%
- after retirement	3.94%
Salary scale increases per annum	3.75%
Pension increases per annum	2.75%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 87 (90).

At the valuation date, the value of the assets of the scheme was £1.93bn and the value of the scheme's technical provisions was £1.99bn indicating a shortfall of £59m. The assets therefore were sufficient to cover 97% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As part of this valuation the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2018. As a result, employer contributions were increased from 13% to 16% in April 2016, with 3% of that higher rate specifically earmarked to reduce the existing deficit. Employers have also agreed that this higher contribution rate will not be reduced before 31 March 2020, irrespective of SAUL's funding level.

Details of the scheme and the 2014 valuation can be found at [www.saul.org.uk](http://www.saul.org.uk)

### National Health Service Pension Scheme

The NHS Pension Scheme is an unfunded defined benefit scheme available to staff who were already members immediately prior to their appointment at UCL.

The latest actuarial valuation of the scheme was 31 March 2012 using the projected unit method, with results published in June 2014. The financial assumptions that had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	3.00%
Long term salary growth per annum	4.75%
Pension increases per annum	2.00%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 90 (92).

At the valuation date, the value of the assets of the scheme was £230.1bn and the value of the scheme's technical provisions was £240.4bn indicating a shortfall of £10.3bn. The assets therefore were sufficient to cover 96% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As a result of this valuation, the trustees determined that the employer contribution rate payable for the four year period from 1 April 2015 will be 14.3%.

## NOTES TO THE ACCOUNTS

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### Medical Research Council Pension Scheme

The latest actuarial valuation of the scheme was at 31 December 2013 (unaudited) using the projected unit method. The financial assumptions that had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	5.60%
Long term salary growth per annum	4.10%
Pension increases per annum	2.60%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 88 (90).

At the valuation date, the value of the assets of the scheme was £1.05bn and the value of the scheme's technical provisions was £0.9bn indicating a surplus of £160m. The assets therefore were sufficient to cover 118% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As a result of this valuation, the trustees determined that the employer contribution rate payable from 1 April 2015 will remain at 14.9%.

### Principal Civil Service Pension Scheme

The PCSPS is an unfunded defined benefit scheme available to staff who were already members immediately prior to their appointment at UCL.

The latest actuarial valuation of the scheme was at 31 March 2012 (unaudited) using the projected unit method. The financial assumptions that had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	3.00%
Long term salary growth per annum	4.75%
Pension increases per annum	2.00%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 89 (91).

At the valuation date, the value of the assets of the scheme was £127.3bn and the value of the scheme's technical provisions was £132.7bn indicating a shortfall of £5.5bn. The assets therefore were sufficient to cover 96% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As a result of this valuation, the trustees determined that the average employer contribution rate payable for the four year period from 1 April 2015 will be 20.9%.

### Defined benefit plans

Within the year, UCL contributed to two funded, defined benefit pension schemes: the UCL Former Medical Schools (UFMS) Pension Scheme and the Essex Pension Fund. In both cases, the underlying assets and liabilities relating to UCL's members could be identified, and those assets were held in separate, trustee administered funds.

For defined benefit plans, current service costs, past service costs, losses on settlement and actuarial losses are recognised in the Consolidated Statement of Comprehensive Income and Expenditure. The interest cost and the expected return on assets are shown as a net amount of other finance costs.

Scheme assets are measured at fair value. Liabilities are measured on an actuarial basis using the projected unit method and are discounted at a rate of return based on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuation is obtained at least triennially and is updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax is presented separately as a pension asset or liability in the Consolidated Balance Sheet.

### UCL (Former Medical Schools) Pension Scheme

The UFMS Pension Scheme is a single-employer defined benefit plan, acquired under the merger with the Middlessex Hospital Medical School in August 1987. The scheme was closed to new entrants at the point of merger, and with effect from 30 June 2012 all active members consented to a transfer of their benefits to SAUL. Deferred and pensioner liabilities remained with the UFMS scheme.

A valuation of the scheme as at 31 July 2017 has been carried out by an independent qualified actuary, using the projected unit method, and is based on the results of the full Scheme Funding Assessment as of March 2016.

## NOTES TO THE ACCOUNTS

The financial assumptions that had the most significant effect on the result of the valuation were as follows:

Investment returns per annum	2.50%
Future statutory revaluation of pensions in deferment	2.20%
Increase on post 1997 pension	
- for pre 2006 leavers	2.25%
- for post 2006 leavers	3.10%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 87 (89).

At the valuation date, the value of the assets of the scheme was £12.4m and the value of the scheme's defined benefit obligation was £11.9m. As UCL does not currently have the ability to recover the resulting surplus of £0.5m (2016: £1.0m) either through reduced contributions in the future or through refunds from the scheme, the corresponding net defined benefit asset is not recognised in the Consolidated Balance Sheet.

It is the intention of both UCL and the Trustee to wind-up the scheme, and arrangements are being made with various insurance providers to take on the remaining liabilities. As the scheme employer, UCL will be liable to those insurers for the projected deficit against the fund's assets and, as at 31 July 2017, the value of this 'buy-out' payment has been estimated by an independent actuary as £0.85m. UCL expects to have completed the process by September 2018 and provision has been made for the expected £0.85m cost of discharging its financial obligations (Note 22).

The pension expense over the year to 31 July 2017 was £118,000. On the basis that surplus is not recognised, this solely reflects the administration cost borne by the scheme over the year, and interest on the net defined benefit liability is restricted to zero.

The estimated amounts of employer contributions expected to be paid to the scheme during the year ending 31 July 2018 is £132,000.

### Essex Pension Fund

The Essex Pension Fund is a defined benefit scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08. The scheme transferred to UCL on 1 May 2013, at which date the net liabilities of the scheme were £225,000.

On 21 February 2016, the last remaining active member left the service of UCL triggering a cessation valuation to certify the final deficit. UCL subsequently paid £457,000 to the Fund in March 2017, discharging its responsibility for any past service obligations and terminating its membership as a Scheme employer. No employer contributions were paid in the year.

### 30 Events after the End of the Reporting Period

No events after the reporting period have had a material impact on the financial statements as presented.

### 31 Significant Estimates and Judgements

In the process of applying its accounting policies, the University is required to make certain estimates, judgements and assumptions that management believe are reasonable based on the information available. These are reviewed on a regular basis by senior management. Significant estimates and material judgements used in the preparation of the financial statements are as follows:

#### Research Income

Income from research grants and contracts is recognised on entitlement and when the performance related conditions under each grant funding award have been met. The level of revenue recognised is based on management's judgement as to the extent to which those performance related conditions have been satisfied, whether any contract specific (i.e. milestone) performance related conditions are in existence and whether there is any indication that a failure to meet future output requirements has given rise to the requirement for a provision or contingent liability.

#### Impairments

Management make judgements as to whether any indicators of impairment are present for any of the University's assets.

#### Retirement Benefit Obligations

The University operates within two defined benefit schemes, the Universities Superannuation Scheme (USS) and The Superannuation Arrangements of the University of London (SAUL), which are accounted for as defined contribution schemes as insufficient information is available to identify the University's share of the underlying assets and liabilities.

In both cases, the University is contractually bound to fund a scheme deficit in line with an agreed recovery plan, and these obligations are recognised as liabilities on the balance sheet. The USS recovery plan defines the deficit payment required as a percentage of future salaries until 2031, whilst the SAUL recovery plan defines payments in the same way and extends to 2020. These contributions will be reassessed within each triennial valuation of the scheme, and the respective provisions are based on management's estimate of expected future salary inflations, changes in staff numbers and the prevailing rate of discount.