

LONDON'S GLOBAL UNIVERSITY



UCL

**Annual Report and Financial Statements  
for the year ended 31 July 2020**

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## COMMITTEE MEMBERSHIP

### Council (Trustees)

External Members:	Mr Minto Bhandari Mr Dominic Blakemore Mr Victor Chu (Chair) *♦ Dr Andrew Gould Ms Lindsay Nicholson♦	Mr Turlogh O'Brien♦ Lord (John) Sharkey♦ Mr Philip Sturrock* Mr Justin Turner QC Baroness (Jo) Valentine♦♦ Ms Sarah Whitney (Treasurer)
Academic Members:	Professor Michael Arthur* (Provost to 11/1/21) Dr Michael Spence* (Provost from 11/1/21) 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:	Ms Ashley Stanina-Davies (to 15/07/20) Ms Caroline Paige (to 15/07/20)	Mr Ayman Benmati (from 16/07/20) Ms Caroline Paige (from 16/07/20)

### Finance Committee

External Members:	Mr Minto Bhandari (from 21/11/19) Mr Victor Chu (from 01/08/19 to 15/10/19) Dr Andrew Gould	Baroness (Jo) Valentine Ms Sarah Whitney (Chair)
Academic Members:	Professor Michael Arthur (Provost to 11/1/21) Dr Michael Spence* (Provost from 11/1/21) Professor Lucie Clapp	Professor Patrick Haggard

### Audit Committee

External Members:	Mr Dominic Blakemore (Chair) Mr Turlogh 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 Ms Sarah Whitney (Chair)
Staff Members	Mr Philip Harding	

♦ denotes also member of Remuneration and Human Resources Strategy Committee

\* denotes also member of Nominations Committee

## FINANCIAL SUMMARY

	2020 £m	2019 £m
<b>CONSOLIDATED INCOME &amp; EXPENDITURE ACCOUNT</b>		
Tuition fees and education contracts	613.7	564.9
Funding body grants	227.9	213.5
Research grants and contracts	467.7	481.1
Other income	200.5	179.2
Investment income	7.3	7.9
Donations and endowments	26.6	40.5
<b>NET INCOME</b>	<b>1,543.7</b>	<b>1,487.1</b>
<b>TOTAL EXPENDITURE</b>	<b>1,337.1</b>	<b>1,671.4</b>
Loss on disposal of fixed assets	-	-
(Loss)/Gain on investments	(6.4)	47.3
Share of operating profit/(loss) in joint ventures and associates	0.2	(0.1)
Taxation	-	-
Actuarial losses	(0.1)	(0.1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>200.3</b>	<b>(137.2)</b>
Intangible assets	34.1	26.0
Fixed assets	2,204.6	2,050.2
Investments	281.7	294.5
Net current liabilities	(157.3)	(34.1)
<b>Total assets less current liabilities</b>	<b>2,363.1</b>	<b>2,336.6</b>
Non-current liabilities	(636.8)	(645.2)
Pension provisions	(225.7)	(385.1)
Other provisions	(13.5)	(19.4)
<b>TOTAL NET ASSETS</b>	<b>1,487.1</b>	<b>1,286.9</b>
<b>Represented by:</b>		
Endowments	143.2	138.7
Reserves	1,343.8	1,148.1
Minority interest	0.1	0.1
	<b>1,487.1</b>	<b>1,286.9</b>
<b>OTHER KEY STATISTICS</b>		
(Decrease)/Increase in cash in the year	(26.8)	107.9
Average student numbers	43,836	42,106
Average payroll numbers	16,385	15,757



## OPERATING AND FINANCIAL REVIEW

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### Operating and Financial Review 2019-20

The financial statements of UCL are prepared in accordance with the “Statement of Recommended Practice: Accounting for Further and Higher Education 2019” and with reference to the “Regulatory framework for higher education in England” published by the Office for Students (OfS) in February 2018. The OfS also acts on behalf of the Charity Commission as 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 32. 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 2019-20 comprises five sections covering:

- 1) UCL’s vision and long-term strategy (UCL2034);
- 2) Performance in 2019-20 in pursuit of this strategy in 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.

The Covid-19 pandemic also presents UCL with unprecedented challenges, as it does for the global community. We are all experiencing this together - coping with uncertainty while finding innovative ways to support students and staff, helping those who might be more vulnerable, and navigating what this means for both work and life. UCL is working exceptionally hard and at pace to find solutions to the challenges that Covid-19 brings. This review includes highlights of the way in which the pandemic has impacted upon UCL and UCL’s response, in addition to covering the year’s achievements.

### UCL 2034: Strategy, Vision and Mission

**Vision:** Our distinctive approach to research, education and innovation will further inspire our community of staff, students and partners to transform how the world is understood, how knowledge is created and shared and the way that global problems are solved.

**Mission:** London’s Global University - a diverse intellectual community, engaged with the wider world and committed to changing it for the better; recognised for our radical and critical thinking and its widespread influence; with an outstanding ability to integrate our education, research, innovation and enterprise for the long-term benefit of humanity.

### Founding Principles

UCL was established in 1826 in order to open up education in England for the first time to students of any race, class or religion. By 1878, it had become the first English university to welcome female students on equal terms with men. The founding principles of academic excellence and research aimed at addressing real-world problems continue to inform our ethos to this day.

The six Principal Themes underlying the Vision and Mission are:

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
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

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.

## OPERATING AND FINANCIAL REVIEW

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### Performance in 2019-20

#### *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.

In February 2020 Dr Michael Spence AC, previously Vice-Chancellor of the University of Sydney, was confirmed as the new President and Provost of UCL by Council - succeeding Professor Michael Arthur, who stepped down from the role after seven years, in January 2021.

Dr Spence had been Vice-Chancellor of the University of Sydney since July 2008 and under his leadership, it had risen to first in Australia and fourth in the world for graduate employability. He embedded diversity and inclusion into the university's culture, delivered significant investment in multi-disciplinary research activity, transformed the undergraduate experience and created strategic partnerships with leading industry, government and community organisations across the globe.

He was responsible for raising a record one billion Australian dollars for the University of Sydney through the INSPIRED philanthropic campaign - the largest in Australian history – and is recognised internationally as a leader in the field of intellectual property theory, holding a Doctor of Philosophy from the University of Oxford, where he headed Oxford's Law faculty and Social Sciences division. Michael's appointment and his wealth of experience is seen to be of huge benefit to UCL as it seeks to further consolidate its place as an academic powerhouse amongst the world's leading universities.

Over the course of 2020, UCL was also very active in all aspects of the Covid-19 challenge since the pandemic's emergence, from developing rapid testing and tracking systems and predicting the future of the outbreak, to advising, challenging and critiquing government's response to the crisis. Expertise and practical assistance has been provided to external bodies and the global community, and in March UCL released clinical academics from their UCL responsibilities where they wished to support the NHS service during the coronavirus outbreak.

UCL was ranked 16th overall in the latest Times Higher world university rankings (2019: 15<sup>th</sup>), coming 5<sup>th</sup> in Europe and 4<sup>th</sup> in the UK respectively, and was 10<sup>th</sup> in the 2020 QS World Rankings (2019: 8<sup>th</sup>). The UCL Institute of Education maintained its top place globally for education in the 2020 QS World Rankings for the 7<sup>th</sup> year running. A further eight subjects (2019: nine) were ranked in the top 10, including archaeology (3<sup>rd</sup>), architecture and the built environment (3<sup>rd</sup>), anthropology (4<sup>th</sup>), anatomy and physiology (5<sup>th</sup>), pharmacy and pharmacology (5<sup>th</sup>), psychology (7<sup>th</sup>), geography (8<sup>th</sup>), life sciences and medicine (8<sup>th</sup>).

There has been some notable recognition of staff in the UCL community in the last year:

- Professor Sir Roger Penrose was among three scientists awarded the Nobel Prize in Physics in October 2020, for work relating to black holes. Sir Roger, now an Emeritus Professor of Mathematics at the University of Oxford, graduated with a first-class Mathematics degree at UCL in 1952.
- Five UCL professors were elected to the British Academy in 2020, out of a total of fifty-two elected from UK universities. These are Professor Meg Russell (Director of the Constitution Unit in UCL Political Science), Professor Essi Viding (Professor of Developmental Psychopathology at UCL Psychology & Language Sciences and co-director of the Developmental Risk and Resilience Unit), Professor Elaine Unterhalter (UCL Education and Co-Director of the Centre for Education & International Development at UCL), Professor Christopher Pinney (Professor of Anthropology and Visual Culture in UCL Anthropology) and Professor Rick Rawlings (Professor of Public Law at UCL, UCL Laws).
- In September 2020 three UCL professors were made Fellows of the Royal Academy of Engineering in recognition of their outstanding contributions to the field. These were Professors Peter Lee and Kai Luo (both UCL Mechanical Engineering) and Professor Mark Harman (UCL Computer Science). Fellowship represents the nation's best engineering researchers, innovators, entrepreneurs, business and industry leaders.
- More than 25 members of the UCL community were recognised in the 2020 New Year's Honours, including Professor Duncan Wingham (UCL Earth Sciences), Professor Abdel Babiker (MRC Clinical Trials Unit at UCL) and Victor Chu, UCL Chair of Council and a UCL Laws alumnus.

## OPERATING AND FINANCIAL REVIEW

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- Seven current UCL staff were commended in the Queen's Birthday Honours list in October 2020, along with a host of UCL alumni. Professor Richard Catlow (UCL Chemistry) and Professor Geoff Mulgan (UCL Science, Technology, Engineering & Public Policy) were appointed Knight Bachelor. Also commended were Professor Sophie Scott (UCL Institute for Cognitive Neuroscience), Professor Sarah Walker (MRC Clinical Trials Unit at UCL), Professor Sally Grantham-McGregor (UCL GOS Institute of Child Health), Professor Imran Rasul (UCL Economics) and Professor Tim Baker (UCL Mechanical Engineering).

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

UCL aims to inspire our students at every level – undergraduate, postgraduate taught and postgraduate research – and equip them with the knowledge and skills that they need to contribute significantly to society and be leaders of the future in their chosen field and profession.

The Covid-19 pandemic has had more impact on this theme than on any other, having a profound effect on the education and wider experience for students during the latter months of 2019-20 and into 2020-21. UCL continues to follow the principles of the Education Strategy 2016-21 in continuing its mission of excellent teaching and research, even though the immediate context has changed substantially. Staff have worked exceptionally hard and shown great commitment towards their students, and the students have displayed remarkable resilience and forbearance. The focus since the start of the pandemic has been safety first, with significant decisions taken in partnership with student leaders.

The immediate challenge in March was end of year exams and assessment. A 'no detriment' assessment policy was developed in collaboration with the Students Union to reassure students, and more than 3,300 assessments were adapted. All first-year assessments were replaced with a capstone assessment – a single holistic reflection of the whole year.

The sudden switch to remote teaching and assessment at the end of term 2 and into term 3 was executed extremely effectively, with 6,600 hours of on-line teaching taking place in Term 3. UCL developed its distinctive approach to online and socially distanced blended teaching and learning support in the form of UCL Connected Learner. A linked on-line staff development programme, UCL Connected Learning Essentials, was established to support academic staff in their move towards this. This marks a significant step forward for UCL digital education.

Foremost amongst the Covid-19 challenges is that every student, regardless of their background, experience or stage of learning, should be supported to thrive and make the most of their time at UCL. Despite much effort there remain disparities between the degree outcomes and the experiences of undergraduate Black, Asian and minority ethnic (BAME) students at UCL compared to those of white students. UCL has committed to eliminate the degree award gap by 2024, and in May launched a tool-kit to support staff to achieve outstanding teaching for all students by creating an inclusive curriculum, adopting inclusive teaching, learning and assessment, achieving a sense of belonging and creating safe spaces for BAME students.

The total number of students at UCL last year was 43,836, an increase of 4.1% over the previous year. Most of the increase was accounted for by a 6% increase in taught postgraduate students. In the National Student Survey for undergraduate students, UCL's overall satisfaction level fell by 1% to 80.6%, in line with the sector and slightly less than the decline reported for the Russell Group. Overall satisfaction as measured in the Postgraduate Taught Experience Survey remained at 79.7%, marginally above the sector average and placing UCL in the second quartile.

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

UCL's commitment to innovation and relevance, its home in the heart of a global capital and the breadth and depth of its expertise offer a unique opportunity to address the most important problems confronting humanity in the 21st century. A new UCL Grand Challenge – Covid-19 – was added during the year to the existing ones of Global Health, Sustainable Cities, Cultural Understanding, Human Wellbeing, Transformative Technology and Justice & Equality. This new Grand Challenge covers the management, mitigation and eventual halt of the virus.

The three broad areas of research are: treatment and cure (including sequencing and vaccine development), monitoring the virus and its impact, and recovery and rebuilding (including managing the short and long-term impacts on daily lives, society and the economy).

UCL's breadth of multi-disciplinary research has also been demonstrated by the many clinical and non-clinical academics giving expert commentary on the pandemic in the media.

## OPERATING AND FINANCIAL REVIEW

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Figures released in July showed that, for the second year running, UCL has received the most UK Research and Innovation (UKRI) funding of any higher education institution in the UK. UCL secured 198 research and innovation grants and fellowships over that time, at a value of more than £138 million. UCL also secured the most funding of any university from the emergency Covid research initiative and has over 750 Covid publications. UCL's research outputs generate the 4<sup>th</sup> highest number of global citations, up from 10<sup>th</sup> 6 years ago, and now ranks 3<sup>rd</sup> for producing papers in the top 1% of highly cited papers, up from 15<sup>th</sup> 6 years ago.

UCL is submitting 3,091 full-time equivalent staff to the Research Excellence Framework 2021, an increase of 20% over the number submitted in 2014 REF. The final submission date for publications has been extended to 31<sup>st</sup> March 2021 and the announcement of the outcomes has also been deferred to April 2022.

In November the UCL Observatory celebrated 90 years of observations by unveiling its new, state-of-the-art Perren telescope. The telescope, installed after 14 years of fundraising, was officially unveiled by the Astronomer Royal, Lord Martin Rees of Ludlow.

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

For nearly 200 years UCL has been 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.

31<sup>st</sup> July 2020 marked the successful end point of the *Its All Academic* fundraising campaign. Launched in September 2016, this was UCL's most ambitious philanthropy and engagement campaign to date. Its targets were to raise £600 million and log 250,000 volunteer hours. As at the end of July 2020 the campaign income stood at £624m, with 263,732 volunteer hours, an achievement reached a year earlier than forecast. UCL's guidelines for income counting have been based on the sector-wide CASE-Ross survey definition of philanthropy. Planning has started for the next campaign, to coincide with UCL's bicentenary in 2026.

In November 2019 UCL launched a new five-year strategy "Change Possible", declaring UCL's intention to take positive action and show international leadership in the field of tackling climate change and the degradation of the environment. UCL has risen from 89<sup>th</sup> to 18<sup>th</sup> place in the "People and Planet university League" over the last five years and has reduced its carbon emissions by 14% over the last decade, despite significant campus growth. It also announced that it would divest from companies involved in fuel extraction or production.

The inquiry into the history of eugenics at UCL, led by Professor Iyiola Solanke of the University of Leeds, released its report in February 2020. This was commissioned to examine UCL's historical role in, and the current status of, the teaching and study of the history of eugenics. The Galton and Pearson Lecture Theatres, and the Pearson Building have been renamed, as recommended by the report. Other recommendations are being addressed by a dedicated response group that includes members of the Students Union, equality experts and academic staff.

UCL is committed to taking practical action to address structural racism at UCL and is consulting with black staff and students in order to listen, learn and decide what additional action needs to be taken. The UCL Sarah Parker Remond Centre for the Study of Racism and Racialisation was established in late 2019. This was in response to a requirement to transform the curriculum and undertake a reparative reckoning with the powerful, but often unacknowledged, colonial and imperial histories of our university, our city and our nation.

UCL is currently the only university to hold an Athena SWAN Silver institutional award, a Bronze Race Equality Charter award and to be in the Stonewall Top 100 Index of Inclusive Employers. UCL holds 34 departmental Athena SWAN awards, the most of any UK university, and all departments are actively engaged in the process. UCL has an active community of networks providing targeted support on gender, race, LGBTQ+, disability, faith and to first-generation university students.

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

UCL is committed to becoming a global leader in knowledge exchange, enterprise and open innovation with societal impact. The relationship with London is central to this commitment. UCL brings its profile as London's Global University and its international connectivity to bear on establishing UCL at the centre of a cluster of organisations that will make London the premier destination for higher education, research and innovation in the world. UCL recognises its role in making London a better place to live and work in for all, and in promoting and contributing to social equity and environmental sustainability across the city.

## OPERATING AND FINANCIAL REVIEW

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UCL was shortlisted for the 2020 Times Higher Education Award for Outstanding Entrepreneurial University. This acknowledges how UCL has become one of the leading universities in the UK in translating its knowledge and ideas externally, to contribute to economic growth and societal benefit. Its natural predisposition to 'disruptive thinking', and a recent focus to embed the frameworks and support needed to enable innovative behaviours in its students and academics, has meant UCL's entrepreneurial community is now thriving.

February 2020 saw UCL breaking ground on the multi-use research and residential centre at Pool Street West, UCL East. This followed the start of construction on the Marshgate building at UCL East in summer 2019. The Pool Street West building will be publicly accessible; the first three floors of learning and research space will include a cinema, doubling as a lecture and event space, as well as cafés and state-of-the-art public space facilities. Two towers on either side of a main podium will rise above a landscaped roof terrace, providing living space to 550 students. The Pool Street West and Marshgate buildings are expected to be completed in time for the start of the 2022 and 2023 academic years respectively. Joined by other world-famous London cultural institutions such as Sadler's Wells, BBC Music, University of the Arts London's College of Fashion and the V&A, UCL East is a founding partner of East Bank, the largest cultural and educational district in Europe.

In December 2019 UCL and the London Borough of Camden signed a statement of intent to extend their collaboration in areas such as climate change, sustainability and social change. The new agreement will lead to a step-change in collaborative engagement with the local authority to tackle modern urban challenges in innovative ways, potentially benefiting hundreds of thousands of people living in the borough and beyond.

On social welfare, UCL's Centre for Access to Justice continues to offer free legal advice on social welfare issues to ensure that vulnerable adults have a lifeline of support throughout the pandemic.

### *Theme 6 Delivering Global Impact*

UCL is enhancing its international profile by developing a reputation as a university that delivers outcomes with impact for communities, and that listens, learns, helps to build capacity and adds long-term value through our international activities and presence.

UCL's five-year Global Engagement Strategy is being refreshed and the new Strategy will run to 2026, coinciding with UCL's bicentenary celebrations. The commitment to building international partnerships will remain, with an emphasis on using UCL's 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 most immediate tangible contribution towards the Covid crisis was its role in the development of the CPAP (Continuous Positive Airway Pressure) breathing aid that helped to keep patients out of intensive care. Led by engineers Professor Rebecca Shipley (UCL Institute of Healthcare Engineering), Professor Tim Baker (UCL Mechanical Engineering), and clinicians Professor Mervyn Singer (UCL Medicine and UCL Hospital Critical Care) and Professor David Lomas (UCL School of Life and Medical Sciences), a highly interdisciplinary team from across UCL and UCLH worked with industry partners Mercedes-AMG High Performance Powertrains to reverse engineer a CPAP device that could be rapidly manufactured and delivered to hospitals ahead of a predicted surge in admissions. The breathing aids are now being used in over 120 hospitals and findings show that administering CPAP prevents around 50% of patients from needing invasive ventilation. The designs have been made freely available for international use and have now been downloaded by over 1,950 teams in 105 countries, and around 20 of these countries have moved to mass-manufacture.

UCL's strategic partnerships with the University of Toronto and Peking University have flourished over the past year, and UCL continues to develop cross-institutional partnerships in Europe, North America and East Asia. These partnerships have returned value to both parties during the pandemic. Best practices and information on managing the crisis and exiting lockdown have been shared with a range of global partners.

Since March 2020, UCL has amended the means by which it stays globally engaged in an era of lockdown: a future of much more limited travel and face-to-face interaction. UCL delivered a number of virtual global events, including the UCL African Partners Summit and the European perspectives on Covid webinars. In October academic networks across UCL joined together to deliver the "Beyond Boundaries: Realising the UN sustainable Development Goals" conference. Taking engagement on-line has enabled more global partners to join and participate in these events.

## OPERATING AND FINANCIAL REVIEW

### Financial review

UCL's summary consolidated results for the year ended 31 July 2020 are summarised in the table below.

Results for the year ended 31 July 2020	2020 £m	2019 £m
<b>Total income</b>	<b>1,543.7</b>	<b>1,487.1</b>
Operating expenditure before movement on USS pension provision	(1,496.6)	(1,416.9)
Other gains and losses and tax	6.2	16.7
Share in joint ventures, associates and non-controlling interests	0.2	(0.1)
<b>Operating surplus (before movement on USS pension provision and unrealised gains on consolidation)</b>	<b>53.5</b>	<b>86.8</b>
Movement on USS pension provision	159.5	(254.5)
Consolidated gains on investments	(12.7)	30.5
<b>Total comprehensive income for the year</b>	<b>200.3</b>	<b>(137.2)</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 has historically been 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 University's progression towards those long term targets, has been disrupted to an extent by the Covid pandemic but, in that context, the outcome achieved - a surplus of 3.5% of income (excluding movements on the USS pension provision and consolidated gains on investments), operating cashflow of 11.6% of income, total debt of 3.0x EBITDA and liquidity of 74 days (excluding headroom on short-access debt facilities) - is deemed acceptable and encouraging.

The pandemic's impact on performance for 2019-20 has also been more limited than might otherwise have been the case; and this is, at least in part, testament to the university's resilience and the strength of its response. Whilst revenue was suppressed in a number of areas and substantial additional costs incurred - the details of which are set out in the operating performance section below - the combined effect was largely offset by government support measures and savings opportunities that arose through the slowdown of activity during the first national lockdown.

### USS Pension Provision

As with the prior year, UCL's reported results for 2019-20 have been materially influenced by a significant movement in the value of the USS pension provision. In this case, a decrease of £159.5m (2018-19: a £254.5m increase) representing a credit to the Statement of Comprehensive Income and Expenditure.

Following the scheme's 2017 valuation - under which the Trustee advised that the scheme's deficit had increased to £7.5bn and that member and employer contributions would need to increase to a combined total of 36.6% - 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.

In order to consider those recommendations and to incorporate the latest market data, the Trustee agreed to carry out a 2018 valuation (two years earlier than the statutory requirement), and this concluded in October 2019. This latest valuation assessed the deficit at £3.6bn and, as a consequence, combined contributions were reduced to 30.7%

In light of the 2018 valuation, a revised deficit recovery plan was put in place, and a proportion of employer contributions - at a rate of 2% over the period from October 2019 to September 2021 and rising to 6% for the period to March 2028 - was specifically earmarked to fund past deficits within the scheme. This represented a significant reduction on the 2017 recovery plan which required a commitment of 5% over a fourteen year period to June 2034.

As a participating employer, UCL is required to value the 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

## OPERATING AND FINANCIAL REVIEW

amounted to £385.1m and, following the outcome of the 2018 valuation, the substantial decrease in the year (to £226m) reflects both the reduction in the level of contributions committed and a shortening of the period over which the commitment is in force.

As the commitment is funded from within existing contribution levels, the £159.5m credit in the year does not represent an additional cash inflow for the University, and the provision will continue to unwind as employer contributions are paid.

### Operating Performance

For the 2019-20 financial year, UCL's underlying operating surplus (excluding USS pension charge and consolidated gains on investments) stands at £53.5m: 3.5% of total income and £13.5m (25%) above the equivalent pre-Covid forecast for the year of £40.0m as set in January 2020.

At an institutional (as opposed to Group) level, academic activity and professional services support for the year outperformed January forecasts by a combined £9.7m - an impressive performance in a challenging and uncertain environment – and this was supplemented by outperformance on the UCL investment portfolio of £6.3m.

Aggregate operating losses on consolidation of the Group's subsidiaries, at a combined £2.5m, account for the balance of that £13.5m increase on forecast and, within the £2.5m loss, £1.1m was incurred by UCL Residences: the Group's commercial provider of non-term time accommodation and an entity that saw its operations severely disrupted by Covid-19.

In terms of the broader impact of the covid pandemic however: the timing of the outbreak, when the teaching component of the academic year had almost concluded, meant that fee income was largely insulated. Research grant income did suffer a marginal fall against the prior year (3%) and short course income was reduced by £5.3m but, in both cases this was less than was feared and operations are expected to recover in the near term.

Additional costs were incurred in preparing for the move to a blended on-line teaching model as well as for the opening of a safe, socially distanced campus (£10.3m in total). The combined effect of this though was compensated for by increased government funding of £14m - including furlough claims of £4.6m as well as an £8.9m acceleration of 2020/21 mainstream research funding – and by savings across operational activities that were effectively suspended during the summer lockdown: travel, laboratory consumables and estates running costs.

A decision in May 2020 to pause all capital projects other than those that were either in-contract or on-site also worked to preserve cashflow. This reduced the cash expenditure associated with the capital programme by £20m in relation to the January target and helped to ensure that net operating outflow after investing activities (including capital expenditure) stood £49m below the prior year equivalent (at £19m).

The £33.3m decrease in operating surplus against 2018-19's £86.8m is not therefore wholly Covid related. Whilst the pandemic invariably played a part, much of the variance can be accounted for by a rate of growth in salary costs (£70m or 8.8%) that outstripped income growth of £57m (3.8%), an £11.3m increase in depreciation costs and a reduction in UCL's (single entity) gain on investments for the year of £10m.

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

Source of income	2019-20		2018-19	
	£m	%	£m	%
Funding Councils	227.9	15	213.5	14
Academic fees	613.7	40	564.9	38
Research contracts	467.7	30	481.1	32
Other operations	200.5	13	179.2	12
Interest	7.3	-	7.9	1
Donations and Endowments	26.6	2	40.5	3
<b>Total</b>	<b>1,543.7</b>		<b>1,487.1</b>	

## OPERATING AND FINANCIAL REVIEW

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Total income from the Funding Councils (OfS and UKRI) increased by £14.4m in comparison to prior year, and this largely reflects the accelerated receipt of £8.9m in recurrent research grant funding, brought forward from 2020-21. Recurrent funding for teaching of £35.3m has marginally decreased against prior year (by 3%) as has capital grant funding of £24.5m (by 8.5%), but this has had little impact on the overall proportion of income from funding councils, which remains at 15% of total income.

Academic fee income was up £48.8m (8.6%) to £613.7m, with the rise almost exclusively driven by growth in the full-time international (non-EU) student base. This fee segment saw a rise of £51.9m (17.5%) in the year, reflecting a proportionate 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 fell by £5.3m (22.5%).

Income from research contracts fell by £13.4m (3%) against the previous year, largely as a result of a slow-down in grant awards and in certain activities that couldn't be carried out remotely over the course of the summer. The fall in grant funded research income is countered by an equal and opposite fall in expenditure and is also reflected in a proportionate fall in overhead recovery which, at £84m, stands at £2.3m (2.6%) below its January forecast.

Income from other operations was up by £21.3m (12%) against the previous year, largely driven by a one-off £15.1m contributing to the cost of producing and distributing CPAP devices, £11.3m in additional royalty income from UCL Business and £4.6m of furlough income. This was offset in part by reduced income across disrupted operations, such as the hosting of events and conferences (a reduction of £2.3m against prior year), the provision of non-medical consultancy (a reduction of £2.3m) and room hire (a reduction of £1m).

Income from donations and endowments fell by £13.9m (34%), partly due to the impact of a £7.9m legacy received in the prior year and partly due to the gradual slowing of fundraising activity as the It's All Academic campaign approached its successful conclusion at the end of July (by which point it had raised £624m against the campaign target of £600m).

Staff costs (excluding the USS pension charge) increased by 8.8% in the year to £863.7m (2018-19: £793.9m) and this is broadly reflective of the increase in average headcount from 15,757 in 2018-19 to 16,385. This total cost of £863.7m amounts to 56% of total income (2018-19: 53%).

Other operating expenses reduced by £2.3m (<1%) to £528.9m, with the most significant decreases attributable to operational activities impacted by lockdown: laboratory consumables fell by £8.1m (17%) and conference, travel and training costs fell by £18.5m (39%). Scholarships and prizes continued to rise however with a £5.7m (7%) increase on prior year whilst equipment costs and professional fees rose by £6.7m (13%) and £7.8m (21%) respectively in support of the move to home working and UCL's Covid-19 response in general.

Other operating expenses also includes audit fees for the year (£0.5k) and other fees paid to UCL's auditors (£0.2k).

Total net assets increased in the year from £1,287m to £1,487m, although this was heavily influenced by the £159.5m decrease in the USS pension provision. Excluding the £159.5m, total net assets increased by £41m. The value of UCL's endowment assets at £143m (2018-19: £139m) reflects a 3% increase on prior year, and total reserves (excluding endowments and USS pension provision) increased from £1,533m to £1,570m.

Cash and short-term deposits decreased to £282m (2018-19: £309m) in light of the University's continued prosecution of the capital programme and the £27m fall in the year broadly represents the excess of capital expenditure (at £246m) over and above operating cash inflow (£168m) and capital grant receipts (£58m). A cash balance of £282m represents 74 days' expenditure (excluding depreciation), compared to 85 at the previous year-end.

Net current liabilities stands at £157m (2018-19: £34m), with the movement against prior year partly attributable to the £27m decrease in cash referenced above, partly to a £56m increase in the value of research grant payments received in advance of spend (reflecting a marginal slowdown in research activity), and partly to a net £11m increase across purchase creditors and accruals. A £21m finance lease exit payment, due for settlement in April 2021, was also transferred from non-current to current liabilities within the year.

Creditors due after more than one year, at £746m, includes £392m of research grant payments received in advance of spend and a further £63m 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 £589m are sufficient to meet UCL's current cash obligations whilst maintaining an appropriate level of working capital.



## OPERATING AND FINANCIAL REVIEW

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The existing capital programme will, in addition, continue be funded from a combination of existing reserves, philanthropy and new debt. As at the year-end date, UCL had combined drawings of £280m against its debt facilities and this related wholly to the credit facility held with the European Investment Bank: the terms of which structure repayment over a 30 year period to 2048 with capital repayment commencing in June 2026. As to mid-term liquidity support, UCL also entered into a new £150m revolving credit facility (RCF) with Natwest in January 2020. This replaced the previous facility with a club of four banks that was due expire in March 2020, and provides UCL with rolling access to a maximum of £150m across a 7 year term.

As at the 2019-20 year-end, nothing had been drawn against the RCF leaving £150m of headroom.

In addition, and following approval at its June Council meeting, UCL is now able to access up to a further £500m of support through the Bank of England's Covid Corporate Financing Facility (CCFF). Cash is accessed through the issuance of short-term, low cost and unsecured debt directly to the Bank of England, with issuers able to determine the amount of cash raised up to the maximum limit and up to a final maturity date of March 2022. As at the year-end, UCL was not projecting to draw against the facility but it remains in place as insurance against the possibility of another deterioration in the financial environment.

### *Financial outlook*

The national and international context for higher education is experiencing an exceptional degree of uncertainty and change as a result of the Covid pandemic, along with many other parts of our economy and social infrastructure. Attempting to map the financial outlook is even more challenging than usual but UCL is resilient and remains well placed to continue to pursue its strategic aims and thrive as the future landscape develops.

We have delivered a large-scale unplanned deployment of technology and digital solutions to support delivery of teaching and learning support to our students, and to enable new ways of working for academic staff, researchers and those in professional services. However patterns of educational delivery settle in future, this will serve us and our students well and ensure we can continue to strive for further improvements in teaching quality, educational outcomes and in the student experience.

We developed and have been tracking a range of possible financial scenarios, largely hinging on the extent to which international student recruitment is affected by the pandemic. To date, the indicators are positive with total student numbers exceeding the original pre-pandemic targets, albeit that the intake does not exceed target in all subject areas. The situation however remains fragile, with a significant proportion of students studying fully remotely and halls of residence under-occupied as a result. Our forecasts assume a higher than normal rate of attrition, though the evidence to support that is not yet emerging.

We have incurred substantial additional expenditure in ensuring that the campus is Covid-safe for students and staff, and that some face-to-face teaching can take place for all students on campus. The need also to provide adequately for operational risks and potential further loss of income mean that the results for the 2020-21 financial year will be depressed, though our central forecast currently projects a small surplus. The extent to which the impact continues into 2021-22 remains uncertain, though our forecast is for an operational performance for that year that resumes its previously planned trajectory.

All capital estates projects that were not on-site or in contract were paused in order to protect our cash position. This decision involved the continuation of our most substantial projects, notably UCL East Phase 1 and the construction of the new headquarters for the Institute of Neurosciences and the national Dementia Research Institute. This will involve capital expenditure in excess of £200m in 2020-21. This is manageable with a temporarily depressed operating performance and within our existing loan facilities. In order however to mitigate the effect of a potentially material adverse downside outcome (compared to our central forecast) we took precautionary action to secure an additional short-term loan facility and to negotiate temporary adjustment to the covenant requirements in relation to our existing facilities.

We have increased the frequency of our reporting and reforecasting with additional scrutiny of our projected liquidity and will maintain this discipline until it is no longer required.

The impact of the UK's withdrawal from the EU continues to create further uncertainty and financial risk. Our planning has been underway since the referendum result in 2016 and our attention has been especially applied to 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.

## OPERATING AND FINANCIAL REVIEW

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We have established 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.

The intake of students from the EU in 2020 was the final cohort to be charged the same level of fee as British students and this status will last for the duration of their degree courses. Our analysis suggests that for future years, the impact on UCL's income will be broadly neutral, with a probable decrease in EU student numbers offset by the increase in fee.

UK researchers were able to apply for EU research funding until the end of 2020, and the Government has committed to underwrite existing European research grants for their duration. We remain confident that EU funding will continue to be accessible in future through our extensive network of European research partners.

The landscape in terms of UK higher education policy remains uncertain, though currently stable. Once the government and the relevant funding/regulatory bodies are able to turn their attention away from other matters, we might expect to see new policy developments emerging and we will need to monitor those closely. Encouragingly, the government have re-confirmed their commitment to increasing research spending to a level of 2.4% of GDP. UCL currently receives around £150m 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, unless delayed. In response to the Government's commitment, the sector's Higher Education Innovation Fund (HEIF) annual funding has also increased from £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, 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.

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.

### USS Pension Scheme

UCL participates in a number of pension schemes, the most significant of which is the Universities Superannuation Scheme (USS). The Trustee's last valuation of the scheme took place as at 31 March 2018, concluded in October 2019 and assessed the scale of the deficit at £3.6bn (2017 valuation £7.5bn). Contributions increased to 30.7% in total from 1<sup>st</sup> October 2019 (members 9.6% and employers 21.1%) and are due to increase again from October 2021 to a total of 34.7%.

The current valuation was initiated as at 31 March 2020 and the indicative figures available to date suggest that the deficit and the cost of future benefit accrual have both risen substantially. The valuation is due to conclude in June 2021 and may impact contribution rates from October 2021 onwards.

### 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.

In the summer 2020, a full overhaul of the strategic risk register was undertaken to reflect the dramatic change in the operating environment and to re-focus the management team's attention accordingly. This exercise was overseen by the Risk Management Working Group and the results were approved by the Senior Management Team and the Audit Committee, on behalf of Council.

Action is being taken in respect of all the identified strategic risks but most urgently in respect of those with the highest severity rating. The risk judged to have the highest residual (i.e. post-mitigation) impact rating was the potential adverse effect of Covid on student numbers and fee income. Another highly rated risk was the potential deterioration of the physical and mental wellbeing of students and staff. A wide range of measures have been taken



## OPERATING AND FINANCIAL REVIEW

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and resources committed to addressing this risk and to ensure adequate support is provided for staff and students, whatever their circumstances.

Other notable risks include: the level of dissatisfaction students may feel with their academic and wider UCL experience, enhanced exposure to cyber-attacks, reduction in the value of UCL's research portfolio, deceleration of our capital investment plans and deferral of associated benefits.

In parallel, UCL continues to monitor and manage operational risk through a continuous cycle of local risk register review by organisational units within UCL and through internal audit. The focus of the audit work is reviewed annually in collaboration with UCL's internal audit partner, and results are reported periodically to Audit Committee.

### Delivering public benefit

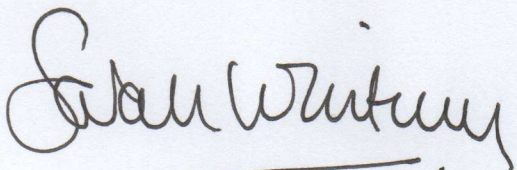
UCL has exempt charity status and, in accordance with part 3 of the Charities Act 2011, the Office for Students (OfS) is charged, as its principal regulator, with monitoring compliance with charity law obligations.

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

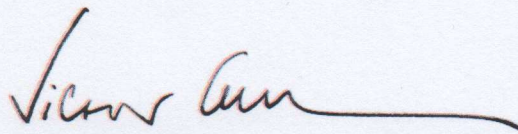
In addition to its objectives, UCL's global vision is informed by four clear principles of intent that form the basis of all it does:

- 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 2019-20' on pages 4 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 2019-20, UCL's governing body, the Council, commissioned an external review of its effectiveness, including an exercise to benchmark UCL's governance practices against the six primary elements of Higher Education Governance set out in the Higher Education Code of Governance, published by the Committee of University Chairs (CUC) in September 2020 but available in draft form at the time of review. The review found that, overall, UCL's governance practice, principles, process and values were compliant with the CUC code. The review nevertheless made a number of recommendations for ways in which UCL might strengthen its governance in light of best practice, and Council established a working group to consider these matters and report back to Council.

Council and other UCL committees have also continued to meet, albeit remotely, throughout the Covid-19 pandemic and in doing so, both Council and the relevant committees have kept the financial impact of Covid-19 under review as well as the impact on students, staff and other key stakeholders.

In this context, the summary below describes the manner in which UCL has sought to ensure that the best principles of governance and management are maintained in a manner appropriate to the nature and character of the institution.

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 2020 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 "Regulatory framework for higher education in England" published by the OfS in February 2018.

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

## CORPORATE GOVERNANCE

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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.

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. The Committee determines the annual remuneration of senior officers of UCL and where necessary decides on any severance payments. The Provost is not a member of the Committee and 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 "Regulatory framework for higher education in England" published by the OfS in February 2018, 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 Regulatory framework for higher education in England published by the OfS in February 2018;
- (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.

## INDEPENDENT AUDITOR'S REPORT TO THE 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 2020 which comprise the Consolidated and Institution Statement of Comprehensive Income, Consolidated and Institution Statement of Changes in Reserves, Consolidated and Institution Statement of Financial Position, Consolidated Statement of Cash Flows, the Statement of Accounting Policies and the notes to the accounts 1 to 35, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards 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 2020, 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, relevant legislation and Office for Students requirements.

### 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 16, 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

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

## INDEPENDENT AUDITOR'S REPORT TO THE 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 UK Research and Innovation (including 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 relevant year's financial statements have been met.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Office for Students require us to report to you where:

- the University's grant and fee income, as disclosed in note 7 to the financial statements, has been materially misstated
- the University's expenditure on access and participation activities for the financial year has been materially misstated.

### Responsibilities of the Council

As explained more fully in the Statement of the Council's Responsibilities set out on page 16, 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.

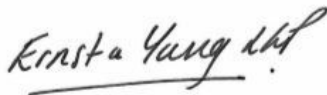
### Auditor's responsibilities for the audit of the financial statements

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 Charters 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: 28 February 2021**

### 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 INSTITUTION STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Income</b>					
Tuition fees and education contracts	1	613,717	613,717	564,898	564,898
Funding body grants	2	227,903	227,903	213,479	213,479
Research grants and contracts	3	467,714	467,327	481,083	479,154
Other income	4	200,491	155,247	179,240	159,479
Investment income	5	7,340	7,325	7,870	7,789
Donations and endowments	6	26,576	28,555	40,509	41,932
<b>Total income</b>		<b>1,543,741</b>	<b>1,500,074</b>	<b>1,487,079</b>	<b>1,466,731</b>
<b>Expenditure</b>					
Staff costs	8	863,684	854,348	793,903	784,396
Movement on USS pension provision	8,10	(159,466)	(159,255)	254,535	254,107
Other operating expenses	9	528,868	491,406	531,123	517,947
Depreciation and amortisation	14,15	97,500	97,451	86,140	86,070
Interest and other finance costs	10	6,553	6,949	5,662	5,700
<b>Total expenditure</b>	11	<b>1,337,139</b>	<b>1,290,899</b>	<b>1,671,363</b>	<b>1,648,220</b>
<b>Surplus/(Deficit) before other gains/losses and share of operating surplus/deficit of joint ventures and associates</b>		<b>206,602</b>	<b>209,175</b>	<b>(184,284)</b>	<b>(181,489)</b>
Loss on disposal of fixed assets		(10)	(8)	(10)	(10)
Loss on disposal of subsidiary		(23)	-	(13)	-
(Loss)/Gain on investments	17	(6,408)	6,270	47,273	16,770
Share of operating deficit in joint ventures	18	(1)	-	(3)	-
Share of operating profit/(deficit) in associates	19	217	-	(48)	-
<b>Surplus/(Deficit) before tax</b>		<b>200,377</b>	<b>215,437</b>	<b>(137,085)</b>	<b>(164,729)</b>
Taxation	13	(29)	-	(24)	-
<b>Surplus/(Deficit) for the year</b>		<b>200,348</b>	<b>215,437</b>	<b>(137,109)</b>	<b>(164,729)</b>
Actuarial loss in respect of pension schemes		(81)	(81)	(73)	(73)
<b>Total comprehensive income for the year</b>		<b>200,267</b>	<b>215,356</b>	<b>(137,182)</b>	<b>(164,802)</b>
Represented by:					
Endowment comprehensive income for the year		4,565	4,565	20,865	20,865
Restricted comprehensive income for the year		1,235	1,235	4,677	4,677
Unrestricted comprehensive income for the year		56,560	49,110	61,694	59,497
Pension reserve comprehensive income for the year		159,466	159,255	(254,535)	(254,107)
Revaluation reserve comprehensive income for the year		(21,547)	1,191	30,049	4,266
Attributable to the University		200,279	215,356	(137,250)	(164,802)
Attributable to the non-controlling interest		(12)	-	68	-
		<b>200,267</b>	<b>215,356</b>	<b>(137,182)</b>	<b>(164,802)</b>
<b>Surplus/(Deficit) for the year attributable to:</b>					
Non controlling interest		(12)	-	68	-
University		200,360	215,437	(137,177)	(164,729)

All items of income and expenditure relate to continuing activities.

UNIVERSITY COLLEGE LONDON  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

## CONSOLIDATED AND INSTITUTION 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 2018</b>	<b>117,799</b>	<b>10,090</b>	<b>1,378,150</b>	<b>1,423,987</b>	<b>57</b>	<b>1,424,044</b>
Surplus/(Deficit) from the income and expenditure statement	25,856	7,151	52,026	(137,177)	68	(137,109)
Other comprehensive income	-	-	-	(73)	-	(73)
Transfers between revaluation and income and expenditure reserve	-	-	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>(137,250)</b>	<b>68</b>	<b>(137,182)</b>
<b>Balance at 1 August 2019</b>	<b>138,664</b>	<b>14,767</b>	<b>1,439,844</b>	<b>1,286,737</b>	<b>125</b>	<b>1,286,862</b>
Surplus/(Deficit) from the income and expenditure statement	9,617	3,220	38,970	(10,994)	(12)	200,348
Other comprehensive income	-	-	-	(81)	-	(81)
Transfers between revaluation and income and expenditure reserve	-	-	10,553	-	-	-
Release of restricted funds spent in year	(5,052)	(1,985)	7,037	-	-	-
<b>Total comprehensive income for the year</b>	<b>4,565</b>	<b>1,235</b>	<b>56,560</b>	<b>(21,547)</b>	<b>(12)</b>	<b>200,267</b>
<b>Balance at 31 July 2020</b>	<b>143,229</b>	<b>16,002</b>	<b>1,496,404</b>	<b>1,487,016</b>	<b>113</b>	<b>1,487,129</b>

Institution

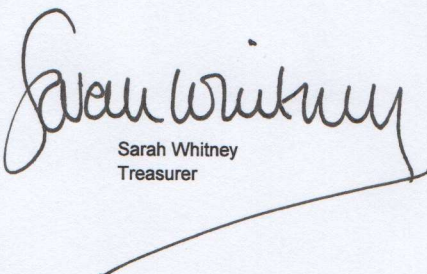
	Income and expenditure account	Revaluation reserve	Pension reserve	Total excluding Non Controlling Interest	Non controlling interest	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000	£'000
<b>Balance at 1 August 2018</b>	<b>117,799</b>	<b>10,090</b>	<b>1,385,045</b>	<b>1,423,259</b>	<b>-</b>	<b>1,423,259</b>
Surplus/(Deficit) from the income and expenditure statement	25,856	7,151	51,431	(164,729)	-	(164,729)
Other comprehensive income	-	-	-	(73)	-	(73)
Transfers between revaluation and income and expenditure reserve	-	-	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>(164,802)</b>	<b>-</b>	<b>(164,802)</b>
<b>Balance at 1 August 2019</b>	<b>138,664</b>	<b>14,767</b>	<b>1,444,542</b>	<b>1,258,457</b>	<b>-</b>	<b>1,258,457</b>
Surplus from the income and expenditure statement	9,617	3,220	41,523	215,437	-	215,437
Other comprehensive income	-	-	-	(81)	-	(81)
Transfers between revaluation and income and expenditure reserve	-	-	550	-	-	-
Release of restricted funds spent in year	(5,052)	(1,985)	7,037	-	-	-
<b>Total comprehensive income for the year</b>	<b>4,565</b>	<b>1,235</b>	<b>49,110</b>	<b>215,356</b>	<b>-</b>	<b>215,356</b>
<b>Balance at 31 July 2020</b>	<b>143,229</b>	<b>16,002</b>	<b>1,493,652</b>	<b>1,473,813</b>	<b>-</b>	<b>1,473,813</b>


UNIVERSITY COLLEGE LONDON  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020


**CONSOLIDATED AND INSTITUTION STATEMENT OF FINANCIAL POSITION**

		As at 31 July 2020		As at 31 July 2019	
	Notes	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Intangible assets	14	34,044	34,044	25,987	25,987
Fixed assets	15	2,204,629	2,203,924	2,050,198	2,049,598
Investments	17	280,355	265,663	293,442	249,638
Investment in joint ventures	18	-	-	1	-
Investments in associates	19	1,376	-	1,025	-
		<u>2,520,404</u>	<u>2,503,631</u>	<u>2,370,653</u>	<u>2,325,223</u>
<b>Current assets</b>					
Stock		127	127	485	485
Trade and other receivables	20	306,604	310,426	311,923	313,816
Cash and cash equivalents		<u>282,085</u>	<u>258,422</u>	<u>308,914</u>	<u>293,457</u>
		<u>588,816</u>	<u>568,975</u>	<u>621,322</u>	<u>607,758</u>
Less: Creditors: amounts falling due within one year	21	(746,115)	(730,234)	(655,396)	(639,351)
<b>Net current liabilities</b>		<u>(157,299)</u>	<u>(161,259)</u>	<u>(34,074)</u>	<u>(31,593)</u>
<b>Total assets less current liabilities</b>		<u>2,363,105</u>	<u>2,342,372</u>	<u>2,336,579</u>	<u>2,293,630</u>
Creditors: amounts falling due after more than one year	22	(636,788)	(635,090)	(645,194)	(643,496)
<b>Provisions</b>					
Pension provisions	23	(225,653)	(225,234)	(385,119)	(384,489)
Other provisions	23	(13,535)	(8,235)	(19,404)	(7,188)
<b>Total net assets</b>		<u>1,487,129</u>	<u>1,473,813</u>	<u>1,286,862</u>	<u>1,258,457</u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	24	143,229	143,229	138,664	138,664
Income and expenditure reserve - restricted reserve		16,002	16,002	14,767	14,767
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted before pension reserve		1,496,404	1,493,652	1,439,844	1,444,542
Pension reserve		(225,653)	(225,234)	(385,119)	(384,489)
Income and expenditure reserve - unrestricted after pension reserve		<u>1,270,751</u>	<u>1,268,418</u>	<u>1,054,725</u>	<u>1,060,053</u>
Revaluation reserve		57,034	46,164	78,581	44,973
		<u>1,487,016</u>	<u>1,473,813</u>	<u>1,286,737</u>	<u>1,258,457</u>
Non-controlling interest		113	-	125	-
<b>Total Reserves</b>		<u>1,487,129</u>	<u>1,473,813</u>	<u>1,286,862</u>	<u>1,258,457</u>

Approved by Council on 26th February 2021

  
Sarah Whitney  
Treasurer

  
Dr. Michael Spence  
President and Provost

  
Phil Harding  
Director of Finance and Business Affairs



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		200,348	(137,109)
<b>Adjustment for non-cash items</b>			
Depreciation	15	94,980	83,738
Amortisation of intangible assets	14	2,520	2,402
Loss on disposal of subsidiary		23	13
Gain/(Loss) on investments	17	6,408	(47,273)
Decrease/(Increase) in stock		358	(167)
Decrease/(Increase) in debtors		5,057	(20,049)
Increase in creditors		63,080	67,213
(Decrease)/Increase in pension provision	23	(159,547)	254,462
Decrease in other provisions	23	(2,374)	(1,857)
Impairment of intangible fixed assets	14	-	1,800
Impairment of tangible fixed assets	15	2,149	1,553
Impairment of fixed asset investments		256	-
Share of operating (profit)/deficit in joint ventures	18	1	3
Share of operating (profit)/deficit in associates	19	(217)	48
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(7,340)	(7,870)
Interest payable	10	6,553	5,663
Endowment income	6	(2,093)	(10,761)
Loss on sale of fixed assets		10	10
Capital grant income		(42,147)	(44,332)
<b>Net cash inflow from operating activities</b>		<b>168,025</b>	<b>147,487</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		195	-
Proceeds from sales of non-current asset investments		13,770	18,179
Reduction in cash on disposal of subsidiary		(66)	(74)
Capital grants receipts		58,346	42,254
Investment income received		2,954	3,386
Endowment income received		2,995	3,255
Payments made to acquire fixed assets		(245,634)	(264,690)
Payments made to acquire intangible assets		(10,317)	(5,344)
New non-current asset investments		(9,471)	(12,548)
Repayments from loans to associate companies		48	-
		<b>(187,180)</b>	<b>(215,582)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(4,525)	(3,873)
Interest element of finance lease and service concession payments		(1,899)	(1,552)
Endowment cash received		2,093	10,761
New unsecured loans		-	280,000
Repayments of amounts borrowed		(3,226)	(102,958)
Capital element of finance lease and service concession payments		(117)	(6,391)
		<b>(7,674)</b>	<b>175,987</b>
<b>(Decrease)/Increase in cash and cash equivalents in the year</b>		<b>(26,829)</b>	<b>107,892</b>
Cash and cash equivalents at beginning of the year		308,914	201,022
Cash and cash equivalents at end of the year		<b>282,085</b>	<b>308,914</b>
		<b>(26,829)</b>	<b>107,892</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 2019 (SORP 2019) 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.

#### Going Concern

The University considers the most appropriate going concern period to be to 31 July 2022, which is beyond 12 months from the approval of these financial statements and extends to the end of the next financial year.

#### Financial Performance and the 31 July 2020 year-end position

In the financial year to 31 July 2020, the University made a surplus of £53.5m before non-cash movement on the USS pension provision and unrealised gains on consolidation (2019: £86.8m). At the balance sheet date of 31 July 2020 the University held net debt of £44.8m (2019: £21.3m), including gross cash and cash-equivalents of £282.1m (2019: £308.9m), while net current liabilities were £157.3m (2019: £34.1m). Subsequent to the year-end, the University's cash position had improved, with £319.8m of gross cash and cash-equivalents held at 31 January 2021 alongside £150m of available headroom under the University's Revolving Credit Facility with Natwest. UCL drew fully against its £280m credit facility with the European Investment Bank in December 2018 and the additional liquidity is reflected in the current cash balance.

#### Forecasting through the going concern period

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 remains well placed to manage its risks successfully, and has a reasonable expectation that UCL has adequate resources to continue in operational existence to at least 31 July 2022. The financial statements have therefore been prepared on a going concern basis.

In reaching this conclusion, Council has specifically considered the unprecedented challenges faced by UCL and the sector as a whole as a result of the Covid pandemic. Detailed assessment has been made of the University's activities, principal risks and uncertainties in the context of the current operating environment, and this has included: impact analysis, scenario planning, review of forecast liquidity and covenant levels and the determination of potential mitigating actions.

The University has continually reassessed its latest forecast in light of the changing conditions, such as changing government restrictions due to the pandemic. As at the date of this report, the financial outlook for the University is more positive than forecasts had assumed in the immediate aftermath of the pandemic and over the majority of the summer. The central uncertainty brought about by Covid-19, and the most significant risk to the University's financial position, has been the impact it would have on student numbers and student fee income overall. In this respect, however, UCL's performance for the year has been encouraging and this has been reflected in a subsequent improvement in UCL's financial projections.

Enrolment data taken at the mid-October 2020 reporting point, indicated that recruitment targets had been exceeded for both full-time undergraduates and post-graduate taught students. In both cases, total enrolment at this point in the cycle represented a significant increase on prior year, with non-EU overseas students accounting for much of the increase.

Application statistics for the 2021 undergraduate admissions cycle have also indicated that this strong performance will continue. Total applications of 24,533 (at the 15 October 2020 census date) represented an increase of 18.2% in relation to the same point in the previous year. By 24 February 2021, total applications had increased to 67,904, representing an increase of 16% in relation to prior year.

Whilst it is acknowledged that a great deal of uncertainty still remains within the sector and within UCL's finances, the outcome on 2020 enrolment – a key underlying variable in UCL's financial planning – and on 2021 applications has allowed the University's financial forecasts to shift in a more positive direction.

UCL's current base case (the 'central forecast') reflects that view but also incorporates provision for the severe but plausible financial risks that have been identified through the University's downside scenario planning: most notably regarding the level of student deferrals and withdrawals over the course of 2020-21 and depressed income from student accommodation. It was set in November 2020 and models the University's financial performance through to July 2022: this being the going concern period for the financial statements, which is beyond the customary 12 months.

## STATEMENT OF ACCOUNTING POLICIES

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Under this central forecast, the operating surpluses for 2020-21 and 2021-22 are £18m and £45m respectively, whilst net operating cashflow for those two years is forecast at a positive £91m and £114m.

Since November 2020, the University has also considered the financial impact of the third national lockdown as well as actual performance to the end of January 2021. The continuation of remote teaching through term 2 is projected to have a minimal (up to ~£2m impact) on finances and the downside provision held within the central forecast is judged to remain sufficient. Actual expenditure to January 2021 is tracking behind the central forecast however and latest projections demonstrate this will result in an increase to net operating cash flow – above and beyond the central forecast – of £49m for 2020-21 (taking the total to a £140m inflow). The equivalent figure for 2021-22 is projected to remain at £114m.

In addition to the impact of Covid-19, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation in September 2020. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general. At this stage, an outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation.

The University has also considered a worst case scenario to reverse stress test the model, under which it breaches its covenants and expends all available liquidity before the end of the going concern assessment period. This allowed Council to assess their current financial resources and the likelihood that such a 'business-breaking' scenario would occur. In this extreme scenario, the principal modelling assumptions are: an unmitigated 17% reduction against pre-Covid student number forecasts; a 21% or £127m decrease in student fee income against the pre-Covid forecast, and an 18% reduction in research income in relation to the central forecast. Council is satisfied that the likelihood of these conditions arising remains too remote for this worst case scenario to be considered plausible when assessing the University's position as a going concern.

### Financing arrangements through the going concern period

As at 31 July 2020, UCL's debt financing totalled £295.1m, which comprised £280m of drawdown against the University's credit facility with the EIB, plus £15.1m of outstanding balances on legacy loans held with Barclays Bank and Royal Bank of Scotland. See note 22 for further details.

In January 2020, UCL also entered into a new £150m revolving credit facility (RCF) with Natwest. This replaced the previous facility with a club of four banks that was due to expire in March 2020, and provided UCL with rolling access to a maximum of £150m across a maximum 7 year term. As at the date of this report, nothing had been drawn against the facility and the total projected draw over the next three years per UCL's central forecast is £90m, leaving £60m of projected headroom.

The Office for Students (OfS) requires that universities have access to a minimum liquidity of 30 days operating expenditure. It is a reportable event to the OfS if it is reasonably likely this is not the case. This equates to a minimum cash balance for the University of at least £119m. As the University held £282.1m at the end of the 2019-20 financial year, is projecting net operating cash inflows over the next two years of £140m and £114m respectively and has access to a further £150m of headroom under its RCF, it is at no risk of breaching this requirement over the going concern period.

In response to the financial uncertainties surrounding Covid, UCL has also successfully applied for access to the Bank of England's COVID Corporate Financing Facility (CCFF) and has the ability to issue up to £500m debt under the facility, provided this is done before 21 March 2021. At the date of signing these financial statements, the University is not projecting any requirement to issue under the CCFF and is not intending to do so.

### Covenants

The University complied with all covenant requirements for existing borrowing at 31 July 2020 and forecasts headroom in its covenant compliance at 31 July 2021 and 31 July 2022.

### Further Mitigating Actions

The University will continue to maintain tight control over its expenditure and the monitoring of its activities in relation to teaching and research to identify any further potential risks to income. Work is being undertaken to consider further savings and efficiencies that could be made should it be required to further reduce costs in the increasingly unlikely event that the University's forecast position deteriorates.

## STATEMENT OF ACCOUNTING POLICIES

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In the event of downside risks materialising there are additional mitigations within its control that the University can implement, including further reductions in discretionary expenditure through the going concern period, in particular: the expansion of the current two year 'managed pause' across the capital programme (which has already resulted in a projected reduction in capital expenditure of £82m across 2020/21 and 2021/22; extension to the existing management controls surrounding the recruitment of both permanent and temporary roles; and the imposition of international travel restrictions for staff above and beyond Government guidance.

### Conclusion

The University has carefully considered the financial forecasting outlined above, the level of available financing, the performance of reverse stress tests and level of forecast covenant compliance. In light of this, Council has concluded that there is reasonable expectation that the University and Group has adequate resources to continue in operational existence for the going concern period. Therefore, the Council continue to adopt the going concern basis of accounting in preparing the Financial Statements.

### 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 2020. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income 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 income 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 income 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 consolidated statement of income 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.

### 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.

## STATEMENT OF ACCOUNTING POLICIES

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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.

### 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.

#### 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.



## STATEMENT OF ACCOUNTING POLICIES

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### 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.

### 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

## STATEMENT OF ACCOUNTING POLICIES

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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.

### **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.

## STATEMENT OF ACCOUNTING POLICIES

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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.

### 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 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>				
Full-time home and EU students	171,485	171,485	171,210	171,210
Full-time international students	348,523	348,523	296,665	296,665
Part time students	21,165	21,165	20,333	20,333
Other fees	19,755	19,755	19,226	19,226
Research training support grants	34,562	34,562	33,996	33,996
Short course fees	18,227	18,227	23,468	23,468
	<b>613,717</b>	<b>613,717</b>	<b>564,898</b>	<b>564,898</b>
<b>2 Funding body grants</b>				
<b>Recurrent grant</b>				
Office for Students:				
Teaching	35,276	35,276	36,429	36,429
Other	113	113	260	260
Research England:				
Research	163,051	163,051	145,305	145,305
Other	533	533	316	316
<b>Specific grants</b>				
Higher Education Innovation Fund	4,395	4,395	4,395	4,395
Capital grants	24,535	24,535	26,774	26,774
	<b>227,903</b>	<b>227,903</b>	<b>213,479</b>	<b>213,479</b>

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 Research England in the financial year was £17,924,000 (2019 - £17,713,000). Total capital funding received from Office for Students in the financial year was £1,320,000 (2019 - £2,187,000).

### 3 Research grants and contracts

Research councils	149,614	149,614	154,000	154,000
UK based charities	141,416	141,385	146,261	146,163
UK central government, local/health authorities, hospitals	63,149	63,101	60,008	59,944
UK industry, commerce and public corporations	17,837	17,759	21,551	20,473
UK other sources	10,404	10,404	6,908	6,827
EU government bodies	44,776	44,776	51,409	51,409
EU other	7,831	7,782	7,666	7,515
Other overseas	32,687	32,506	33,280	32,823
	<b>467,714</b>	<b>467,327</b>	<b>481,083</b>	<b>479,154</b>

Income from research grants and contracts includes deferred capital grants released in the year of £12,186,000 (2019 - £11,726,000).

### 4 Other income

Residences, catering and conferences	41,152	39,715	45,801	42,949
Other revenue grants	12,170	12,022	12,203	12,077
Other capital grants	551	551	1,076	726
Other services rendered	74,501	43,156	66,813	54,541
Health authorities	37,072	37,072	35,242	35,242
HS2 compensation	2,708	2,708	1,626	1,626
Other income	32,337	20,023	16,479	12,318
	<b>200,491</b>	<b>155,247</b>	<b>179,240</b>	<b>159,479</b>

Other income in the year includes a one-off £15.1m contributing to the cost of producing and distributing Covid-19 CPAP devices (other services rendered), £11.3m in additional royalty income from UCL Business (other income) and £4.6m of furlough income (other income). HS2 compensation represents amounts received and receivable from the Department for Transport for costs associated with reconstructing UCL's datacentre at an alternative site as well as compensation for other blighted UCL buildings on the HS2 route.

## NOTES TO THE ACCOUNTS

	Note	Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>5 Investment income</b>					
Investment income on expendable endowments	24	2,405	2,405	2,600	2,600
Investment income on permanent endowments	24	590	590	655	655
Other investment income		4,345	4,330	4,615	4,534
		<b>7,340</b>	<b>7,325</b>	<b>7,870</b>	<b>7,789</b>
<b>6 Donations and endowments</b>					
New endowments	24	2,093	2,093	10,761	10,761
Donations with restrictions		20,916	20,916	23,179	23,179
Unrestricted donations		3,567	5,546	6,569	7,992
		<b>26,576</b>	<b>28,555</b>	<b>40,509</b>	<b>41,932</b>
<b>7 Grant and fee income</b>					
The source of grant and fee income, included in notes 1 to 4 is as follows:					
Grant income from the OfS		35,488	35,488	37,923	37,923
Grant income from other bodies		637,197	637,049	632,109	631,633
Fee income for taught awards (exclusive of Vat)		515,415	515,415	465,383	465,383
Fee income for research awards (exclusive of Vat)		36,501	36,501	33,868	33,868
Fee income from non-qualifying courses (exclusive of Vat)		61,801	61,801	65,647	65,647
		<b>1,286,402</b>	<b>1,286,254</b>	<b>1,234,930</b>	<b>1,234,454</b>
<b>8 Staff costs</b>					
Salaries and wages		681,010	673,689	632,118	624,665
NI contributions		67,327	66,534	63,430	62,606
Other Pension costs	33	115,347	114,125	98,355	97,125
		<b>863,684</b>	<b>854,348</b>	<b>793,903</b>	<b>784,396</b>
Movement on USS provision		(165,537)	(165,316)	251,733	251,309
		<b>698,147</b>	<b>689,032</b>	<b>1,045,636</b>	<b>1,035,705</b>

## NOTES TO THE ACCOUNTS

	2020 £	2019 £
<b>Emoluments of the President and Provost:</b>		
Basic salary	410,232	375,755
Employer pension contributions	6,714	6,868
Taxable benefits in kind	30,180	7,144
Non-taxable benefits in kind	-	12,175
Other remuneration	25,000	3,092
	<b>472,126</b>	<b>405,034</b>

For the 2019-20 financial year, the basic salary of the President and Provost includes an exceptional payment of £24,566. This was paid in March 2020 as reimbursement for an additional 2019/20 tax charge that arose on HM Revenue & Customs' decision to treat (previously exempt) employer-provided accommodation as a taxable benefit across the sector.

In line with the disclosure requirements set out in the Office for Students' Accounts Direction for the 2019/20 financial year, the President and Provost's Basic salary now also includes his London Allowance of £3,143. The prior year classification as Other remuneration remains unchanged, reflecting the disclosure requirements in force for that financial year.

With regard to Employer pension contributions, 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.

This accommodation has been customarily provided by UCL in order to facilitate the better performance of the President and Provost's duties. Prior to the 2019/20 tax year, it had been regarded by HM Revenue and Customs (HMRC) as a non-taxable benefit. In February 2019 HMRC revised its position and confirmed that, from April 2019 onwards, the provision of such accommodation would be considered taxable.

The value of the benefit for the 2019/20 financial year reflects the methodology agreed with HMRC 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 2020 year-end date, the gross Market Rent of the property - as prepared in accordance with the requirements of the RICS Valuation - Global Standards 2017 was £83,200 (2018/19: £83,200). The total value of the prior year equivalent has been pro-rated across taxable and non-taxable benefits in kind to reflect the mid-year change in tax treatment.

Other remuneration reflects a single exceptional payment of £25,000. This was paid in July 2020, following a request from UCL for the President and Provost to remain in post and temporarily defer his retirement to support the University through the Covid-19 crisis. The Provost had been due to leave at the end of the academic year, but instead remained as Provost to cover the gap to his successor, Dr. Michael Spence, who joined in January 2021.

In relation to all other UCL employees:

The President and Provost's basic salary is 9.5 times the median pay of staff (2018/19: 9.5 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 9.0 times the median total remuneration of staff (2018/19: 8.5 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 in line with the 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 in the Office for Students' Accounts Direction for the 2019/20 financial year, the following table shows the basic salaries of higher paid staff, including the President and Provost, on a full-time equivalent basis. Basic salary includes market supplements, but excludes bonus payments, allowances, clinical excellence awards and other such payments.

The inclusion of market supplements within basic salary represents a change in requirements from the prior year position, as presented below, where market supplements were specifically excluded. As a result, current and prior year information is not exactly congruous and this change in disclosure definition has contributed to the increase in headcount between current and prior year.

	2020 No.	2019 No.
£100,000 - £104,999	137	146
£105,000 - £109,999	79	179
£110,000 - £114,999	169	26
£115,000 - £119,999	27	31
£120,000 - £124,999	44	62
£125,000 - £129,999	39	25
£130,000 - £134,999	25	9
£135,000 - £139,999	17	5
£140,000 - £144,999	10	5
£145,000 - £149,999	11	7
£150,000 - £154,999	11	5
£155,000 - £159,999	16	2
£160,000 - £164,999	7	8
£165,000 - £169,999	11	4
£170,000 - £174,999	4	5
£175,000 - £179,999	4	1
£180,000 - £184,999	4	2
£185,000 - £189,999	-	2
£190,000 - £194,999	3	2
£195,000 - £199,999	4	1
£200,000 - £204,999	3	-
£205,000 - £209,999	1	1
£210,000 - £214,999	1	1
£215,000 - £219,999	3	2
£220,000 - £224,999	3	1
£225,000 - £229,999	2	-
£230,000 - £234,999	1	-
£235,000 - £239,999	1	-
£240,000 - £244,999	1	-
£260,000 - £264,999	-	1
£265,000 - £269,999	1	-
£290,000 - £294,999	2	-
£375,000 - £379,999	-	1
£380,000 - £384,999	1	1
£410,000 - £414,999	1	-
	<b>643</b>	<b>535</b>

Included within the table above are 161 members of staff (2019 - 137) who were employed by UCL on a part time basis and for whom basic salaries have been factored up to reflect full time equivalents.

The average number of individuals paid through the payroll during the year was 15,861 (2019 - 15,757).

Compensation for loss of office in respect of 196 employees totalled £2,748,000 (2019 - £2,134,000 in respect of 70 employees)

## NOTES TO THE ACCOUNTS

### 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 32.

	2020 £'000	2019 £'000
Key management personnel compensation	3,147	3,406
Number of key management personnel included in above	21	20

### 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 (2019 - £nil). Seven trustees are also UCL employees but received no additional payment for acting as trustees. Total expenses paid to or on behalf of three trustees was £2,591 (2019 - £2,463 to five trustees). This represents travel, accommodation and office expenses incurred in the capacity of Council member.

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>9 Other operating expenses</b>				
Residences and catering	31,915	29,261	27,115	24,846
Furniture, computer and other equipment costs	57,182	46,404	50,442	49,930
Academic consumables and laboratory expenditure	40,027	38,917	48,168	47,408
Books, publications and periodicals	14,833	14,803	15,274	15,259
Scholarships and prizes	88,489	88,489	82,759	82,778
General educational expenditure	8,134	8,134	7,865	7,858
Rents, rates and insurance	30,641	30,527	25,631	25,355
Heat, light, water and power	16,979	16,979	16,893	16,869
Service charges	8,116	8,099	10,145	10,149
Repairs and general maintenance	18,716	18,706	19,362	19,354
Long term maintenance	8,303	8,303	7,503	7,503
Telephone	2,255	2,228	2,182	2,103
Advertising and recruitment	7,241	7,111	6,691	6,463
Printing, postage, stationery and other office costs	4,415	4,260	6,271	6,115
Conference, travel and training	29,314	28,843	47,807	47,569
Professional fees	44,556	35,404	36,792	34,544
Audit fees	469	350	237	178
Other fees paid to auditors	217	217	113	113
Grants to Students Union and other student bodies	2,833	2,833	2,796	2,796
Payments to non contract staff and agencies	38,158	37,464	39,833	39,269
Other costs	76,075	64,074	77,244	71,488
	<b>528,868</b>	<b>491,406</b>	<b>531,123</b>	<b>517,947</b>

Other costs includes an impairment of £2.15m relating to a suspended capital project at a student residence building (2019 - 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 and (b) £1.8m relating to development costs incurred within an HR system implementation project that were not carried through to the final system design).



## NOTES TO THE ACCOUNTS

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>10 Interest and other finance costs</b>				
Loan interest	5,028	5,028	3,531	3,531
Finance lease interest	1,899	1,899	1,552	1,552
Exchange differences	(374)	22	579	617
	<b>6,553</b>	<b>6,949</b>	<b>5,662</b>	<b>5,700</b>
Unwinding of pension deficit funding	6,071	6,061	2,802	2,798
	<b>12,624</b>	<b>13,010</b>	<b>8,464</b>	<b>8,498</b>

## 11 Analysis of total expenditure by activity

Academic departments	527,233	527,437	478,565	479,216
Academic services	93,683	93,891	92,459	92,938
Research grants and contracts	383,375	383,036	399,649	397,952
Residences and catering	39,866	37,212	35,285	33,016
Premises	180,666	180,666	168,864	168,864
Administration and central services	206,354	207,900	187,532	189,165
Other expenses	(94,038)	(139,243)	309,009	287,069
	<b>1,337,139</b>	<b>1,290,899</b>	<b>1,671,363</b>	<b>1,648,220</b>

During the year a revised USS deficit recovery plan was agreed by participating employers which resulted in a significant decrease to the value of UCL's provision. Details are set out in note 33. The effect of this is a £159m credit to other expenses (2019 - £254m charge).

## 12 Access and participation

UCL has an access and participation plan which has been approved by the Office for Students. Expenditure relating to the access and participation plan, included in notes 8 and 9 is as follows:

	Year Ended 31 July 2020		
	Staff costs £'000	Other operating expenses £'000	Total £'000
Access Investment	1,785	604	2,389
Financial Support	40	7,304	7,344
Disability Support	920	639	1,559
Research and Evaluation	173	57	230
	<b>2,918</b>	<b>8,604</b>	<b>11,522</b>

There are no comparative figures for the prior year, as access and participation plans were not in place prior to 1 August 2019 and so no figures exist as comparatives.

Staff costs above are included in the overall figures for staff costs included in the financial statements, see note 8.

Other operating expenses above are included in the overall figures for other operating expenses included in the financial statements, see note 9.

The UCL 2019-20 access and participation plan can be found at:

[https://www.ucl.ac.uk/widening-participation/sites/widening-participation/files/ucl\\_app\\_2019-2020.pdf](https://www.ucl.ac.uk/widening-participation/sites/widening-participation/files/ucl_app_2019-2020.pdf)

## NOTES TO THE ACCOUNTS

### 13 Taxation

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

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
UCL Trading Ltd	-	-	1	-
UCL Consultants Ltd	24	-	19	-
UCLB Investments Ltd	9	-	-	-
Mapping for Change Ltd	(4)	-	4	-
	<b>29</b>	<b>-</b>	<b>24</b>	<b>-</b>

### 14 Intangible assets

#### Software

##### Cost

	Year Ended 31 July 2020	
	Consolidated	University
	£'000	£'000
At 1 August 2019	31,487	31,487
Reclassification from fixed assets	260	260
Additions at cost	10,317	10,317

<b>At 31 July 2020</b>	<b>42,064</b>	<b>42,064</b>
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##### Amortisation

	Year Ended 31 July 2020	
	Consolidated	University
	£'000	£'000
At 1 August 2019	5,500	5,500
Charge for the year	2,520	2,520

<b>At 31 July 2020</b>	<b>8,020</b>	<b>8,020</b>
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##### Net Book Value

<b>At 31 July 2020</b>	<b>34,044</b>	<b>34,044</b>
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At 1 August 2019	25,987	25,987
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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

### 15 Fixed assets

Consolidated	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>Cost</b>					
At 1 August 2019	1,748,521	557,337	278,160	228,312	2,812,330
Reclassification to intangible assets	-	-	-	(260)	(260)
Additions at cost	64,697	5,853	31,900	149,595	252,045
Transfers	83,642	16,742	2,339	(102,723)	-
Reclassifications	2,434	(2,434)	-	-	-
Impairments	-	-	-	(2,149)	(2,149)
Disposals	-	-	(4,029)	-	(4,029)
<b>At 31 July 2020</b>	<b>1,899,294</b>	<b>577,498</b>	<b>308,370</b>	<b>272,775</b>	<b>3,057,937</b>
<b>Depreciation</b>					
At 1 August 2019	360,424	210,371	191,337	-	762,132
Charge for year	44,231	20,027	30,722	-	94,980
Reclassifications	2,278	(2,278)	-	-	-
Disposals	-	-	(3,804)	-	(3,804)
<b>At 31 July 2020</b>	<b>406,933</b>	<b>228,120</b>	<b>218,255</b>	<b>-</b>	<b>853,308</b>
<b>Net book value</b>					
<b>At 31 July 2020</b>	<b>1,492,361</b>	<b>349,378</b>	<b>90,115</b>	<b>272,775</b>	<b>2,204,629</b>
At 31 July 2019	1,388,097	346,966	86,823	228,312	2,050,198

University	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>Cost</b>					
At 1 August 2019	1,748,521	556,237	276,912	228,312	2,809,982
Reclassification to intangible assets	-	-	-	(260)	(260)
Additions at cost	64,697	5,853	31,743	149,595	251,888
Transfers	83,642	16,742	2,339	(102,723)	-
Reclassifications	2,434	(2,434)	-	-	-
Impairments	-	-	-	(2,149)	(2,149)
Disposals	-	-	(4,019)	-	(4,019)
<b>At 31 July 2020</b>	<b>1,899,294</b>	<b>576,398</b>	<b>306,975</b>	<b>272,775</b>	<b>3,055,442</b>
<b>Depreciation</b>					
At 1 August 2019	360,424	209,778	190,182	-	760,384
Charge for year	44,231	20,027	30,673	-	94,931
Reclassifications	2,278	(2,278)	-	-	-
Disposals	-	-	(3,797)	-	(3,797)
<b>At 31 July 2020</b>	<b>406,933</b>	<b>227,527</b>	<b>217,058</b>	<b>-</b>	<b>851,518</b>
<b>Net book value</b>					
<b>At 31 July 2020</b>	<b>1,492,361</b>	<b>348,871</b>	<b>89,917</b>	<b>272,775</b>	<b>2,203,924</b>
At 31 July 2019	1,388,097	346,459	86,730	228,312	2,049,598

The declared value of buildings for insurance purposes (day one basis) as at 1 August 2020 was £3.0bn (2019 - £3.5bn).

At 31 July 2020 freehold land and buildings included £686m (2019 - £668m) in respect of freehold land that is not depreciated, and £54m (2019 - £54m) in respect of leasehold land that is not depreciated.

At 31 July 2020 the net book value of the assets held under finance lease was £10.9 million (2019 - £11.2 million) with a depreciation charge for the year of £0.3m (2019 - £0.3m).

Included in the cost of fixed assets is aggregated interest capitalised of £9.6m (2019 - £5.4m).

## NOTES TO THE ACCOUNTS

### 16 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 2020 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.

### 17 Non-current investments

	Subsidiary companies £'000	Monies held on long term deposit £'000	Other investments £'000	Total £'000
<b>Consolidated</b>				
At 1 August 2019	-	16,755	276,687	293,442
Additions	-	2,306	8,690	10,996
Revaluations	-	-	(10,243)	(10,243)
Impairments	-	-	(396)	(396)
Disposals	-	-	(13,444)	(13,444)
At 31 July 2020	-	19,061	261,294	280,355
<b>University</b>				
At 1 August 2019	8,412	16,755	224,471	249,638
Additions	-	2,306	7,469	9,775
Revaluations	-	-	6,390	6,390
Impairments	-	-	(140)	(140)
Disposals	-	-	-	-
At 31 July 2020	8,412	19,061	238,190	265,663

Included in monies held on long term deposit is £19.1m (2019 - £16.8m) 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 21).

Other investments are categorised as follows:

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £m	University £m	Consolidated £m	University £m
Portfolio of fixed interest securities, equities and cash	203.8	203.8	190.4	190.4
Investment properties	1.5	-	2.0	-
Shares in The Francis Crick Institute Ltd	33.6	33.6	33.6	33.6
Credit facility fee	0.4	0.4	0.1	0.1
Shares in other limited companies and partnerships	22.0	0.4	50.6	0.4
	261.3	238.2	276.7	224.5

## NOTES TO THE ACCOUNTS

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

Note	Year ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Realised gains on disposal of investments	326	-	3,057	63
Gains on acquisitions and disposals of associates	134	-	124	-
Revaluation (losses)/gains	(6,868)	6,270	44,092	16,707
<b>Total (loss)/ gain on investments</b>	<b>(6,408)</b>	<b>6,270</b>	<b>47,273</b>	<b>16,770</b>

Revaluation gains have been accounted for as follows:

Statement of Comprehensive Income and Expenditure		(6,868)	6,270	44,092	16,707
Creditors		120	120	417	417
Provisions	23	(3,495)	-	3,427	-
<b>Total revaluation gains</b>		<b>(10,243)</b>	<b>6,390</b>	<b>47,936</b>	<b>17,124</b>

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

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

### 18 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 2019 plus management accounts to 30 June 2020 are included.

(b) **Help Digital CIC** was a joint venture community interest company of UCL Business Plc and the Whittington Hospital NHS Trust. The company carried out activities to develop, commercialise and implement digital interventions in healthcare. The company submitted a voluntary strike-off application in January 2020 and was dissolved in September 2020.

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

	2020 £'000	2019 £'000
<b>Share of operating loss:</b>		
EuroTempest	-	-
Help Digital	(1)	(2)
	<b>(1)</b>	<b>(2)</b>
<b>Share of taxation charge:</b>		
EuroTempest	-	-
Help Digital	-	(1)
	<b>-</b>	<b>(1)</b>
<b>Share of reserves:</b>		
EuroTempest	-	-
Help Digital	-	1
	<b>-</b>	<b>1</b>

## NOTES TO THE ACCOUNTS

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### 19 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 2019 plus management accounts to 31 July 2020 are included.

(b) 36.77% holding in ordinary shares of **Analyst 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 30 April 2020 plus management accounts to 31 July 2020 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 2020 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 2019 are included. Management accounts to 31 July 2020 are unavailable.

(e) 17.31% holding in the ordinary shares of **Brainminer Ltd.**, reduced from 30% following a share issue. The company has been accounted for as an investment in 2020.

(f) 30.6% holding in **Domainex Ltd.** The principal activity of the company is to exploit its technology platform in the field of protein domain hunting, gene expression and protein structure analysis. The company prepares accounts to 31 December, and accounts to 31 December 2019 plus management accounts to 31 July 2020 are included.

(g) 34.84% holding in the ordinary shares of **Glialign 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 2020 plus management accounts to 31 July 2020 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 2020 are included.

(i) 36.6% holding in the ordinary shares of **LRG1 Ltd.**, reduced from 39.72% following a share issue. The company has been set up to develop the use of leucine-rich alpha-2-glycoprotein-1 (LRG1) for ophthalmic conditions. The company prepares accounts to 31 December and accounts to 31 December 2019 plus management accounts to 31 July 2020 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. Accounts to 31 March 2020 and management accounts to 31 July 2020 are unavailable.

(k) 40.0% holding in ordinary shares of **Neuroresponse CIC.** The company has been established for the purpose of offering expert assessment and advice to people with long term conditions. The company prepares accounts to 31 October, and accounts to 31 October 2019 plus management accounts to 31 July 2020 are included.

(l) 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 2020 are included.

(m) 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 2019 plus management accounts to 31 July 2020 are included.

(n) 48.96% holding in ordinary shares of **SmartTarget Ltd.** 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 2020 are included. Management accounts to 31 July 2020 are unavailable.

(o) 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 2019 are included. Management accounts to 31 July 2020 are unavailable.

(p) 43.76% 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. Accounts to 31 March 2020 and Management accounts to 31 July 2020 are unavailable.

(q) 44.0% holding in ordinary shares of **TCR Materials Ltd.** The company has been established to exploit patents from UCL regarding a durable, superhydrophobic ("easy-to-clean") coating. The company prepares accounts to 28 February and accounts to 28 February 2020 are included. Accounts to 31 July 2020 are unavailable.

(r) 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 2020 are included. Management accounts to 31 July 2020 are unavailable.

## NOTES TO THE ACCOUNTS

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

	2020 £'000	2019 £'000
<b>Share of operating (loss)/profit:</b>		
Abcodia	(20)	(13)
Amalyst	-	(35)
Atocap	(31)	31
Brainminer	(71)	-
Domainex	259	(166)
Glialign	(6)	(17)
Helicon Health	(5)	5
LRG1	(145)	(17)
Movement Metrics	-	(3)
Neuroresponse	40	-
Pentraxin	(9)	(23)
Senceive	203	79
SmartTarget	1	(8)
SoftV	(1)	-
Sylus Pharmaceuticals	-	61
Trim Tots	(24)	(6)
	<b>191</b>	<b>(112)</b>

**Share of taxation credit/(taxation charge):**

Abcodia	20	13
Amalyst	3	-
Domainex	2	52
Pentraxin	-	(2)
SmartTarget	1	1
	<b>26</b>	<b>64</b>

**Share of reserves:**

Amalyst	18	15
Atocap	-	31
Blue Sky Imaging	11	11
Domainex	817	556
Glialign	8	14
Helicon Health	-	5
LRG1	40	122
Movement Metrics	8	8
Neuroresponse	40	-
Pentraxin	63	72
Senceive	363	160
SmartTarget	2	-
SoftV	-	1
Trim Tots	6	30
	<b>1,376</b>	<b>1,025</b>

### 20 Trade and other receivables

**Amounts falling due within one year:**

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Invoiced debtors	15,942	11,957	22,534	15,342
Research grants and contracts	189,607	189,607	189,385	189,385
Local health authorities/hospitals	13,022	13,022	21,487	21,487
Halls of residence debtors	563	563	1,139	1,139
Advances to members of staff	7,581	7,578	8,314	8,296
Inter company debtors	-	11,139	-	13,638
Other debtors and prepayments	78,702	76,560	67,829	64,529

**Amounts falling due after one year:**

Loans to associate companies	1,187	-	1,235	-
	<b>306,604</b>	<b>310,426</b>	<b>311,923</b>	<b>313,816</b>

## NOTES TO THE ACCOUNTS

	Note	Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>21 Creditors: amounts falling due within one year</b>					
Bank and other loans		1,655	1,655	1,652	1,652
Cruciform Private Development Loan		1,889	1,889	1,573	1,573
Research grants received on account		392,231	392,231	336,337	336,337
Purchase ledger creditors		33,532	32,369	50,869	50,357
Other creditors including taxation and social security		69,526	66,425	67,174	62,965
Obligations under finance leases		21,260	21,260	117	117
Accruals and deferred income		226,022	214,405	197,674	185,652
Inter-company creditors		-	-	-	698
		<b>746,115</b>	<b>730,234</b>	<b>655,396</b>	<b>639,351</b>

Obligations under finance leases due within one year includes the option price of £21,000,000 payable on 1 April 2021 to acquire the head lease on a number of student residences. Security is provided to the lessor by way of annual payments into a security deposit (Note 17).

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	10,346	10,346	9,602	9,602
Capital grants	62,525	62,525	58,632	58,632
Tuition fees in advance	5,099	5,099	5,944	5,944
	<b>77,970</b>	<b>77,970</b>	<b>74,178</b>	<b>74,178</b>

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

Deferred income	334,698	333,000	318,299	316,601
Obligations under finance leases	-	-	21,260	21,260
Cruciform Private Development Loan	8,066	8,066	9,955	9,955
Long term bank loans	293,524	293,524	295,180	295,180
Salix Revolving Green Fund	500	500	500	500
	<b>636,788</b>	<b>635,090</b>	<b>645,194</b>	<b>643,496</b>

### Analysis of loan repayments:

#### In less than one year:

Finance leases	21	21,260	21,260	117	117
Loans	21	3,544	3,544	3,225	3,225
In more than one year but no more than two years					
Finance leases		-	-	21,260	21,260
Loans		3,910	3,910	3,544	3,544
In more than two years but no more than five years					
Finance leases		-	-	-	-
Loans		10,808	10,808	13,050	13,050
In more than five years					
Finance leases		-	-	-	-
Loans		287,372	287,372	289,041	289,041
		<b>326,894</b>	<b>326,894</b>	<b>330,237</b>	<b>330,237</b>
In less than one year					
	21	(24,804)	(24,804)	(3,342)	(3,342)
		<b>302,090</b>	<b>302,090</b>	<b>326,895</b>	<b>326,895</b>



## NOTES TO THE ACCOUNTS

Prior year obligations under finance leases were 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 on 1 April 2021. The current obligation is shown in creditors due within one year (Note 21).

Included in bank loans are the following:

Lender	Amount £'000	Due <1 year £'000	Term	Interest rate %		Borrower
Royal Bank of Scotland	8,307	1,278	2026	5.8	Fixed to 2021	UCL
Barclays Bank	2,050	126	2036	0.8	Variable - LIBOR plus 0.21%	Institute of Education
Barclays Bank	1,961	121	2036	5.9	Fixed	Institute of Education
Barclays Bank	1,524	54	2037	5.3	Fixed	Institute of Education
Barclays Bank	1,337	76	2037	0.7	Variable - LIBOR plus 0.20%	Institute of Education
European Investment Bank	280,000	-	2048	2.3	Fixed	UCL
	<b>295,179</b>	<b>1,655</b>				

### 23 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 2019	384,269	850	<b>385,119</b>	6,816	372	12,216	<b>19,404</b>
Utilised in year	(7,443)	-	<b>(7,443)</b>	-	-	(3,421)	<b>(3,421)</b>
Additions	6,071	-	<b>6,071</b>	1,020	27	-	<b>1,047</b>
Releases	(158,094)	-	<b>(158,094)</b>	-	-	(3,495)	<b>(3,495)</b>
At 31 July 2020	<b>224,803</b>	<b>850</b>	<b>225,653</b>	<b>7,836</b>	<b>399</b>	<b>5,300</b>	<b>13,535</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 2019	383,639	850	<b>384,489</b>	6,816	372	-	<b>7,188</b>
Utilised in year	(7,427)	-	<b>(7,427)</b>	-	-	-	-
Additions	6,061	-	<b>6,061</b>	1,020	27	-	<b>1,047</b>
Releases	(157,889)	-	<b>(157,889)</b>	-	-	-	-
At 31 July 2020	<b>224,384</b>	<b>850</b>	<b>225,234</b>	<b>7,836</b>	<b>399</b>	-	<b>8,235</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 33. 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

### 24 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2020 Total £'000	2019 Total £'000
<b>Balances at 1 August 2019</b>					
Capital	24,772	1,468	107,316	133,556	113,845
Accumulated income	1,336	163	3,609	5,108	3,954
	26,108	1,631	110,925	138,664	117,799
New endowments	1,023	-	1,070	2,093	10,761
Investment income	557	33	2,405	2,995	3,255
Expenditure	(322)	(5)	(4,725)	(5,052)	(4,991)
Realised gains on investments	-	-	-	-	-
Increase in market value of investments	872	49	3,608	4,529	11,840
<b>Total endowment comprehensive income for the year</b>	2,130	77	2,358	4,565	20,865
<b>At 31 July 2020</b>	<b>28,238</b>	<b>1,708</b>	<b>113,283</b>	<b>143,229</b>	<b>138,664</b>
<b>Represented by:</b>					
Capital	26,612	1,517	109,151	137,280	113,845
Accumulated income	1,626	191	4,132	5,949	3,954
	<b>28,238</b>	<b>1,708</b>	<b>113,283</b>	<b>143,229</b>	<b>117,799</b>
<b>Analysis by type of purpose:</b>					
Lectureships	2,063	-	32,732	34,795	34,928
Scholarships and bursaries	9,567	-	38,511	48,078	44,471
Research support	14,506	-	18,301	32,807	32,094
Prize funds	1,321	-	6,046	7,367	7,078
General	781	1,708	17,693	20,182	20,093
	<b>28,238</b>	<b>1,708</b>	<b>113,283</b>	<b>143,229</b>	<b>138,664</b>
<b>Analysis by asset:</b>					
Fixed Income				14,637	13,194
UK equities				19,485	23,498
Global Equities				77,581	68,472
Alternative Investments				15,683	15,233
Cash				14,963	17,362
Debtors				880	905
				<b>143,229</b>	<b>138,664</b>

### 25 Consolidated reconciliation of net debt

	31 July 2020 £'000	
<b>Net debt 1 August 2019</b>	<b>(21,323)</b>	
Decrease in cash and cash equivalents	(26,829)	
Cash flow from decrease in debt financing	3,343	
<b>Net debt 31 July 2020</b>	<b>(44,809)</b>	
<b>Change in net debt</b>	<b>(23,486)</b>	
<b>Analysis of net debt:</b>	<b>31 July 2020</b>	<b>31 July 2019</b>
Note	£'000	£'000
<b>Cash and cash equivalents</b>	<b>282,085</b>	308,914
<b>Borrowings: amounts falling due within one year</b>		
Bank and other loans	21 (1,655)	(1,652)
Cruciform Private Development Loan	21 (1,889)	(1,573)
Obligations under finance leases	21 (21,260)	(117)
	(24,804)	(3,342)
<b>Borrowings: amounts falling due after more than one year</b>		
Bank and other loans	(294,024)	(295,680)
Cruciform Private Development Loan	(8,066)	(9,955)
Obligations under finance leases	-	(21,260)
	22 (302,090)	(326,895)
<b>Net debt</b>	<b>(44,809)</b>	<b>(21,323)</b>

## NOTES TO THE ACCOUNTS

### 26 Financial instruments

#### Financial assets

Financial assets at fair value through Statement of Comprehensive Income

	Year Ended 31 July 2020 Consolidated £'000	University £'000	Year Ended 31 July 2019 Consolidated £'000	University £'000
Listed investments	220,068	203,849	236,230	190,410
Other debtors	2,360	2,360	2,405	2,405

Financial assets that are equity instruments measured at cost less impairment

Other investments	39,354	33,969	38,389	33,969
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Financial assets that are debt instruments measured at amortised cost

Cash and cash equivalents	282,085	258,422	308,914	293,457
Other investments	372	372	92	92
Other debtors	238,549	248,150	243,869	255,972

#### Financial liabilities

Financial liabilities measured at amortised cost

Loans	305,634	305,634	308,860	308,860
Finance leases	21,260	21,260	21,377	21,377
Trade creditors	33,532	32,369	50,869	50,357
Other creditors	461,757	458,656	403,511	400,000

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.

### 27 Capital commitments

Commitments contracted	370,047	370,047	68,212	68,212
Authorised but not contracted	407,818	407,818	837,691	837,691
	<b>777,865</b>	<b>777,865</b>	<b>905,903</b>	<b>905,903</b>

Commitments contracted as at 31 July 2020 include £329.4m for the UCL East Campus at the Queen Elizabeth Olympic Park, £14.5m for the Person Environment Activity Research Laboratory (PEARL) and £4.6m for the Eastman Dental Institute relocation.

Major developments which were previously authorised but not fully contracted include £211.8m for the Institute of Neurology Dementia Research Institute and £46.6m for the Institute of Education masterplan phases 2-4.

### 28 Lease obligations

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

	Year Ended 31 July 2020			Year Ended 31 July 2019		
	Land & Buildings £'000	Other £'000	Total £'000	Land & Buildings £'000	Other £'000	Total £'000
<b>Payable during the year</b>	<b>19,295</b>	<b>584</b>	<b>19,879</b>	<b>17,744</b>	<b>524</b>	<b>18,268</b>
<b>Future minimum lease payments due</b>						
Not later than 1 year	19,934	448	20,382	17,969	152	18,121
Later than 1 year and not later than 5 years	62,650	1,048	63,698	47,728	111	47,839
Later than 5 years	81,679	1	81,680	55,427	-	55,427
<b>Total lease payments due</b>	<b>164,263</b>	<b>1,497</b>	<b>165,760</b>	<b>121,124</b>	<b>263</b>	<b>121,387</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 in the year amounted to £244,000 (2019 - £218,000).

## NOTES TO THE ACCOUNTS

### 29 Agency arrangements

<u>Funding body grant for the Institute of Zoology:</u>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Balance unspent at 1 August 2019	-	-
Funding body grants received	-	2,059
Disbursements to the Institute of Zoology	-	(2,024)
Administration fee	-	(35)
Balance unspent at 31 July 2020	-	-

In 2019 the University received Funding Council grants on behalf of a connected institution, the Institute of Zoology. The University made payments to the Institute in respect of the annual grant, less an agreed sum which was retained by the University as a contribution towards central administrative costs in administering the Funding Council partnership. The grants and related disbursements were excluded from the Statement of Comprehensive Income, and the administration fee was included in other services rendered income. The arrangement ceased in 2020 and the Institute of Zoology now receives its annual grant direct from the Funding Council.

<u>Training consortia:</u>	<b>LAHP</b>		<b>DfE Mandarin</b>		<b>SEEL</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance unspent at 1 August 2019	-	-	-	-	-	-
Funding received for consortium partners	1,461	1,450	2,261	1,790	2,485	2,469
Disbursements to partners	(1,461)	(1,450)	(1,920)	(1,790)	(2,485)	(2,469)
Administration fee	-	-	-	-	-	-
Balance unspent at 31 July 2020	-	-	341	-	-	-

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

### 30 Contingent asset

Included in consolidated investments (note 17) is a £3.7m 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 2020, 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 2019-20 financial year.

### 31 Related party transactions

The financial statements of UCL for the year ended 31 July 2020 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 local public and private sector organisations), it is inevitable that transactions in the normal course of business will take place with entities in which members of Council, or indeed other key management personnel, may have an interest. All such transactions, including those identified below, are conducted 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 2020 are disclosed under Note 32 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 20 £'000
Academy of Medical Sciences	685	33	(50)
Africa Health Research Institute	40	5,496	2
Alan Turing Institute	1,563	5	327
British Heart Foundation	5,114	-	2,199
Francis Crick Institute	450	2,610	31
UCL Academy	1	22	-
UCL Hospitals NHS Foundation Trust	17,470	12,558	3,296
UCL Union	87	21	57
UCLPartners	641	100	116
University of London	326	2,701	36
Wellcome Trust	64,542	73	3,920

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 in the year of £80k and £26k respectively, whilst income generated from sales to The Russell Group totalled £7k. Professor Arthur also serves as Vice-President of the British Liver Trust (which awarded £18k of research funding to the University), as a trustee of CASE Europe (from which £14k of purchases were made in the year), as a board member of UCLPartners and as a trustee of the University of London.

Dominic Blakemore, external member of UCL Council, is the Chief Executive Officer of food services provider Compass Group Plc. Two UCL events were catered by Compass Group in the period: one at the company's Yarnfield Park training and conference centre, which included accommodation and room hire and for which £42k was charged; and a second for which £4k was charged. Mr Blakemore was appointed to the board of the London Stock Exchange Group Plc, as a non-executive director, in January 2020 and the UCL School of Management paid £13k for training courses run by the Exchange during the year.

Stephen Caddick, Pro-Vice-Provost (UK) and director of UCL subsidiary company Thiologics Ltd, served as a director of the Wellcome Trust until April 2020 and is also a member of council of the University of Sussex. Transactions and balances relating to the Wellcome Trust are shown in the table above. Sales made to the University of Sussex in the year totalled £19k, and £1k of research income was received.

Celia Caulcott, Vice-Provost (Enterprise and London) and non-executive director of UCL subsidiary company UCL Business Ltd, 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 additional purchases totalling £5k.

Victor Chu, Chair of Council from 1 August 2019, sits on the board of multinational aerospace corporation Airbus SE. UCL transacted with two companies in the Airbus group during the year: £97k of sales were made to Airbus Operations Ltd (UK) and services to the value of £8k were acquired from Airbus Defence and Space Ltd.

Richard Harrison, director and trustee of UCL subsidiary company Somers Town Community Sports Centre Ltd, serves as a director of The Knowledge Quarter: a consortium of local establishments dedicated to the furtherance and dissemination of knowledge. UCL is a partner organisation and paid The Knowledge Quarter membership fees of £48k during the year.

Patrick Haggard, internal member of Council, is a trustee of the Experimental Psychology Society. UCL received £1k of research funding in the year, made sales to the Society of £2k and was due a total of £8k as at the year-end.

David Lomas, Vice-Provost (Health), is a non-executive director of UCL Hospitals NHS Foundation Trust, a trustee of the British Heart Foundation, a board member of the Francis Crick Institute and a member of council at the Academy of Medical Sciences. Professor Lomas also sits on the board of the Africa Health Research Institute and serves as a director of UCLPartners. Details of the University's transactions and balances 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 the Capital City College Group, which includes three large London-based further education colleges. UCL entered into a single transaction with the Group in the year: £10k was charged for medical students to undertake a course in Culinary Medicine at the Westminster Kingsway College.

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 was awarded research funding of £209k and donations of £36k by the charity, and engaged in sales transactions to the value of £42k. A sum of £139k was owing from the charity at 31 July 2020.

## 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 (Note 17) 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 UCL paid over the final £1.0m in the 19/20 year. Other transactions are included in the above table.

**UCL HOSPITALS NHS FOUNDATION TRUST (UCLH):** In addition to the tabulated expenditure, the University made a further payment of £8.5m towards the purchase of the Eastman Dental Hospital site, as due on vacant possession of the site. A final sum of £7.9m is payable in the next financial year.

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

	Balance 1 August 2019 £'000	Cash transfers £'000	Income/ (expenditure) £'000	Other £'000	Balance at 31 July 2020 £'000
Abcodia Limited	39	-	-	14	53
Atocap Limited	-	-	19	-	19
Eurotempest Limited	10	(25)	23	-	8
Helicon Health Limited	1	(1)	-	-	-
Pentraxin Therapeutics Limited	8	(25)	25	-	8
Senceive Limited	31	-	27	-	58
SmartTarget Limited	26	-	-	(26)	-
Total debtors	<b>115</b>	<b>(51)</b>	<b>94</b>	<b>(12)</b>	<b>146</b>

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

	2020 £'000	2019 £'000
Abcodia Limited	652	652
Amalyst Limited	25	25
Domainex Limited	300	300
Health Social Innovators LLP	210	210
Helicon Health Limited	-	43
TCR Materials Limited	-	5
Total loans	<b>1,187</b>	<b>1,235</b>

## NOTES TO THE ACCOUNTS

### 32 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	-
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	3,043
			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	5,068
UCL Properties Ltd	Property development and investment.	100% owned	Ordinary	100% - UCL	2,002
UCL Residences Ltd	Commercial lettings of accommodation.	100% owned	Ordinary	100% - UCL	1,024
UCL Trading Ltd	Contracting, consultancy and other commercial activities.	100% owned	Ordinary	100% - UCL	2
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 Mapping for Change CIC was reduced to 17.5% during the year. The company is now accounted for as an investment.

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

### 33 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 or four 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 2020		Year Ended 31 July 2019	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Contribution to USS	92,735	92,385	77,057	76,761
Contribution to SAUL	14,797	13,940	13,552	12,641
Contribution to NHS	6,759	6,744	6,542	6,519
Contribution to MRCPS	999	999	1,150	1,150
Contribution to PCSPS	57	57	54	54
Charge to staff costs in respect of UFMS	-	-	-	-
	<b>115,347</b>	<b>114,125</b>	<b>98,355</b>	<b>97,125</b>

Outstanding contributions to USS, SAUL, the NHS Pension Scheme, MRCPS and PCSPS was £14.9m at 31 July 2020 (2019 - £13.2m).

#### 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 2018 (the 2018 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 + 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21+: CPI + 1.55%
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 in the valuation are that male (female) members who retire at typical ages will live to approximately age 89 (91).

The 2018 valuation was the fifth 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 £63.7bn and the value of the scheme's technical provisions was £67.3bn, indicating a shortfall of £3.6bn and a funding ratio of 95%. This compares favourably to the equivalent, FRS102 adjusted, shortfall of £11.8bn that was reported following the scheme's 2017 valuation and the associated funding ratio of 85%.

As part of the 2018 valuation a new deficit recovery plan was put in place. Over the period from 1 October 2019 to 30 September 2021, a proportion of employer contributions equating to 2% of salaries will be specifically earmarked to repair the existing deficit, and from October 2021 that proportion will increase to 6%. On this basis, it is expected that the shortfall will be eliminated by 31 March 2028. The previous recovery plan, based on the 2017 valuation, earmarked 5% of salaries over the period from 1 April 2020 to 30 June 2034.

In accordance with the requirements of FRS102 and the SORP, UCL recognises a liability for the obligation to fund past deficits that arises from the recovery plan; and details of that liability, discounted at a rate of 0.73% as at 31 July 2020 are included in note 23 to the financial statements. As a consequence of the substantial decrease in deficit contributions seen in the latest recovery plan, the value of the provision has fallen from £384.3m to £224.8m, with £158.1m of that decrease 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 2020 was underway but not yet complete. Details of the scheme and the 2018 valuation can be found at [www.uss.co.uk](http://www.uss.co.uk)



## NOTES TO THE ACCOUNTS

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### The Superannuation Arrangements of the University of London

The latest completed actuarial valuation of the scheme was as 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 were therefore 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 was seen to have sufficient surplus to meet this contribution strain however and no further benefit changes or contribution changes were proposed.

Employer contributions remain at the 16% originally set in March 2016 (as part of a recovery plan designed to address the 2014 deficit), and the accompanying employer commitment to fund past deficits through a 3% earmarking of contribution through to 31 March 2018 has since been satisfied. As such, there is no requirement to provide for future cost commitments.

As at the year-end date, a valuation as at 2020 was underway but not yet complete. 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 that 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 were therefore sufficient to cover 146% of the benefits that 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 that 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 net of other finance costs.

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

### UCL (Former Medical Schools) Pension Scheme

The UFMS Pension Scheme is a single-employer defined benefit 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 2020 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 at March 2019.

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

Investment returns per annum	1.40%
Future statutory revaluation of pensions in deferment	2.10%
Increase on post 1997 pension	
- for pre 2006 leavers	2.05%
- for post 2006 leavers	2.65%

At the valuation date, the value of the assets of the scheme was £4.07m and the value of the scheme's defined benefit obligation was £2.98m. As UCL does not have the ability to recover the resulting surplus of £1.1m (2019 - £0.6m) 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 2020, the value of this 'buy-out' payment has been estimated by an independent actuary as £0.85m (2019 - £0.85m). UCL expects to have completed the process during the financial year to 31 July 2021 and provision has been made for the expected £0.85m cost of discharging its financial obligations (Note 23).

The pension expense over the year to 31 July 2020 was £51,000. On the basis that surplus is not recognised, this reflects the net administration cost borne by the scheme over the year. Interest on the net defined benefit liability is restricted to zero.

The total value of employer contributions expected to be paid to the scheme during the year ending 31 July 2021 is £132,000.

## NOTES TO THE ACCOUNTS

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

#### *USS Pension Scheme:*

In September 2020, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general - but, based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from £9.8bn to £17.9bn.

This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn).

At this stage, an outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation. As an early indication of the scale of impact though, it has been estimated that the cost of continuing to offer current benefits in this context could reach between 40.8% to 67.9% of payroll. For the 2019-20 financial year however, this is considered a non-adjusting event.

### 35 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, a decision was taken to impair costs of £2.15m incurred on a capital project at a student residence building, that is unlikely to continue in its original design (note 9).

#### 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 2018 actuarial valuation. The recovery plan defines the deficit payment required as a percentage of future salaries until 2027, 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 2020 actuarial valuation of USS has been undertaken but was not formally concluded prior to 31 July 2020. The year-end provision has therefore been calculated in line with the recovery plan agreed as part of the 2018 valuation, and which was in force at the year-end date. Further detail on the status of the 2020 valuation is set out in note 34.