

LONDON'S GLOBAL UNIVERSITY



UCL

**Annual Report and Financial Statements  
for the year ended 31 July 2021**

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## COMMITTEE MEMBERSHIP

### Council (Trustees)

External Members:	Mr Minto Bhandari (to 08/07/21) Mr Dominic Blakemore Mr Victor Chu (Chair) ♦♦ Dr Andrew Gould Ms Lindsay Nicholson♦♦	Mr Turlogh O'Brien♦ Lord (John) Sharkey♦ Mr Philip Sturrock* Dr Justin Turner QC Baroness (Jo) Valentine♦♦ Ms Sarah Whitney (Treasurer)
Academic Members:	Professor Michael Arthur* (Provost to 10/01/21) Dr Michael Spence* (Provost from 11/01/21) Professor Lucie Clapp Dr Alun Coker Professor Annette Dolphin* Dr Martin Fry (from 01/10/20)	Professor Patrick Haggard (to 30/09/20) Dr Hynek Pikhart* (to 30/09/20) Professor Helen Roberts* Professor Ralf Schoepfer (from 01/10/20)
UCL Union:	Mr Ayman Benmati* Ms Caroline Paige (to 15/07/21)	Mr Osman Teklies (from 16/07/21)

### Finance Committee

External Members:	Mr Minto Bhandari (to 08/07/21) Dr Andrew Gould	Baroness (Jo) Valentine Ms Sarah Whitney (Chair)
Academic Members:	Professor Michael Arthur (Provost to 10/01/21) Dr Michael Spence (Provost from 11/01/21) Professor Lucie Clapp Dr Alun Coker (from 13/11/20)	Professor Patrick Haggard (to 30/09/20; from 13/11/20)
UCL Union	Ms Caroline Paige (from 19/10/20 to 15/07/21)	

### Audit Committee

External Members:	Mr Dominic Blakemore (Chair) Ms Mariette Davis (from 01/01/21) Mr Turlogh O'Brien	Mr Patrick Reeve (to 31/12/20) Dr Justin Turner QC
Academic Members:	Professor Annette Dolphin	

### Investments Committee

External Members:	Mr Chris Hills Ms Jumana Saleheen	Mr Philip Sturrock Ms Sarah Whitney (Chair)
Staff Members	Mr Philip Harding (to 09/05/21) Ms Joyce Bill (from 10/05/21)	

♦ denotes also member of Remuneration and Human Resources Strategy Committee

\* denotes also member of Nominations Committee

## FINANCIAL SUMMARY

	2021 £m	2020 £m
<b>CONSOLIDATED INCOME &amp; EXPENDITURE ACCOUNT</b>		
Tuition fees and education contracts	732.9	613.7
Funding body grants	221.4	227.9
Research grants and contracts	476.9	467.7
Other income	146.0	200.5
Investment income	5.6	7.3
Donations and endowments	26.7	26.6
<b>TOTAL INCOME</b>	<b>1,609.5</b>	<b>1,543.7</b>
<b>TOTAL EXPENDITURE</b>	<b>1,510.4</b>	<b>1,337.1</b>
Loss on disposal of fixed assets	(0.1)	-
Gain/(Loss) on investments	47.5	(6.4)
Share of operating profit in joint ventures and associates	0.2	0.2
Taxation	-	-
Actuarial losses	-	(0.1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>146.7</b>	<b>200.3</b>
Intangible assets	42.5	34.1
Fixed assets	2,391.4	2,204.6
Investments	317.0	281.7
Net current assets/(liabilities)	73.4	(157.3)
Total assets less current liabilities	2,824.3	2,363.1
Non-current liabilities	(955.6)	(636.8)
Pension provisions	(224.6)	(225.7)
Other provisions	(10.3)	(13.5)
<b>TOTAL NET ASSETS</b>	<b>1,633.8</b>	<b>1,487.1</b>
<b>Represented by:</b>		
Endowments	163.3	143.2
Reserves	1,470.4	1,343.8
Minority interest	0.1	0.1
	<b>1,633.8</b>	<b>1,487.1</b>
<b>OTHER KEY STATISTICS</b>		
Increase/(Decrease) in cash in the year	319.0	(26.8)
Student number	48,168	43,836
Average payroll numbers	16,738	15,861

## OPERATING AND FINANCIAL REVIEW

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### Operating and Financial Review 2020-21

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 2020-21 comprises five sections covering:

- 1) UCL's vision and long-term strategy (UCL 2034);
- 2) Performance in 2020-21 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.

Over the past year at UCL we have also seen the extraordinary ideas, energy and altruism of our community in action. From providing expertise on SAGE government advisory groups to frontline work in NHS hospitals, our academics, students and staff have played crucial roles in the national response to COVID-19. They have demonstrated the powerful contribution we make to society, and the importance of our world class research to complex global events.

In addition to performance against our strategic themes, this review therefore includes highlights of the work that celebrates not only how we have responded to the pandemic but how our adaptive and resourceful approach has kept vital research active in all subject areas under lockdown.

UCL 2034 is an important statement of vision and aspiration for UCL as a globally leading university and since it was established in 2014 we have consolidated our position as a large and highly successful comprehensive research-intensive university.

While our vision is unchanged, in seven years our sector, our city and the broader external environment have changed dramatically. We have a new President & Provost and we are emerging from a global pandemic during a time of geopolitical and social change. With several institutional strategies at the end of their duration, we will review our progress in research, education and innovation and over the coming year reset our goals for the next period of our development.

The strategy development process will provide us with a framework for choices that are informed by our existing and potential strengths, the aspirations and needs of our community, alumni and partners, and the opportunities in our external environment.

### UCL's President & Provost: Dr. Michael Spence

In January 2021, Dr Michael Spence AC, previously Vice-Chancellor of the University of Sydney, became UCL's new President & Provost - succeeding Professor Michael Arthur, who stepped down from the post after seven years. Dr Spence is recognised internationally as a leader in the field of intellectual property theory and holds a Doctor of Philosophy from the University of Oxford, where he previously headed Oxford's Law faculty and Social Sciences division.

Under his leadership, the University of Sydney rose to first in Australia and fourth in the world for graduate employability. He embedded diversity and inclusion in the university's culture, transformed the undergraduate experience and created strategic partnerships with leading industry, government and community organisations across the globe. In 2017 he was awarded one of Australia's highest honours, the Companion of Order (AC), for his services to education.

### UCL 2034: 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.

## OPERATING AND FINANCIAL REVIEW

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**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.

### Performance in 2020-21

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

At UCL we create an atmosphere where intellectual innovation thrives. We pursue new avenues of research driven by the curiosity and commitment of our academics in their fields. UCL's world-leading reputation is built on this foundation of attracting the best minds, enabling careers to flourish through outstanding programmes that support and nurture talent, and roles that challenge and inspire. Through these activities we create the perfect conditions for cross-disciplinary collaboration and research that changes the world for the better.

Since his appointment as President & Provost in January, and in addition to his ongoing leadership of the University's robust response to the COVID-19 challenge, Dr Michael Spence has established a strengthened senior team focused on advancing leadership culture and team effectiveness; overseen a review of UCL's management committee structure to ensure greater transparency and representation; commenced the development of a comprehensive consultation on institutional strategy; and has taken significant action to maximise the effectiveness of opportunities to engage with academic, policy and thought leaders within UCL, the sector and Government.

Over the course of 2020-21, UCL has also continued to demonstrate tremendous resilience, dedication and impact throughout the pandemic. Our medical staff and students have worked on the frontline in hospital wards; our research projects have been successful in helping us to both understand the disease and its impact and to develop treatments; and our public health expertise has influenced policy decisions at a national and international level. The UCL community has demonstrated the powerful contribution we make to society, and the importance of our world-class research to complex global events.

In March 2020, as numbers of COVID-19 patients were rising, a UCL team saw the opportunity to create an alternative breathing aid that could address the anticipated shortage of ventilators in intensive care wards and reduce pressure on front line NHS staff. Our team of mechanical engineers at UCL and Mercedes AMG, together with clinicians at UCLH, worked round the clock to reverse engineer a CPAP (Continuous Positive Airway Pressure)

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device that could be rapidly manufactured and delivered to NHS hospitals. The device, called UCL-Ventura, obtained regulatory approval and was distributed by the thousand to NHS Hospitals across the UK and the Crown dependencies.

Since that point, we have refined and modified the device to create a Mark II version, which has shown up to 70% reduced oxygen consumption in healthy volunteer assessments. To help meet international need, we have also released the designs and manufacturing instructions for free to governments, industry manufacturers, academics and health experts across the globe.

In terms of the national response to COVID, leading UCL academics have also been called upon for their expertise to stand on the UK Government's Scientific Advisory Group for Emergencies (SAGE) and its sub-groups. As a key body informing government decision makers throughout the COVID-19 pandemic, the group has played a crucial role in the direction policy has taken, bringing the latest research to discussions of public health.

UCL was ranked 18th overall in the latest Times Higher world university rankings (2020:16<sup>th</sup>), coming 5<sup>th</sup> in Europe and 4<sup>th</sup> in the UK respectively, and is 8<sup>th</sup> in the most recent QS World Rankings (2020:10<sup>th</sup>). The UCL Institute of Education maintained its top place globally for education in the 2021 QS World Rankings for the eighth year running. The Bartlett Faculty of the Built Environment has moved up one place to 2nd in the world for Architecture & the Built Environment, and Archaeology also held its position as 3rd in the world. In total, nine subjects (2020: eight) were ranked in the top 10, including anthropology (6th), anatomy & physiology (7th), pharmacy and pharmacology (7th), geography (9th), psychology (10th) and life sciences & medicine (10th).

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

- Six UCL professors were elected to the British Academy in 2021, out of a total of 84 elected from UK universities. These are Professor Becky Francis (UCL Institute of Education), Professor Suzanne Kord (School of European Languages, Culture & Society), Professor Susan Michie (Psychology & Language Sciences), Professor Andrew Steptoe (Epidemiology & Health), Professor Sacha Stern (Hebrew & Jewish Studies) and Professor Li Wei (UCL Institute of Education).
- In May 2021, two UCL professors were made Fellows of the Royal Society – Professor Hugh Griffiths (Electronic & Electrical Engineering) and Professor Roger Lemon (Queen Square Institute of Neurology) – and a further five were made Fellows of the Academy of Medical Sciences: Professor Ijeoma Uchegbu (School of Pharmacy), Professor Sir Jonathan Montgomery (Laws), Professor Essi Viding (Psychology & Language Sciences), Professor Lisa Cipolotti (Queen Square Institute of Neurology) and Professor Bryan Williams (Institute of Cardiovascular Sciences).
- In September 2021, four UCL professors were made Fellows of the Royal Academy of Engineering: Professor Paola Lettieri (Chemical Engineering & UCL East), Professor Tiziana Rossetto (Earthquake Engineering), Professor Jade Alglave (Computer Science) and Professor Yiannis Ventikos (Mechanical Engineering).
- Six members of the UCL community were recognised in the 2021 New Year's Honours and a further four in the Queen's Birthday Honours list, including Professor David Ormerod QC (Laws) and Professor Alissa Goodman (UCL Institute of Education) both of whom were awarded CBEs.

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

We inspire our students at every stage of their UCL careers and equip them with the knowledge and skills they need to become leaders in chosen fields – to disrupt, challenge and change the world for the better. We see all our students and staff as partners in the creation of knowledge, and whose opinions and values shape the innovative learning culture that makes UCL unique.

The COVID-19 pandemic had more impact on this theme than on any other, having a profound effect on the education and wider experience for students throughout 2020-21. UCL continued to follow the principles of its Education Strategy 2016-21 around excellent teaching and research, even though the immediate context changed substantially. Staff have worked exceptionally hard and shown great commitment towards their students over this prolonged period of the pandemic, and the students have displayed remarkable resilience and forbearance. The focus into this year has continued to be safety first, with significant decisions taken in partnership with student leaders.

The Students' Union sabbatical officers have played a central role in our response throughout the pandemic, providing challenge and advice as we formulated policy and approach to education and the student experience.

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There has been wider engagement too, from student reps raising issues with departments and working in partnership to solve them, to transition mentors supporting our new students through their first months, and Connected Learning interns, students recruited to work with their departments to enhance online learning.

During 2020-21, in common with most of the higher education sector around the world, UCL delivered the majority of its programmes remotely with face-to-face interactions severely limited. The rapid switch from face-to-face written invigilated assessments to online remote assessment was part of this shift and proved successful. We found that students valued the greater authenticity offered by open book and capstone formats. The adaptations made by staff, the hard work of students and the emergency 'no detriment' safety net meant that an unusually large number of First class and Distinction awards were made.

At the start of 2020-21 we began the search for a robust system capable of delivering the many benefits of digital assessment. We completed testing in January 2021 and all centrally managed assessments were carried out through the new platform. Looking forward the new platform will give us much greater flexibility to design exams and assessments using a wider range of assessment types. Students will be able to sit exams using their own electronic devices, remotely or in a face-to-face environment using a lock down browser.

Assessment continues to be a focus for enhancement across UCL, especially at programme level. In consultation with the Faculties, the Arena Centre for Research-based Education (Arena) has produced new guidance on assessment types that capture the full range of learning outcomes and how to design an appropriate student assessment load whilst avoiding assessment bunching.

In addition, a number of elements within the BAME awarding gap were closed or eliminated. This has encouraged us to look into the fine-grained detail of what caused the better outcomes for BAME students to see what elements of this assessment practice we can continue.

The total number of students at UCL last year was 48,168, an increase of 9.8% over the previous year's total headcount (43,863). The most significant element of this rise was accounted for by a 2,003 increase in undergraduate students following the late changes to the awarding of A-levels in August 2020.

In the National Student Survey for undergraduate students, UCL's overall satisfaction level fell from 80.6% to 75.7%. This reflected the general trend across the sector and was less than the decline reported for the Russell Group as a whole. Overall satisfaction as measured in the Postgraduate Taught Experience Survey dropped slightly from 79.7% to 78.4%, placing UCL in the first or second quartile within the Russell Group for all categories but one.

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

UCL is committed to global innovation, applying a depth and breadth of expertise to complex real-world problems. By fostering cross-disciplinary interaction and by prioritising adaptability, we generate novel insights into and solutions to the challenges facing humanity today.

As a central focus, the UCL Grand Challenges cultivate cross-disciplinary collaborations that explore interconnected solutions in six areas related to matters of pressing societal concern: Global Health, Sustainable Cities, Cultural Understanding, Human Wellbeing, Justice & Equality and Transformative Technology. The past year has seen the UCL Grand Challenges fund 55 separate projects, generate over 100 publications from activity on the new Science Open Collection alone, and establish two major collaborations with the British Academy and the World Bank. The new UCL Research, Innovation & Global Engagement (RIGE) portfolio, formed in April 2021, will further enhance the ways we facilitate our collective institutional impact on the world as well as the public benefit generated by our research and academic colleagues.

UCL has continued to focus its collective research effort on addressing the impacts of the pandemic and we now have almost 300 active research projects related to COVID-19. Our unique open access platform promotes in excess of 2,200 COVID-19 papers published by UCL researchers, and the number of article views through this platform now exceeds 42,000. The UCL Grand Challenges have also supported projects exploring the societal implications of COVID-19, including an ethnographic study of remote working and working with external partners in Sierra Leone and in London to develop crisis translation training for different problems.

UCL academics have been at the forefront of analysis of a wide range of legal responses to the pandemic and their impact around the world too. Lex-Atlas: COVID-19 (LAC19) is a vast international collaboration led by Professor Jeff King of UCL Laws. The project brings together scholars to compare the legal response of over 60 countries – representing a diversity of regions, economies, legal systems and political regime-type. Each country's experts will report on a number aspects to laws and measures introduced in that country, so that it may be determined how



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effective they have been. This will create a huge resource which will help inform future responses to global health emergencies.

In October UCL hosted Beyond Boundaries, a two-week virtual conference exploring the role of universities in achieving the UN Sustainable Development Goals (SDGs). To help meet the 17 global SDGs by the target year of 2030, the conference facilitated the exchange of perspectives and approaches, by promoting cross-disciplinary research and identifying gaps in collective understanding that provide opportunities for innovation. The event attracted participants from 93 countries - including 68 speakers, 22 session leads and over 1,300 attendees.

Allied to this, a pan-institutional UCL SDGs Initiative has been established to maximise UCL's impact on the 17 UN SDGs and their 169 targets, and to make UCL's collective efforts greater than the sum of its parts. Records of more than 55,000 UCL research outputs relating to the SDGs have been made available online and Grand Challenges projects focused on addressing the SDGs have included: exploring integrated governance across those SDGs related to the natural environment, policy toolkits for sanitation in Durban, and the relationship between economic and infrastructure development and wellbeing in Bhutan.

UCL has also taken a number of actions in response to the opportunities presented by the 26th UN Climate Change Conference of the Parties (COP26) that was held in Glasgow in November 2021. This includes launching the UCL Climate Hub, bringing together perspectives and expertise across our disciplines and communities to foster the innovation needed to face this global challenge. The Climate Hub highlights relevant research, external partnerships and expert analysis as well as opportunities to take action on the sustainability of UCL's own operations and estate.

UCL's Generation One campaign has also aimed to raise awareness of our cross-disciplinary contribution to climate science in the context of COP26 and its outcomes. It includes an array of climate-focused events and activities for the UCL community and members of the public including lectures, workshops and exhibitions. There is also the opportunity to make pledges to take action for the climate ranging from walking and cycling more to switching bank account.

In terms of overall research performance, UCL continues to show its strength. New awards, at £573m, have reached an all-time high for the University and for the second year running, UCL has received the most UK Research and Innovation (UKRI) awards of any higher education institution in the UK (151). Our research outputs generate the 4th highest number of global citations, up from 10th just 6 years ago, and we rank 3rd for producing papers in the top 1% of the world's most highly cited papers, up from 15th just 6 years ago.

UCL has also been cited as the most active university for academic impact on policymaking across local, regional, national and international spheres by policy impact tracking website Overton. This strength in public policy engagement is again reflected in our leadership of the four-year, £10m 'Capabilities in Academic Policy Engagement' (CAPE) project which is investigating effective mechanisms for policy engagement and impact and which will inform Impact Acceleration Account-funded activity within UCL.

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

UCL was the first university in England open to all, irrespective of race, religion or gender. We remain committed to raising aspiration and improving access to education. We recognise and act on our responsibility to share our work with wider society, proactively engaging in dialogue with communities to ensure relevancy in our activities.

2020-21 marked our first year of fundraising following the successful closure of the "It's All Academic" campaign and, pleasingly, we have managed to maintain the momentum from the campaign and continue to deliver strongly on both philanthropic and alumni engagement.

The year was dominated once again by the pandemic, which impacted in particular on our ability to travel outside of the UK, however we continued to flex our fundraising and alumni engagement programmes to respond to the changing situation. Our Alumni Relations teams expanded the scope of our volunteering and engagement opportunities, including new online volunteering options, and our fundraising teams continued to generate transformative gifts from donors around the world.

At the close of 2020-21, UCL had raised £42.51m in philanthropy from nearly 1,000 donors, including £36.89m generated directly by the Advancement team. This represents a strong performance from our fundraisers and a significant uplift in income generation from the previous year.

In a year since UCL launched its ambitious sustainability strategy "Change Possible" the pandemic led us to re-evaluate how we should operate for a fair and sustainable future. Highlights from the year include the fact that UCL divested from fossil fuels and achieved first place in the University Carbon League Table out of 519 institutions; had a record number of 87 teams completing Green Impact and LEAF (Laboratory Efficiency Assessment Framework) this year; and, held our first full year of Student Sustainability Councils with the Students' Union, giving students the

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opportunity to actively shape UCL's sustainability vision. In March 2021, UCL was also named the winner of the UK Higher Education sector's Green Gown Award for Climate Action for our campaign to become a zero-carbon institution by 2030.

UCL is committed to taking practical action to address structural racism at UCL and is in ongoing dialogue 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 has developed significantly over the past year, including through the planned 2021 launch of a unique MA Race, Ethnicity & Postcolonial Studies, surveying the history of race and exploring the social and cultural complexities of racialised inequality and injustice viewed on a global scale. The Centre is part of the UCL Institute of Advanced Studies and works closely with partners to provide a focal point for scholarship, teaching and public engagement activities that are addressed to various problems of racial inequality and hierarchy.

More broadly, the Race Equality Implementation Group (REIG) met five times during 2020-21 to produce an interim report. The report, sets out the priorities and actions for the next 12-18 months and beyond that REIG believes will make a significant contribution to addressing the systemic and structural barriers to race equity at UCL. The intention is that the report serves as a catalyst for intensified commitment and radical action on race equity by UCL's leadership, and embeds greater accountability and transparency across UCL about progress towards equity and equality related goals.

The report articulates a vision for race equity at UCL in relation to strategy and culture, staff recruitment, pay, retention and staff progression, and teaching, learning and research. It identifies 35 actions that UCL should take, along with the upfront resource investment required. Examples of the commitments made in the report include: consistent use of race equality data in strategic planning; valuing and incentivising race equity activity; ensuring more diverse decision making; and significantly increasing the number of Black academic staff within UCL by at least 50 over the next 5 years (at present there are 15 members of academic staff who identify as Black).

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's submission for Athena SWAN Silver renewal in 2020-21 was successful and alongside the recent renewal of our Race Equality Charter was a fantastic achievement.

UCL holds 41 departmental Athena SWAN awards, the most of any UK university including three at Gold level and 17 at Silver, 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. Throughout the pandemic we transformed our relationship with the Student Union sabbatical officers and the 1,600 Student Academic Representatives (STARs). Involving students in the complex decision-making processes was fundamentally important from the very start of the COVID-19 crisis. We are committed to building on this success, working with students as partners, as we move into the next strategic phase.

UCL also introduced the Covid-19 Career Support Scheme in 2020-21. The scheme was developed in 2020 to mitigate the impact of the pandemic on staff where equity and inclusion factors contributed to a disruption of their work, together with potential long-term detriment to careers. These were identified as parents / carers, those on fixed term contracts and particularly researchers. There were six application rounds to the scheme between November 2020 and February 2021 and the allocated budget for the scheme was £0.6m. This funding was predominantly used for childcare (95%) which freed up an average of 37 working hours per person.

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

As a global leader in knowledge exchange, enterprise and open innovation with societal impact, we are establishing UCL at the centre of a cluster of organisations that will make London the premier destination for higher education. How we engage with the city and contribute to its improvement for all who live and work here is central to this aim.

In November 2020, the Pro-Vice-Provost (London) Office launched the UCL London Framework at a virtual launch event. This core document defines the purpose of UCL London – to enhance engagement, coordinate relationships and enrich society. It is not a prescriptive way of working, rather it constitutes a platform to raise awareness of the excellent contributions UCL makes to London through our departments and faculties, and to form a targeted way of identifying new opportunities to amplify our impact in London.

One of our goals is to develop genuinely reciprocal, long-term relationships with our local communities; a fantastic example being the London Borough of Camden with whom we have created a Memorandum of Understanding. UCL and Camden already have many aligned initiatives, and through the Memorandum we aim to increase the potential for new collaborations, explore funding opportunities and increase the exposure of the partnership with the intention to develop similar agreements with neighbouring boroughs.

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Over the course of the past year, colleagues from across UCL have continued to impact London and Londoners through their research and activities in a variety of ways:

- UCL experts alongside those from Healthy Streets and Tranquil City have launched the Healthy Streets Index, an interactive map which rates every street in London based on how healthy an area is. Using factors which are known to have the biggest impact on health and wellbeing, the Index has been adopted by the Mayor of London within the Mayor's Transport Strategy.
- UCL Institute for Global Prosperity has partnered with Camden Council, Lendlease and Camden Giving to develop a new prosperity and wellbeing index for Euston. The Good Life Euston initiative will develop a set of indicators to measure wellbeing in Euston and across the whole of Camden over 18 months. The research collaboration will train and employ 24 citizen social scientists to conduct the research in their communities, measuring the impact of regeneration on local communities.
- Professor Claire Cameron, Institute of Education is leading a project funded by the Economic and Social Research Council and supported by Newham Council to examine the social, economic and health impacts of COVID-19 in pregnant women and families with children under 5 years. The findings will enable the researchers to understand how families in Newham have been adversely affected by the pandemic in order to strengthen recovery plans moving forward.
- UCL's Centre for Access to Justice, established in Stratford in 2013, has continued to offer free legal advice on social welfare issues supported by students from UCL's Faculty of Laws. Since the COVID-19 pandemic the centre has transformed into a remote service: a lifeline of support for vulnerable adults in the area who have been significantly impacted by the pandemic – as well as for many others further afield who have sought help online - and a one-stop guide for the local community in terms of accessing critical services and support.

May 2021 also saw the 'topping out' for both the Pool Street West and Marshgate buildings at UCL East: UCL's state of the art new campus on the Queen Elizabeth Olympic Park in Stratford. Joined on the park 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, working towards shared strategic objectives. Through UCL East, UCL has been establishing a strong relationship with the London Borough of Newham and we are working closely on shared priority projects to respond to grand challenges surrounding sustainability and prosperity.

Construction of the multi-use research and residential centre at Pool Street West began in February 2020 and, once open, the building will be publically accessible with the first three floors dedicated to learning and research space including a cinema, cafes and bespoke public space facilities. Two towers on either side of a main podium will then rise above a landscaped roof terrace, providing living space to 550 students. Although Marshgate will feature predominantly academic activities, it will be publically accessible as well and will include both retail and other community and engagement spaces. 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.

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

We are building a significant reputation internationally through the impact we make in communities abroad, particularly in the 'Global South East'. We work in partnership with NGOs, health and social care providers, higher education systems, and international business and industry as well as other HEI partners for collaborative academic activities.

Despite the ongoing challenges resulting from COVID-19, UCL's academics, departments and faculties have continued to work with international partners to achieve fair solutions to global challenges and deliver some truly impactful outcomes.

Working in partnership with the Great Ormond Street Hospital for Children, the UCL Great Ormond Street Institute of Child Health, forms the largest concentration of children's health research in Europe – with a mission to improve the health and wellbeing of children, and the adults they will become, through world-class research, education and public engagement. One project currently underway is designed to improve quality of newborn care in under-resourced settings in Zimbabwe. Funded initially by UCL, this project has since received £780k funding from the Wellcome Trust, and has seen the development of an integrated, digital, quality improvement tool for hospital-based sick and/or vulnerable newborns.

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The UCL-Ventura team - responsible for the development of the CPAP (Continuous Positive Airway Pressure) breathing aid that has helped to keep COVID-19 patients out of intensive care worldwide – has also been working closely with the Embassy of Peru in London to secure the provision of parts needed for Peruvian partners to produce these machines in their own country. Locally they have been rebranded as “Wayrachi” meaning ‘that which gives air’ in the indigenous language of Quechua, and there are now 750 UCL-Ventura CPAP machines deployed across 60 hospitals in Peru.

UCL has continued to grow its institutional and strategic global partnerships as well, as a means of delivering academically led impact through research and education. This year, new research links were developed with the University of Toronto on chronic pain in children; with Peking University and University of Hong Kong on cognitive stimulation therapy for Dementia; with the University of Sydney on diet and ageing; and with the All India Institute of Medical Sciences on neuro-muscular disease to name but a few.

Building on already strong links with the University of Toronto and other global partners, the UCL Great Ormond Street Institute of Child Health and Great Ormond Street Hospital recently announced the launch of a new partnership with Boston Children’s Hospital, the Murdoch Children’s Research Institute, the Royal Children’s Hospital (Melbourne) and the Hospital for Sick Children (Toronto) aimed at analysing medical and genomic data to accelerate discovery and therapeutic development. These types of collaborations and partnerships are core to UCL’s delivery of global impact for the greater good.

Over the past five years, Global Engagement seed funding has now benefited more than 800 academics at UCL, with 29% of funding going to early career researchers. This seed funding has helped to leverage £32m of external funding to support impactful research. Aligned with institutional efforts around COVID-19, 98 seed funded projects this year supported UCL academics to undertake collaborative research with global partners related to Coronavirus, both on the immediate impact of the pandemic and on research related to economic, social, cultural and political recovery globally.

In global education, UCL also secured a Turing Scheme grant of £1.5m to support our students in gaining a global experience this coming academic year, while the UCL Institute of Education successfully extended the Mandarin Excellence Programme, which has helped thousands of school pupils in England to learn Mandarin Chinese for a further three years.

UCL will seek to continue to develop and expand global opportunities for our students throughout the coming academic year and will aim to focus further attention on development of opportunities for PhD students.

### Financial review

UCL’s summary consolidated results for the year ended 31 July 2021 are summarised in the table below.

Results for the year ended 31 July 2021	2021 £m	2020 £m
<b>Total income</b>	<b>1,609.4</b>	<b>1,543.7</b>
Operating expenditure before movement on USS pension provision	(1,511.4)	(1,496.6)
Other gains and losses and tax	30.0	6.2
Share in joint ventures, associates and non-controlling interests	0.3	0.2
<b>Operating surplus (before movement on USS pension provision and unrealised gains on consolidation)</b>	<b>128.3</b>	<b>53.5</b>
Movement on USS pension provision	1.0	159.5
Consolidated gains on investments	17.4	(12.7)
<b>Total comprehensive income for the year</b>	<b>146.7</b>	<b>200.3</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

## OPERATING AND FINANCIAL REVIEW

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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 Financial Strategy that defined these financial indicators was developed in 2018 and, since that point, the University's operations – and therefore progression towards those long-term targets - have been heavily affected by the Covid pandemic. This has included increased student numbers, adapted teaching models, increased costs associated with delivering a COVID-safe campus and reduced costs in areas such as travel.

The impact of COVID is especially notable in the performance for the current financial year, during which certain areas of activity remained depressed and planned activities were delayed into subsequent periods. In that context, the operating surplus achieved of £128.3m (8.0% of income) is highly encouraging and indicative of both the underlying strength of UCL and the robust way in which it has navigated itself through the pandemic. This £128.3m represents the result of the Group as a whole, and reflects UCL's operating surplus of £110m plus a combined £18m resulting from unrealised gains on UCL's investments and the consolidation of subsidiaries. The University does not expect to reproduce this level of financial performance year on year though – at least in the short term - once normal operating conditions return.

As with previous years, and in line with the principles underpinning our financial strategy, any surplus generated by the University will be used to sustain investment in infrastructure and the digital estate, support the University's operations, enhance the student experience and ultimately support UCL in achieving its academic mission. Performance against the other key financial indicators for 2020-21 was as follows: operating cashflow of 16.2% of income (2020: 11.6%), total debt of 3.1x EBITDA (2020: 3.0x) and liquidity of 156 days excluding headroom on short-access debt facilities (2020: 74 days).

### ***USS Pension Provision***

Over the previous two years, UCL's reported results have been materially influenced by significant movements in the value of the USS pension provision. In the case of 2018-19 this was a £254.5m charge to the Statement of Comprehensive Income and Expenditure following an increase in the value of the Scheme's deficit under the 2017 valuation to £7.5bn. For 2019-20, it was a £159.5m credit to the Statement of Comprehensive Income and Expenditure, following the conclusion of the 2018 valuation which assessed the deficit at £3.6bn.

In each case, a deficit recovery plan was put in place under which a proportion of employer contributions was specifically earmarked to fund past deficits within the scheme. For the most recent 2018 valuation, this was set at 2% of salaries over the period from October 2019 to September 2021 and rising to 6% for the period to March 2028.

As a participating employer, UCL is required to value this commitment to fund past deficits over the prescribed period and to account for it as a provision in its balance sheet. The value of the provision at the prior year-end date amounted to £225m and movement in the current financial year – a reduction of £1m to £224m – reflects the fact that, as at the year-end date, that 2018 recovery plan remains in force.

Under the 2020 valuation however, the deficit has been estimated at £14.1bn. Should current proposals on how to address this deficit be formally agreed by February 2022, as is presently envisaged, a new recovery plan will be put in place which will include an earmarked rate of 6.3% of salaries over the period to March 2038. This will again result in a significant increase to the value of the provision held in UCL's balance sheet – to an estimated £681m - as well as an estimated £466m charge to the Statement of Comprehensive Income and Expenditure. Further detail on the status and potential outcomes of the 2020 valuation are set out in note 34 of these financial statements (Events after the end of the Reporting Period).

As the commitment under the recovery plan is funded from within existing contribution levels, it does not represent an additional cash outflow for the University and the provision will continue to unwind as employer contributions are paid.

### ***Operating Performance***

For the 2020-21 financial year, UCL's operating surplus (excluding USS pension charge and consolidated gains on investments) stands at £128.3m: 8.0% of total income and £74.4m (138%) above the £53.9m forecast for the year set in March 2021.

Within UCL alone and excluding subsidiary results, academic activity and professional services support outperformed the forecast by a combined £54.7m. This was primarily due to:

## OPERATING AND FINANCIAL REVIEW

- COVID and Brexit related delays to planned 2020-21 costs. These included costs to reinstate the campus to pre-COVID operating conditions (delayed by ongoing safety requirements) and equipment purchase costs that could not be incurred due to delays in supplier production and transportation.
- Continuation of reduced cost in areas of activity depressed by COVID, such as those relating to international travel and certain other campus-based costs.
- In year reinvestment of £8m into a number of areas including specialist equipment.
- A lower than expected impact on UCL's research activity, partially due to UCL's success in medical and public health research in response to the pandemic.

Additional surplus arising from the Group's subsidiaries on consolidation accounts for the balance of the increase on forecast. This consolidated surplus contains a £2.5m loss 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, a change to the way in which A-levels were graded resulted in a higher than expected number of students meeting their offer target and, as a result, an increased level of tuition fee income. This additional income was offset by additional costs including the recruitment of extra teaching staff and the provision of online learning and support. Accommodation income was significantly reduced as a result of lower occupation rates as well as by UCL's decision to refund students unable to return to residences following the 2020 winter break when a further lockdown was announced.

The decision in May 2020 to pause all capital projects other than those that were in-contract or on-site remained in force throughout the 2020-21 financial year and continued to protect cashflow. Despite that pause, peak activity is now being reached on the UCL East development and this has led to a £41.1m increase in capital expenditure against the previous financial year.

Total capital expenditure on the estate for the 2020-21 financial year stood at £244m and included: £151m for UCL East, £25m for the Institute of Neurology Dementia Research Institute, £19m for project PEARL (a world leading facility designed to study human interaction with the built environment) and a further £49m for prioritised enhancements and additions across UCL's teaching and research space. Forecasts for 2021-22 show that UCL's capital expenditure will rise further as previously paused projects are reactivated, and £301m has been earmarked for the coming year.

The University's available cash balance has increased by £319m over the course of the financial year however, largely as a result of our debut bond issuance in June: a £300m, 40 year Sustainability Bond carrying a coupon of 1.625%. This was the UK sector's first sustainability bond and the lowest coupon rate ever achieved by a UK University bond. In pursuing a public listing, UCL also secured its debut public credit rating with Moody's of AA3 stable: placing the University one 'notch' higher than the majority of rated UK Universities and on a par with the UK Government; again reflecting the underlying financial strength and resilience of the University.

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

Source of income	2020-21		2019-20	
	£m	%	£m	%
Funding Councils	221.4	14	227.9	15
Academic fees	732.9	45	613.7	40
Research contracts	476.9	30	467.7	30
Other operations	146.0	9	200.5	13
Interest	5.6	-	7.3	-
Donations and Endowments	26.7	2	26.6	2
<b>Total</b>	<b>1,609.4</b>		<b>1,543.7</b>	

## OPERATING AND FINANCIAL REVIEW

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Total income from the Funding Councils (OfS and UKRI) decreased by £6.5m in comparison to prior year, and this largely reflects a marginal fall in specific and non-recurring capital grants from £24.5m in 2019-20 to £19.3m in the current year. Recurrent funding for teaching of £33.4m has remained substantially consistent with prior year (£35.3m) as has recurrent funding from Research England at £162.3m (2020 - £163.1m).

Academic fee income was up £119.2m (19.4%) to £732.9m, with the rise almost exclusively driven by growth in the full-time international (non-EU) student base. This fee segment saw a rise of £92.3m (26.5%) in the year, reflecting a proportionate increase in student numbers within that demographic. Fee income from full-time UK and EU student numbers also rose by £21.4m (12.5%) whilst income from short courses fell marginally by £1.6m (8.8%).

Income from research contracts grew by £9.2m (2%) in relation to the previous year, reflecting UCL's success in both protecting existing awards and securing new ones over the COVID period. March forecasts had provided for a much higher level of disruption to research operations, and actual research overhead income for the year has in fact outperformed those earlier estimates by £16m.

Income from other operations was down by £54.5m (27%) against the previous year, largely as a result of depressed student residence occupancy rates and catering activity during those periods of primarily remote learning. Income in this category fell by £20.4m (50%) from £41.2m in the prior year to £20.8m in 2020-21. Further reductions against prior year were also seen across other revenue grants (i.e. non-sponsored research) of £8.3m (68%) and academic consultancy of £22.1m (30%) reflecting COVID inspired slowdowns in those areas of operation.

Income from donations and endowments remained substantially consistent with prior year at £26.7m (2020 - £26.6m) reflecting a steady state interim position between completion of the £624m It's All Academic campaign in July 2020 and commencement of UCL's next major fundraising initiative.

Staff costs (excluding the USS pension charge) increased by 2.6% in the year to £885.8m (2020: £863.7m) and this is broadly reflective of the increase in average payroll numbers from 15,861 in 2019-20 to 16,738. This total cost of £885.8m amounts to 55% of total income (2020: 56%).

Other operating expenses reduced by £10.3m (2%) to £518.5m, with the most significant driver being a fall in conference, travel and training expenditure of £20.9m (71%) following the continued disruption to international travel into the Summer of 2021. The saving was offset to an extent by an uptick in other operating activities as lockdowns lifted, with the most significant increases being: a rise in laboratory consumables of £9m (23%) as spend in this area returned to pre-COVID levels and an increase in professional fees of £5.0m (11%). Funding for scholarships and prizes – at £89.4m - remained broadly consistent with prior year (£88.5m).

Other operating expenses also includes audit fees for the year of £0.4m (2020: £0.5m) and other fees paid to UCL's auditors of £0.1m (2020: £0.2m).

Total net assets increased in the year from £1,487m to £1,634m, driven largely by continued investment in the UCL Estate. The value of UCL's endowment assets at £163m (2020: £143m) reflects a 14% increase on prior year, and total reserves (excluding endowments and USS pension provision) increased from £1,570m to £1,695m.

Cash and short-term deposits increased to £601m (2020: £282m), reflecting the University's highly successful £300m debut public bond issuance in June. In addition to this receipt, still held on the balance sheet at year-end, the combined excess of operating cash inflow (£261m) and capital grant receipts (£72m) over and above capital expenditure in the year of £284m broadly accounts for the remainder of the increase. A cash balance of £601m represents 156 days' expenditure (excluding depreciation and movement on the USS pension provision), compared to 74 at the previous year-end.

Net current assets stands at £74m (2020: liabilities of £157m), with the movement against prior year again largely attributable to the University's £300m bond issuance and the subsequent increase in cash. In partial offset, the balance of short term creditors due in less than one year has risen by £86m reflecting: an increase in research grant funding held on account of £47m (12%), an increase in purchase ledger and other working capital creditors of £35m (34%), an increase in accruals and deferred income of £26m (11%) and a reduction in finance lease obligations of £21m (to £nil) reflecting the settlement of UCL's last remaining finance lease in April 2021.

Creditors due in under one year, at £832m in total, includes £439m 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 £905m are sufficient to meet UCL's current cash obligations and maintain an appropriate level of working capital whilst ring-fencing the proceeds of the bond for long-term investment in the Estate.

## OPERATING AND FINANCIAL REVIEW

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In June 2021 and as part of the funding strategy for the existing capital programme, UCL successfully raised £300m in long-term borrowing through the issue of its debut public bond: a 40 year sustainability bond with a coupon rate of 1.625%. This was the first sustainability bond issued by the sector and, at the point of issue, carried the lowest interest rate of any University bond. The bond is repayable in full in 2061 and the £300m liability sits within creditors due in over one year in the balance sheet.

As at the year-end date, UCL also 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 holds a £150m revolving credit facility (RCF) with Natwest, which was entered into in January 2020, and provides rolling access to a maximum of £150m across a 7 year term. As at 31 July 2021, nothing had been drawn against the RCF leaving £150m of headroom.

### **Financial outlook**

The national and international context for higher education is continuing to experience 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 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 have incurred substantial additional expenditure in ensuring that the campus is COVID-safe for students and staff and are providing face-to-face teaching for all students able to get to campus, with the option of online teaching for those students unable to travel. The need to provide adequately for operational risks mean that the results for the 2021-22 financial year are expected at this time to be depressed, although our budget currently projects a surplus of circa 3%.

This has taken account of the importance of the 2021-22 year as we hope to emerge more fully from the pandemic, the need to support the student experience and the impact on students and staff. The extent to which the impact will continue into 2021-22 remains uncertain, though our forecast is for an operational performance that resumes its previously planned trajectory. UCL is live to the potential for continued volatility though and continues to map and actively track a range of risks in its financial planning.

As usual, any surplus generated by the University will be used to sustain investment in infrastructure and the digital estate, support the University's operations, enhance the student experience and ultimately support UCL in achieving its academic mission. Notably, our most substantial capital projects - UCL East Phase 1 and the construction of the new headquarters for the Institute of Neurosciences and the national Dementia Research Institute - have continued throughout the pandemic and involve capital expenditure in excess of £240m for 2021-22.

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.

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.

### **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 completed valuation of the scheme took place as at 31 March 2018 and assessed the scale of the deficit to be £3.6bn (2017 valuation £7.5bn). Contributions increased to 30.7% in total from 1



## OPERATING AND FINANCIAL REVIEW

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October 2019 (members 9.6% and employers 21.1%) and were due to increase again from October 2021 to 34.7% (members 11.0% and employers 23.7%) resulting in an anticipated additional cost to UCL of £12.5m per year.

Since that point, a further valuation as at 31 March 2020 has been undertaken and is now near to conclusion. In order to address a 2020 deficit estimated at £14.1bn, a joint resolution to reform future member benefits and increase covenant support to the Scheme from employers has been agreed. Should this proposal remain unchanged through the remaining statutory consultation with affected employees, a new schedule of contributions will come into force and the October 2021 increase will be limited to a total 0.5% (0.2% members and 0.3% employers): representing an increased cost of £1.4m per year for UCL against pre-October contributions and an £11.1m saving against the previously scheduled rate increase under the 2018 valuation.

This employer rate of 21.4% would then remain in place until 31 March 2028 subject to review following the next actuarial valuation.

Alternatively, should the proposal not be ratified and brought into effect by 28 February 2022, a fall-back schedule of contributions will apply. This would see employer contributions revert to the original 23.7% of salary in April 2022, increase again to 27.1% of salary in October 2022 (£28.9m per annum higher than the pre-October 2021 reference point) and rising gradually to 38.2% from October 2025 (£82.4m per annum higher than pre-October 2021 reference point). Employers have been clear that this fall-back schedule of contributions remains unaffordable.

### 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 results in the categorisation of risks between intolerable, severe and manageable.

For the 2020-21 financial year, a register of Covid-related risks has also been maintained alongside the core "business as usual" risk register to enable active oversight of each set individually. This recognised that 2020-21 has been a year of transition for UCL - from remote back to on-campus operations - and the intention is to re-combine the two registers for the 2021-22 risk cycle.

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 for staff industrial action in light of sector tensions around pay and pensions. Pay and pensions are negotiated nationally and UCL is therefore unable to significantly influence the outcome; nevertheless the University remains committed to representing staff views effectively on both of these issues and to ensuring a programme of clear communication to staff throughout. A targeted plan to minimise disruption – particularly to students and the student experience - in the event of industrial action is also in development.

Two further emerging risks have also been added to the strategic risk register in 2020-21: the first concerned with ensuring that sufficient measures are in place to enable delivery of UCL's own net zero carbon targets for 2024 and 2030, and the second focussed on ensuring that adequate space for research can be accessed now and in the future to avoid the loss of productive effort, missed opportunities and reputational damage with funders.

In the case of the former, UCL is building a pan-institutional Net Zero Carbon Plan that will detail the actions to be taken across all operation areas, is developing the governance framework to sit behind it, and will integrate its sustainability commitments into other operational strategies such as Finance and Estates to ensure a consistent and holistic approach. Addressing the second requires both short and long term actions: bolstering the current process for overseeing and managing research space, whilst also considering the development of bespoke space management systems.

Notable Covid-specific risks include: the potential deterioration of the physical and mental wellbeing of students and staff; increases in existing social, education and career related inequality brought about by Covid-19; and UCL's ability – under current working conditions - to maintain its level of compliance across an increasing complex regulatory environment. In each case, a wide range of measures has been taken and resources committed to addressing the risk and to ensuring adequate support is provided for staff and students, whatever their circumstances.

## OPERATING AND FINANCIAL REVIEW

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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

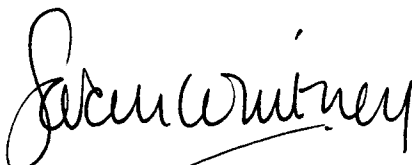
UCL has exempt charity status and, in accordance with part 3 of the Charities Act 2011, the Office for Students (OfS) is charged, as its principal regulator, with monitoring compliance with charity law obligations.

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 2020-21' on pages 4 to 10.



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. 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. Council established a working group to consider these matters and report back to Council, and in February 2021 approved a number of the working group's recommendations.

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 2021 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 met twelve times during the 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, and is chaired by the Treasurer. The Committee met eleven times during the year. 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 four 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

## CORPORATE GOVERNANCE

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control, as well as of the adequacy and effectiveness of procedures surrounding the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the OfS, the UKRI, the Student Loans Company, and other bodies. Review is based on reports received from the Chief Operating Officer and the chair of the Risk Management Working Group, and emphasis is given to obtaining the relevant degree of assurance and not merely reporting by exception. The results of this review are then reported to Council.

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 Chief Financial Officer 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 1,700 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, including non-clinical staff earning a salary of £180,000 or more, 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.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require us to publish information on Trade Union facility time relating to a specific 12 month period. UCL's most recent data for the reporting period to 31 March 2021 is available on our website at: <https://www.ucl.ac.uk/human-resources/policies/2021/sep/trade-unions>. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities. There is a statutory entitlement to reasonable paid time off for undertaking union duties.

## **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 MEMBERS OF COUNCIL OF UNIVERSITY COLLEGE LONDON

### Opinion

In our opinion:

- ▶ University College London Group financial statements and Parent Institution's financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Institution's state of affairs as at 31 July 2021, 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;
- ▶ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ the financial statements 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.

We have audited the financial statements of University College London which comprise:

Group	Parent Institution
Consolidated Statement of Financial Position as at 31 July 2021	Institution Statement of Financial Position as at 31 July 2021
Consolidated Statement of Comprehensive Income for the year then ended	Institution Statement of Comprehensive Income for the year then ended
Consolidated Statement of Changes in Reserves for the year then ended	Institution University Statement of Changes in Reserves for the year then ended
Consolidated Statement of Cash Flows for the year then ended	Statement of Accounting Policies
Statement of Accounting Policies	Related notes 1 to 36 to the financial statements
Related notes 1 to 36 to the financial statements	

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).

### 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 as applied to listed public interest entities, 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

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Council's assessment of the Group and Parent Institution's ability to continue to adopt the going concern basis of accounting included:

We read the Narrative Report and Financial Statement disclosures in relation to the financial statements being prepared on a going concern basis to ensure that they were consistent with our knowledge of the Group and Institution's financial position.

We obtained an understanding of the business planning process and challenged the underlying assumptions, for the going concern period through to 31 July 2023 for evidence of bias and for consistency with our knowledge of the organisation. We assessed the information used in the going concern assessment for consistency with management reporting and information obtained through auditing other areas of the business.

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

We assessed the levels of current borrowing and confirmed that under management's base case and downside scenario the Group and Institution is forecasting compliance with loan covenants through the going concern period.

We checked the clerical accuracy of management's modelling, and recalculated the forecast covenant calculations throughout the going concern period

- Undertook reverse stress testing on the plausible downside scenario performed by management, to understand the potential circumstances required and likelihood of those circumstances that could result in liquidity and covenant compliance breaches within the going concern period. We tested management's assumptions and performed our own plausible downside scenario and reverse stress testing. We agreed with management's assessment that the required decrease in revenue to cause liquidity and covenant compliance breaches were sufficiently remote. We read the Narrative Report and Financial Statement disclosures in relation to the financial statements being prepared on a going concern basis to ensure that they were consistent with our knowledge of the Group and Institution's financial position.
- We obtained an understanding of the business planning process and challenged the underlying assumptions, for the going concern period through to 31 July 2023 for evidence of bias and for consistency with our knowledge of the organisation. We assessed the information used in the going concern assessment for consistency with management reporting and information obtained through auditing other areas of the business.
- We assessed the levels of current borrowing and confirmed that under management's base case and downside scenario the Group and Institution is forecasting compliance with loan covenants through the going concern period.
- We checked the clerical accuracy of management's modelling, and recalculated the forecast covenant calculations throughout the going concern period
- Undertook reverse stress testing on the plausible downside scenario performed by management, to understand the potential circumstances required and likelihood of those circumstances that could result in liquidity and covenant compliance breaches within the going concern period. We tested management's assumptions and performed our own plausible downside scenario and reverse stress testing. We agreed with management's assessment that the required decrease in revenue to cause liquidity and covenant compliance breaches were sufficiently remote.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Institution's ability to continue as a going concern for a period of 18 months to 31 July 2023, from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Council with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

### Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> <li>• Risk of fraud in revenue recognition in relation to cut off and recognition in line with performance related conditions</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of one component and audit procedures on specific balances for a further 2 components.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• The component where we performed full audit procedures accounted for 97.4% of total income, 80.5% of Surplus before tax and 98.3% of Total assets.</li> </ul>

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Risk of fraud in revenue recognition in relation to cut off and recognition in line with performance related conditions (£1,609.5m total income, PY comparative £1,591.7m)</b></p> <p><i>Refer to Accounting policies (pages 34 and 35); and Notes 1-7 of the Consolidated Financial Statements</i></p> <p>Revenue is recognised in accordance with FRS 102 and sections 16, 17 and 18 of the Statement of Recommended Practice: Accounting for Further and Higher Education.</p> <p>The number of revenue streams increases the risk of inappropriate revenue recognition.</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. There is inherently more judgement applied in determining the amount and timing of income to be recognised in respect of capital grant income, tuition fees, research and education contracts and other income streams.</p> <p>We have assessed the risk arises in the following areas:</p> <p><i>Research income (£476.8m; PY £467.7m).</i></p> <ul style="list-style-type: none"> <li>- Recognition requires judgement at year end in recognising accrued and deferred income which could result in recognising income in the year incorrectly either by recognising the incorrect value or recognising income that should be deferred until any performance related conditions are met.</li> </ul> <p><i>Tuition fees (£732.8m; PY £613.7m):</i></p> <ul style="list-style-type: none"> <li>- Where there are courses spanning the financial year end the risk lies in recognising revenue in the correct financial year.</li> </ul> <p><i>Other income (£145.9m; PY £200.5m);</i></p> <ul style="list-style-type: none"> <li>- There is a risk that revenue is recorded incorrectly around the year end date.</li> </ul> <p><i>Donations and endowments (£26.7m; PY £26.6m);</i></p> <p>There is a risk that revenue is recorded incorrectly around the year end date.</p>	<p>Our audit procedures included:</p> <p><i>Procedures across all revenue streams:</i></p> <ul style="list-style-type: none"> <li>- Understanding the revenue processes for each material revenue stream.</li> <li>- Identification and walkthrough of key controls over revenue processes for each material revenue stream.</li> <li>- Performed an overall analytical review on revenue compared to prior year to identify, understand and corroborate any unusual fluctuations, considering any contradictory evidence.</li> <li>- Substantively tested a sample of trade and other receivables back to source documents, such as invoice, contracts, grant agreements and cash.</li> <li>- Substantively tested a sample of deferred and accrued income back to source documents, such as invoice, contracts, grant agreements and cash.</li> <li>- Performed cut off testing for a sample of transactions before and after the year end to confirm that they have been recorded in the correct financial year.</li> <li>- Undertook risk-based procedures to identify journals specifically raised to increase income and corroborated their purpose back to underlying evidence.</li> </ul> <p><i>Research income</i></p> <ul style="list-style-type: none"> <li>- Tested a sample of research income, deferred income and accrued income, agreeing that judgment applied in recognising income was in accordance with the relevant accounting policy. This included agreeing to source documents such as contracts and agreement with funders, and reconciling project spend to our analytics data.</li> <li>- We tested a sample of movements in deferred and accrued income for research income. This included agreeing to source documentation such as invoices and cash receipts.</li> </ul> <p><i>Tuition fees</i></p> <ul style="list-style-type: none"> <li>- For full-time courses we performed substantive analytical review procedures, developing an expectation of fee income and comparing this to the</li> </ul>	<p>Based upon the audit procedures performed, we conclude that revenue has been appropriately recorded in the period in accordance with the requirements of FRS 102 and sections 16, 17 and 18 of the Statement of Recommended Practice: Accounting for Further and Higher Education.</p>



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

<p><i>Funding body grants (£221.3m; PY £227.9m);</i></p> <p>Since there is no material judgement associated with the recognition of the University's funding council grant income, we have determined that the risk of revenue recognition does not materialise within this area.</p> <p><i>Investment income (£5.6m; PY £7.3m)</i></p> <p>Revenue is not material in the current year. We do not consider there to be a risk of material manipulation for the year.</p>	<p>income recognised in the income statement. Our expectation was calculated by disaggregating the data by student and course type and forming an expectation of the movement in overall income based on changes in student numbers and course fee.</p> <ul style="list-style-type: none"> <li>- Tested the accuracy of student numbers by sample testing data such as course type, fee and student registration back to individual student files and published fees for the academic year.</li> <li>- Sample tested part time student fees and short course fees agreeing the amounts back to invoices and cash.</li> </ul> <p><i>Other income</i></p> <ul style="list-style-type: none"> <li>- Performed overall analytical review procedures over other income to identify any unusual trends or fluctuations in income compared to the prior year.</li> <li>- Substantively tested a sample of other income back to source documents, such as invoice, contracts, grant agreements and cash.</li> </ul> <p>We performed full scope audit procedures over this risk, which covered 98.3% of the risk amount. We also performed specified procedures over revenue in two additional locations.</p>	
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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COUNCIL OF UNIVERSITY COLLEGE LONDON

### An overview of the scope of our audit

#### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity. In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the reporting components of the Group, we selected 3 components, which represent the principal business units within the Group.

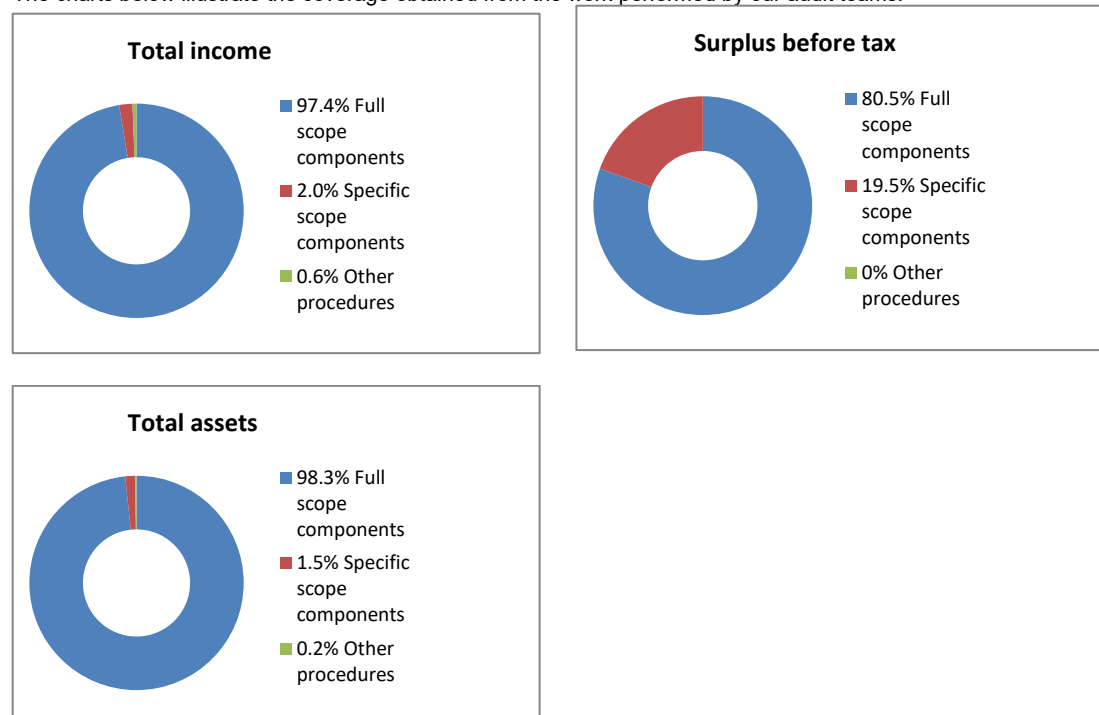
Of the 3 components selected, we performed an audit of the complete financial information of 1 component ("full scope component") which was selected based on its size or risk characteristics. For the remaining 2 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 99.4% (2020: 99.9%) of the Group's Total income, 100.0% (2020: 100.8%) of the Group's Surplus before tax and 98.8% (2020: 99.8%) of the Group's Total assets.

For the current year, the full scope component contributed 97.4% (2020: 95.8%) of the Group's Total income, 80.5% (2020: 98.2%) of the Group's Surplus before tax and 98.3% (2020: 98.2%) of the Group's Total assets. The specific scope components contributed 2.0% (2020: 4.1%) of the Group's Total income, 19.5% (2020: 2.7%) of the Group's Surplus before tax 0.5% (2020: 1.6%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed 2 locations to perform specified procedures over certain aspects of cash existence and valuation, and overall financial performance and position, as described in the Risk section above.

Of the remaining 9 components that together represent 0.6% of the Group's Total Revenue none are individually greater than 5% of the Group's total revenue. For these components, we performed other procedures, including analytical review and 'review scope' components, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



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

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### **Involvement with component teams**

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors operating under our instruction. For the one full scope component, audit procedures were performed on all of these directly by the primary audit team. For the 2 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

### **Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### **Materiality**

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £16.1 million, which is 1% (2020:1%) of total income for the Group. We believe that income provides us with the most appropriate basis for understanding the Group's activities and what would be material to it.

We determined materiality for the Parent Institution to be £15.4 million, which is 1% of prior year total Group income (2020: 1% of total Parent Institution income).

During the course of our audit, when the 2021 Parent Institution income figure was known, we reassessed materiality and determined the above materiality remained appropriate.

### **Performance materiality**

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £12.1m. We have set performance materiality at this percentage due to the lack of prior year audit misstatements identified through our planning and opening balances work, and the lack of issues identified through our initial audit planning procedures, including our walkthrough of key controls.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £161,700 to £224,250.

### **Reporting threshold**

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.805m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### **Other information**

The other information comprises the information included in the Committee membership, Financial Summary, Operating and Financial Review, Corporate Governance, and Responsibilities of the Council, set out on pages 1 to 18, 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.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements,

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

we are required to determine whether there is a material misstatement in the financial statements themselves. 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:

- ▶ 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, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education 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 1 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 statement set out on page 19, 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 and 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 management 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.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the University and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are FRS 102 and the Statement of Recommended Practice for Further and Higher Education, the Office for Students Terms and conditions of funding for higher education institutions and the Higher Education and Research Act 2017.
- We understood how the Group and Parent Institution is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review of the Council minutes and papers provided to the Audit Committee at a Group level, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence.
- We have considered the culture of honesty and ethical behaviour of management and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud

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

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deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.

- We assessed the susceptibility of the Group and Parent Institution's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage financial performance. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- We also considered the oversight of those charged with governance (i.e., considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of stakeholders as to the entity's performance and profitability).
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business; review of Council minutes to identify any non-compliance with laws and regulations, and inspection of any correspondence between the University and its regulators.

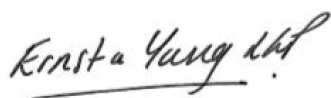
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Other matters we are required to address

- ▶ We were appointed by the University College London on 21 May 2015 to audit the financial statements for the year ended 31 July 2021 and subsequent financial periods.
- ▶ The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the year ended 31 July 2016 to 31 July 2021.
- ▶ The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Institution and we remain independent of the Group and the Parent Institution in conducting the audit.
- ▶ The audit opinion is consistent with the additional report to the Audit Committee.

### Use of our report

This report is made solely to the Council, as a body, in accordance with the Charters and Statutes of the University College London. 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 the Council as a body, for our audit work, for this report, or for the opinions we have formed.



Ernst & Young LLP  
Edinburgh  
21 January 2022

## CONSOLIDATED AND INSTITUTION STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
<b>Income</b>					
Tuition fees and education contracts	1	732,872	732,872	613,717	613,717
Funding body grants	2	221,390	221,390	227,903	227,903
Research grants and contracts	3	476,878	475,698	467,714	467,327
Other income	4	145,975	128,511	200,491	155,247
Investment income	5	5,638	5,466	7,340	7,325
Donations and endowments	6	26,698	27,749	26,576	28,555
<b>Total income</b>		<b>1,609,451</b>	<b>1,591,686</b>	<b>1,543,741</b>	<b>1,500,074</b>
<b>Expenditure</b>					
Staff costs	8	885,837	876,285	863,684	854,348
Movement on USS pension provision	8,10	(1,035)	(990)	(159,466)	(159,255)
Other operating expenses	9	518,534	498,762	528,868	491,406
Depreciation and amortisation	14,15	102,463	102,409	97,500	97,451
Interest and other finance costs	10	4,649	5,410	6,553	6,949
<b>Total expenditure</b>	11	<b>1,510,448</b>	<b>1,481,876</b>	<b>1,337,139</b>	<b>1,290,899</b>
<b>Surplus/(Deficit) before other gains/losses and share of operating surplus/deficit of joint ventures and associates</b>		<b>99,003</b>	<b>109,810</b>	<b>206,602</b>	<b>209,175</b>
Loss on disposal of fixed assets		(98)	(98)	(10)	(8)
Loss on disposal of subsidiary		-	-	(23)	-
Gain/(Loss) on investments	17	47,522	30,158	(6,408)	6,270
Share of operating deficit in joint ventures	18	1	-	(1)	-
Share of operating profit/(deficit) in associates	19	246	-	217	-
<b>Surplus/(Deficit) before tax</b>		<b>146,674</b>	<b>139,870</b>	<b>200,377</b>	<b>215,437</b>
Taxation	13	(14)	-	(29)	-
<b>Surplus/(Deficit) for the year</b>		<b>146,659</b>	<b>139,870</b>	<b>200,348</b>	<b>215,437</b>
Actuarial loss in respect of pension schemes		-	-	(81)	(81)
<b>Total comprehensive income for the year</b>		<b>146,660</b>	<b>139,870</b>	<b>200,267</b>	<b>215,356</b>
Represented by:					
Endowment comprehensive income for the year		20,057	20,057	4,565	4,565
Restricted comprehensive income for the year		999	999	1,235	1,235
Unrestricted comprehensive income for the year		122,781	109,345	56,560	49,110
Pension reserve comprehensive income for the year		1,035	990	159,466	159,255
Revaluation reserve comprehensive income for the year		1,804	8,479	(21,547)	1,191
Attributable to the University		146,676	139,870	200,279	215,356
Attributable to the non-controlling interest		(16)	-	(12)	-
		<b>146,660</b>	<b>139,870</b>	<b>200,267</b>	<b>215,356</b>
<b>Surplus/(Deficit) for the year attributable to:</b>					
Non controlling interest		(16)	-	(12)	-
University		<b>146,676</b>	<b>139,870</b>	<b>200,360</b>	<b>215,437</b>

All items of income and expenditure relate to continuing activities.

UNIVERSITY COLLEGE LONDON  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

## 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
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2019</b>	<b>138,664</b>	<b>14,767</b>	<b>1,439,844</b>	<b>78,581</b>	<b>(385,119)</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)	159,547	<b>200,360</b>	(12)	<b>200,348</b>
Other comprehensive income	-	-	-	-	(81)	<b>(81)</b>	-	<b>(81)</b>
Transfers between revaluation and income and expenditure reserve	-	-	10,553	(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>159,466</b>	<b>200,279</b>	<b>(12)</b>	<b>200,267</b>
<b>Balance at 1 August 2020</b>	<b>143,229</b>	<b>16,002</b>	<b>1,496,404</b>	<b>57,034</b>	<b>(225,653)</b>	<b>1,487,016</b>	<b>113</b>	<b>1,487,129</b>
Surplus/(Deficit) from the income and expenditure statement	25,846	2,327	110,249	7,219	1,035	<b>146,676</b>	(16)	<b>146,660</b>
Other comprehensive income	-	-	-	-	-	-	-	-
Transfers between revaluation and income and expenditure reserve	-	-	5,415	(5,415)	-	-	-	-
Release of restricted funds spent in year	(5,789)	(1,328)	7,117	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>20,057</b>	<b>999</b>	<b>122,781</b>	<b>1,804</b>	<b>1,035</b>	<b>146,676</b>	<b>(16)</b>	<b>146,660</b>
<b>Balance at 31 July 2021</b>	<b>163,286</b>	<b>17,001</b>	<b>1,619,185</b>	<b>58,838</b>	<b>(224,618)</b>	<b>1,633,692</b>	<b>97</b>	<b>1,633,789</b>

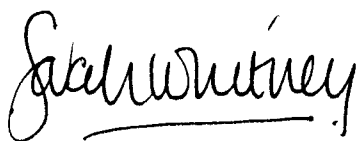
Institution	Income and expenditure account			Revaluation reserve	Pension reserve	Total excluding Non Controlling Interest	Non controlling interest	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2019</b>	<b>138,664</b>	<b>14,767</b>	<b>1,444,542</b>	<b>44,973</b>	<b>(384,489)</b>	<b>1,258,457</b>	-	<b>1,258,457</b>
Surplus/(Deficit) from the income and expenditure statement	9,617	3,220	41,523	1,741	159,336	215,437	-	<b>215,437</b>
Other comprehensive income	-	-	-	-	(81)	<b>(81)</b>	-	<b>(81)</b>
Transfers between revaluation and income and expenditure reserve	-	-	550	(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>1,191</b>	<b>159,255</b>	<b>215,356</b>	-	<b>215,356</b>
<b>Balance at 1 August 2020</b>	<b>143,229</b>	<b>16,002</b>	<b>1,493,652</b>	<b>46,164</b>	<b>(225,234)</b>	<b>1,473,813</b>	-	<b>1,473,813</b>
Surplus from the income and expenditure statement	25,846	2,327	102,228	8,479	990	139,870	-	<b>139,870</b>
Other comprehensive income	-	-	-	-	-	-	-	-
Transfers between revaluation and income and expenditure reserve	-	-	-	-	-	-	-	-
Release of restricted funds spent in year	(5,789)	(1,328)	7,117	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>20,057</b>	<b>999</b>	<b>109,345</b>	<b>8,479</b>	<b>990</b>	<b>139,870</b>	-	<b>139,870</b>
<b>Balance at 31 July 2021</b>	<b>163,286</b>	<b>17,001</b>	<b>1,602,997</b>	<b>54,643</b>	<b>(224,244)</b>	<b>1,613,683</b>	-	<b>1,613,683</b>

UNIVERSITY COLLEGE LONDON  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

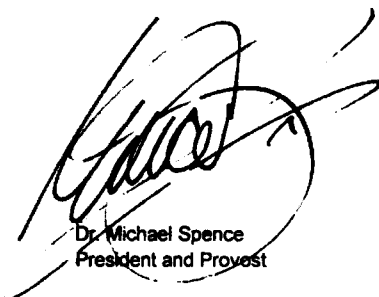
**CONSOLIDATED AND INSTITUTION STATEMENT OF FINANCIAL POSITION**

	Notes	As at 31 July 2021		As at 31 July 2020	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>Non-current assets</b>					
Intangible assets	14	42,570	42,570	34,044	34,044
Fixed assets	15	2,391,380	2,390,699	2,204,629	2,203,924
Investments	17	315,719	308,410	280,355	265,663
Investment in joint ventures	18	1	-	-	-
Investments in associates	19	1,282	-	1,376	-
		<u>2,750,952</u>	<u>2,741,679</u>	<u>2,520,404</u>	<u>2,503,631</u>
<b>Current assets</b>					
Stock		146	146	127	127
Trade and other receivables	20	304,389	311,305	306,604	310,426
Cash and cash equivalents		<u>601,014</u>	<u>563,509</u>	<u>282,085</u>	<u>258,422</u>
		905,549	874,960	588,816	568,975
Less: Creditors: amounts falling due within one year	21	(832,155)	(815,187)	(746,115)	(730,234)
<b>Net current assets/(liabilities)</b>		<u>73,394</u>	<u>59,774</u>	<u>(157,299)</u>	<u>(161,259)</u>
<b>Total assets less current liabilities</b>		<u>2,824,346</u>	<u>2,801,453</u>	<u>2,363,105</u>	<u>2,342,372</u>
Creditors: amounts falling due after more than one year	22	(955,596)	(954,898)	(636,788)	(635,090)
<b>Provisions</b>					
Pension provisions	23	(224,621)	(224,244)	(225,653)	(225,234)
Other provisions	23	(10,340)	(8,627)	(13,535)	(8,235)
<b>Total net assets</b>		<u>1,633,789</u>	<u>1,613,684</u>	<u>1,487,129</u>	<u>1,473,813</u>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	24	163,286	163,286	143,229	143,229
Income and expenditure reserve - restricted reserve		17,001	17,001	16,002	16,002
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted before pension reserve		1,619,185	1,602,998	1,496,404	1,493,652
Pension reserve		(224,618)	(224,244)	(225,653)	(225,234)
Income and expenditure reserve - unrestricted after pension reserve		<u>1,394,567</u>	<u>1,378,754</u>	<u>1,270,751</u>	<u>1,268,418</u>
Revaluation reserve		58,837	54,642	57,034	46,164
		<u>1,633,691</u>	<u>1,613,684</u>	<u>1,487,016</u>	<u>1,473,813</u>
Non-controlling interest		98	-	113	-
<b>Total Reserves</b>		<u>1,633,789</u>	<u>1,613,684</u>	<u>1,487,129</u>	<u>1,473,813</u>

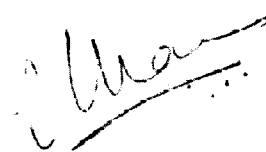
Approved by Council on 19th January 2022



Sarah Whitney  
Treasurer



Dr. Michael Spence  
President and Provost



Charu Gorasia  
Chief Financial Officer



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		146,660	200,348
<b>Adjustment for non-cash items</b>			
Depreciation	15	99,208	94,980
Amortisation of intangible assets	14	3,255	2,520
Loss on disposal of subsidiary		-	23
(Gain)/Loss on investments	17	(47,522)	6,408
Decrease/(Increase) in stock		(19)	358
Decrease/(Increase) in debtors		1,641	5,057
Increase in creditors		101,781	63,080
(Decrease)/Increase in pension provision	23	(1,032)	(159,547)
Decrease in other provisions	23	(3,235)	(2,374)
Impairment of intangible fixed assets	14	-	-
Impairment of tangible fixed assets	15	-	2,149
Impairment of fixed asset investments		-	256
Share of operating (profit)/deficit in joint ventures	18	(1)	1
Share of operating (profit)/deficit in associates	19	(246)	(217)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(5,504)	(7,340)
Interest payable	10	4,646	6,553
Endowment income	6	(1,289)	(2,093)
Loss on sale of fixed assets		98	10
Capital grant income		(37,096)	(42,147)
<b>Net cash inflow from operating activities</b>		<b>261,345</b>	<b>168,025</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		88	195
Proceeds from sales of non-current asset investments		27,106	13,770
Reduction in cash on disposal of subsidiary		-	(66)
Capital grants receipts		71,935	58,346
Investment income received		1,407	2,954
Endowment income received		2,878	2,995
Payments made to acquire fixed assets		(283,747)	(245,634)
Payments made to acquire intangible assets		(11,781)	(10,317)
New non-current asset investments		(33,775)	(9,471)
Repayments from loans to associate companies		652	48
		<b>(225,237)</b>	<b>(187,180)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(2,831)	(4,525)
Interest element of finance lease and service concession payments		(2,082)	(1,899)
Endowment cash received		1,289	2,093
New unsecured loans		290,250	-
Repayments of amounts borrowed		(3,805)	(3,226)
Capital element of finance lease and service concession payments		-	(117)
		<b>282,821</b>	<b>(7,674)</b>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		<b>318,929</b>	<b>(26,829)</b>
Cash and cash equivalents at beginning of the year		282,085	308,914
Cash and cash equivalents at end of the year		<b>601,014</b>	<b>282,085</b>
		<b>318,929</b>	<b>(26,829)</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 2023, which is beyond 12 months from the approval of these financial statements and extends to the end of the subsequent financial year.

#### Financial Performance and the 31 July 2021 year-end position

In the financial year to 31 July 2021, the University made a surplus of £128.3m before non-cash movement on the USS pension provision and unrealised gains on consolidation (2020: £53.5m). At the balance sheet date of 31 July 2021 the University held a surplus of liquid cash over debt of £8m (2020: net debt of £44.8m), cash and cash-equivalents stood at £601.0m (2020: £282.1m) and net current assets were £73.4m (2020: liabilities of £157.3m).

#### 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 there. 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 2023. The financial statements have therefore been prepared on a going concern basis.

In reaching this conclusion, Council has considered the continuing challenges and risks 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 mitigation.

As at the date of this report, the financial outlook for the University is positive and performance for the 2020-21 financial year has been substantially more positive than forecasts had assumed in the aftermath of the pandemic. 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 remains encouraging.

Enrolment data taken at the mid-October 2021 census date, indicated that recruitment targets will be exceeded for full-time undergraduates and substantially met for post-graduate taught students. In both cases, targets are broadly flat in comparison to prior year reflecting the need to actively manage student numbers in light of significant growth over recent years.

Application statistics for the 2021 undergraduate admissions cycle indicate that this strong performance will continue. Total applications of 26,715 (at the 15 October 2021 census date) represented an increase of 8.9% in relation to the same point in the previous year.

Whilst it is acknowledged that a great deal of uncertainty still remains within the sector and within UCL's finances, this outcome on 2021 enrolment – a key underlying variable in UCL's financial planning – has allowed the University's financial forecasts to remain cautiously optimistic.

UCL's current base case reflects that view and assumes a transition back to pre-Covid operating conditions over the course of 2021/22. Continuing Covid related risks and opportunities however are also tracked in parallel. This base case incorporates actual results for the 2020/21 financial year and represents the University's approved budget for the 2022/23 financial year - as set in May 2021 - and the most recent set of 5 year projections submitted to the Office for Students. It models the University's financial performance through to July 2023: 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 base case, the operating surpluses for 2021-22 and 2022-23 are £44m and £69m respectively, whilst net operating cashflow for those two years is forecast at a positive £117m and £139m.

The University has also considered a 'plausible downside' scenario to stress test UCL's going concern status and enable Council to assess the adequacy of its current financial resources in the event of a downturn within the going concern period. This scenario assumes a crystallisation of all principal identified risks without any mitigation through the realisation of tracked opportunities, and is therefore judged to be at the lowest boundary of UCL's financial planning assumptions. The additional risks built into this scenario include: a resurgence of Covid leading to increased on-campus space requirements (£10m), an accompanying fall in student accommodation income (£10m), further reductions in Government funding (£13m) and an increase to in-year student withdrawals and deferrals (£9m).

Under the plausible downside, operating surpluses for 2021-22 and 2022-23 reduce to £1.4m and £26.7m respectively, although net operating cash flow remains high at £74.4m and £96.6m, year-end cash stands at £444m and £365m without further draw against existing debt facilities, and UCL remains compliant with all financial covenants.

In addition to the impact of Covid-19, the 2020 valuation of the USS Pension Scheme (USS) is now nearing its conclusion. In order to address an estimated deficit of £14.1bn, a joint resolution to reform future benefits and increase employer covenant support has been agreed and is now proceeding through statutory consultation with affected employees. Should this proposal be ratified, a schedule of contributions will come into force which - subject to further valuations - will retain employer contributions at close to current levels up to March 2028.

Alternatively, should sufficient support not materialise, a fall-back schedule of contributions will come into force resulting in a significant increase for employers to 38.2% from October 2025. At present, this outcome is not judged to be sufficiently probable for inclusion in UCL's financial projections.

### Financing arrangements through the going concern period

As at 31 July 2021, UCL's debt financing totalled £584.4m, which comprised £280m of drawdown against the University's credit facility with the EIB, £13.5m of outstanding balances on legacy loans held with Barclays Bank and Royal Bank of Scotland and £290.9m (face value less issue discount) due under UCL's £300m, 40 year, sustainability bond issued in June 2021. See note 22 for further details.

UCL has also retained its £150m revolving credit facility (RCF) with Natwest, which provides rolling access to a maximum of £150m over a maximum 7 year term to January 2027. As at the date of this report, nothing had been drawn against the facility and there is no projected draw over the going concern period to 31 July 2023.

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 £116m. As the University held £601m at the end of the 2020-21 financial year, is projecting net operating cash inflows over the next two years of £117m and £139m respectively and has access to a further £150m of headroom under its RCF, there is minimal risk of breaching this requirement over the going concern period.

### Covenants

The University complied with all covenant requirements for existing borrowing at 31 July 2021 and forecasts headroom in its covenant compliance at 31 July 2022 and 31 July 2023.

An exercise has been undertaken to establish the conditions necessary for UCL to breach its financial covenants, however the core requirement - that operating cash flow falls by £88.7m (76%) to £28.5m - would represent an outcome so significantly beyond UCL's worst case planning assumptions (the plausible downside) that it is judged too remote for further consideration in UCL's going concern assessment.

### 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. Opportunities are also being monitored so that action can be taken, where necessary, to ensure they are realised. At present, potential upsides to the 2021/22 financial year include: an excess of student numbers and / or a higher proportion of overseas students than budgeted for, a slower rate of staff recruitment across the organisation than assumed in the budget, further reduction in travel costs due to continued and/or reimposed Covid travel restrictions and reduced non-pay costs resulting from improved procurement practice.

## STATEMENT OF ACCOUNTING POLICIES

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### 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 2021. 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

## 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 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>1 Tuition fees and education contracts</b>				
Full-time home and EU students	192,873	192,873	171,485	171,485
Full-time international students	440,834	440,834	348,523	348,523
Part time students	23,596	23,596	21,165	21,165
Other fees	23,387	23,387	19,755	19,755
Research training support grants	35,615	35,615	34,562	34,562
Short course fees	16,567	16,567	18,227	18,227
	<b>732,872</b>	<b>732,872</b>	<b>613,717</b>	<b>613,717</b>

## 2 Funding body grants

### Recurrent grant

#### Office for Students:

Teaching	33,489	33,489	35,276	35,276
Other	523	523	113	113

#### Research England:

Research	162,302	162,302	163,051	163,051
Other	938	938	533	533

### Specific grants

#### Higher Education Innovation Fund

Capital grants	4,861	4,861	4,395	4,395
	19,277	19,277	24,535	24,535
	<b>221,390</b>	<b>221,390</b>	<b>227,903</b>	<b>227,903</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 £19,168,900 (2020 - £17,924,000). Total capital funding received from Office for Students in the financial year was £2,421,236 (2020 - £1,320,000).

## 3 Research grants and contracts

Research councils	149,078	149,078	149,614	149,614
UK based charities	141,395	141,395	141,416	141,385
UK central government, local/health authorities, hospitals	64,790	64,710	63,149	63,101
UK industry, commerce and public corporations	18,114	17,910	17,837	17,759
UK other sources	40,520	40,520	10,404	10,404
EU government bodies	7,035	7,035	44,776	44,776
EU other	37,429	37,151	7,831	7,782
Other overseas	18,517	17,899	32,687	32,506
	<b>476,878</b>	<b>475,698</b>	<b>467,714</b>	<b>467,327</b>

Income from research grants and contracts includes deferred capital grants released in the year of £13,815,893 (2020 - £12,186,000).

## 4 Other income

Residences, catering and conferences	20,759	20,692	41,152	39,715
Other revenue grants	3,867	3,867	12,170	12,022
Other capital grants	558	558	551	551
Other services rendered	52,395	47,170	74,501	43,156
Health authorities	36,195	36,195	37,072	37,072
HS2 compensation	621	621	2,708	2,708
Other income	31,580	19,408	32,337	20,023
	<b>145,975</b>	<b>128,511</b>	<b>200,491</b>	<b>155,247</b>

Other income in the year includes £5.6m of royalty income from UCL Business (2020 - £11.3m) and £3.6m of furlough income (2020 - £4.6m). 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 2021		Year Ended 31 July 2020	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>5 Investment income</b>					
Investment income on expendable endowments	24	2,312	2,312	2,405	2,405
Investment income on permanent endowments	24	567	567	590	590
Other investment income		2,759	2,587	4,345	4,330
		<b>5,638</b>	<b>5,466</b>	<b>7,340</b>	<b>7,325</b>
<b>6 Donations and endowments</b>					
New endowments	24	1,289	1,289	2,093	2,093
Donations with restrictions		22,118	22,118	20,916	20,916
Unrestricted donations		3,291	4,342	3,567	5,546
		<b>26,698</b>	<b>27,749</b>	<b>26,576</b>	<b>28,555</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		34,128	34,128	35,488	35,488
Grant income from other bodies		629,651	629,651	637,197	637,049
Fee income for taught awards (exclusive of Vat)		628,938	628,938	515,415	515,415
Fee income for research awards (exclusive of Vat)		40,675	40,675	36,501	36,501
Fee income from non-qualifying courses (exclusive of Vat)		63,258	63,258	61,801	61,801
		<b>1,396,650</b>	<b>1,396,650</b>	<b>1,286,402</b>	<b>1,286,254</b>
<b>8 Staff costs</b>					
Salaries and wages		695,652	688,023	681,010	673,689
NI contributions		69,334	68,578	67,327	66,534
Other Pension costs	33	120,851	119,684	115,347	114,125
		<b>885,837</b>	<b>876,285</b>	<b>863,684</b>	<b>854,348</b>
Movement on USS provision		(2,673)	(2,628)	(165,537)	(165,316)
		<b>883,164</b>	<b>873,656</b>	<b>698,147</b>	<b>689,032</b>

## NOTES TO THE ACCOUNTS

### Emoluments of the President and Provost:

On 11 January 2021, Professor Michael Arthur stepped down as UCL's President and Provost after seven years in the role and was succeeded by Dr. Michael Spence: former Vice Chancellor of the University of Sydney. Michael Arthur's term of employment concluded on 8 February 2021 after a three week handover period. Emoluments of each of the two President and Provosts are disclosed separately below and represent actual amounts paid or payable within the financial year.

Michael Arthur	2021 £	2020 £
Basic salary	206,879	410,232
Employer pension contributions	3,330	6,714
Taxable benefits in kind	9,757	30,180
Non-taxable benefits in kind	-	-
Other remuneration	25,000	25,000
	<b>244,966</b>	<b>472,126</b>

For the 2020-21 financial year, Michael Arthur's basic salary includes an exceptional payment of £14,020. This was paid in March 2021 as reimbursement for an additional 2020-21 tax charge that arose following HM Revenue & Customs' decision to treat (previously exempt) employer-provided accommodation as a taxable benefit across the sector. The prior year equivalent, as included in 2019-20 basic salary, was £24,566.

Michael Arthur's basic salary also includes total London Allowance paid within the financial year of £1,600 (2019-20: £3,143).

With regard to employer pension contributions, Michael Arthur had opted into a salary sacrifice arrangement under which UCL paid 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 Michael Arthur's annual health insurance premium, and the provision of living accommodation within the Bloomsbury campus.

This accommodation had 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 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 2021 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 £80,600 (2019-20: £83,200).

Other remuneration reflects a single payment of £25,000, made in March 2021 and relating to a request from UCL for Michael Arthur 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. This represented the second and final instalment under the agreement, following an earlier payment of equal value in July 2020.

In relation to all other UCL employees (on a full FTE basis):

Michael Arthur's basic salary was 8.8 times the median pay of staff (2019-20: 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.

Michael Arthur's total remuneration was 8.2 times the median total remuneration of staff (2019-20: 9.0 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.

### Michael Spence

	2021 £	2020 £
Basic salary	204,226	-
Employer pension contributions	43,092	-
Taxable benefits in kind	69,469	-
Non-taxable benefits in kind	8,000	-
Other remuneration	20,000	-
	<b>344,787</b>	<b>-</b>

The President and Provost's basic salary includes total London Allowance paid within the financial year of £1,797 (2019-20: £nil).

Taxable benefits in kind represents the provision of living accommodation (£44,542) as well as one-off relocation costs (£24,927) associated with the President and Provost's move to the UK from Australia.

As has been the case with previous President and Provosts, UCL will provide living accommodation on the Bloomsbury campus to Michael Spence over the course of his term in order to best support the performance of his duties. In line with current tax treatment, this is classified as a taxable benefit and the total £44,542 comprises interim occupation of a nearby rental property between 27 December 2020 and 11 April 2021 and provision of a Bloomsbury based residence from 12 April 2021 onwards.

The benefit value attached to the residence is based on a proportion of the original acquisition and fit out costs plus the cost to UCL of maintaining the

## NOTES TO THE ACCOUNTS

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property within the year. As at the 2021 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 £37,180.

Taxable relocation of £24,927 relates to the cost of transporting personal belongings and domestic goods from Australia to the new residence in excess of the £8,000 tax free allowance. These costs were incurred directly by UCL and were funded in line with the University's Relocation Expenses policy. Costs incurred up to the tax free allowance are disclosed under non-taxable benefits in kind.

Other remuneration of £20,000 represents a one-off relocation supplement, made in line with standard UCL policy for international relocations and intended to contribute to those costs not otherwise supported under the Relocation Expenses allowance.

In relation to all other UCL employees (on a full FTE basis):

The President and Provost's basic salary is 8.4 times the median pay of staff, 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 10.9 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for total remuneration paid by UCL to its staff. As noted above however, the Provost's total salary for 2020-21 includes £52,927 in non-recurring relocation costs designed to support the Provost in his move from Australia. If these relocation costs are excluded, the President & Provost's total remuneration is 9.9 times the median total remuneration of staff, where the median total remuneration is calculated on the same basis.

### 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 £1.5 billion, the upper quartile is viewed as an appropriate benchmark.

Contractually, the Provost does not receive any automatic salary progression. Any agreed performance-related award is determined independently of the national pay award, but has in recent years been influenced by the level of automatic increase 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 accounting periods beginning on or after 1 August 2019, 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.

	2021 No.	2020 No.
£100,000 - £104,999	129	137
£105,000 - £109,999	142	79
£110,000 - £114,999	170	169
£115,000 - £119,999	41	27
£120,000 - £124,999	28	44
£125,000 - £129,999	43	39
£130,000 - £134,999	35	25
£135,000 - £139,999	18	17
£140,000 - £144,999	11	10
£145,000 - £149,999	8	11
£150,000 - £154,999	14	11
£155,000 - £159,999	15	16
£160,000 - £164,999	7	7
£165,000 - £169,999	8	11
£170,000 - £174,999	13	4
£175,000 - £179,999	5	4
£180,000 - £184,999	3	4
£185,000 - £189,999	3	-
£190,000 - £194,999	-	3
£195,000 - £199,999	4	4
£200,000 - £204,999	4	3
£205,000 - £209,999	2	1
£210,000 - £214,999	2	1
£215,000 - £219,999	1	3
£220,000 - £224,999	3	3
£225,000 - £229,999	2	2
£230,000 - £234,999	-	1
£235,000 - £239,999	1	1
£240,000 - £244,999	1	1
£265,000 - £269,999	1	1
£290,000 - £294,999	1	2
£295,000 - £299,999	1	-
£380,000 - £384,999	1	1
£410,000 - £414,999	-	1
	<b>717</b>	<b>643</b>

Included within the table above are 179 members of staff (2020 - 161) 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 16,738 (2020 - 15,861).

Compensation for loss of office in respect of 348 employees totalled £3,970,859 (2020 - £2,748,000 in respect of 196 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.

	2021 £'000	2020 £'000
Key management personnel compensation	3,217	3,147
Number of key management personnel included in above	24	21

### 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 2021 (2020 - £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 £174 (2020 - £2,591 to five trustees). This represents travel, accommodation and office expenses incurred in the capacity of Council member.

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>9 Other operating expenses</b>				
Residences and catering	33,821	31,204	31,915	29,261
Furniture, computer and other equipment costs	55,734	54,949	57,182	46,404
Academic consumables and laboratory expenditure	48,999	48,779	40,027	38,917
Books, publications and periodicals	18,213	18,199	14,833	14,803
Scholarships and prizes	89,355	89,347	88,489	88,489
General educational expenditure	9,279	9,279	8,134	8,134
Rents, rates and insurance	31,229	30,900	30,641	30,527
Heat, light, water and power	16,355	16,341	16,979	16,979
Service charges	12,188	12,114	8,116	8,099
Repairs and general maintenance	17,877	17,877	18,716	18,706
Long term maintenance	2,687	2,687	8,303	8,303
Telephone	2,701	2,686	2,255	2,228
Advertising and recruitment	7,279	7,077	7,241	7,111
Printing, postage, stationery and other office costs	3,711	3,667	4,415	4,260
Conference, travel and training	8,395	8,455	29,314	28,843
Professional fees	49,571	39,404	44,556	35,404
Audit fees	561	491	469	350
Other fees paid to auditors	89	89	217	217
Grants to Students Union and other student bodies	2,951	2,951	2,833	2,833
Payments to non contract staff and agencies	38,154	37,926	38,158	37,464
Other costs	69,385	64,340	76,075	64,074
	<b>518,534</b>	<b>498,762</b>	<b>528,868</b>	<b>491,406</b>

## NOTES TO THE ACCOUNTS

### 10 Interest and other finance costs

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Loan interest	3,227	3,227	5,028	5,028
Finance lease interest	1,808	1,808	1,899	1,899
Exchange differences	(386)	375	(374)	22
	<b>4,649</b>	<b>5,410</b>	<b>6,553</b>	<b>6,949</b>
Unwinding of pension deficit funding	1,641	1,638	6,071	6,061
	<b>6,290</b>	<b>7,048</b>	<b>12,624</b>	<b>13,010</b>

£6,372,800 of EIB loan interest was capitalised during the year and is included as additions to 'Assets in the Course of Construction' in note 15.

### 11 Analysis of total expenditure by activity

Academic departments	557,613	538,037	527,233	527,437
Academic services	97,378	97,378	93,683	93,891
Research grants and contracts	387,803	386,742	383,375	383,036
Residences and catering	43,088	40,471	39,866	37,212
Premises	176,862	176,862	180,666	180,666
Administration and central services	216,054	217,523	206,354	207,900
Other expenses	31,650	24,863	(94,038)	(139,243)
	<b>1,510,448</b>	<b>1,481,876</b>	<b>1,337,139</b>	<b>1,290,899</b>

In the previous financial year a revised USS deficit recovery plan was agreed by participating employers, and this resulted in a significant decrease to the value of UCL's provision as well as a subsequent £159m credit to other expenses. That same recovery plan remains in force as at the 2020-21 year-end date and, with only a marginal change in the value of the provision, the equivalent credit for the current financial year is £1m.

### 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 2021			31 July 2020
	Staff costs £'000	Other operating expenses £'000	Total £'000	Total £'000
Access Investment	1,775	740	2,515	2,389
Financial Support	41	10,022	10,063	7,344
Disability Support	1,009	529	1,538	1,559
Research and Evaluation	204	107	311	230
	<b>3,029</b>	<b>11,398</b>	<b>14,427</b>	<b>11,522</b>

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 2020-21 access and participation plan can be found at:

[https://www.ucl.ac.uk/widening-participation/sites/widening\\_participation/files/ucls\\_access\\_and\\_participation\\_plan\\_202021-202425\\_updated\\_may\\_2021.pdf](https://www.ucl.ac.uk/widening-participation/sites/widening_participation/files/ucls_access_and_participation_plan_202021-202425_updated_may_2021.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 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
UCL Trading Ltd	(1)	-	-	-
UCL Consultants Ltd	15	-	24	-
UCLB Investments Ltd	-	-	9	-
Mapping for Change Ltd	-	-	(4)	-
	<b>14</b>	<b>-</b>	<b>29</b>	<b>-</b>

### 14 Intangible assets

#### Software

##### Cost

At 1 August 2020	42,064	42,064
Additions at cost	11,781	11,781
Disposals	(179)	(179)

##### At 31 July 2021

<b>53,666</b>	<b>53,666</b>
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##### Amortisation

At 1 August 2020	8,020	8,020
Charge for the year	3,255	3,255
Disposals	(179)	(179)

##### At 31 July 2021

<b>11,096</b>	<b>11,096</b>
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##### Net Book Value

<b>At 31 July 2021</b>	<b>42,570</b>	<b>42,570</b>
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At 1 August 2020

<b>34,044</b>	<b>34,044</b>
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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

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Equipment, plant and machinery £'000	Assets in the Course of Construction £'000	Total £'000
<b>Consolidated</b>					
<b>Cost</b>					
At 1 August 2020	1,899,294	577,498	308,370	272,775	3,057,937
Reclassification to intangible assets	-	-	-	-	-
Additions at cost	43,257	23,449	25,487	193,864	286,057
Transfers	28,731	40,711	983	(70,425)	-
Reclassifications	-	-	-	-	-
Impairments	-	-	-	-	-
Disposals	-	-	(9,732)	-	(9,732)
<b>At 31 July 2021</b>	<b>1,971,282</b>	<b>641,658</b>	<b>325,108</b>	<b>396,214</b>	<b>3,334,262</b>
<b>Depreciation</b>					
At 1 August 2020	406,933	228,120	218,255	-	853,308
Charge for year	46,175	20,724	32,309	-	99,208
Reclassifications	-	-	-	-	-
Disposals	-	-	(9,634)	-	(9,634)
<b>At 31 July 2021</b>	<b>453,108</b>	<b>248,844</b>	<b>240,930</b>	<b>-</b>	<b>942,882</b>
<b>Net book value</b>					
<b>At 31 July 2021</b>	<b>1,518,174</b>	<b>392,814</b>	<b>84,178</b>	<b>396,214</b>	<b>2,391,380</b>
At 31 July 2020	1,492,361	349,378	90,115	272,775	2,204,629
<b>University</b>					
<b>Cost</b>					
At 1 August 2020	1,899,294	576,398	306,975	272,775	3,055,442
Reclassification to intangible assets	-	-	-	-	-
Additions at cost	43,257	23,449	25,457	193,864	286,027
Transfers	28,731	40,711	983	(70,425)	-
Reclassifications	-	-	-	-	-
Impairments	-	-	-	-	-
Disposals	-	-	(9,732)	-	(9,732)
<b>At 31 July 2021</b>	<b>1,971,282</b>	<b>640,558</b>	<b>323,683</b>	<b>396,214</b>	<b>3,331,737</b>
<b>Depreciation</b>					
At 1 August 2020	406,933	227,527	217,058	-	851,518
Charge for year	46,175	20,724	32,255	-	99,154
Reclassifications	-	-	-	-	-
Disposals	-	-	(9,634)	-	(9,634)
<b>At 31 July 2021</b>	<b>453,108</b>	<b>248,251</b>	<b>239,679</b>	<b>-</b>	<b>941,038</b>
<b>Net book value</b>					
<b>At 31 July 2021</b>	<b>1,518,174</b>	<b>392,307</b>	<b>84,004</b>	<b>396,214</b>	<b>2,390,699</b>
At 31 July 2020	1,492,361	348,871	89,917	272,775	2,203,924

The declared value of buildings for insurance purposes (day one basis) as at 1 August 2021 was £2.9bn (2020 - £3.0bn).

At 31 July 2021 freehold land and buildings included £686m (2020 - £686m) in respect of freehold land that is not depreciated, and £54m (2020 - £54m) in respect of leasehold land held on a 299 year lease.

At 31 July 2021 there were no assets held under finance lease (2020 - net book value of £10.9m, depreciation charge for the year of £0.3m).

Included in the cost of fixed assets is aggregated interest capitalised of £16m (2020 - £9.6m).

## 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 2021 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 2020	-	19,061	261,294	<b>280,355</b>
Additions	-	31,943	2,895	<b>34,838</b>
Revaluations	-	-	30,136	<b>30,136</b>
Impairments	-	-	(84)	<b>(84)</b>
Disposals	-	(21,000)	(8,526)	<b>(29,526)</b>
At 31 July 2021	-	<b>30,004</b>	<b>285,715</b>	<b>315,719</b>
<b>University</b>				
At 1 August 2020	8,412	19,061	238,190	<b>265,663</b>
Additions	-	31,943	1,141	<b>33,084</b>
Revaluations	-	-	30,747	<b>30,747</b>
Impairments	-	-	(84)	<b>(84)</b>
Disposals	-	(21,000)	-	<b>(21,000)</b>
At 31 July 2021	<b>8,412</b>	<b>30,004</b>	<b>269,994</b>	<b>308,410</b>

Monies held on long term deposit represented a security fund that was designed to meet UCL's obligations under a finance lease with Lloyds Bank. In April 2021, the University exercised an option to acquire the related head-lease, a capital payment of £21m was made from the security fund and the financing arrangement was brought to a close (Note 21).

Other investments are categorised as follows:

	Year ended 31 July 2021		Year ended 31 July 2020	
	Consolidated £m	University £m	Consolidated £m	University £m
Portfolio of fixed interest securities, equities and cash	<b>235.7</b>	<b>235.7</b>	203.8	203.8
Investment properties	<b>1.5</b>	-	1.5	-
Shares in The Francis Crick Institute Ltd	<b>33.6</b>	<b>33.6</b>	33.6	33.6
Credit facility fee	<b>0.3</b>	<b>0.3</b>	0.4	0.4
Shares in other limited companies and partnerships	<b>14.6</b>	<b>0.3</b>	22.0	0.4
	<b>285.7</b>	<b>270.0</b>	261.3	238.2

## NOTES TO THE ACCOUNTS

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

		Year ended 31 July 2021		Year Ended 31 July 2020	
	Note	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Realised gains on disposal of investments		4,178	-	326	-
Gains on acquisitions and disposals of associates		14,446	-	134	-
Revaluation gains/(losses)		28,898	30,158	(6,868)	6,270
Total gain/(loss) on investments		47,522	30,158	(6,408)	6,270

Revaluation gains have been accounted for as follows:

Statement of Comprehensive Income and Expenditure		28,898	30,158	(6,868)	6,270
Creditors		1,198	589	120	120
Provisions	23	40	-	(3,495)	-
Total revaluation gains/(losses)		30,136	30,747	(10,243)	6,390

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 2020 plus management accounts to 30 June 2021 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:

	2021 £'000	2020 £'000
<b>Share of operating loss:</b>		
EuroTempest	1	-
Help Digital	-	(1)
	1	(1)
<b>Share of taxation charge:</b>		
EuroTempest	-	-
Help Digital	-	-
	-	-
<b>Share of reserves:</b>		
EuroTempest	1	-
Help Digital	-	-
	1	-

## NOTES TO THE ACCOUNTS

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### 19 Associates

The UCL group has interests in the following associate companies:

- (a) 22.07% holding in ordinary shares of **Abcodia Ltd** reduced from 22.69% following an investment round. The company develops biomarkers. The company prepares accounts to 31 December and accounts to 31 December 2020 plus management accounts to 31 July 2021 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 2021 plus management accounts to 31 July 2021 are included.
- (c) 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 2020 are included. Management accounts to 31 July 2021 are unavailable.
- (d) 30.73% holding in **Domainex Ltd** (2020 - 30.6%). 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 2020 plus management accounts to 31 June 2021 are included.
- (e) 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 2021 plus management accounts to 31 July 2021 are included.
- (f) 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 management accounts to 31 July 2021 are included.
- (g) 36.6% holding in the ordinary shares of **LRG1 Ltd**. The company has been set up to develop the use of leucine-rich alpha-2-glycoprotein-1 (LRG1) for ophthalmic conditions. The company prepares accounts to 31 December and accounts to 31 December 2020 plus management accounts to 31 July 2021 are included.
- (h) 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 31 March 2021 are unavailable, as are management accounts to 31 July 2021.
- (i) 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 2020 plus management accounts to 31 July 2021 are included.
- (k) 45.0% holding in ordinary 'A' shares of **Pentraxin Therapeutics Ltd**. The company has been established for the purpose of developing and commercially exploiting certain technology for designing, synthesizing and developing novel therapeutic drugs. The company prepares accounts to 31 July, and accounts to 31 July 2021 are included.
- (l) UCL's 30.54% holding in **Senceive Ltd** was sold in April 2021 and realised gains of £14.4m were recognised in the year.
- (m) **SmartTarget Ltd** had been established to commercialise the use of medical image registration software and UCL had maintained a 48.96% holding in the ordinary shares. The company was dissolved in January 2021 following the sale of its assets to a US company.
- (n) **SoftV Ltd** has ceased trading and is in the process of being wound down. The company was set up to explore the opportunity of creating healthcare games and applications, and the intention is that this activity will be continued in a new and separate vehicle. Final December 2020 accounts are included.
- (o) 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 2021 are included.'
- (p) 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. The company has been dormant since July 2020 and was disposed in August 2021.
- (q) 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 2021 are included. Management accounts to 31 July 2021 are unavailable.

## NOTES TO THE ACCOUNTS

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

	2021 £'000	2020 £'000
<b>Share of operating (loss)/profit:</b>		
Abcodia	(42)	(20)
Amalyst	(14)	-
Atocap	(69)	(31)
Brainminer	-	(71)
Domainex	364	259
Glialign	-	(6)
Helicon Health	(65)	(5)
LRG1	-	(145)
Movement Metrics	-	-
Neuroresponse	19	40
Pentraxin	-	(9)
Senceive	-	203
SmartTarget	-	1
SoftV	-	(1)
Sylus Pharmaceuticals	64	-
Trim Tots	(1)	(24)
	<b>256</b>	<b>191</b>
<b>Share of taxation credit/(taxation charge):</b>		
Abcodia	-	20
Amalyst	-	3
Domainex	(20)	2
Neuroresponse	(9)	-
Sylus	(9)	-
SmartTarget	-	1
LRG1	28	-
	<b>(10)</b>	<b>26</b>
<b>Share of reserves:</b>		
Amalyst	4	18
Atocap	-	-
Blue Sky Imaging	11	11
Domainex	1,090	817
Glialign	7	8
Helicon Health	-	-
LRG1	3	40
Movement Metrics	8	8
Neuroresponse	50	40
Pentraxin	-	63
Senceive	-	363
SmartTarget	-	2
Sylus Pharmaceuticals	104	-
Trim Tots	5	6
	<b>1,282</b>	<b>1,376</b>

### 20 Trade and other receivables

#### Amounts falling due within one year:

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Invoiced debtors	16,962	11,402	15,942	11,957
Research grants and contracts	191,464	191,464	189,607	189,607
Local health authorities/hospitals	11,372	11,372	13,022	13,022
Halls of residence debtors	945	945	563	563
Advances to members of staff	6,835	6,835	7,581	7,578
Inter company debtors	-	15,254	-	11,139
Other debtors and prepayments	76,276	74,033	78,702	76,560

#### Amounts falling due after one year:

Loans to associate companies	535	-	1,187	-
	<b>304,389</b>	<b>311,305</b>	<b>306,604</b>	<b>310,426</b>

## NOTES TO THE ACCOUNTS

	Note	Year Ended 31 July 2021		Year Ended 31 July 2020	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
<b>21 Creditors: amounts falling due within one year</b>					
Bank and other loans		1,658	1,658	1,655	1,655
Cruciform Private Development Loan		2,252	2,252	1,889	1,889
Research grants received on account		438,679	438,679	392,231	392,231
Purchase ledger creditors		52,875	52,354	33,532	32,369
Other creditors including taxation and social security		85,039	80,720	69,526	66,425
Obligations under finance leases		-	-	21,260	21,260
Accruals and deferred income		251,652	239,524	226,022	214,405
Inter-company creditors		-	-	-	-
		<b>832,155</b>	<b>815,187</b>	<b>746,115</b>	<b>730,234</b>

Within the year, UCL exercised an option under a finance lease arrangement with Lloyds Bank to acquire the head lease on a number of student residences. A capital payment of £21m was made from funds specifically set aside for this purpose (Note 17) and the financing arrangement was brought to a close.

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	11,182	11,182	10,346	10,346
Capital grants	84,894	84,894	62,525	62,525
Tuition fees in advance	-	-	5,099	5,099
	<b>96,076</b>	<b>96,076</b>	<b>77,970</b>	<b>77,970</b>

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

Deferred income	366,530	365,832	334,698	333,000
£300m Sustainability Bond 2061	290,886	290,886	-	-
Cruciform Private Development Loan	5,814	5,814	8,066	8,066
Long term bank loans	291,866	291,866	293,524	293,524
Salix Revolving Green Fund	500	500	500	500
	<b>955,596</b>	<b>954,898</b>	<b>636,788</b>	<b>635,090</b>

### Analysis of loan repayments:

In less than one year:

Finance leases	21	-	-	21,260	21,260
Loans	21	3,910	3,910	3,544	3,544
In more than one year but no more than two years					
Finance leases		-	-	-	-
Loans		4,330	4,330	3,910	3,910
In more than two years but no more than five years					
Finance leases		-	-	-	-
Loans		8,149	8,149	10,808	10,808
In more than five years					
Finance leases		-	-	-	-
Loans		576,586	576,586	287,372	287,372
		<b>592,975</b>	<b>592,975</b>	<b>326,894</b>	<b>326,894</b>
In less than one year	21	(3,910)	(3,910)	(24,804)	(24,804)
		<b>589,065</b>	<b>589,065</b>	<b>302,090</b>	<b>302,090</b>

## NOTES TO THE ACCOUNTS

On 4 June 2021, UCL issued its debut public bond: a 40 year, £300m Sustainability bond, priced at 1.625% and listed on the the London Stock Exchange. The £290.9m liability recorded in the balance sheet as at 31 July 2021 represents the £300m payable on maturity in 2061 less the issue discount of £9.1m, which will unwind over the life of the instrument.

Included in bank loans are the following:

Lender	Amount £'000	Due <1 year £'000	Term	Interest rate %		Borrower
Royal Bank of Scotland	7,029	1,278	2026	5.8	Fixed to 2021	UCL
Barclays Bank	1,923	126	2036	0.8	Variable - LIBOR plus 0.21%	Institute of Education
Barclays Bank	1,841	121	2036	5.9	Fixed	Institute of Education
Barclays Bank	1,473	58	2037	5.3	Fixed	Institute of Education
Barclays Bank	1,259	75	2037	0.7	Variable - LIBOR plus 0.20%	Institute of Education
European Investment Bank	280,000	-	2048	2.3	Fixed	UCL
	<b>293,525</b>	<b>1,658</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 2020	224,803	850	225,653	7,836	399	5,300	13,535
Utilised in year	(9,228)	-	(9,228)	-	-	(3,587)	(3,587)
Additions	8,196	-	8,196	791	-	-	791
Releases	-	-	-	-	(399)	-	(399)
At 31 July 2021	<b>223,771</b>	<b>850</b>	<b>224,621</b>	<b>8,627</b>	<b>-</b>	<b>1,713</b>	<b>10,340</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 2020	224,384	850	225,234	7,836	399	-	8,235
Utilised in year	(9,208)	-	(9,208)	-	-	-	-
Additions	8,218	-	8,218	791	-	-	791
Releases	-	-	-	-	(399)	-	(399)
At 31 July 2021	<b>223,394</b>	<b>850</b>	<b>224,244</b>	<b>8,627</b>	<b>-</b>	<b>-</b>	<b>8,627</b>

Redundancy provisions related to the planned termination of operations in Qatar in 2020 and were released on conclusion of the closure in April 2021.

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 s £'000	Unrestricted permanent endowments £'000	Expendable endowments £'000	2021 Total £'000	2020 Total £'000
<b>Balances at 1 August 2020</b>					
Capital	26,612	1,517	109,151	137,280	133,556
Accumulated income	1,626	191	4,132	5,949	5,108
	<b>28,238</b>	<b>1,708</b>	<b>113,283</b>	<b>143,229</b>	<b>138,664</b>
New endowments	23	-	1,266	1,289	2,093
Investment income	535	31	2,312	2,878	2,995
Expenditure	(287)	(8)	(5,494)	(5,789)	(5,052)
Transfer from Income and Expenditure reserve	(803)	-	803	-	-
Increase in market value of investments	4,041	238	17,400	21,679	4,529
<b>Total endowment comprehensive income for the year</b>	<b>3,509</b>	<b>261</b>	<b>16,287</b>	<b>20,057</b>	<b>4,565</b>
<b>At 31 July 2021</b>	<b>31,747</b>	<b>1,969</b>	<b>129,570</b>	<b>163,286</b>	<b>143,229</b>
<b>Represented by:</b>					
Capital	29,874	1,755	124,918	156,547	137,280
Accumulated income	1,873	214	4,652	6,739	5,949
	<b>31,747</b>	<b>1,969</b>	<b>129,570</b>	<b>163,286</b>	<b>143,229</b>
<b>Analysis by type of purpose:</b>					
Lectureships	1,469		36,628	38,097	34,795
Scholarships and bursaries	11,079		45,420	56,499	48,078
Research support	16,781		20,595	37,376	32,807
Prize funds	1,522		6,944	8,466	7,367
General	896	1,969	19,983	22,848	20,182
	<b>31,747</b>	<b>1,969</b>	<b>129,570</b>	<b>163,286</b>	<b>143,229</b>
<b>Analysis by asset:</b>					
Fixed Income				13,769	14,637
UK equities				24,659	19,485
Global Equities				100,169	77,581
Alternative Investments				17,489	15,683
Cash				7,200	14,963
Debtors				-	880
				<b>163,286</b>	<b>143,229</b>

### 25 Consolidated reconciliation of net debt

	<b>31 July 2021</b>	
	<b>£'000</b>	
<b>Net debt 1 August 2020</b>	<b>(44,809)</b>	
Increase in cash and cash equivalents	318,929	
Net increase in debt financing	(266,083)	
<b>Net debt 31 July 2021</b>	<b>8,037</b>	
<b>Change in net debt</b>	<b>52,846</b>	
<b>Analysis of net debt:</b>	<b>31 July 2021</b>	<b>31 July 2020</b>
Note	<b>£'000</b>	<b>£'000</b>
<b>Cash and cash equivalents</b>	<b>601,014</b>	<b>282,085</b>
<b>Borrowings: amounts falling due within one year</b>		
Bank and other loans	21 (1,658)	(1,655)
Cruciform Private Development Loan	21 (2,252)	(1,889)
Obligations under finance leases	21 -	(21,260)
	<b>(3,910)</b>	<b>(24,804)</b>
<b>Borrowings: amounts falling due after more than one year</b>		
Bank and other loans	(292,367)	(294,024)
Cruciform Private Development Loan	(5,814)	(8,066)
£300m Sustainability Bond 2061	(290,886)	-
	<b>(589,067)</b>	<b>(302,090)</b>
<b>Net debt</b>	<b>8,037</b>	<b>(44,809)</b>



## NOTES TO THE ACCOUNTS

### 26 Financial instruments

#### Financial assets

Financial assets at fair value through Statement of Comprehensive Income

	Year Ended 31 July 2021 Consolidated £'000	University £'000	Year Ended 31 July 2020 Consolidated £'000	University £'000
Listed investments	242,977	235,737	220,068	203,849
Other debtors	2,386	2,386	2,360	2,360

Financial assets that are equity instruments measured at cost less impairment

Other investments	41,680	33,969	39,354	33,969
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Financial assets that are debt instruments measured at amortised cost

Cash and cash equivalents	601,056	563,509	282,085	258,422
Other investments	288	288	372	372
Other debtors	235,106	249,970	238,549	248,150

#### Financial liabilities

Financial liabilities measured at amortised cost

Loans	592,977	592,977	305,634	305,634
Finance leases	-	-	21,260	21,260
Trade creditors	52,911	52,404	33,532	32,369
Other creditors	523,695	519,376	461,757	458,656

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	377,290	377,290	370,047	370,047
Authorised but not contracted	247,897	247,897	407,818	407,818
	<b>625,187</b>	<b>625,187</b>	<b>777,865</b>	<b>777,865</b>

Commitments contracted as at 31 July 2021 include £184.3m for development of the UCL East campus, £167.2m for the IoN Dementia Research Institute (DRI) and £14.1m for the Eastman Dental Hospital site, Plot 3.

Major developments which were previously authorised but not fully contracted include £44.9m for the IoE masterplan phases 2-4 and £26.6m for the IoN DRI.

### 28 Lease obligations

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

	Year Ended 31 July 2021			Year Ended 31 July 2020		
	Land & Buildings £'000	Other £'000	Total £'000	Land & Buildings £'000	Other £'000	Total £'000
<b>Payable during the year</b>	21,200	641	21,841	19,295	584	19,879
<b>Future minimum lease payments due</b>						
Not later than 1 year	19,413	511	19,924	19,934	448	20,382
Later than 1 year and not later than 5 years	60,645	478	61,123	62,650	1,048	63,698
Later than 5 years	83,124	-	83,124	81,679	1	81,680
<b>Total lease payments due</b>	<b>163,182</b>	<b>989</b>	<b>164,171</b>	<b>164,263</b>	<b>1,497</b>	<b>165,760</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 £250,000 (2020 - £244,000).

## NOTES TO THE ACCOUNTS

### 29 Agency arrangements

<u>Funding body grant for the Institute of Zoology:</u>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Balance unspent at 1 August 2020	-	-
Funding body grants received	-	-
Disbursements to the Institute of Zoology	-	-
Administration fee	-	-
Balance unspent at 31 July 2021	-	-

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>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance unspent at 1 August 2020	-	-	341	-	-	-
Funding received for consortium partners	2,183	1,461	1,924	2,261	3,718	2,485
Disbursements to partners	(2,183)	(1,461)	(2,220)	(1,920)	(2,937)	(2,485)
Administration fee	-	-	-	-	-	-
Balance unspent at 31 July 2021	-	-	45	341	781	-

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 in note 17 is a £1.2m (2019-20: £3.7m) unrealised gain arising on the revaluation of listed investments held by UCL's subsidiary, UCL Business, which is potentially distributable to UCL on realisation. It has not been recognised as a receivable by UCL as at 31 July 2021 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 2020-21 financial year.

### 31 Related party transactions

The financial statements of UCL for the year ended 31 July 2021 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 at arm's length and in accordance with UCL's Financial Regulations and usual procurement procedures.

UCL has taken advantage of the exemption within FRS 102 Section 33 and not disclosed transactions with wholly-owned subsidiaries. Outstanding balances with these entities as at 31 July 2021 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 21 £'000
Academy of Medical Sciences	470	7	(111)
Africa Health Research Institute	(2)	7,753	28
Alan Turing Institute	1,200	3	152
British Heart Foundation	4,683	-	2,233
Francis Crick Institute	750	1,864	89
Royal Free London NHS Foundation Trust	10,239	7,557	736
UCL Academy	-	29	-
UCL Hospitals NHS Foundation Trust	15,822	9,984	2,841
UCL Union	5	17	(9)
UCLPartners	906	205	438
University of London	866	2,442	94

The following transactions also took place during the year:

Michael Arthur, UCL President and Provost until the 10th of January 2021, sat 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 served as Vice-President of the British Liver Trust (which awarded £3k of research funding to the University and from which UCL made £3k of purchases in the year), as a trustee of CASE Europe (from which purchases totalled £5k), as a board member of UCLPartners and as a trustee of the University of London (details tabulated above).

Dominic Blakemore, external member of UCL Council, is Chief Executive of food services provider Compass Group Plc and serves as a non-executive director of the London Stock Exchange Group Plc. There were no transactions between UCL and the Compass Group in the financial year, and a total of £8k was paid to the London Stock Exchange in relation to listing fees for the University's debut public bond issuance in June. A balance of £1k was due to the company at the year-end date.

Nicola Brewer, Vice-Provost (International) until September 2020, held non-executive directorships on the boards of Aggreko Plc and London First, the latter since December 2020. Within the year, UCL spent £20k with Aggreko Plc on the hire of electrical generators for the Chenies Mews power supply substation project, and a further £4k on other services. London First is an organisation that supports and promotes London and its businesses; the University is a corporate member and paid a subscription fee of £18k in the year.

Stephen Caddick, Pro-Vice-Provost (UK) and director of UCL Business Ltd to June 2021 (non-executive Director thereafter), is a member of council of the University of Sussex. Within the year, UCL distributed £262k of Research Council funding to the University of Sussex in relation to a series of joint sponsored research projects.

Celia Caulcott, Vice-Provost (Enterprise) until January 2021 and non-executive director of UCL Business Ltd until March 2021, is a trustee of the Quadram Institute: a centre for food, gut and health research. Within the year, the University received £1k from the Institute towards an online course in systems biology.

Victor Chu, Chair of UCL Council, sits on the board of multinational aerospace company Airbus and holds directorships and controlling interests in a number of other companies worldwide. During the financial year, there were no transactions between UCL and any of these entities.

Annette Dolphin, internal member of UCL Council, served as a trustee of the British Neuroscience Association and as a director of its subsidiary company BNA Events Ltd. UCL made purchases from BNA Events Ltd to the value of £8k in the year.

Patrick Haggard, internal member of UCL Council, was a trustee of the Experimental Psychology Society from which UCL received £3k of research funding and made sales to the value of £1k in the year.

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 £24k during the year.

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, serves as a director of UCLPartners and, in September 2020, was appointed non-executive director to the board of the Royal Free London NHS Foundation Trust. Details of the University's transactions and balances with these entities are provided in the table above.

Gary Moore, director and trustee of UCL subsidiary company Somers Town Community Sports Centre Ltd (STCSC Ltd), is the headteacher of Regent High School. The School has partnered with the University to provide teacher training placements to UCL Institute of Education (IoE) students on Secondary PGCE (Postgraduate Certificate in Education) programmes, for which it was paid £3k in the year. UCL itself received fees of £3k from Regent High School for two participants to undertake the National Professional Qualification for Headship (NPQH) course offered by the IoE, and also made a grant to the School of £56k to support use of the Somers Town Community Sports Centre by UCL Union students. STCSC Ltd also made payments of £105k to Regent High School in the year to help fund rental and enhancement costs incurred by the School in respect of the sports centre.

## NOTES TO THE ACCOUNTS

David Price, Vice-Provost (Research, Innovation & Global Engagement), is a governor of the Lатыmer Upper School, from which the UCL Institute of Education made purchases totalling £1k in the year.

Anthony Smith, Vice-Provost (Faculties), serves as a governor of the Capital City College Group, which includes three large London-based further education colleges. The Westminster Kingsway College, one of the Group's constituent colleges, was charged £1k by the University for an online course on Special Educational Needs and Disability (SEND) provided by the UCL Institute of Education; this sum remained outstanding as at the year-end date. In addition, Professor Smith serves as the Chair of the Academy Trust at the UCL Academy, transactions and balances for which are tabulated above.

Michael Spence, UCL President and Provost from the 11th of January 2021, serves on the board of The Russell Group of Universities, on the Rectors' Assembly of the League of European Research Universities and as a trustee of the University of London. Transactions and balances pertaining to these entities are detailed in the paragraph relating to Professor Michael Arthur and in the table above. Doctor Spence also sits on the Leadership Council of the National Centre for Universities and Business, to which UCL paid a 2020-21 membership fee of £5k.

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 £207k by the charity and forwarded further contributions of £20k in the year. A balance of £134k was due to UCL at 31st July 2021.

Sarah Whitney, external member of UCL Council, UCL's Treasurer and Chair of Finance Committee, is a trustee of the Canal and River Trust to which the UCL Institute of Archaeology provided services totalling £3k in 2020-21.

**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 pledged a £5.0m grant to the Institute, fully paid across in the 2019-20 financial year, and other operational transactions are included in the table above.

**UCL HOSPITALS NHS FOUNDATION TRUST (UCLH):** In relation to the table above, the majority of income receivable from UCLH represents salary recharges for clinical academics who are employed by UCL but who also hold clinical roles at the Trust. Expenditure chiefly comprises salary recharges, property-related costs (rent, service charges and utilities) for shared space and sub-contractor payments in respect of research partnerships. A final £7.5m due to UCLH for the purchase of the Eastman Dental Hospital site was not paid during the year as originally anticipated, but is due to be remitted in early 2021-22.

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

	Balance 1 August 2020 £'000	Cash transfers £'000	Income/ (expenditure) £'000	Other £'000	Balance at 31 July 2021 £'000
Abcodia Limited	53	-	-	14	67
Atocap Limited	19	-	19	-	38
Eurotempest Limited	8	(25)	23	-	6
Helicon Health Limited	-	(1)	-	-	(1)
Pentraxin Therapeutics Limited	8	(25)	25	-	8
Senceive Limited	58	-	27	-	85
SmartTarget Limited	-	-	-	(26)	(26)
Total debtors	146	(51)	94	(12)	177

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

	2021 £'000	2020 £'000
Abcodia Limited	-	652
Amalyst Limited	25	25
Domainex Limited	300	300
Health Social Innovators LLP	210	210
Helicon Health Limited	-	-
TCR Materials Limited	-	-
Total loans	535	1,187

## 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 2021 £'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	4,580
			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	5,145
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	3,651
UCL Trading Ltd	Contracting, consultancy and other commercial activities.	100% owned	Ordinary	100% - UCL	27
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 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 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Contribution to USS	97,282	96,974	92,735	92,385
Contribution to SAUL	15,703	14,852	14,797	13,940
Contribution to NHS	6,864	6,856	6,759	6,744
Contribution to MRCPS	943	943	999	999
Contribution to PCSPS	58	58	57	57
Charge to staff costs in respect of UFMS	-	-	-	-
	<b>120,851</b>	<b>119,684</b>	<b>115,347</b>	<b>114,125</b>

Outstanding contributions to USS, SAUL, the NHS Pension Scheme, MRCPS and PCSPS was £15.8m at 31 July 2021 (2020 - £14.9m).

#### The Universities Superannuation Scheme

USS is the main pension scheme for academic and academic-related staff across the sector. It is a hybrid scheme - providing defined benefits (for all members) as well as defined contribution benefits - 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 is to 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 this recovery plan. Details of that liability, discounted at a rate of 0.87% as at 31 July 2021 (2020: 0.73%) are included in note 23 to the financial statements.

The University's liability calculation assumes a salary inflation rate of 2.0% from 2022/23 onwards and a 2.0% annual increase in staff FTE over the same period. A change in the assumptions for salary inflation by +/- 0.5% would increase the obligation to fund the USS deficit by +£3.3m/-£3.3m. Similarly, a +/- 0.5% change to the increase in staff FTE assumptions would impact the liability as at 31 July 2021 by +£3.3m/-£3.3m.

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.

## NOTES TO THE ACCOUNTS

A further full valuation as at 31 March 2020 is currently underway but not yet complete. In order to address an estimated £14.1bn deficit under this latest valuation, a joint resolution to reform future member benefits - amongst other measures - has been put forward by the scheme's representative bodies, backed by a proposed schedule of contributions and a new employer recovery plan. This proposal is currently under employee member consultation and further detail on the status of the 2020 valuation is set out in note 34. Should the proposal be ratified, the new recovery plan will result in a significant increase to the value of the USS pension provision held in UCL's balance sheet - to an estimated £687m (currently £224m) - and further detail on this outcome is set out in the USS Pension Scheme section of the Financial Review on page 11.

Details of the scheme, the 2018 valuation and the status of the 2020 valuation can also be found at [www.uss.co.uk](http://www.uss.co.uk).

### The Superannuation Arrangements of the University of London

The latest completed actuarial valuation of the scheme was as at 31 March 2020 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	3.15%
- after retirement	1.05%
Price inflation (RPI)	2.70%
Post 2016 pension increases per annum	2.50%

The mortality assumptions included within the valuation are that male (female) members who retire at typical ages will live to approximately age 86 (89).

As at the valuation date, the assets of the scheme were reported as £3.61bn and the scheme's technical provisions as £3.83bn, resulting in a shortfall of £217m. Assets were therefore sufficient to cover only 94% of the past service benefits that had accrued to members, after allowing for expected future increases in earnings.

These results represent a decline in funding level compared to the 2017 valuation (a reported £56m surplus and funding level of 102%) and are reflective of a significant fall in yields of fixed interest gilts over the inter-valuation period, an increase to the CPI inflation assumptions underpinning the valuation of member's future benefits and an increase in SAUL's "short service" active members: those with less than 3 years' service in the Scheme.

Although post-valuation experience has estimated that the Scheme held a surplus of £357m at 30 April 2021, the estimated contribution strain for future service benefits (the amount by which future benefit accrual outstrips contributions) has been valued at £67m per annum: £40m or 150% higher than the 2017 equivalent.

To address this issue and ensure that the statutory funding objective continues to be met, the Trustee and employers have agreed to increase employer contributions from 16% to 19% from 1 April 2022 and then again to 21% from January 2023, and amend the Scheme's eligibility requirements such that new members joining after January 2023 can only accrue full benefit after 3 complete years of service. In combination, these measures are estimated to reduce contribution strain by approximately £50m per annum.

Details of the scheme and the 2020 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 2019 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	2.00%
Long term salary growth per annum	3.50%
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 88 (90).

## NOTES TO THE ACCOUNTS

At the valuation date, the value of the scheme's assets was £114.8m and the value of the scheme's technical provisions was £90.7m indicating a surplus of £24.1m. The assets were therefore sufficient to cover 127% of the benefits that had accrued to members after allowing for expected future increases in earnings.

These results represent a decline from the 146% funding level reported under the 2016 valuation, with the majority of the change given by an adjustment to member withdrawal assumptions offset by a combination of better than expected investment performance and a downward revision to mortality assumptions. Following this valuation, the trustees determined that the current employer contribution rate of 15.9% would increase to 16.9% from April 2021.

### 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 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.

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 2021 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	1.60%
Future increases in deferred pensions	2.70%
Increase on post 1997 pension	
- for pre 2006 leavers	2.65%
- for post 2006 leavers	3.30%

At the valuation date, the value of the assets of the scheme was £5.77m and the value of the scheme's defined benefit obligation was £4.88m. As UCL does not have the ability to recover the resulting surplus of £0.89m (2020: £1.1m) 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 2021, the value of this 'buy-out' payment has been estimated by an independent actuary as £0.85m (2020: £0.85m). UCL expects to have completed the process during the financial year to 31 July 2022 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 2021 was £181,000. 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 2022 is £132,000.



## NOTES TO THE ACCOUNTS

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

#### *USS Pension Scheme:*

In October 2021, final documentation surrounding the University Superannuation Scheme (USS) 2020 valuation was signed and filed with the Pensions Regulator. This followed a significant period of consultation with both employer and member representatives on the estimated £14.1bn deficit, and reflects a joint resolution to reform future member benefits and increase covenant support to the Scheme from employers.

Under the proposal, members would contribute 9.8% of salary from 1 October 2021 and employers would pay 21.4%: an increase of 0.2% and 0.3% respectively on current rates, although some way below the 11% (member) and 23.7% (employer) rates that would otherwise have come into force from October 2021 under the previous 2018 valuation.

The commitment by employers to fund past deficits out of existing contribution levels (the employer recovery plan) would also increase from 6.0% between October 2021 and March 2028 to 6.3% between April 2022 and March 2038.

These changes are still subject to a statutory employer-led consultation with affected employees and their representatives - scheduled to run between November 2021 and January 2022 - but, absent any material changes in circumstances, The Pensions Regulator has confirmed that it does not expect to carry out any further investigation or raise further queries in relation to the 2020 valuation.

Should the proposed benefit changes not be brought into effect by a regulatory deadline of 28 February 2022 however, a fall-back schedule of contributions would come into force. Under this arrangement, members would pay 11% of salary from April 2022 rising to 18.8% from October 2025 onwards, whilst employers would pay 23.7% from April 2022 rising to 38.2% from October 2025. The recovery plan for funding past deficits would also shorten to 12 years and ear-marked contribution rates would increase gradually to 20% over the next four years. Employers have been clear that this fall-back schedule of contributions remains unaffordable.

Under either outcome, the effective date of the 2020 valuation is 1 October 2021 and, as a result, the deficit recovery provision as at 31 July 2021 is based on the 2018 valuation which remained binding at the year-end date. The signing of the 2020 valuation constitutes a non-adjusting event after the end of the reporting period.

### 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. No impairments were identified for the 2020-21 financial year.

#### *Retirement Benefit Obligations*

The University operates within five defined benefit schemes, the Universities Superannuation Scheme (USS), The Superannuation Arrangements of the University of London (SAUL), and three smaller schemes set out in note 33 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 prior 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 is underway but was not formally concluded prior to 31 July 2021. The year-end provision has therefore been calculated in line with the recovery plan agreed as part of the 2018 valuation, which was in force at the year-end date. Further detail on the status of the 2020 valuation is set out in note 34.

## NOTES TO THE ACCOUNTS

### 36 US Department of Education Financial Responsibility Supplemental Schedule

In satisfaction of its obligations to facilitate students' access to US federal financial aid, UCL is required by the US Department of Education to present the following Supplemental Schedule in a prescribed format. The amounts presented within the schedules have been:

- prepared under the historical cost convention, subject to the revaluation of investments.
- prepared using United Kingdom Generally Accepted Accounting Practice, in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (SORP 2019) and with Financial Reporting Standard FRS 102.
- presented in Sterling: the functional currency of the entity.

#### Primary Reserve Ratio

#### Expendable Net Assets

Related Disclosure	Page	Required Line Item	31 July 2021 Consolidated £'000	31 July 2020 Consolidated £'000
Statement of Financial Position: Unrestricted reserves	30	Net assets without donor restrictions	1,453,502	1,327,898
Statement of Financial Position: Restricted reserves	30	Net assets with donor restrictions	180,287	159,231
Note 24: Restricted permanent endowments	54	Net assets with donor restrictions: restricted in perpetuity	(31,747)	(28,238)
Statement of Financial Position: Fixed & intangible assets	30	Property, plant and equipment, net	(2,433,950)	(2,238,673)
Notes 21 & 22: Current and long-term debt and finance leases	52	Debt obligations, net	591,318	325,239
Notes 21 & 22: Deferred income	52	Deferred revenue & capital grants	462,606	412,668
Note 21: Short term bank and other loans	52	Loans	1,658	1,655
Note 23: Total provisions	53	Post-employment and pension liability	234,961	239,188
		<b>Expendable Net Assets</b>	<b>458,635</b>	<b>198,968</b>

#### Total Expenses and Losses

Related Disclosure	Page	Required Line Item	31 July 2021 Consolidated £'000	31 July 2020 Consolidated £'000
Statement of Comprehensive Income: Total expenditure less pension provision movement	28	Total operating expenses	1,511,483	1,496,605
		<b>Total Expenses and Losses</b>	<b>1,511,483</b>	<b>1,496,605</b>

#### Equity Ratio

#### Modified Net Assets

Related Disclosure	Page	Required Line Item	31 July 2021 Consolidated £'000	31 July 2020 Consolidated £'000
Statement of Financial Position: Unrestricted reserves	30	Net assets without donor restrictions	1,453,502	1,327,898
Statement of Financial Position: Restricted reserves	30	Net assets with donor restrictions	180,287	159,231
		<b>Modified Net Assets</b>	<b>1,633,789</b>	<b>1,487,129</b>

#### Modified Assets

Related Disclosure	Page	Required Line Item	31 July 2021 Consolidated £'000	31 July 2020 Consolidated £'000
Statement of Financial Position: Non-current plus current assets	30	Total assets	3,656,501	3,109,220
		<b>Modified Assets</b>	<b>3,656,501</b>	<b>3,109,220</b>

## NOTES TO THE ACCOUNTS

### Net Income Ratio

#### Change in Net Assets without Donor Restrictions

Related Disclosure	Page	Required Line Item	31 July 2021 Consolidated £'000	31 July 2020 Consolidated £'000
Statement of Changes in Reserves: Total excluding endowment & restricted I&E	29	Changes in net assets, unrestricted	125,604	194,467
		<b>Change in Net Assets without Donor Restrictions</b>	<b>125,604</b>	<b>194,467</b>

#### Total Revenues and Gains without Donor Restrictions

Related Disclosure	Page	Required Line Item	31 July 2021 Consolidated £'000	31 July 2020 Consolidated £'000
Statement of Comprehensive Income: Total income	28	Total operating revenues and support, unrestricted	1,609,451	1,543,741
Statement of Comprehensive Income: Investment income	28	Investment income, unrestricted	(5,638)	(7,340)
		<b>Total Revenues and Gains without Donor Restrictions</b>	<b>1,603,813</b>	<b>1,536,401</b>

### Net Property, Plant and Equipment

	31 July 2021 Consolidated £'000
Pre-implementation property, plant and equipment	1,670,010
Post-implementation property, plant and equipment purchased by obtaining debt	-
Construction in progress	415,318
Post-implementation property, plant and equipment with no outstanding debt	348,622
<b>Net Property, Plant and Equipment</b>	<b>2,433,950</b>

### Long-Term Debt for Long-Term Purposes

	31 July 2021 Consolidated £'000
Pre-implementation long-term debt	298,181
Allowable post-implementation long-term debt to purchase property, plant and equipment	-
Construction in progress - debt	-
Long-term debt not for the purchase of property, plant and equipment	290,886
<b>Net Long-Term Debt for Long-Term Purposes</b>	<b>589,067</b>