

LONDON'S GLOBAL UNIVERSITY



UCL

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**Annual Report and Financial Statements  
for the year ended 31 July 2019**

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UNIVERSITY COLLEGE LONDON  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

**COMMITTEE MEMBERSHIP**

**Council (Trustees)**

External Members:	Mr Minto Bhandari (from 01/01/19) Mr Dominic Blakemore Mr Victor Chu (Chair) (from 01/08/19) Dr Andrew Gould Dame DeAnne Julius* (Chair) (to 31/07/19) Ms Nahid Majid (to 30/09/18) Ms Lindsay Nicholson*	Mr Turloch O'Brien* Lord (John) Sharkey* Mr Philip Sturrock (Treasurer to 31/03/19) Mr Justin Turner QC Baroness (Jo) Valentine* Ms Sarah Whitney (Treasurer from 01/04/19)
Academic Members:	Professor Michael Arthur* (Provost) Professor Lucie Clapp* Dr Alun Coker (from 01/10/19) Professor Annette Dolphin* Dr Martin Fry (to 30/09/19)	Professor Patrick Haggard Dr Hynek Pikhart* Professor Helen Roberts (from 01/10/19) Professor Andrew Wills (to 30/09/19)
UCL Union:	Mr Farooq Deen (to 09/04/19) Mr Mahmudur Rahman (to 28/05/19)	Ms Ashley Slanina-Davies (from 15/07/19) Ms Caroline Paige (from 15/07/19)

**Finance Committee**

External Members:	Dr Andrew Gould Dame DeAnne Julius (to 31/07/19) Mr Victor Chu (from 01/08/19 to 15/10/19) Mr Philip Sturrock (Chair) (to 31/03/19)	Baroness (Jo) Valentine (from 01/04/19) Ms Sarah Whitney (Chair) (from 01/04/19)
Academic Members:	Professor Michael Arthur (Provost) Professor Lucie Clapp	Professor Patrick Haggard

**Audit Committee**

External Members:	Mr Dominic Blakemore (Chair) Mr Turloch O'Brien	Mr Patrick Reeve Mr Justin Turner QC
Academic Members:	Professor Annette Dolphin (from 01/10/19) Professor Andrew Wills (to 30/09/19)	

**Investments Committee**

External Members:	Mr Chris Hills Ms Jumana Saleheen	Mr Philip Sturrock (Chair) (to 31/03/19) Ms Sarah Whitney (Chair) (from 01/04/19)
Staff Members	Mr Philip Harding	

\* denotes also member of Remuneration and Human Resources Strategy Committee

\* denotes also member of Nominations Committee

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**FINANCIAL SUMMARY**

	2019 £m	2018 £m
<b>CONSOLIDATED INCOME &amp; EXPENDITURE ACCOUNT</b>		
Tuition fees and education contracts	564.9	521.1
Funding body grants	213.5	227.3
Research grants and contracts	481.1	476.3
Other income	179.2	193.4
Investment income	7.9	6.0
Donations and endowments	40.5	27.0
<b>NET INCOME</b>	<b>1,487.1</b>	<b>1,451.1</b>
<b>TOTAL EXPENDITURE</b>	<b>1,671.4</b>	<b>1,317.5</b>
Loss on disposal of fixed assets	-	(0.1)
Gain on investments	47.3	24.1
Share of operating loss in joint ventures and associates	(0.1)	(0.1)
Taxation	-	(1.1)
Actuarial losses	(0.1)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(137.2)</b>	<b>156.4</b>
Intangible assets	26.0	24.8
Fixed assets	2,050.2	1,876.7
Investments	294.5	254.2
Net current liabilities	(34.1)	(110.8)
Total assets less current liabilities	2,336.6	2,044.9
Non-current liabilities	(645.2)	(472.4)
Pension provisions	(385.1)	(130.6)
Other provisions	(19.4)	(17.8)
<b>TOTAL NET ASSETS</b>	<b>1,286.9</b>	<b>1,424.1</b>
<b>Represented by:</b>		
Endowments	138.7	117.8
Reserves	1,148.1	1,306.2
Minority interest	0.1	0.1
	<b>1,286.9</b>	<b>1,424.1</b>
<b>OTHER KEY STATISTICS</b>		
Increase/(decrease) in cash in the year	107.9	(14.1)
Average student numbers	42,106	41,539
Average payroll numbers	15,757	15,107

## OPERATING AND FINANCIAL REVIEW

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### Operating and Financial Review 2018-19

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 "Office for Students (OfS) Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by the Higher Education Funding Council for England (HEFCE). The OfS is also acting 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 29. These financial statements have been prepared on a going concern basis as described in section 1 of the Statement of Accounting Policies.

The Operating and Financial Review for 2018-19 comprises five sections covering:

- 1) UCL's vision and long-term strategy (UCL2034);
- 2) Performance in 2018-19 in pursuit of this strategy in the core areas of research, education, innovation and enterprise;
- 3) The financial review and outlook;
- 4) UCL's approach to risk management; and
- 5) How UCL delivers public benefit.

### Vision and long-term strategy

UCL, London's Global University, is a diverse intellectual community, which is engaged with the wider world and committed to changing it for the better. It is recognised globally for its distinctive approach to research, education and innovation which inspires its 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, UCL's strategy - titled UCL 2034 - articulates six Principal Themes:

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 its 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

UCL's Key Enablers to achieve these themes are:

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

Progress against these Principal Themes and Key Enablers is monitored by the executive and by Council, and performance highlights over the year are presented below.

### Performance in 2018-19

#### ***Theme 1: Academic leadership grounded in intellectual excellence***

Enduring intellectual excellence – derived from talented individuals' curiosity about, and commitment to, their chosen subject areas – is the prerequisite of academic leadership. This, more than anything, underpins the contributions that a university makes to society.

UCL's research is recognised as consistently excellent across a wide range of disciplines and the university is known for its innovative and pioneering approaches to global engagement and research-based teaching. Our Connected Curriculum stretches the intellects and skills of our students, creating the next generation of change makers. We see excellent examples of academic leadership within UCL every day – pioneering new fields of study, working across disciplines and tackling the world's grand challenges. On the national and international stages we are influencing government policy, collaborating as part of national research institutes and protecting academic freedoms. Within the year:

## OPERATING AND FINANCIAL REVIEW

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- UCL rose to sixth in the NTU World University Rankings, a performance ranking of scientific papers for world universities, and now stands at number eight in the QS World University Rankings, making it the top ranked institution in London, third in the UK and fourth in Europe.
- The UCL Institute of Education maintained its top place globally for “education” for the 6<sup>th</sup> year running, and the Bartlett became number one world-wide for “architecture and the built environment” in the QS World University subject rankings. A further eight subjects at UCL are ranked in the world top 10 including archaeology (3<sup>rd</sup>), anatomy and physiology (5<sup>th</sup>), anthropology (5<sup>th</sup>), pharmacy and pharmacology (7<sup>th</sup>), geography (7<sup>th</sup>), medicine (9<sup>th</sup>), psychology (10<sup>th</sup>) and life sciences and medicine (10<sup>th</sup>).
- Two UCL academics were elected as Fellows of the British Academy - Professor Margot Finn (History) and Professor Imran Rasul (Economics) – and a further three were granted Fellowship of the Academy of Social Sciences in recognition of the excellence and impact of their work for public benefit. The new fellows are Professor Alison Fuller (Institute of Education), Elizabeth Shepherd (Information Studies), and Professor Richard Moorhead (Laws).
- The Faculty of Social & Historical Sciences received two prestigious appointments to lead vital and timely interdisciplinary research in the critical field of race studies. Author and historian Professor Paul Gilroy has been appointed the Founding Director of the Centre for the Study of Race & Racism, and the leading Caribbean history scholar, Professor Matthew Smith, has been appointed the new Director of UCL’s Centre for the Study of the Legacies of British Slave Ownership.
- The Deans’ Pledge on Race Equality was launched in summer 2018 and, one year on, a review by UCL’s Equalities, Diversity and Inclusion team found that the Deans are unquestionably delivering change, with levels of BAME representation within the academic staff body increasing. There is further progress to be made, but this project has demonstrated that determined action can effect real change.
- A number of UCL academics and alumni were honoured in the New Year and Queen’s Birthday honours lists. UCL alumna and artist Rachel Whiteread, the first woman to win the Turner Prize in 1993, was awarded a DBE for services to art. Dr. Shane Legg - former UCL student, academic and Deepmind co-founder - was awarded a CBE for services to the science and technology sector, two members of staff received OBEs and one an MBE.

UCL continues to seek out and recruit exceptional intellectual leaders. Notable new appointments in the past year include Professor Christoph Lindner as the new Dean of the Bartlett; Dr. Anne Lane as the new Managing Director of UCL Business; and Professor Nick Fox as Associate Director of the UK Dementia Research Institute (DRI).

### *Theme 2: Integration of research and education, underpinning an inspirational student experience*

UCL’s Education Strategy 2016-21 has now been in place for three years and 2018-19 saw the achievement of some significant milestones, with the opening of the new student centre, small but significant improvements in the outcomes of the National Student Survey (NSS) and the Postgraduate Taught Experience Survey (PTES) and an expansion of the co-curricular offer. The most notable highlights during the year include:

- **Student Numbers:** The number registered at the sector’s 1<sup>st</sup> December 2018 census date was 42,106: an increase of 1.4% over the number 12 months previously. The percentage of the new undergraduate intake with 3 grade As or better at A level rose from 82.8% in 2017 to 85.8% in 2018.
- **NSS and PTES:** This year, for the first time, UCL’s performance in the NSS improved across every area of the NSS, including overall satisfaction which increased by 2% up to 82% against a background of no overall improvement amongst the Russell Group. On the PTES, overall satisfaction increased from 79% to 80%, with 42% of UCL’s postgraduate taught students participating compared to the sector average of 32%.
- **New Student Centre:** February saw the opening of the new Student Centre, a building that exemplifies UCL’s ambitions for the quality of its student experience and its commitment to sustainability. The building provides students with 1,000 new ‘study seats’ including quiet zones, social areas and flexible spaces designed to facilitate collaborative and research-based learning. It also houses UCL’s Student Enquiries Centre where students can get help on topics including exams, IT and studying abroad, as well as advice on disability, mental health, and wellbeing issues. It will provide new ways for UCL’s students to work, discover and learn for generations to come.

## OPERATING AND FINANCIAL REVIEW

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- **Research-based Education:** Alice Pistono, a Natural Sciences undergraduate, won first place in a national "Posters in Parliament" competition for her investigation of DNA persistence under varying climatic conditions, whilst Imran Mannan, a 2<sup>nd</sup> year Arts and Sciences undergraduate, developed a "life cycle costing tool" that has been distributed to AGRICEN (Agro-industries and Clean Energy in Africa) research teams across Africa, to be used by farmers and crop-processing plants to compare the costs of different energy options.
- **Personalised Support:** In response to student feedback, Late Summer Assessments (for resits and deferrals) have been introduced across the institution following a two year pilot and a new Student and Wellbeing Strategy has been launched, with the aim of embedding a university-wide approach to health and wellbeing to enhance the student experience.
- **Teaching Quality:** UCL Arena, the University's professional development pathway for teaching and support staff, reached a milestone when UCL's 1000<sup>th</sup> Arena Fellow achieved nationally recognised accreditation for their work. UCL's growth trajectory in this area is currently the fastest in the Russell Group.
- **Student Partnerships:** More than 1,000 students have participated in the Student Panel, helping to shape the UCL experience, and more than 1,000 nominations were made for the Student Choice Awards, which recognized exceptional contributions by staff to teaching and learning.
- **UCL ChangeMakers:** There are now around 60 student-led projects running as part of the programme to support student collaboration with academics on issues and opportunities in the taught curriculum. Dr. Jenny Marie was awarded UCL's first National Teaching Fellowship by the Higher Education Academy in recognition of the impact of UCL ChangeMakers in developing staff-student partnerships to enhance education.

### *Theme 3: Research - addressing global challenges*

UCL seeks to build upon the radical tradition – of innovation, accessibility and relevance – established by its founders and embodied by successive generations. It is committed to using its position and unique set of strengths to develop and disseminate original knowledge, not only for its own inherent value but also to address the significant challenges facing the world today and those that will arise in the future. 2018-19 saw the volume of research activity continuing to grow, alongside the acceleration of preparations for REF 2021.

- Total income from research grants and contracts, before R&D specific tax incentives recognised in the prior year, increased from £471m in 2017-18 to £481m in 2018-19, an increase of 2.1%.
- Across the six primary research councils, UCL secured £89m of new research funding in 2018, to be received over the next several years, up from £76m in 2017 and placing the university 2<sup>nd</sup> overall in terms of successful funding applications. For the second year running UCL was second in the UK for the size of the Research England recurrent grant announced for the following year.
- Preparations are intensifying for the Research Excellence Framework (REF) 2021 in advance of the deadline for submissions in November 2020. UCL seeks to build on its excellent performance in REF2014 and its status as the top-rated university in the UK for 'research power', a measure of average research score multiplied by staff numbers submitted.
- A new joint commission on migration and health - established by UCL and medical journal *The Lancet* - was launched at the December 2018 UN 'Intergovernmental Conference to Adopt the Global Compact for Safe, Orderly and Regular Migration'. This Commission calls for cooperation and action on what has become one of the most pressing issues of the 21<sup>st</sup> century, and calls on governments to improve migrants' access to services as well as strengthen migrants' right to health, including a zero-tolerance approach to racism and discrimination.
- Work has now begun on a new facility in Gray's Inn Road to house the operational headquarters of the UK Dementia Research Institute (UK DRI): a newly established joint £290m investment from the Medical Research Council, Alzheimer's Society and Alzheimer's Research UK. Situated alongside new premises for the Queen Square Institute of Neurology and an outpatient and imaging unit for the National Hospital for Neurology and Neurosurgery, this hub will be a powerhouse of dementia research, offering unrivalled

## OPERATING AND FINANCIAL REVIEW

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opportunities to find better ways to diagnose, treat and prevent those dementia-causing diseases that are expected to affect 60 million people worldwide by 2025.

- Professor Mariana Mazzucato, Director of the UCL Institute for Innovation and Public Purpose, joined global leaders at the World Economic Forum in January 2019, providing expertise on globalisation and competitiveness. Through her participation on a panel discussion on "Global Economy in Transition: Shaping a New Architecture" she explored the question of how to shape a more equitable and collaborative global economic system that is beneficial for future prosperity, environmental sustainability and global security.
- UCL was awarded £31.6m from the Wellcome Trust to develop the Africa Health Research Institute: a new organization that brings together two leading local centres of research and the University of KwaZulu Natal to fight the co-epidemic of TB and HIV in KwaZulu-Natal.

### ***Theme 4: An accessible, publicly engaged organization fostering a lifelong community***

UCL has a proud history of being the first university in England to be open to all, irrespective of race or religion, and the first to admit women on an equal basis. Nearly 200 years on, the University continues to be at the forefront with its work on social mobility and education. It continues to seek out those students best able to benefit from, and contribute to its thriving intellectual community, regardless of background and circumstances.

UCL's widening participation strategy aims to raise awareness of higher education amongst lower-participation groups and to assist in their preparation for higher education by addressing the academic, social and cultural issues underlying historic levels of low participation. The percentage of UCL's intake of UK/EU undergraduate students coming from neighbourhoods within the lowest quartile on the government's Index of Multiple Deprivation (IMD) has increased steadily over the last seven years from 9% in 2013-14 to 13% (based on provisional data) in 2019-20. The proportions of students from black and minority ethnic (BME) backgrounds has also increased steadily over the same period, with now no significant divergence between the proportions of UK/EU white and BME students entering UCL as undergraduates. UCL is also, as part of its Equality, Diversity, and Inclusion (EDI) strategy, implementing measures to increase the number of enrolments from mature student, students from under-represented BME backgrounds and students with disabilities and to reduce the attainment gap between black and non-black undergraduates.

Launched in 2016, *It's All Academic* – UCL's major philanthropy and engagement campaign – also helps to drive equality, diversity and mobility through a varied portfolio of scholarships. More broadly, the campaign has two ambitious targets: a fundraising target of £600m to help deliver UCL's biggest long-term ambitions focussed on the four main themes of students, health, London and disruptive thinking; and an engagement target of 250,000 volunteering hours to build UCL's global community of alumni, supporters and advocates.

By the end of 2018-19, cumulative funding raised has reached £539m, and it is expected that the £600m target will be reached during 2019-20. By the same point in time 9,178 alumni have invested 199,000 volunteering hours to support current students, other alumni and UCL. The overarching Campaign target of delivering 250,000 alumni volunteering hours is also due to be met during 2019-20. The 2018-19 financial year saw the sustained delivery of philanthropic gifts at the £1m + level including: a £1.3m gift for prostate cancer research, the establishment of a Chair in Machine Learning and Artificial Intelligence with a £1.8m gift from Deepmind, and £2m for the purchase of an MRI scanner for use by researchers at Cancer Institute. A £3m gift was also received to create a Chinese Centre for Research and Practice in Teacher and Early Years Education at the Institute of Education. In addition, there has been continued support for the project to develop facilities for the Queen Square Institute of Neurology and UK Dementia Research Institute at Grays Inn Road, including a new donation of £1.3m from Waitrose, bringing the total support from the sale of carrier bags by the coalition of retailers to more than £20m. During the year, a £5m donation from alumna Sigrid Rausing's charitable trust was received, to fund a new programme to test genetic therapies for neurodegenerative diseases. UCL also benefitted from a legacy gift of £7.8m from an alumnus and ex-staff member.

### ***Theme 5: London's Global University***

A world leading university in a global city is a powerful and inspiring combination. UCL reflects London's strengths, and we make significant contributions to London's impact on the UK, Europe and globally. Our staff and students benefit from being in one of the world's most celebrated and diverse cities, and they give back by making a real difference to London's people, economy, communities and culture.



## OPERATING AND FINANCIAL REVIEW

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To create this impact, UCL works in partnership with a wealth of organisations and individuals - including central government, the NHS, the Greater London Authority, schools, businesses and charities – carrying out interdisciplinary research on subjects as diverse as housing, health, migration and culture. Within the year:

- Nearly 300 East Londoners received free legal advice through the UCL Integrated Legal Advice Clinic (ILAC) based in central Stratford.
- The Bloomsbury Theatre opened its doors again following a massive renovation project. The upgraded state-of-the-art theatre space enables UCL staff, students and performers to bring new ideas and collaborations to the stage.
- A second tranche of Government funding was awarded to the Global Disability Innovation Hub: a collaboration of several institutions, hosted by UCL on the Queen Elizabeth Olympic Park and set to become the leading place to research, study, practice and share disability innovation globally.

Summer 2019 also saw UCL breaking ground on its new 50,000 square meter campus, UCL East. Based on the Queen Elizabeth Olympic Park, alongside spaces for the V&A, the BBC, Sadler's Wells and the London College of Fashion, UCL East represents a radical new model for how a university campus can be embedded in the community, providing world-leading research, education, entrepreneurship and innovation. Bringing together eight faculties and housing over 50 taught programmes for around 4,000 students, it represents UCL's single largest expansion since its foundation 200 years ago and will build on and embody UCL's position as London's global university.

### ***Theme 6 Delivering Global Impact***

UCL's Global Engagement Strategy is based on a commitment to international partnerships and a belief that bringing together different perspectives and diverse experience accelerates the process of discovery and global impact. In pursuing this vision, UCL's emphasis is on using its expertise to develop shared solutions to global problems by working in partnerships with governments, international businesses, health and social care systems and the higher education systems of other countries.

UCL's Global Engagement Office (GEO) supports UCL academics to collaborate with others who share their dedication to excellence and passion for knowledge, irrespective of where they are in the world. Global institutional partnerships are essential and are strengthened through activities such as seed-funding programmes, organising inbound and outbound delegation visits and profiling the world leading research carried out by UCL academics with these partners. In light of Brexit, UCL has been intensifying its efforts in this area to ensure its rich history of academic collaboration continues.

In 2017-18 Peking University became UCL's first "anchor" partner, and 2018-19 saw the University of Toronto become UCL's second. The GEO has also had notable success in transforming faculty-level partnerships into cross-institutional partnerships, of which there are now six, with up to 17 in the pipeline.

UCL's European engagement strategy has involved consolidating existing partnerships with European universities, launching a new initiative called the Cities Partnerships Programme and stepping up support for EU research collaboration.

Over the past three years, the GEO's seed-funding programmes have benefited more than 550 UCL academics, with £760k of internal funding allocated and leveraging more than £13.4m of external funding.

## OPERATING AND FINANCIAL REVIEW

### Financial review

UCL's summary consolidated comprehensive Income and Expenditure results for the year ended 31 July 2019 are summarised in the table below.

Results for the year ended 31 July 2019	2019 £m	2018 £m
<b>Total income</b>	<b>1,487.1</b>	<b>1,451.1</b>
Operating expenditure	(1,416.9)	(1,334.3)
Other gains and losses and tax	16.7	7.5
Share in joint ventures, associates and non-controlling interests	(0.1)	(0.1)
<b>Operating surplus (before movement on USS pension provision and unrealised gains on consolidation)</b>	<b>86.8</b>	<b>124.2</b>
Movement on USS pension provision	(254.5)	16.8
Consolidated gains on investments	30.5	15.5
<b>Total comprehensive (expenditure) / income for the year</b>	<b>(137.2)</b>	<b>156.4</b>

UCL's Financial Strategy is designed to enable an investment in people, buildings and technology on the scale required to deliver its institutional strategy, and to ensure the continuing financial sustainability of the university. In order to monitor progress, UCL's performance and financial health is assessed in terms of four key financial indicators: an operating surplus of 6% of income from 2023-24 onwards; an average operating cash flow of at least 8% of income; total borrowing below 5 times EBITDA (earnings before interest, tax, depreciation and amortisation); and liquidity of at least 80 days from 2022-23 onwards. The performance in the 2018-19 financial year satisfies those measures.

### USS Pension Provision

In the 2018-19 financial year, UCL's reported results have been materially influenced by a £254.5m charge to the Statement of Comprehensive Income and Expenditure relating to an increase in the value of the University's USS pension provision.

Following the scheme's 2017 valuation, the Trustee advised that the scheme's deficit had increased to £7.5bn (a 40% increase on the £5.3bn reported under the previous valuation) and that member and employer contributions would need to increase to a combined total of 36.6%. It was also agreed that an element of those employer contributions – at a rate of 5% and over the period from 1 April 2020 to 30 June 2034 - would be specifically earmarked to fund past deficits within the scheme (as opposed to future benefits).

As a participating employer, UCL is required to value this commitment to fund past deficits over the prescribed period and to account for it as a provision in its balance sheet. The value of the provision at the prior year-end date amounted to £129.7m and, following the outcome of the 2017 valuation, the substantial increase in the year reflects both a rise in the level of contributions committed (from 2.1% under the previous valuation to the 5% in force at the year-end date) and an extension to the period over which the commitment is in force.

As the commitment is funded from within existing contribution levels, the £254.5m charge in the year does not represent an additional cash outflow for the University and the provision will unwind as employer contributions are paid.

In response to the 2017 valuation, a Joint Expert Panel was established by Universities UK and the University and College Union to examine the outcome and make recommendations for the future of the scheme. The Panel's first report was published in September 2018 and its second report is due toward the end of 2019.

The Trustee initiated a further valuation as at 31 March 2018, which concluded in October 2019 and has assessed the deficit at £3.6bn. As a result, and as set out in Note 31 to the financial statements, the value of UCL's provision will reduce significantly in the 2019-20 financial year and the subsequent credit for recognition in UCL's Statement of Comprehensive Income and Expenditure is estimated to be £167m. The next valuation will be as at 31 March 2020.

## OPERATING AND FINANCIAL REVIEW

### Operating Performance

For the 2018-19 financial year, UCL's underlying operating surplus (excluding USS pension charge and consolidated gains on investments) stands at £86.8m: 6% of total income and £15.3m above the targeted surplus for the year.

At an institutional level, academic activity and professional services support for the year outperformed target by a combined £10.7m - an impressive performance in an increasingly challenging environment – and this was supplemented by outperformance on the investment portfolio of £4.6m.

The decrease in operating surplus against the 2017-18 equivalent of £124.2m is as a result of two significant non-recurring items in the prior year: the recognition of £27.8m in one-off capital grant funding for site purchases and the receipt of £18.5m from the Department for Transport for the compulsory purchase of Wolfson House: a property earmarked for demolition under the proposed HS2 rail route. Excluding these two items, the £86.8m represents an £8.9m increase.

Consolidated gains on investments of £30.5m relates to the sale of investments within UCL Business as well as the revaluation of listed shares held by that subsidiary.

Further detail on income and expenditure for the year is set out below.

Source of income	2018-19		2017-18	
	£m	%	£m	%
Funding Councils	213.5	14	227.3	15
Academic fees	564.9	38	521.1	36
Research contracts	481.1	32	476.3	33
Other operations	179.2	12	193.4	13
Interest	7.9	1	6.0	1
Donations and Endowments	40.5	3	27.0	2
<b>Total</b>	<b>1,487.1</b>		<b>1,451.1</b>	

Total income from the Funding Councils (OfS and UKRI) decreased by £13.8m in comparison to prior year, although this largely reflects the inclusion of £27.8m of non-recurrent capital grant funding received in 2017-18 to support the purchase of Eastman Dental Hospital: the future home of the UK Dementia Research Institute Hub. Beyond capital grants, recurrent funding for teaching and research activity, at £36.4m and £145.3m respectively, has remained closely in line with prior year. Overall, income from funding councils accounts for 14% of total income.

Academic fee income was up £43.8m (8%) to £564.9m. The largest contributor was fee income from full-time international (non-EU) students which increased by £39.6m (15%), driven primarily by an increase in student numbers within that demographic. Fee income from full-time UK and EU student numbers remained consistent with prior year whilst income from short courses rose by £3.7m (19%).

Income from research contracts rose by £4.8m (1%) against the previous year, but on a like for like basis (after excluding £5.1m of non-recurring Research and Development tax credits in the prior year), this rise increases to £9.9m: a remarkable achievement, and reflective of UCL's strength in securing such awards.

Income from other operations was down by £14.2m (7%) against the previous year, which reflects the cessation of High Speed 2 (HS2) compensation received from the Department for Transport for costs associated with the reconstruction of UCL's datacentre at an alternative site. The new datacentre was completed in 2018.

Income from donations and endowments rose by £13.5m (50%). The largest contributor to this was a legacy of £7.9m to establish a trust fund for the promotion of humanistic scholarship.

Staff costs (excluding the USS pension charge) increased by 6% in the year to £793.9m (2017-18: £746.3m) and this is broadly reflective of the increase in average headcount from 15,107 in 2017-18 to 15,757. This total cost of £793.9m amounts to 53% of total income (2017-18: 52%).

## OPERATING AND FINANCIAL REVIEW

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Other operating expenses (note 8) increased by £25.9m (5%) to £531.1m, with the most significant rises attributable to residences and catering (£5.6m, 26%), rent and rates (£5.0m, 25%) and conference, travel and training costs (£3.6m, 8%).

Other operating expenses also include audit fees and other fees paid to UCL's auditors. In both cases, fee levels have remained unchanged at £0.2m and £0.1m respectively.

Total net assets decreased in the year from £1,424m to £1,287m, although this was largely driven by the £254.5m increase in the USS pension provision. Excluding the £254.5m, total net assets increased by £117m. Cash and short-term deposits increased to £309m (2017-18: £201m), largely reflecting a £280m drawdown within the year against the University's loan facility with the European Investment Bank, and this represents 85 days' expenditure (excluding depreciation), compared to 59 at the previous year-end. The value of UCL's endowment assets at £139m (2017-18: £118m) reflects an 18% increase on prior year. Total reserves (excluding endowments and USS pension provision) increased from £1,437m to £1,533m.

Net current liabilities stands at £34m (2017-18: £110.8m), with the movement in prior year largely attributable to the £108m increase in cash referred to above. This £34m includes £336m of research grant payments received in advance of spend and a further £59m 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 £621m are sufficient to meet UCL's current cash obligations whilst maintaining an appropriate level of working capital.

The capital programme will, in addition, be funded from a combination of existing reserves, philanthropy and new debt. In March 2015, a five-year revolving credit facility of £150m was secured with a club of four banks and steps are now underway to secure an equivalent facility for another five year period from March 2020. In February 2016, UCL concluded its negotiations with the European Investment Bank for a further £280m debt facility and the full balance was drawn in December 2018. As at the 2018-19 year-end, £280m had been drawn against UCL's combined debt facilities, leaving £150m of headroom.

### **Financial outlook**

The national and international context for higher education continues to shift rapidly, offering both opportunities and challenges for UCL.

In 2016, UCL established its Brexit Mitigation Group (BMG): a senior working group that has sought to anticipate, plan for and mitigate the impact of Brexit on UCL as an institution. Its focus has been on the five core areas of: immigration policy and citizen status, student and staff mobility, student fees and loans, research funding access and longer term prospects.

Since October 2018, the BMG has prioritised preparation for a "no-deal" Brexit scenario and developed contingency plans to cover all strands of the impact guidance issued by Government. Both UCL's European Institute and the Global Engagement Office have assisted in the process, and particular attention has been paid to supporting staff and students throughout.

From a financial perspective, the Government has confirmed that the immediate impact on EU student fee levels will be limited: EU students starting in autumn 2020 will continue to be charged the same level of fee as British students, their access to loans will remain unchanged, and this status will last for the duration of their degree courses. Beyond 2021-22, and following the deregulation of EU student fees, analysis indicates that the impact on UCL's income will be broadly neutral, with a likely decrease in EU student numbers offset by the increase in fee.

In terms of research, UK researchers will still be able to apply for EU research funding until the end of 2020, and the Government has committed to underwrite existing European research grants in the event of a no-deal scenario. Longer-term, UCL is confident that EU funding will remain accessible through its extensive network of European research partners.

The last year has also been particularly volatile in terms of domestic higher education policy. The report from the Review of Post-18 Education & Funding (Augar) was released in May 2019 and came with a recommendation to reduce the maximum fee charged to home undergraduates from the current £9,250 to £7,500 per annum from 2021-22. Whilst the report also recommended that Government should replace the lost fee income with enhanced teaching grant funding, there has been no indication as to which – if any – of the recommendations will be taken forward and this remains an area of concern.

## OPERATING AND FINANCIAL REVIEW

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The sector is also awaiting an upcoming consultation on the allocation of recurrent grant funding from the Office for Students, which will almost certainly affect the £36m UCL currently receives each year, as well as the results of an independent review on the nature of the Teaching Excellence and Student Outcomes Framework (TEF): the framework through which the quality of each institute's teaching is to be judged.

More promisingly, and as part of the September 2019 spending round, the Chancellor confirmed the Government's commitment to increasing research spending to a level of 2.4% of GDP. UCL currently receives around £145m per annum recurrent research funding from Research England, and expects to perform well in the REF 2021 which will determine the equivalent level of funding from 2022-23 onwards. In response to the Government's commitment, the sector's Higher Education Innovation Fund (HEIF) annual funding is also to be increased from the £210m in 2019-20 to £250m in 2020-21.

UCL will continue to monitor these external environmental pressures and assess the likely impact – positive or negative – on its financial position. Through its strength of reputation however, global ranking, continued growth in student applications and positioning at the centre of both national and European research agendas, UCL remains well-placed to weather this uncertainty.

More than that, UCL remains committed to transforming its estate and creating the scale and quality of facilities commensurate with a world-leading university. The achievement of our financial targets is therefore a critical determinant of our ability to support this investment.

The UCL 2018 financial strategy, covering the 10 year period from 2019-20, addresses this demand for further investment beyond the physical infrastructure of the estate - into digital infrastructure, new academic initiatives and student support – and sets out the framework of financial targets and constraints within which UCL needs to operate.

From this, a comprehensive set of indicators is used to monitor financial performance and to report to the UCL Finance Committee, Council and the Office for Students.

### 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. Institutional risks are captured through the strategic risk register, which 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 impact of the subject-level Teaching Excellence Framework and the consequences of non-compliance with the General Data Protection Regulation.

Specific financial risks (such as those relating to increased pension costs or changes in the funding environment) are monitored and managed through this process as well where they are deemed to be of strategic significance or otherwise through operational processes such as the annual financial planning round.

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. Cyber security, a significant emergent risk, is a key strand of this activity and there is a continued focus on ensuring that an effective programme of assessment and mitigation is in place.

### Delivering public benefit

UCL has exempt charity status and, in accordance with part 3 of the Charities Act 2011, the Office for Students (OfS) is charged, as its principal regulator, 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

## **OPERATING AND FINANCIAL REVIEW**

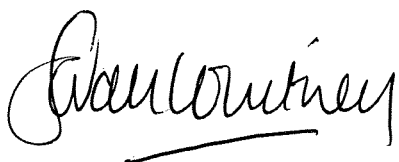
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college and to encourage research in the said branches of knowledge and learning and to organise, encourage and stimulate postgraduate study in such branches.”

In addition to its objectives, 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.

UCL's contribution to these objectives is described under 'Performance in 2018-19' on pages 3 to 7.



Sarah Whitney  
Treasurer



Victor Chu  
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 and updated in June 2018. 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. 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 2019 and that, up to the date of approval of the annual report and financial statements, the process has been subject to regular review. The Council approaches this responsibility from the perspective of discharging its duties, as specified in the OfS Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by the Higher Education Funding Council for England (HEFCE).

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. Among other things, it recommends to the Council UCL's annual revenue and capital budgets, the acquisitions or disposals of land or buildings, 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 Office for Students (OfS) and UK Research and Innovation (UKRI) 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 the UK Corporate Governance Code paragraph 29, in as far as it is applicable to higher education, ('The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report'), 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 OfS, the UKRI, the Student Loans Company, and other bodies. Review is based on reports received from the Chief Operating Officer 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.

## CORPORATE GOVERNANCE

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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 and the 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.

The Risk Management Working Group is chaired by the Director of Finance and Business Affairs 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 of over 1,500 members that provides advice to Council on a range of matters that have a bearing on UCL's academic activity. The Academic Committee, which makes reports to both the Academic Board and Council, is responsible for, among other things, 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 the membership of other UCL Committees, 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. In the course of 2017-18, and at the request of the Provost, the Council agreed that the Provost should no longer be a member of The Remuneration and Human Resources Strategy Committee. The Committee determines the annual remuneration of senior officers of UCL and where necessary decides on any severance payments. The Provost has always been 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 non-clinical professorial salaries and administrative equivalents earning £150,000 or more. 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 OfS Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE, 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 OfS and UKRI are used only for the purposes for which they have been given and in accordance with the OfS Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE;
- (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, Vice-Provosts, Deans, heads of academic departments and other officers;
- (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 twice yearly 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.

UNIVERSITY COLLEGE LONDON  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

**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 ('the parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2019 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, the Statement of Accounting Policies and notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ▶ give a true and fair view of the group's and of the parent institution's state of affairs as at 31 July 2019, and of the Group's and parent institution's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation.

**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 group and parent institution 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 group's or the parent institution'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 14, 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 Office for Students' terms and conditions of funding for higher education institutions**

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

UNIVERSITY COLLEGE LONDON  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

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

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- ▶ funds from whatever source administered by University College London have been properly applied to those purposes and managed in accordance with relevant legislation;
- ▶ funds provided by the Office for Students and Research England have been applied in accordance with the applicable Terms and conditions attached to them; and
- ▶ the requirements of the Office for Students accounts direction for the current year's financial statements have been met.

**Responsibilities of the Council**

As explained more fully in the Statement of the Council's Responsibilities set out on page 15, the 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 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 group's and the parent institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the group or the parent institution or to cease operations, or have no realistic alternative but to do so.

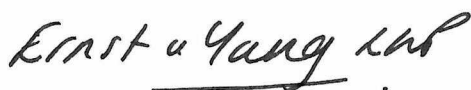
**Auditor's responsibilities for the audit of the financial statements**

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.

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.

**Use of our report**

This report is made solely to the Council of University College London, as a body, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the Council 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 University College London and the Council as a body, for our audit work, for this report, or for the opinions we have formed.



Ernst & Young LLP

Edinburgh

Date: 30 November 2019

**Notes:**

1. The maintenance and integrity of the University College London web site is the responsibility of the 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 2019		Year ended 31 July 2018	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
<b>Income</b>					
Tuition fees and education contracts	1	564,898	564,898	521,147	521,147
Funding body grants	2	213,479	213,479	227,293	227,293
Research grants and contracts	3	481,083	479,154	476,308	475,107
Other income	4	179,240	159,479	193,435	171,561
Investment income	5	7,870	7,789	5,949	6,043
Donations and endowments	6	40,509	41,932	26,984	30,510
<b>Total income</b>		<b>1,487,079</b>	<b>1,466,731</b>	<b>1,451,116</b>	<b>1,431,661</b>
<b>Expenditure</b>					
Staff costs	7	793,903	784,396	746,284	738,736
Movement on USS pension provision	7,9	254,535	254,107	(16,794)	(16,760)
Other operating expenses	8	531,123	517,947	506,201	490,168
Depreciation and amortisation	12,13	86,140	86,070	77,145	77,074
Interest and other finance costs	9	5,662	5,700	4,635	4,644
<b>Total expenditure</b>	10	<b>1,671,363</b>	<b>1,648,220</b>	<b>1,317,471</b>	<b>1,293,862</b>
<b>(Deficit)/Surplus before other gains/losses and share of operating surplus/deficit of joint ventures and associates</b>		<b>(184,284)</b>	<b>(181,489)</b>	<b>133,645</b>	<b>137,799</b>
Loss on disposal of fixed assets		(10)	(10)	(70)	(70)
Loss on disposal of subsidiary		(13)	-	-	-
Gain on investments	15	47,273	16,770	24,118	8,608
Share of operating surplus/(deficit) in joint ventures	16	(3)	-	10	-
Share of operating deficit in associates	17	(48)	-	(89)	-
<b>(Deficit)/Surplus before tax</b>		<b>(137,085)</b>	<b>(164,729)</b>	<b>157,614</b>	<b>146,337</b>
Taxation	11	(24)	-	(1,104)	(1,115)
<b>(Deficit)/Surplus for the year</b>		<b>(137,109)</b>	<b>(164,729)</b>	<b>156,510</b>	<b>145,222</b>
Actuarial loss in respect of pension schemes		(73)	(73)	(65)	(65)
<b>Total comprehensive income for the year</b>		<b>(137,182)</b>	<b>(164,802)</b>	<b>156,445</b>	<b>145,157</b>
Represented by:					
Endowment comprehensive income for the year		20,865	20,865	6,369	6,369
Restricted comprehensive income for the year		4,677	4,677	4,207	4,207
Unrestricted comprehensive income for the year		61,694	59,497	116,784	112,908
Pension reserve comprehensive income for the year		(254,535)	(254,107)	19,684	19,556
Revaluation reserve comprehensive income for the year		30,049	4,266	9,545	2,117
Attributable to the University		(137,250)	(164,802)	156,589	145,157
Attributable to the non-controlling interest		68	-	(144)	-
		<b>(137,182)</b>	<b>(164,802)</b>	<b>156,445</b>	<b>145,157</b>
<b>(Deficit)/Surplus for the year attributable to:</b>					
Non controlling interest		68	-	(144)	-
University		<b>(137,177)</b>	<b>(164,729)</b>	<b>156,654</b>	<b>145,222</b>

All items of income and expenditure relate to continuing activities.

UNIVERSITY COLLEGE LONDON  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

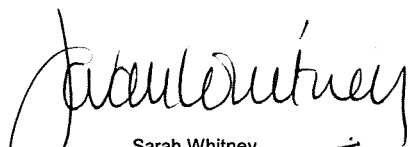
CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES

Consolidated	Income and expenditure account	Revaluation reserve	Pension reserve	Total excluding Non Controlling Interest	Non controlling interest	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000	£'000
<b>Balance at 1 August 2017</b>	<b>111,430</b>	<b>5,883</b>	<b>1,261,366</b>	<b>38,987</b>	<b>201</b>	<b>1,267,599</b>
Surplus/(Deficit) from the income and expenditure statement	11,368	6,483	108,959	19,749	(144)	156,510
Other comprehensive income	-	-	-	(65)	-	(65)
Transfers between revaluation and income and expenditure reserve	694	-	550	(550)	-	-
Transfers between endowment and unrestricted income and expenditure reserve	(5,693)	(2,276)	(694)	-	-	-
Release of restricted funds spent in year	-	-	7,969	-	-	-
<b>Total comprehensive income for the year</b>	<b>6,369</b>	<b>4,207</b>	<b>116,784</b>	<b>9,545</b>	<b>(144)</b>	<b>156,445</b>
<b>Balance at 1 August 2018</b>	<b>117,799</b>	<b>10,090</b>	<b>1,378,150</b>	<b>48,532</b>	<b>57</b>	<b>1,424,044</b>
Surplus/(Deficit) from the income and expenditure statement	25,856	7,151	52,026	32,252	68	(137,109)
Other comprehensive income	-	-	-	(73)	-	(73)
Transfers between revaluation and income and expenditure reserve	-	-	2,203	(2,203)	-	-
Release of restricted funds spent in year	(4,991)	(2,474)	7,465	-	-	-
<b>Total comprehensive income for the year</b>	<b>20,865</b>	<b>4,677</b>	<b>61,694</b>	<b>30,049</b>	<b>68</b>	<b>(137,182)</b>
<b>Balance at 31 July 2019</b>	<b>138,664</b>	<b>14,767</b>	<b>1,439,844</b>	<b>78,581</b>	<b>125</b>	<b>1,286,862</b>
<b>University</b>						
	Income and expenditure account	Revaluation reserve	Pension reserve	Total excluding Non Controlling Interest	Non controlling interest	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000	£'000
<b>Balance at 1 August 2017</b>	<b>111,430</b>	<b>5,883</b>	<b>1,272,137</b>	<b>38,590</b>	<b>-</b>	<b>1,278,102</b>
Surplus from the income and expenditure statement	11,368	6,483	105,083	2,667	-	145,222
Other comprehensive income	-	-	-	(65)	-	(65)
Transfers between revaluation and income and expenditure reserve	694	-	550	(550)	-	-
Transfers between endowment and unrestricted income and expenditure reserve	(5,693)	(2,276)	(694)	-	-	-
Release of restricted funds spent in year	-	-	7,969	-	-	-
<b>Total comprehensive income for the year</b>	<b>6,369</b>	<b>4,207</b>	<b>112,908</b>	<b>2,117</b>	<b>-</b>	<b>145,157</b>
<b>Balance at 1 August 2018</b>	<b>117,799</b>	<b>10,090</b>	<b>1,385,045</b>	<b>40,707</b>	<b>-</b>	<b>1,423,259</b>
Surplus/(Deficit) from the income and expenditure statement	25,856	7,151	51,431	4,867	-	(164,729)
Other comprehensive income	-	-	-	-	-	(73)
Transfers between revaluation and income and expenditure reserve	-	-	601	(601)	-	-
Release of restricted funds spent in year	(4,991)	(2,474)	7,465	-	-	-
<b>Total comprehensive income for the year</b>	<b>20,865</b>	<b>4,677</b>	<b>59,497</b>	<b>4,266</b>	<b>-</b>	<b>(164,802)</b>
<b>Balance at 31 July 2019</b>	<b>138,664</b>	<b>14,767</b>	<b>1,444,542</b>	<b>44,973</b>	<b>-</b>	<b>1,258,457</b>

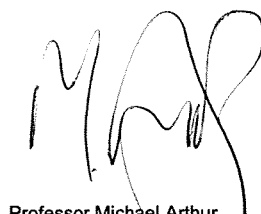
## CONSOLIDATED AND UNIVERSITY BALANCE SHEET

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Intangible assets	12	25,987	25,987	24,845	24,845
Fixed assets	13	2,050,198	2,049,598	1,876,653	1,875,977
Investments	15	293,442	249,638	253,210	236,324
Investment in joint ventures	16	1	-	4	-
Investments in associates	17	1,025	-	949	-
		<u>2,370,653</u>	<u>2,325,223</u>	<u>2,155,661</u>	<u>2,137,146</u>
<b>Current assets</b>					
Stock		485	485	318	317
Trade and other receivables	18	311,923	313,816	292,074	294,759
Cash and cash equivalents		<u>308,914</u>	<u>293,457</u>	<u>201,022</u>	<u>193,089</u>
		<u>621,322</u>	<u>607,758</u>	<u>493,414</u>	<u>488,165</u>
Less: Creditors: amounts falling due within one year	19	(655,396)	(639,351)	(604,217)	(593,874)
<b>Net current liabilities</b>		<u>(34,074)</u>	<u>(31,593)</u>	<u>(110,803)</u>	<u>(105,709)</u>
<b>Total assets less current liabilities</b>		<u>2,336,579</u>	<u>2,293,630</u>	<u>2,044,858</u>	<u>2,031,437</u>
Creditors: amounts falling due after more than one year	20	(645,194)	(643,496)	(472,396)	(471,348)
<b>Provisions</b>					
Pension provisions	21	(385,119)	(384,489)	(130,584)	(130,382)
Other provisions	21	(19,404)	(7,188)	(17,834)	(6,448)
<b>Total net assets</b>		<u>1,286,862</u>	<u>1,258,457</u>	<u>1,424,044</u>	<u>1,423,259</u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	22	138,664	138,664	117,799	117,799
Income and expenditure reserve - restricted reserve		14,767	14,767	10,090	10,090
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted before pension reserve		1,439,844	1,444,542	1,378,150	1,385,045
Pension reserve		(385,119)	(384,489)	(130,584)	(130,382)
Income and expenditure reserve - unrestricted after pension reserve		1,054,725	1,060,053	1,247,566	1,254,663
Revaluation reserve		78,581	44,973	48,532	40,707
		<u>1,286,737</u>	<u>1,258,457</u>	<u>1,423,987</u>	<u>1,423,259</u>
Non-controlling interest		125	-	57	-
<b>Total Reserves</b>		<u>1,286,862</u>	<u>1,258,457</u>	<u>1,424,044</u>	<u>1,423,259</u>


Approved by Council on 21st November 2019



Sarah Whitney  
Treasurer



Professor Michael Arthur  
President and Provost



Phil Harding  
Director of Finance and Business Affairs

## CONSOLIDATED CASH FLOW

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
<b>Cash flow from operating activities</b>			
(Deficit)/surplus for the year		(137,109)	156,510
<b>Adjustment for non-cash items</b>			
Depreciation	13	83,738	77,145
Amortisation of intangible assets	12	2,402	1,240
Loss on disposal of subsidiary		13	-
Gain on investments	15	(47,273)	(24,118)
(Increase)/Decrease in stock		(167)	147
(Increase)/Decrease in debtors		(20,049)	16,910
Increase in creditors		67,213	13,884
Increase/(Decrease) in pension provision	21	254,462	(19,749)
(Decrease)/Increase in other provisions	21	(1,857)	6
Impairment of intangible fixed assets	12	1,800	-
Impairment of tangible fixed assets	13	1,553	3,560
Impairment of investments in associates		-	120
Share of operating (profit)/deficit in joint ventures	16	3	(10)
Share of operating deficit in associates	17	48	89
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(7,870)	(5,949)
Interest payable	9	5,663	4,633
Endowment income	6	(10,761)	(1,386)
Loss on sale of fixed assets		10	70
Capital grant income		(44,332)	(64,118)
<b>Net cash inflow from operating activities</b>		<b>147,487</b>	<b>158,984</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		-	18
Proceeds from sales of non-current asset investments		18,179	12,536
Reduction in cash on disposal of subsidiary		(74)	-
Capital grants receipts		42,254	72,485
Investment income received		3,386	2,150
Endowment income received		3,255	2,812
Payments made to acquire fixed assets		(264,690)	(241,914)
Payments made to acquire intangible assets		(5,344)	(5,888)
New non-current asset investments		(12,548)	(7,845)
Repayments from/new loans to associate companies		-	65
		<b>(215,582)</b>	<b>(165,581)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(3,873)	(3,347)
Interest element of finance lease and service concession payments		(1,552)	(983)
Endowment cash received		10,761	1,386
New unsecured loans		280,000	-
Repayments of amounts borrowed		(102,958)	(2,763)
Capital element of finance lease and service concession payments		(6,391)	(1,781)
		<b>175,987</b>	<b>(7,488)</b>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		<b>107,892</b>	<b>(14,085)</b>
Cash and cash equivalents at beginning of the year		201,022	215,107
Cash and cash equivalents at end of the year		<b>308,914</b>	<b>201,022</b>
		<b>107,892</b>	<b>(14,085)</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 funding councils, 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. Exemptions under FRS 102

The institution has taken the exemption under section 3.3 of the SORP (1.12(b) of FRS 102) to not produce a cash flow statement for the institution in its separate financial statements.

### 3. 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 2019. 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.

### 4. 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.

## 5. 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.

A liability is also recorded within provisions for contractual commitments to fund past deficits within the USS scheme.

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.

### 6. 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.

### 7. 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.

### 8. 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.

### 9. 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, with foreign exchange differences arising on translation recognised in Surplus or Deficit. Where funds are held in foreign currency for onward transmission to a research partner under an agency agreement, both the cash asset and corresponding liability are translated into sterling, such that the exchange differences arising are wholly offset in the Consolidated Statement of Comprehensive Income and Expenditure.

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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### 10. 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 SORP 2015 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.

### 11. 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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### 12. 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 minimis 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 it 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.

### 13. 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.

### 14. 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.

Non-listed, non-current asset investments are held in the Balance Sheet at amortised cost less impairment.

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

### 15. 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. Initial measurement also includes transaction costs, except in the initial measurement of financial assets and liabilities that are subsequently measured at fair value through profit or 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.

### 16. 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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### 17. 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.

### 18. Accounting for Jointly Controlled Entities and Associates

The University accounts for its share of jointly controlled entities and associates at cost.

In the consolidated accounts, the Group accounts for its share of jointly controlled entities and associates using the equity method. The Group's share of the results of jointly controlled entities and associates 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.

### 19. 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.

### 20. 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 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
<b>1 Tuition fees and education contracts</b>				
Full-time home and EU students	171,210	171,210	170,950	170,950
Full-time international students	296,665	296,665	257,035	257,035
Part time students	20,333	20,333	20,539	20,539
Other fees	19,226	19,226	16,036	16,036
Research training support grants	33,996	33,996	36,811	36,811
Short course fees	23,468	23,468	19,776	19,776
	<b>564,898</b>	<b>564,898</b>	<b>521,147</b>	<b>521,147</b>

## 2 Funding body grants

The Higher Education Funding Council for England (HEFCE) was responsible for the distribution of funding to universities until 31 March 2018. From 1 April 2018, its duties were divided between the newly created Office for Students and Research England. Grants receivable in the year were as follows:

### Recurrent grant

Higher Education Funding Council:

Teaching	-	-	22,794	22,794
Research	-	-	91,854	91,854
Other	-	-	58	58

Office for Students:

Teaching	36,429	36,429	15,022	15,022
Other	260	260	18	18

Research England:

Research	145,305	145,305	48,769	48,769
Other	316	316	104	104

### Specific grants

Higher Education Innovation Fund

	4,395	4,395	4,395	4,395
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Capital grants

	26,774	26,774	44,279	44,279
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	<b>213,479</b>	<b>213,479</b>	<b>227,293</b>	<b>227,293</b>
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Capital grant funding is received in support of both infrastructure projects and major equipment purchases. In line with UCL's adopted accounting policy for capital government grants (the accruals model), such funding is initially deferred within creditors and recognised in 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 nil (2018 - £18,938,000). Total capital funding received from Research England in the financial year was £17,713,000 (2018 - £28,560,000). Total capital funding received from Office for Students in the financial year was £2,187,000 (2018 - nil).

## 3 Research grants and contracts

Research councils	154,000	154,000	153,860	153,860
UK based charities	146,261	146,163	152,670	152,616
UK central government, local/health authorities, hospitals	60,008	59,944	54,975	54,785
UK industry, commerce and public corporations	21,551	20,473	19,160	18,544
UK other sources	6,908	6,827	4,759	4,759
EU government bodies	51,409	51,409	50,723	50,723
EU other	7,666	7,515	6,988	6,865
Other overseas	33,280	32,823	28,049	27,831
Research and development expenditure credits	-	-	5,124	5,124
	<b>481,083</b>	<b>479,154</b>	<b>476,308</b>	<b>475,107</b>

Income from research grants and contracts includes deferred capital grants released in the year of £11,726,000 (2018 - £14,661,000).

The final amounts in respect of the University's claims for research and development expenditure credits were recognised in 2018.

## NOTES TO THE ACCOUNTS

		Year Ended 31 July 2019		Year Ended 31 July 2018	
	Note	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>4 Other income</b>					
Residences, catering and conferences		45,801	42,949	41,335	37,909
Other revenue grants		12,203	12,077	11,905	11,783
Other capital grants		1,076	726	1,232	982
Other services rendered		66,813	54,541	62,079	48,803
Health authorities		35,242	35,242	35,162	35,162
HS2 compensation		1,626	1,626	26,454	26,454
Other income		16,479	12,318	15,268	10,468
		<b>179,240</b>	<b>159,479</b>	<b>193,435</b>	<b>171,561</b>
HS2 compensation represents amounts received and receivable from the Department for Transport for costs associated with reconstructing UCL's datacentre at an alternative site. The new datacentre was completed in 2018, and payments received in 2019 represent the final residual amounts.					
<b>5 Investment income</b>					
Investment income on expendable endowments	22	2,600	2,600	2,265	2,265
Investment income on permanent endowments	22	655	655	547	547
Other investment income		4,615	4,534	3,137	3,231
		<b>7,870</b>	<b>7,789</b>	<b>5,949</b>	<b>6,043</b>
<b>6 Donations and endowments</b>					
New endowments	22	10,761	10,761	1,386	1,386
Donations with restrictions		23,179	23,179	19,029	19,029
Unrestricted donations		6,569	7,992	6,569	10,095
		<b>40,509</b>	<b>41,932</b>	<b>26,984</b>	<b>30,510</b>
<b>7 Staff costs</b>					
Salaries and wages		632,118	624,665	597,953	592,173
NI contributions		63,430	62,606	59,971	59,199
Movement on SAUL provision		-	-	(2,890)	(2,796)
Other Pension costs	30	98,355	97,125	91,250	90,160
		<b>793,903</b>	<b>784,396</b>	<b>746,284</b>	<b>738,736</b>
Movement on USS provision		251,733	251,309	(19,504)	(19,466)
		<b>1,045,636</b>	<b>1,035,705</b>	<b>726,780</b>	<b>719,270</b>

## NOTES TO THE ACCOUNTS

<b>Emoluments of the President and Provost:</b>	<b>2019 £</b>	<b>2018 £</b>
Basic salary	<b>375,755</b>	368,386
Employer pension contributions	<b>6,868</b>	6,733
Taxable benefits in kind	<b>7,144</b>	1,031
Non-taxable benefits in kind	<b>12,175</b>	18,191
Other remuneration	<b>3,092</b>	3,031
	<b>405,034</b>	<b>397,372</b>

The President and Provost has opted into a salary sacrifice arrangement under which UCL pays the minimum level of employer contribution required for him to retain certain benefits (including death in service insurance) within the USS Pension Scheme.

Taxable benefits in kind represents UCL's contribution towards the President and Provost's annual health insurance premium, and the provision of living accommodation within the UCL Bloomsbury campus from April 2019 onwards.

This living accommodation has been customarily provided by UCL in order to facilitate the better performance of the President and Provost's duties and, up until the 2018/19 tax year, was regarded by HM Revenue and Customs (HMRC) as a non-taxable benefit. In February 2019, HMRC confirmed that it had changed its stance on the matter such that, along with the majority of other HE providers, UCL's provision of accommodation would become taxable for the 2019/20 tax year onwards.

The value of the benefit has been calculated using the methodology that UCL expects to apply for the first reporting period and is based on a proportion of the original purchase price plus the cost to UCL of maintaining the property within the year. As at the 2019 year-end date, the gross Market Rent of the property - as prepared in accordance with the requirements of the RICS Valuation - Global Standards 2017 is £83,200 (2017-18: £83,200).

In order to align disclosure with tax treatment, the value of the benefit for the first eight months of the 2019 financial year has been classified as a non-taxable benefit, with the remainder classified as taxable. The full prior year benefit remains classified as non-taxable.

Other remuneration wholly relates to the payment of the London Allowance.

In relation to all other UCL employees:

The President and Provost's basic salary is 9.5 times the median pay of staff (2017-18: 9.3 times the median), where the median pay is calculated on a full-time equivalent basis for the basic salaries paid by UCL to its staff.

The President and Provost's total remuneration is 8.5 times the median total remuneration of staff (2017-18: 8.1 times the median total), where the median total remuneration is calculated on a full-time equivalent basis for total remuneration paid by UCL to its staff.

### Setting of the President and Provost's remuneration

The Provost's salary is set and adjusted by the Remuneration and HR Strategy Committee: a formal committee of UCL that includes the Chair and Vice-Chair of Council and excludes the Provost. As part of this process committee members consider external market data, focussing on other large Russell Group institutions. Data is received from a variety of sources including UCEA, KornFerry and CUC amongst others. Alongside this, to ensure fairness, committee members will also consider the salary metrics for UCL staff. Most notably they consider the median pay award in the respective year and the relationship between the median and lowest earners at UCL and the Provost's salary.

At present external data suggests that the Provost's salary and total remuneration is between the median and upper quartile for the Russell Group. Considering UCL's size, academic ranking, central London location and financial turnover in excess of £1 billion, the upper quartile is viewed as an appropriate benchmark.

Contractually, the Provost does not receive any automatic salary progression. Instead, any agreed performance-related award has mirrored the automatic national pay award applied to other staff salaries. This performance assessment considers a set of leadership objectives, including the overall academic performance of the institution.



## NOTES TO THE ACCOUNTS

### Remuneration of higher paid staff:

In line with disclosure requirements set out by the Office for Students, the following table shows the basic salaries of higher paid staff, including the President and Provost, on a full-time equivalent basis. Basic salary excludes bonus payments, market supplements, allowances, clinical excellence awards and other such payments.

	2019	Restated 2018
	No.	No.
£100,000 - £104,999	146	192
£105,000 - £109,999	179	40
£110,000 - £114,999	26	24
£115,000 - £119,999	31	46
£120,000 - £124,999	62	34
£125,000 - £129,999	25	16
£130,000 - £134,999	9	7
£135,000 - £139,999	5	2
£140,000 - £144,999	5	7
£145,000 - £149,999	7	5
£150,000 - £154,999	5	3
£155,000 - £159,999	2	6
£160,000 - £164,999	8	6
£165,000 - £169,999	4	3
£170,000 - £174,999	5	4
£175,000 - £179,999	1	1
£180,000 - £184,999	2	2
£185,000 - £189,999	2	2
£190,000 - £194,999	2	1
£195,000 - £199,999	1	-
£200,000 - £204,999	-	-
£205,000 - £209,999	1	-
£210,000 - £214,999	1	2
£215,000 - £219,999	2	1
£220,000 - £224,999	1	-
£225,000 - £229,999	-	-
£230,000 - £234,999	-	-
£235,000 - £239,999	-	-
£240,000 - £244,999	-	-
£245,000 - £249,999	-	-
£250,000 - £254,999	-	-
£255,000 - £259,999	-	1
£260,000 - £264,999	1	-
£265,000 - £269,999	-	-
£270,000 - £274,999	-	-
£275,000 - £279,999	-	-
£280,000 - £284,999	-	-
£285,000 - £289,999	-	-
£290,000 - £294,999	-	-
£295,000 - £299,999	-	-
£300,000 - £304,999	-	-
£305,000 - £309,999	-	-
£310,000 - £314,999	-	-
£315,000 - £319,999	-	-
£320,000 - £324,999	-	-
£325,000 - £329,999	-	-
£330,000 - £334,999	-	-
£335,000 - £339,999	-	-
£340,000 - £344,999	-	-
£345,000 - £349,999	-	-
£350,000 - £354,999	-	-
£355,000 - £359,999	-	-
£360,000 - £364,999	-	-
£365,000 - £369,999	-	1
£370,000 - £374,999	-	-
£375,000 - £379,999	1	-
£380,000 - £384,999	1	1
	<b>535</b>	<b>407</b>

The 2018 figures have been restated from 354 to 407 in order to correct for an unidentified misalignment between the underlying reports extracted from the payroll system and the new reporting requirements brought into force by the OfS in that year.

Included within the table above are 137 members of staff (2018 - 127) who were employed by UCL on a part time basis and for whom basic salaries have been factored up to reflect full time equivalents.

## NOTES TO THE ACCOUNTS

The average number of individuals paid through the payroll during the year was 15,757 (2018 - 15,107).

Compensation for loss of office in respect of 70 employees totalled £2,134,000 (2018 - £1,388,000 in respect of 61 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:** Directors of the subsidiary undertakings set out in note 29.

	2019 £'000	2018 £'000
Key management personnel compensation	3,406	3,149
Number of key management personnel included in above	20	18

### 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 (2018 - £nil). Seven trustees are also UCL employees but received no additional payment for acting as trustees. Total expenses paid to or on behalf of five trustees was £2,463 (2018 - £2,858 to two trustees). This represents travel, accommodation and office expenses incurred in the capacity of Council member.

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>8 Other operating expenses</b>				
Residences and catering	27,115	24,846	21,541	19,522
Furniture, computer and other equipment costs	50,442	49,930	51,406	50,324
Academic consumables and laboratory expenditure	48,168	47,408	46,271	44,312
Books, publications and periodicals	15,274	15,259	15,434	15,418
Scholarships and prizes	82,759	82,778	80,768	80,683
General educational expenditure	7,865	7,858	8,315	8,311
Rents, rates and insurance	25,631	25,355	20,573	20,429
Heat, light, water and power	16,893	16,869	16,451	16,451
Service charges	10,145	10,149	11,619	11,618
Repairs and general maintenance	19,362	19,354	17,301	17,286
Long term maintenance	7,503	7,503	8,877	8,877
Telephone	2,182	2,103	2,273	2,254
Advertising and recruitment	6,691	6,463	7,132	6,989
Printing, postage, stationery and other office costs	6,271	6,115	6,312	6,176
Conference, travel and training	47,807	47,569	44,249	44,217
Professional fees	36,792	34,544	33,092	30,755
Audit fees	237	178	253	166
Other fees paid to auditors	113	113	58	58
Grants to Students Union and other student bodies	2,796	2,796	2,924	2,924
Payments to non contract staff and agencies	39,833	39,269	37,906	36,968
Other costs	77,244	71,488	73,446	66,430
	<b>531,123</b>	<b>517,947</b>	<b>506,201</b>	<b>490,168</b>

Other costs includes impairments of (a) £1.55m relating to fees incurred on a capital project to construct a new Biomedical Engineering Hub at the Royal Free Campus, prior to a decision to change location and (b) £1.8m relating to costs incurred on workstreams within an HR system implementation project that were not carried through to the final system design (2018 - impairments of £3.56m relating to the cost of early stage planning and design activities on the UCL East capital project that were not carried through to the final design and construction strategy approved by Council in June 2018).

## NOTES TO THE ACCOUNTS

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
<b>9 Interest and other finance costs</b>				
Loan interest	3,531	3,531	3,604	3,595
Finance lease interest	1,552	1,552	983	983
Exchange differences	579	617	46	64
Net charge on pension scheme assets and liabilities	-	-	2	2
	<b>5,662</b>	<b>5,700</b>	<b>4,635</b>	<b>4,644</b>
Unwinding of pension deficit funding	2,802	2,798	2,710	2,706
	<b>8,464</b>	<b>8,498</b>	<b>7,345</b>	<b>7,350</b>

## 10 Analysis of total expenditure by activity

Academic departments	478,565	479,216	443,951	444,513
Academic services	92,459	92,938	81,791	81,791
Research grants and contracts	399,649	397,952	390,329	389,233
Residences and catering	35,285	33,016	29,630	27,611
Premises	168,864	168,864	163,685	163,685
Administration and central services	187,532	189,165	179,380	181,001
Other expenses	309,009	287,069	28,705	6,028
	<b>1,671,363</b>	<b>1,648,220</b>	<b>1,317,471</b>	<b>1,293,862</b>

During the year a revised USS deficit recovery plan was agreed by participating employers which resulted in a significant increase to the value of UCL's provision. Details are set out in note 30. The effect of this is a £254m charge to other expenses (2018 - £17m credit).

## 11 Taxation

Taxation charges and credits are in respect of corporation tax in the following subsidiary companies:

	Note			
UCL Trading Ltd	1	-	(23)	-
UCL Properties Ltd	-	-	(8)	-
UCL Consultants Ltd	19	-	17	-
Mapping for Change Ltd	4	-	3	-
Relating to Research and Development Expenditure Credit	3	-	1,115	1,115
		<b>24</b>	<b>-</b>	<b>1,104</b>
				<b>1,115</b>

## 12 Intangible assets

### Software

#### Cost

At 1 August 2018	28,352	28,352
Additions at cost	5,344	5,344
Impairments	(1,800)	(1,800)
Disposals	(409)	(409)

#### At 31 July 2019

<b>31,487</b>	<b>31,487</b>
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#### Amortisation

At 1 August 2018	3,507	3,507
Charge for the year	2,402	2,402
Disposals	(409)	(409)

#### At 31 July 2019

<b>5,500</b>	<b>5,500</b>
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#### Net Book Value

<b>At 31 July 2019</b>	<b>25,987</b>	<b>25,987</b>
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At 1 August 2018	24,845	24,845
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Intangible assets relate to the purchase of software and software development costs.

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 2018	1,625,965	474,687	250,450	212,902	2,564,004
Additions at cost	43,981	78,749	33,551	102,587	258,868
Transfers	78,575	3,901	3,148	(85,624)	-
Impairments	-	-	-	(1,553)	(1,553)
Disposals	-	-	(8,989)	-	(8,989)
<b>At 31 July 2019</b>	<b>1,748,521</b>	<b>557,337</b>	<b>278,160</b>	<b>228,312</b>	<b>2,812,330</b>
<b>Depreciation</b>					
At 1 August 2018	322,201	191,162	173,988	-	687,351
Charge for year	38,223	19,209	26,306	-	83,738
Disposals	-	-	(8,957)	-	(8,957)
<b>At 31 July 2019</b>	<b>360,424</b>	<b>210,371</b>	<b>191,337</b>	<b>-</b>	<b>762,132</b>
<b>Net book value</b>					
<b>At 31 July 2019</b>	<b>1,388,097</b>	<b>346,966</b>	<b>86,823</b>	<b>228,312</b>	<b>2,050,198</b>
At 31 July 2018	1,303,764	283,525	76,462	212,902	1,876,653
<b>University</b>					
<b>Cost</b>					
At 1 August 2018	1,625,965	473,587	249,195	212,902	2,561,649
Additions at cost	43,981	78,749	33,535	102,587	258,852
Transfers	78,575	3,901	3,148	(85,624)	-
Impairments	-	-	-	(1,553)	(1,553)
Disposals	-	-	(8,966)	-	(8,966)
<b>At 31 July 2019</b>	<b>1,748,521</b>	<b>556,237</b>	<b>276,912</b>	<b>228,312</b>	<b>2,809,982</b>
<b>Depreciation</b>					
At 1 August 2018	322,201	190,596	172,875	-	685,672
Charge for year	38,223	19,182	26,263	-	83,668
Disposals	-	-	(8,956)	-	(8,956)
<b>At 31 July 2019</b>	<b>360,424</b>	<b>209,778</b>	<b>190,182</b>	<b>-</b>	<b>760,384</b>
<b>Net book value</b>					
<b>At 31 July 2019</b>	<b>1,388,097</b>	<b>346,459</b>	<b>86,730</b>	<b>228,312</b>	<b>2,049,598</b>
At 31 July 2018	1,303,764	282,991	76,320	212,902	1,875,977

The declared value of buildings for insurance purposes (day one basis) as at 1 August 2019 was £3.5bn (2018 - £3.6bn).

At 31 July 2019 freehold land and buildings included £668m (2018 - £646m) in respect of freehold land that is not depreciated, and leasehold land and buildings included £54m (2018 - nil) in respect of leasehold land held on a 299 year lease.

At 31 July 2019 the net book value of the assets held under finance lease was £11.2 million (2018 - £20.2 million) with a depreciation charge for the year of £0.3m (2018 - £0.6m). During the year UCL exercised an option under a leasing arrangement to acquire the head lease of 1-19 Torrington Place. The final £12m payment was met from a long term security deposit of £6.3m (note 15) and an additional cash payment of £5.7m.

Included in the cost of fixed assets is aggregated interest capitalised of £5.4m (2018 - £1.2m).

## 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 onwards.

**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 2019 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 2018	-	20,943	232,267	253,210
Additions	-	2,080	11,824	13,904
Revaluations	-	-	47,936	47,936
Impairments	-	-	(218)	(218)
Disposals	-	(6,268)	(15,122)	(21,390)
At 31 July 2019	-	16,755	276,687	293,442
<b>University</b>				
At 1 August 2018	8,412	20,943	206,969	236,324
Additions	-	2,080	10,391	12,471
Revaluations	-	-	17,124	17,124
Impairments	-	-	(218)	(218)
Disposals	-	(6,268)	(9,795)	(16,063)
At 31 July 2019	8,412	16,755	224,471	249,638

Included in monies held on long term deposit is £16.8m (2018 - £20.9m) over which there is a legal charge. The deposit represents a security fund to meet UCL's obligations under a finance lease with Lloyds Bank relating to a number of student residences (Note 20).

Other investments are categorised as follows:

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £m	University £m	Consolidated £m	University £m
Portfolio of fixed interest securities, equities and cash	190.4	190.4	172.7	172.7
Investment properties	2.0	-	1.9	-
Shares in The Francis Crick Institute Ltd	33.6	33.6	33.6	33.6
Credit facility fee	0.1	0.1	0.3	0.3
Shares in other limited companies and partnerships	50.6	0.4	23.8	0.4
	276.7	224.5	232.3	207.0

## NOTES TO THE ACCOUNTS

Included in shares in other limited companies and partnerships is a company which has been listed on the Nasdaq Exchange during the year, and which has subsequently been stated at fair value. This resulted in a £20.4m revaluation gain being recognised in the Statement of Comprehensive Income and Expenditure.

Gains and losses on investments recognised in the Statement of Comprehensive Income and Expenditure are comprised as follows:

	Year ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
Note	£'000	£'000	£'000	£'000
Realised gains/(losses) on disposal of investments	3,057	63	6,840	(1,229)
Gains on acquisitions and disposals of associates	124	-	172	-
Revaluation gains	44,092	16,707	17,106	9,837
Total gain on investments	47,273	16,770	24,118	8,608

Revaluation gains have been accounted for as follows:

Statement of Comprehensive Income and Expenditure		44,092	16,707	17,106	9,837
Creditors		417	417	253	253
Provisions	21	3,427	-	11,386	-
Total revaluation gains		47,936	17,124	28,745	10,090

Revaluation gains included in creditors are in respect of investments held on behalf of third parties.

Revaluation gains included in provisions are in respect of potential liabilities arising from revenue sharing arrangements with third parties.

### 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 2018 plus management accounts to 30 June 2019 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 2019 are included.

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

	2019	2018
	£'000	£'000
<b>Share of operating (loss)/profit:</b>		
EuroTempest	-	10
Help Digital	(2)	-
	(2)	10
<b>Share of taxation charge:</b>		
EuroTempest	-	-
Help Digital	(1)	-
	(1)	-
<b>Share of reserves:</b>		
EuroTempest	-	-
Help Digital	1	4
	1	4

## 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 2018 plus management accounts to 31 July 2019 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 2019 plus management accounts to 31 July 2019 are included.

(c) 21.75% holding in the ordinary shares of **Atocap Ltd.** 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 2019 are included.

(d) 20.0% holding in the ordinary shares of **Blue Sky Imaging Ltd.** The company has been set up to commercially exploit a novel technology for cloud identification and tracking for use in the meteorology and aviation sectors. The company prepares accounts to 31 October, and accounts to 31 October 2018 are included. Management accounts to 31 July 2019 are unavailable.

(e) 30.0% holding in the ordinary shares of **Brainminer Ltd.** 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 31 October and accounts to 31 October 2018 plus management accounts to 31 July 2019 are included.

(f) 30.58% holding in **Domainex Ltd.**, reduced from 31.25% following a share issue. 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 31 December, and accounts to 31 December 2018 plus management accounts to 31 July 2019 are included.

(g) 34.84% holding in the ordinary shares of **Gliaalign Ltd.** The company has been set up to take forward the work of UCL academics in engineering live neural tissue to meet clinical needs. The company prepares accounts to 31 May and accounts to 31 May 2018 plus management accounts to 31 July 2019 are included.

(h) 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 2019 are included.

(i) 39.72% holding in the ordinary shares of **LRG1 Ltd.** The company has been set up to develop the use of leucine-rich alpha-2-glycoprotein-1 (LRG1) for ophthalmic conditions. The company will prepare accounts to 31 December and management accounts to 31 July 2019 are included.

(j) 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 March, and accounts to 31 March 2019 are included. Management accounts to 31 July 2019 are unavailable.

(k) 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 2019 are included.

(l) 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 2018 plus management accounts to 31 July 2019 are included.

(m) 48.96% holding in ordinary shares of **SmartTarget Ltd.**, reduced from 75.45% following a disposal of shares. The Company was accounted for as a subsidiary in the previous year. The company has been established to commercialise the use of medical image registration software. The company prepares accounts to 30 June, and accounts to 30 June 2019 plus management accounts to 31 July 2019 are included.

(n) 20.0% holding in the ordinary shares of **SoftV Ltd.** The company has been set up to explore the opportunity of creating healthcare games and applications. The company prepares accounts to 31 August and accounts to 31 August 2018 are included. Management accounts to 31 July 2019 are unavailable.

(o) 47.74% holding in the ordinary shares of **Sylus Pharmaceuticals Ltd.** The company has been set up to commercialise the use of a naturally occurring protein GPI-PLD. The company prepares accounts to 31 March and accounts to 31 March 2019 are included. Management accounts to 31 July 2019 are unavailable.

(p) 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 2018 are included. Accounts to 31 July 2018 and to 31 July 2019 are unavailable.

## NOTES TO THE ACCOUNTS

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

	2019 £'000	2018 £'000
<b>Share of operating (loss)/profit:</b>		
Abcodia	(13)	-
Amalyst	(35)	29
Atocap	31	(50)
Brainminer	-	(24)
Canbex	-	-
Domainex	(166)	(112)
Glialign	(17)	-
Helicon Health	5	4
LRG1	(17)	-
Movement Metrics	(3)	-
Pentrxin	(23)	(21)
Senceive	79	81
SmartTarget	(8)	-
Sylus Pharmaceuticals	61	-
Trim Tots	(6)	-
	<b>(112)</b>	<b>(93)</b>
<b>Share of taxation credit/(taxation charge):</b>		
Abcodia	13	-
Brainminer	-	24
Domainex	52	(15)
Helicon Health	-	(4)
Pentrxin	(2)	(1)
SmartTarget	1	-
	<b>64</b>	<b>4</b>
<b>Share of reserves:</b>		
Amalyst	15	50
Atocap	31	-
Blue Sky Imaging	11	-
Domainex	556	674
Glialign	14	-
Helicon Health	5	-
LRG1	122	-
Movement Metrics	8	11
Pentrxin	72	97
Senceive	160	81
SoftV	1	-
Trim Tots	30	36
	<b>1,025</b>	<b>949</b>
<b>Aquisition of investments in associates:</b>		
Domainex	-	58
	<b>-</b>	<b>58</b>

18 Trade and other receivables	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Amounts falling due within one year:</b>				
Invoiced debtors	22,534	15,342	17,535	13,277
Research grants and contracts	189,385	189,385	188,996	188,996
Local health authorities/hospitals	21,487	21,487	15,860	15,860
Halls of residence debtors	1,139	1,139	906	906
Advances to members of staff	8,314	8,296	9,621	9,605
Inter company debtors	-	13,638	-	11,857
Other debtors and prepayments	67,829	64,529	57,921	54,258
<b>Amounts falling due after one year:</b>				
Loans to associate companies	1,235	-	1,235	-
	<b>311,923</b>	<b>313,816</b>	<b>292,074</b>	<b>294,759</b>



## NOTES TO THE ACCOUNTS

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
<b>19 Creditors: amounts falling due within one year</b>				
Bank and other loans	1,652	1,652	1,658	1,658
Cruciform Private Development Loan	1,573	1,573	1,300	1,300
Research grants received on account	336,337	336,337	293,123	293,123
Purchase ledger creditors	50,869	50,357	47,480	46,848
Other creditors including taxation and social security	67,174	62,965	60,655	57,851
Obligations under finance leases	117	117	12,659	12,659
Accruals and deferred income	197,674	185,652	187,342	179,612
Inter-company creditors	-	698	-	823
	<b>655,396</b>	<b>639,351</b>	<b>604,217</b>	<b>593,874</b>

Prior year obligations under finance leases due within one year included the option price of £12,000,000 payable on 1 January 2019 to acquire the head lease on 1-19 Torrington Place. The option was exercised and payment was made in December 2018.

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	9,602	9,602	4,014	4,014
Capital grants	58,632	58,632	51,061	51,061
Tuition fees in advance	5,944	5,944	6,705	6,705
	<b>74,178</b>	<b>74,178</b>	<b>61,780</b>	<b>61,780</b>

## 20 Creditors: amounts falling due after more than one year

Deferred income	318,299	316,601	322,159	321,111
Obligations under finance leases	21,260	21,260	21,377	21,377
Cruciform Private Development Loan	9,955	9,955	11,528	11,528
Long term bank loans	295,180	295,180	116,832	116,832
Salix Revolving Green Fund	500	500	500	500
	<b>645,194</b>	<b>643,496</b>	<b>472,396</b>	<b>471,348</b>

### Analysis of loan repayments:

In less than one year:

Finance leases	19	117	117	12,659	12,659
Loans	19	3,225	3,225	2,958	2,958
In more than one year but no more than two years					
Finance leases		21,260	21,260	117	117
Loans		3,544	3,544	3,226	3,226
In more than two years but no more than five years					
Finance leases		-	-	21,260	21,260
Loans		13,050	13,050	111,783	111,783
In more than five years					
Finance leases		-	-	-	-
Loans		289,041	289,041	13,851	13,851
		<b>330,237</b>	<b>330,237</b>	<b>165,854</b>	<b>165,854</b>
In less than one year	19	(3,342)	(3,342)	(15,617)	(15,617)
		<b>326,895</b>	<b>326,895</b>	<b>150,237</b>	<b>150,237</b>

## NOTES TO THE ACCOUNTS

Obligations under finance leases are in respect of a lease with Lloyds Bank relating to a number of student residences. It is anticipated that UCL will exercise a purchase option under the leasing arrangement that crystallises on 1 April 2021. Security is provided to the lessor 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	9,585	1,278	2026	5.8	Fixed to 2021	UCL
Barclays Bank	2,176	126	2036	1.0	Variable - LIBOR plus 0.21%	Institute of Education
Barclays Bank	2,082	121	2036	5.9	Fixed	Institute of Education
Barclays Bank	1,576	51	2037	5.3	Fixed	Institute of Education
Barclays Bank	1,413	76	2037	1.0	Variable - LIBOR plus 0.20%	Institute of Education
European Investment Bank	280,000	-	2048	2.3	Fixed	UCL
	<b>296,832</b>	<b>1,652</b>				

### 21 Provisions for liabilities

	Obligation to fund deficit on USS pension £'000	Defined benefit scheme obligations £'000	Total pension provisions £'000	Dilapidations £'000	Redundancies £'000	Other £'000	Total other provisions £'000
<b>Consolidated</b>							
At 1 August 2018	129,734	850	130,584	6,104	344	11,386	17,834
Utilised in year	-	-	-	-	-	(2,597)	(2,597)
Additions	254,535	-	254,535	963	28	3,427	4,418
Releases	-	-	-	(251)	-	-	(251)
At 31 July 2019	<b>384,269</b>	<b>850</b>	<b>385,119</b>	<b>6,816</b>	<b>372</b>	<b>12,216</b>	<b>19,404</b>

	Obligation to fund deficit on USS pension £'000	Defined benefit scheme obligations £'000	Total pension provisions £'000	Dilapidations £'000	Redundancies £'000	Other £'000	Total other provisions £'000
<b>University</b>							
At 1 August 2018	129,532	850	130,382	6,104	344	-	6,448
Utilised in year	-	-	-	-	-	-	-
Additions	254,107	-	254,107	963	28	-	991
Releases	-	-	-	(251)	-	-	(251)
At 31 July 2019	<b>383,639</b>	<b>850</b>	<b>384,489</b>	<b>6,816</b>	<b>372</b>	<b>-</b>	<b>7,188</b>

Redundancy provisions relate to the planned termination of operations in Qatar in 2020.

Other provisions (consolidated) relate to potential liabilities deriving from the upward revaluation of investments within UCL Business and arising under associated revenue sharing arrangements held with third parties.

The obligation to fund the deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme to make payments in line with an agreed recovery plan. Further detail is set out in note 30. In assessing the value of the provision, management has assessed future employee numbers within the scheme and salary payments over the period of the contracted obligation.

## NOTES TO THE ACCOUNTS

### 22 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2019 Total £'000	2018 Total £'000
<b>Balances at 1 August 2018</b>					
Capital	21,843	1,321	90,681	113,845	108,167
Accumulated income	1,013	130	2,811	3,954	3,263
	<b>22,856</b>	<b>1,451</b>	<b>93,492</b>	<b>117,799</b>	<b>111,430</b>
Transfer from Income and Expenditure reserve	-	-	-	-	694
New endowments	683	10	10,068	10,761	1,386
Investment income	617	38	2,600	3,255	2,812
Expenditure	(294)	(4)	(4,693)	(4,991)	(5,693)
Realised gains on investments	-	-	-	-	-
Increase in market value of investments	2,246	136	9,458	11,840	7,170
<b>Total endowment comprehensive income for the year</b>	<b>3,252</b>	<b>180</b>	<b>17,433</b>	<b>20,865</b>	<b>6,369</b>
<b>At 31 July 2019</b>	<b>26,108</b>	<b>1,631</b>	<b>110,925</b>	<b>138,664</b>	<b>117,799</b>
<b>Represented by:</b>					
Capital	24,772	1,468	107,316	133,556	113,845
Accumulated income	1,336	163	3,609	5,108	3,954
	<b>26,108</b>	<b>1,631</b>	<b>110,925</b>	<b>138,664</b>	<b>117,799</b>
<b>Analysis by type of purpose:</b>					
Lectureships	1,988	-	32,940	34,928	32,825
Scholarships and bursaries	8,134	-	36,337	44,471	39,371
Research support	13,916	-	18,178	32,094	27,559
Prize funds	1,263	-	5,815	7,078	6,246
General	807	1,631	17,655	20,093	11,798
	<b>26,108</b>	<b>1,631</b>	<b>110,925</b>	<b>138,664</b>	<b>117,799</b>
<b>Analysis by asset:</b>					
Fixed Income				13,194	12,791
UK equities				23,498	23,971
Global Equities				68,472	59,861
Alternative Investments				15,233	14,007
Cash				17,362	5,334
Debtors				905	1,835
				<b>138,664</b>	<b>117,799</b>

## NOTES TO THE ACCOUNTS

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
<b>23 Financial instruments</b>				
<b>Financial assets</b>				
Financial assets at fair value through Statement of Comprehensive Income				
Listed investments	236,230	190,410	192,429	172,690
Other debtors	2,405	2,405	3,131	3,131
Financial assets that are equity instruments measured at cost less impairment				
Other investments	38,389	33,969	37,625	33,969
Financial assets that are debt instruments measured at amortised cost				
Cash and cash equivalents	308,914	293,457	201,022	193,089
Other investments	92	92	310	310
Other debtors	243,869	255,972	237,107	247,289
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost				
Loans	308,860	308,860	131,818	131,818
Finance leases	21,377	21,377	34,036	34,036
Trade creditors	50,869	50,357	47,480	46,848
Other creditors	403,511	400,000	353,778	351,797

The values of the investments held at fair value through income and expenditure at the balance sheet date are determined using quoted prices relevant to the markets on which the stocks are listed. The values of other debtors held at fair value through income and expenditure at the balance sheet date are determined using open market value of the properties to which the loans relate.

### 24 Capital commitments

Commitments contracted	68,212	68,212	65,444	65,444
Authorised but not contracted	837,691	837,691	804,761	804,761
	<b>905,903</b>	<b>905,903</b>	<b>870,205</b>	<b>870,205</b>

Commitments contracted as at 31 July 2019 include £18.8m for the UCL East Campus at the Queen Elizabeth Olympic Park, £5.8m for the Institute of Neurology Dementia Research Institute, and £11.7m for the Eastman Dental Institute relocation.

Major developments which were authorised at the year-end date but not fully contracted for include £395.2m for the UCL East Campus at the Queen Elizabeth Olympic Park, £218.5m for the Institute of Neurology Dementia Research Institute and £50.2m for the Institute of Education masterplan phases 2-4.

### 25 Lease obligations

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

	Year Ended 31 July 2019			Year Ended 31 July 2018		
	Land & Buildings	Other	Total	Land & Buildings	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Payable during the year</b>	<b>17,744</b>	<b>524</b>	<b>18,268</b>	<b>16,155</b>	<b>624</b>	<b>16,779</b>
<b>Future minimum lease payments due</b>						
Not later than 1 year	17,969	152	18,121	15,946	487	16,433
Later than 1 year and not later than 5 years	47,728	111	47,839	49,865	737	50,602
Later than 5 years	55,427	-	55,427	58,894	-	58,894
<b>Total lease payments due</b>	<b>121,124</b>	<b>263</b>	<b>121,387</b>	<b>124,705</b>	<b>1,224</b>	<b>125,929</b>

The Group lets retail and office units at Caledonian Road to third party tenants under operating lease agreements. Rental income recognised in the Statement of Comprehensive Income and Expenditure in the year amounted to £218,000 (2018 - £203,000)

## NOTES TO THE ACCOUNTS

### 26 Agency arrangements

<u>Funding body grant for the Institute of Zoology:</u>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Balance unspent at 1 August 2018	-	-
Funding body grants received	<b>2,059</b>	2,161
Disbursements to the Institute of Zoology	<b>(2,024)</b>	(2,125)
Administration fee	<b>(35)</b>	(36)
Balance unspent at 31 July 2019	-	-

The University receives funding body grants on behalf of a connected institution, the Institute of Zoology. The University makes payments to the Institute in respect of the annual grant, less an agreed sum which is retained by the University as a contribution towards the cost of administering the funding body partnership. The grants and related disbursements are excluded from the Statement of Comprehensive Income, and the administration fee is included in other services rendered income.

<u>Training consortia:</u>	<b>LAHP</b>		<b>DfE Mandarin</b>		<b>SEEL</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance unspent at 1 August 2018	-	-	-	-	-	-
Funding received for consortium partners	<b>1,450</b>	1,474	<b>1,790</b>	849	<b>2,469</b>	2,376
Disbursements to partners	<b>(1,450)</b>	(1,474)	<b>(1,790)</b>	(849)	<b>(2,469)</b>	(2,376)
Administration fee	-	-	-	-	-	-
Balance unspent at 31 July 2019	-	-	-	-	-	-

The University acts as the lead partner in a number of training consortia, and as such receives funds for trainee fees and bursaries for onward transmission to consortium partners. The funding and related disbursements are excluded from the Statement of Comprehensive Income, and the following consortia were in operation during the financial year:

- LAHP - London Arts and Humanities Partnership, a Doctoral Training Partnership funded by the Arts and Humanities Research Council
- MEP - Mandarin Excellence Programme to expand the provision of Mandarin teaching in schools, funded by the Department for Education
- SEEL - South East, East and London consortium for initial training for educational psychologists, funded by the Department for Education

### 27 Contingent asset

Included in consolidated investments (note 15) is a £12.7m unrealised gain arising on the revaluation of listed investments held by UCL's subsidiary, UCL Business, and that is potentially distributable to UCL on realisation. It has not been recognised as a receivable by UCL as at 31 July 2019, as receipt is dependent on a decision by the Board of UCL Business to realise the investment and to distribute the proceeds – a matter which is not under UCL's control. No such decision had been made within the 2018-19 financial year.

### 28 Related party transactions

The financial statements of UCL for the year ended 31 July 2019 include transactions with a number of organisations that 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 both 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 as at the 31 July 2019 are disclosed under Note 29 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.

## NOTES TO THE ACCOUNTS

	Income £'000	Expenditure £'000	Balance due to/(from) UCL at 31 July 19 £'000
Academy of Medical Sciences	630	40	(50)
Alan Turing Institute	656	41	236
British Heart Foundation	4,418	-	647
Francis Crick Institute	253	865	368
KwaZulu-Natal Research Institute for TB-HIV	33	7,893	(1,868)
Science and Technology Facilities Council	11,743	213	119
UCL Academy	16	39	-
UCL Hospitals NHS Foundation Trust	21,230	10,505	9,604
UCL Union	48	45	(7)
UCLPartners	666	-	103
University of London	338	3,594	39
Wellcome Trust	61,862	93	3,660

The following transactions also took place during the year:

Michael Arthur, UCL President and Provost, sits on the boards of The Russell Group of Universities and the League of European Research Universities (LERU). UCL is a member university of both organisations and paid subscription fees within the year of £80k and £26k respectively. Professor Arthur also serves as Vice-President of the British Liver Trust (which awarded £28k of research funding to the University and from which a sum of £15k was outstanding at the year-end date), as a trustee of CASE Europe (from which £35k of purchases were made in the year), as a board member of UCL Partners and as a trustee of the University of London.

Dame Nicola Brewer, Vice-Provost (International), serves as a non-executive director of Scottish Power, which supplied the University with electricity to the value of £13k in the year.

Celia Caulcott, Vice-Provost (Enterprise and London), is a trustee of London Higher, an umbrella body representing and supporting providers of higher education in London. Within the year, the University paid a subscription fee of £23k to the organisation, and made further acquisitions totalling £11k.

Dame DeAnne Julius, Chair of Council until 31 July 2019, is a non-executive director of Jones Lang LaSalle International (JLL). UCL received property-related professional services totalling £72k from the UK branch of JLL, and made sales totalling £1k to the company in the year. A sum of £1k was due to the University at the 31 July 2019.

Baroness Jo Valentine, Vice Chair of Council, was a non-executive director of High Speed 2 Ltd until September 2018. As reported under Note 4, UCL's income for the year includes £1.6m of compensation payable by the Government in reference to the impact of the HS2 rail project on the University's estate.

Patrick Haggard, internal member of Council, is a trustee of the Experimental Psychology Society. UCL received £7k of research funding in the year, and engaged in sales and purchase transactions with the Society totalling £5k and £2k respectively.

Rex Knight, Vice-Provost (Operations) until December 2018 and director of several UCL subsidiaries until March 2019, served as Chairman of the Board of SUMS Consulting during the financial year. UCL is a member university of SUMS (Southern Universities Management Services) and of its operating division SUPC (Southern Universities Purchasing Consortium), and paid 2018/19 subscription fees of £40k and £13k respectively to SUMS in reference to both memberships.

David Lomas, Vice-Provost (Health) is a non-executive director of UCL Hospitals NHS Foundation Trust, a trustee of the British Heart Foundation, a director of the KwaZulu Natal Research Institute for TB-HIV, a board member of the Francis Crick Institute and a member of Council at the Academy of Medical Sciences. Details of UCL's transactions with these entities are provided in the table above and in the additional paragraphs below.

Anthony Smith, Vice-Provost (Education and Student Affairs), serves as a governor of Capital City College Group, which includes three large London-based further education colleges. UCL transacted with two of the Group's constituent colleges in the year: City and Islington College (CIC), and Westminster Kingsway College (WKC). Purchases, representing fees for IoE student placements, totalled £73k in the year, and a balance of £17k was owed to CIC at 31 July 2019.

Philip Sturrock, external member of Council, is the Chair of the Mercian Trust, a multi-academy trust comprising six schools and including Queen Mary's Grammar School (QMGS) and Queen Mary's High School (QMHS). The UCL Institute of Education forwarded £63k of funding to QMGS and QMHS in the year in relation to the Mandarin Excellence Programme, an initiative promoting the teaching of Mandarin Chinese in secondary schools. Additional purchases made from the schools came to £8k, and sales totalling £25k were also generated in the year. A balance of £25k was due from QMGS and QMHS together as at the year-end date.

Alan Thompson, Pro-Vice-Provost (London), is a trustee of The National Brain Appeal, a charity which raises funds specifically for The National Hospital for Neurology and Neurosurgery and the UCL Institute of Neurology. The University received income totalling £138k from the charity, a combination of research funding, donations and catering revenue, and was owed a balance of £1k at the 31 July 2019. Purchases made from the National Brain Appeal in the year came to £1k.

Additionally, Annette Dolphin, internal member of Council, served as a Council member of the Academy of Medical Sciences until November 2018; Stephen Caddick, director of UCL subsidiary Thiolomics Ltd, is an executive director of the Wellcome Trust; and David Price, Vice-Provost (Research), sits on the council of the Science and Technology Facilities Council. Transactions with these bodies are tabulated above.

## NOTES TO THE ACCOUNTS

**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. The University's investment in the FCI stands at £33.6m, and transactions with the Institute in the year 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 £5.0m grant to the Institute, and a balance of £1.0m is held in creditors as at 31 July 2019. Other transactions are included in the above table.

**UCL HOSPITALS NHS FOUNDATION TRUST (UCLH):** In addition to the tabulated expenditure, in 2018/19 the University made a further payment of £50.7m to UCLH towards the purchase of the Eastman Dental Hospital site (tranches 2 and 3).

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

	Balance 1 August 2018 £'000	Cash transfers £'000	Income/ (expenditure) £'000	Other £'000	Balance at 31 July 2019 £'000
Abcodia Limited	25	-	-	14	39
Analyst Limited	4	-	(4)	-	-
Atocap Limited	2	(13)	11	-	-
Brainminer Limited	(10)	53	(43)	-	-
Canbex Therapeutics Limited	64	(53)	(11)	-	-
Eurotempest Limited	20	(30)	20	-	10
Health Social Innovators LLP	(68)	-	-	68	-
Helicon Health Limited	-	(1)	2	-	1
Pentrxin Therapeutics Limited	12	(27)	23	-	8
Senceive Limited	25	(18)	24	-	31
SmartTarget Limited	-	(6)	22	10	26
Total debtors	<b>74</b>	<b>(95)</b>	<b>44</b>	<b>92</b>	<b>115</b>

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

	2019 £'000	2018 £'000
Abcodia Limited	652	652
Analyst Limited	25	25
Domainex Limited	300	300
Health Social Innovators LLP	210	210
Helicon Health Limited	43	43
TCR Materials Limited	5	5
Total loans	<b>1,235</b>	<b>1,235</b>

## NOTES TO THE ACCOUNTS

### 29 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 2019 £'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	-
MSCTrail therapeutics Ltd	Development of a gene therapy for the treatment of malignant pleural mesothelioma.	100% owned	Ordinary	100% - UCL Business	-
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	100% - UCL	6,805
			Ordinary 'A'	100% - UCL	
			Redeemable Preference	100% - UCL	
UCL Consultants Ltd	Provision of administrative support to staff engaged in consultancy.	100% owned	Ordinary	100% - UCL	4,852
UCL Properties Ltd	Property development and investment.	100% owned	Ordinary	100% - UCL	1,967
UCL Residences Ltd	Commercial lettings of accommodation.	100% owned	Ordinary	100% - UCL	(698)
UCL Trading Ltd	Contracting, consultancy and other commercial activities.	100% owned	Ordinary	100% - UCL	9
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	-
UCL Research Ltd	A non-trading entity, incorporated in the Republic of Ireland and established to act as UCL's legal representative for EU regulated clinical trials and GDPR compliance purposes subsequent to Britain's departure from the EU.	100% owned	Ordinary	100% - UCL	-
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 SmartTarget Ltd was reduced to 48.96% during the year. The company is now accounted for as an associate.  
UCL Cruciform Ltd was dissolved during the year.

The following subsidiary companies were dormant during the year:

Institute of Ophthalmology Ltd  
UCL Developments (No1) Ltd  
UCL Enterprises Ltd  
UCL Investments 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

### 30 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 2019		Year Ended 31 July 2018	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Contribution to USS	77,057	76,761	70,824	70,535
Contribution to SAUL	13,552	12,641	12,535	11,756
Contribution to NHS	6,542	6,519	6,599	6,577
Contribution to MRCPS	1,150	1,150	1,240	1,240
Contribution to PCSPS	54	54	52	52
Charge to staff costs in respect of UFMS	-	-	-	-
	<b>98,355</b>	<b>97,125</b>	<b>91,250</b>	<b>90,160</b>

Outstanding contributions to USS, SAUL, the NHS Pension Scheme, MRCPS and PCSPS was £13.2m at 31 July 2019 (2018 - £11.6m).

#### The Universities Superannuation Scheme

USS is the main pension scheme for academic and academic-related staff across the sector, and it operates on a mutual basis such that assets are not attributed to individual institutions and a scheme-wide contribution rate is set. As a participating employer, UCL is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

The latest actuarial valuation of the scheme was at 31 March 2017 (the 2017 valuation). It was carried out using the projected unit method, and the financial assumptions that had the most significant effect on the result were as follows:

Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21+: CPI + 1.7%
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

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

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective of maintaining sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60bn and the value of the scheme's technical provisions was £67.5bn, indicating a shortfall of £7.5bn. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Since that point, the funding position of the scheme has been updated on an FRS 102 basis, which values scheme assets at £67.4bn and technical provisions at £79.2bn. On that basis, a resulting shortfall of £11.8bn reflects a total funding level of 85%.

As part of the 2017 valuation a new deficit recovery plan was put in place, under which 5% of employer contributions over the period from 1 April 2020 to 30 June 2034 will be specifically earmarked to repair the existing deficit. This represents an expansion of the recovery plan already in force during the prior year, which earmarked 2.1% of employer contributions over the period to March 2031.

In accordance with the requirements of FRS102 and the SORP, UCL recognises a provision for the obligation to fund past deficits; and details of that provision, discounted at a rate of 1.58% as at 31 July 2019 are included in note 21 to the financial statements. As a consequence of the significant increase in deficit contributions, the value of the provision has risen from £129.7m to £384.3m, with £289.5m of that increase directly attributable to the change in the deficit funding commitment.

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.

As at the year-end date, a valuation as at 2018 was underway, but was not formally completed until October 2019 (note 31). Details of the scheme and the 2017 valuation can be found at [www.uss.co.uk](http://www.uss.co.uk).

## NOTES TO THE ACCOUNTS

### The Superannuation Arrangements of the University of London

The latest actuarial valuation of the scheme was at 31 March 2017 (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	4.03%
- after retirement	1.93%
Salary scale increases per annum	3.49%
Pension increases per annum	1.70%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 88 (91).

At the valuation date, the value of the assets of the scheme was £3.21bn and the value of the scheme's technical provisions was £3.15bn. The assets therefore were sufficient to cover 102% of the benefits which had accrued to members, after allowing for expected future increases in earnings. These results represent an elimination of the £59m deficit reported under the 2014 valuation and a return to surplus of £56m.

Updated (unaudited) calculations issued by the scheme's actuaries in their most recent annual report indicate that the scheme's surplus at 31 March 2019 was £104m: equivalent to a funding level of 103% and representing an improvement in the scheme's funding position compared to both the 31 March 2017 valuation and the expected position at 31 March 2019.

Within the 2017 valuation, contribution strain (the rate at which the cost of future benefits exceeds contributions) had increased to 6.7% of members' salaries. SAUL has sufficient surplus to meet this contribution strain over the next few years however and no further benefit changes or contribution changes have been proposed.

Employer contributions will remain at the 16% agreed in March 2016 (as part of a recovery plan designed to address the 2014 deficit) and, in line with that agreement, will not be reduced before 31 March 2020 irrespective of SAUL's funding level. The accompanying employer commitment to fund past deficits through a 3% earmarking of contribution through to 31 March 2018 has been satisfied however. As such, there is no requirement to provide for future cost commitments.

Details of the scheme and the 2017 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 at 31 March 2016 and was prepared 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:	
- for liabilities and contribution rate	2.80% to 2019, 2.40% thereafter
- for cost cap rate	2.40%
Long term salary growth per annum	4.20%
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 scheme's assets was £278.1bn and the value of the scheme's technical provisions was £297.5bn, with the shortfall of £19.4bn representing a £9.1bn increase on the shortfall reported under the 2012 valuation. The assets under the 2016 valuation were sufficient to cover 93% 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 2019 would increase from 14.3% to 20.6% (albeit with HM Treasury funding the majority of the increase for the first year).

### Medical Research Council Pension Scheme

The latest actuarial valuation of the University section of the scheme was at 31 December 2016 (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	2.60%
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 90 (91).

At the valuation date, the value of the scheme's assets was £66.9m and the value of the scheme's technical provisions was £45.9m indicating a surplus of £21m. The assets therefore were sufficient to cover 146% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Following this valuation, the trustees determined that the present employer contribution rate of 14.9% would increase to 15.9% from April 2018.

## NOTES TO THE ACCOUNTS

### 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 2016 (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:	
- for liabilities and contribution rate	2.80% to 2019, 2.40% thereafter
- for cost cap rate	2.40%
Long term salary growth per annum	4.20%
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 87 (89).

At the valuation date, the value of the assets of the scheme was £139.5bn and the value of the scheme's technical provisions was £145.8bn. The resulting shortfall of £6.3bn represented a small increase on the £5.5bn shortfall reported under the 2012 valuation. Assets under the 2016 valuation 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 for the four year period from 1 April 2019 the average employer contribution rate payable would increase from 20.9% to 27.1%.

### Defined benefit plans

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

As a defined benefit plan, 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 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 scheme, acquired under the merger with the Middlesex 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 2019 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.

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

Investment returns per annum	2.10%
Future statutory revaluation of pensions in deferment	2.10%
Increase on post 1997 pension	
- for pre 2006 leavers	2.15%
- for post 2006 leavers	3.05%

At the valuation date, the value of the assets of the scheme was £3.61m and the value of the scheme's defined benefit obligation was £3.05m. As UCL does not currently have the ability to recover the resulting surplus of £0.6m (2018 - £0.3m) 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 2019, the value of this 'buy-out' payment has been estimated by an independent actuary as £0.85m (2018 - £0.85m). UCL expects to have completed the process during the financial year to 31 July 2020 and provision has been made for the expected £0.85m cost of discharging its financial obligations (Note 21).

The pension expense over the year to 31 July 2019 was £59,000. 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 amount of employer contributions expected to be paid to the scheme during the year ending 31 July 2019 is £132,000.

## NOTES TO THE ACCOUNTS

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

In October 2019, the 2018 valuation of the USS Pension Scheme was formally concluded. This valuation assessed the scheme shortfall at £3.6bn, a significant reduction on the £7.5bn shortfall reported under the 2017 valuation (see note 30), and a subsequent funding ratio of 95%. As a result, a new Schedule of Contributions has been put in place and a new deficit recovery plan has been agreed with participating employers. This new plan requires that, for the two year period commencing 1 October 2019, a total 2% of employer contributions will be specifically earmarked to repair the existing deficit and that this will rise to 6% for the period from 1 October 2021 to 31 March 2028.

As at 31 July 2019, and assuming all other assumptions used to calculate the provision for the obligation to fund the USS deficit remain unchanged, this would have resulted in a revised provision of £216.4m - a decrease of £167.2m from the current year-end provision - and a lower charge to the Statement of Comprehensive Income of £167.2m.

The revised position, and subsequent adjusting credit to the Statement of Comprehensive Income, will be reflected in the University's financial statements for the year ended 31 July 2020.

### 32 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. Within the year, decisions were taken to impair costs of £1.55m incurred on a capital project at the Royal Free Campus prior to a change in design and scope, and £1.8m relating to the cost of early development work carried out on an HR system implementation project that was not carried through to the final design (note 8).

#### 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 the case of USS, the University is contractually bound to fund a scheme deficit in line with an agreed recovery plan, and this obligation is recognised as a liability on the balance sheet. The USS recovery plan was updated during the year following the conclusion of the 2017 actuarial valuation. The recovery plan defines the deficit payment required as a percentage of future salaries until 2034, and the respective provision is based on management's estimate of expected future salary inflations, changes in staff numbers and the prevailing rate of discount.

A 2018 actuarial valuation of USS has been undertaken but was not formally concluded prior to 31 July 2019. The year-end provision has therefore been calculated in line with the recovery plan agreed as part of the 2017 valuation, and which was in force at the year-end date. Further detail on the status of the 2018 valuation is set out in note 31.