LONDON'S GLOBAL UNIVERSITY

# Annual Report and Financial Statements for the year ended 31 July 2023

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## COMMITTEE MEMBERSHIP

**Council (Trustees)**

| | | |
|---|---|---|
| External Members: | Dominic Blakemore<br>Victor Chu (Chair)*◆<br>Philip Clark<br>Tina Harris<br>Tania Holt<br>Lindsay Nicholson*◆ | Turlogh O'Brien◆<br>Christine Ohuruogu*<br>Lord (John) Sharkey◆<br>Dr Justin Turner KC<br>Sarah Whitney (Treasurer)* |
| Academic Members: | Professor Stephanie Bird<br>Professor Jonathan Butterworth<br>Dr Alun Coker | Dr Martin Fry*<br>Professor Helen Roberts*<br>Professor Ralf Schoepfer<br>Dr Michael Spence* (Provost) |
| UCL Union: | Hamza Ahmed* (to 15/07/23)<br>Deniz Akinci (to 15/07/23) | Muhammad Shaban Chaudhary (from 16/07/23)<br>Mary McHarg (from 16/07/23) |

**Finance Committee**

| | | |
|---|---|---|
| External Members: | Roger Blundell<br>Philip Clark | Tania Holt<br>Sarah Whitney (Chair) |
| Academic Members: | Professor Stephanie Bird<br>Dr Alun Coker | Professor Patrick Haggard<br>Dr Michael Spence |
| UCL Union: | Deniz Akinci (observer) (to 15/07/23) | Mary McHarg (observer) (from 16/07/23) |

**Audit Committee**

| | | |
|---|---|---|
| External Members: | Dominic Blakemore (Chair)<br>Mariette Davis | Tina Harris<br>Turlogh O'Brien |
| Academic Members: | Dr Martin Fry | |

**Investments Committee**

| | | |
|---|---|---|
| External Members: | Philip Clark<br>Chris Hills<br>Jumana Saleheen | Philip Sturrock<br>Sarah Whitney (Chair) |
| Staff Members: | Charu Gorasia | Dr Michael Spence |
| UCL Union: | Deniz Akinci (observer) (to 15/07/23) | Mary McHarg (observer) (from 16/07/23) |

◆ denotes also member of Remuneration Committee
* denotes also member of Nominations Committee

## FINANCIAL SUMMARY

| | 2023 £m | 2022 £m |
|---|---|---|
| **CONSOLIDATED INCOME & EXPENDITURE ACCOUNT** | | |
| Tuition fees and education contracts | 929.3 | 794.9 |
| Funding body grants | 236.7 | 220.7 |
| Research grants and contracts | 526.7 | 524.9 |
| Other income | 218.5 | 181.9 |
| Investment income | 28.1 | 6.9 |
| Donations and endowments | 29.0 | 22.5 |
| **TOTAL INCOME** | **1,968.3** | **1,751.8** |
| **TOTAL EXPENDITURE (before movement on USS pension provision)** | **1,853.9** | **1,656.3** |
| Gain on disposal of fixed assets | 14.3 | 1.0 |
| Loss on investments | (2.8) | (3.0) |
| Share of operating loss / profit in joint ventures and associates | 0.6 | (0.8) |
| Taxation | (0.2) | (0.3) |
| Movement on USS pension provision | 101.8 | (332.1) |
| **TOTAL COMPREHENSIVE INCOME/(EXPENDITURE) FOR THE YEAR** | **228.1** | **(239.7)** |
| Intangible assets | 67.1 | 52.2 |
| Fixed assets | 2,671.9 | 2,557.9 |
| Investments | 299.6 | 310.0 |
| Trade and other receivables: amounts falling due after more than one year | 11.4 | - |
| Net current assets/(liabilities) | 70.3 | 0.6 |
| Total assets less current liabilities | 3,120.3 | 2,920.7 |
| Non-current liabilities | (1,030.4) | (956.9) |
| Pension provisions | (454.8) | (556.7) |
| Other provisions | (13.0) | (13.1) |
| **TOTAL NET ASSETS** | **1,622.1** | **1,394.0** |
| **Represented by:** | | |
| Endowments | 156.8 | 158.8 |
| Reserves | 1,465.2 | 1,235.2 |
| Minority interest | 0.1 | - |
| | **1,622.1** | **1,394.0** |
| **OTHER KEY STATISTICS** | | |
| Increase / (Decrease) in cash in the year | 43.1 | (46.3) |
| Student numbers | 51,058 | 47,884 |
| Average payroll numbers | 17,291 | 16,215 |

# OPERATING AND FINANCIAL REVIEW

**Operating and Financial Review**

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. UCL is an exempt charity under the Charities Act 2011 with the OfS being UCL’s principal regulator.

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 2022-23 comprises the following five sections:

1) UCL’s mission and strategic plan
2) Progress in 2022-23 in our seven strategic outcome areas
3) The financial review and outlook
4) UCL’s approach to risk management
5) How UCL delivers public benefit

**Mission and strategic plan**

Looking back over the past year at UCL, we are proud of the extraordinary work of our community as well as the huge variety and impact of our activity across and between disciplines. As we emerged from the coronavirus pandemic, and in a year of challenges that included the increasing effects of climate change, the cost-of-living crisis in the UK and abroad, and heightened geopolitical instability, our students and staff have continued to make significant contributions.

These contributions ranged across areas as diverse as archaeology, economics, biofuels, gene therapy and dementia and this collective impact was recognised in the results of the most recent Research Excellence Framework exercise, where UCL was ranked second in the UK for research power.

Within the year we also celebrated 120 years of excellence in education and society at the Institute of Education and opened UCL East, our new state-of-the-art campus on the Olympic Park in East London, which is set to make an extraordinary impact in areas such as robotics and big data, to ecology, heritage and assistive technology. We launched new centres specialising in public policy and in climate change education as well: both areas of innovation that will prove vital to future generations.

For these and many other reasons, UCL has been named the University of the Year 2024 by the Times and Sunday Times Good University Guide: an accolade that acknowledged our world-leading performance in multi-disciplinary research and education, the enhanced career prospects of our graduates and our ambitious work around sustainability.

As ever, our community continues to show a genuine hunger for excellence and a strong entrepreneurial drive. With our long-term strategy, UCL2034, as our guide, these qualities sustained UCL’s position in the ranks of the very best universities of the world.

In UCL2034, published in 2014 as a 20-year strategy for the University, we describe our mission as ‘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 widespread influence; with an outstanding ability to integrate our education, research and enterprise for the long-term benefit of humanity’

In January, and within this framework, we published our new five-year strategic plan, following a whole-community consultation that ran throughout 2022 and was led by President and Provost Dr Michael Spence. The consultation was structured around seven thematic discussion papers attracting over 14,000 views through the consultation period, and this was supported by broad community engagement through committees, leadership meetings, town halls and student and alumni events.

The resulting Strategic Plan 2022-27 reflects the collective priorities that the UCL community wants to achieve by 2027. It continues the trajectory set by UCL 2034, with a clearer focus on goals in seven strategic outcome areas, with progress monitored using a set of key performance indicators which are categorised into the outcome areas below:

1. **Addressing global challenges:** to enhance our contribution to identified global challenges, through coordinated approaches to research, teaching and our internal operations.

## OPERATING AND FINANCIAL REVIEW

2. **Research, innovation and our external contribution:** to deliver world-leading research and innovation that impacts positively around the world.

3. **Education and student experience:** to have an education offer that is future-focused, coherent and easier to navigate for our students, with an efficient and more responsive teaching infrastructure.

4. **Academic size and shape:** to agree an optimum academic size and shape that is strategically and financially aligned, reflective of our strengths and supportive of future academic excellence.

5. **Living our values:** to have an institutional culture of greater openness, inclusion and mutual accountability, where our staff, students and partners feel respected, supported and enabled to do their best work.

6. **Positive enabling environments and structures:** to have improved the experience of our staff and students through more effective enabling systems and processes, and enhanced campus environments.

7. **Financial sustainability and compliance:** to have secured long-term financial resilience, with transparent planning for investment in academic areas of promise.

**Strategic outcome areas: performance in 2022-23**

**1. Addressing global challenges: in 2027 we will have enhanced our contribution to identified global challenges, through coordinated approaches to research, teaching and our internal operations.**

At UCL, we have a long tradition of applying our cutting-edge research in pursuit of solutions to the world's most pressing problems and of doing this collaboratively across disciplinary boundaries. The Grand Challenges programme, conceived over a decade ago at UCL and emulated at many other institutions, acknowledged the strength of this impulse at a grassroots level, and provided seed-funding for collaboration and early-stage research ideas. The momentum of that programme accelerated over time, and its impact was evident throughout the consultation process.

Our Strategic Plan 2022-27 evolves this initial ambition into a more established programme of five academically led Grand Challenges (Climate Crisis; Mental Health & Wellbeing; Data-Empowered Societies; Inequalities; and Intercultural Communication), to be launched sequentially and, over time, replace the previous themes. In keeping with our institutional values of rigour and innovation, these Grand Challenges will drive investment in faculties and departments to support new areas of research and innovation and provide a framework through which our decision-making on related themes can be shaped by the expertise of our academic community.

The evolved Grand Challenges programme has an expanded remit, covering not only research and knowledge exchange but also influencing UCL's education offering and institutional operations. There will be new academic leadership, a revised programme of activities for each theme and significantly expanded programme funding over each theme's five-year lifespan.

**2. Research, innovation and our external contribution: in 2027 we will have continued to deliver world-leading research and innovation that impacts positively around the world.**

Over the last year we have continued to strengthen our position as a world-class institution for education, research and innovation. The Research Excellence Framework (REF) 2021 assessment showed the upward trajectory of UCL's research excellence and its positive real-world impact, and this year we commenced delivery of a new REF action plan with clear ambitions for REF 2028.

Our academic strength is demonstrated in part by the income achieved through research and innovation activity. UCL receives the second highest amount of income from UK Research and Innovation (UKRI) compared to other research institution in the UK and in the 12 months to July 2023, total research awards increased to £602m from £508m at same point last year. We launched new Impact Acceleration Accounts (IAAs) for ESRC, BBSRC, and AHRC (£4.65m), £2m of additional HEIF funding was secured for 2022-2023 and 4,242 separate funding applications were made (up from 3,874 in the previous year).

The UCL Horizon Response Group, set up to coordinate and mitigate impact of the uncertainty regarding UK's association to Horizon Europe, also facilitated increasing rates of UCL applications under the terms of the Horizon Europe guarantee.

**Driving innovation**

Our position as a leading university for knowledge exchange was affirmed by Research England's Knowledge Exchange Framework (KEF) 2022, which recognises how English universities serve the economy and society, for the benefit of the public, business and communities. UCL's strong performance underlines our far-reaching, real-world impact that transforms lives nationally and internationally through our knowledge exchange activity

Over the last year, we supported the creation of 107 UCL graduate startups in the 'Hatchery'; 1,454 students engaged in extracurricular entrepreneurship programmes and £17.5 million was raised for our portfolio companies within the Innovate UK EDGE programme.

Our community's success in generating and successfully commercialising impactful intellectual property also continued to grow. In June 2023, UCL spinout company 'Synthesia' became a 'unicorn', meaning it reached a market valuation of $1billion while still privately held. Co-founded by UCL computer scientist Professor Lourdes Agapito (UCL Computer Science), Synthesia is a digital media platform that allows users to create professional AI-generated videos simply by typing text.

Similarly, Roctavian, a life-changing gene therapy developed at UCL for people with haemophilia A, was approved by the United States Food and Drug Administration (FDA), whilst Apollo Therapeutics, a collaboration between UCL, Imperial and Cambridge and three global pharmaceutical companies, attracted $226.5 million for translational medical research.

**Engaging with London, UK and international stakeholders**

A review of our strategic approach to engagement with China, India and Europe led to the creation of a series of Policy and Strategy Groups, which will develop medium term strategies aligned with the UCL Strategic Plan. Strategic partnerships in China, Japan, India, Europe, South Africa, the US and Canada were strengthened through the provision of joint seed funding schemes and a series of exchanges, including nine outbound delegation visits by the President and Provost, Vice-Provosts or Vice-Presidents, and sixty-four inbound visits from global partners.

At a more local level and since the launch of the London Framework in 2020, UCL, as London's Global University, has continued to deepen engagement and create meaningful impact in London. The Pro-Provost (London) established significant collaborations with partners including Newham Council, Islington Council, City of London Corporation, and British Land, expanding strategic partnerships to six. The partnership with the UCL Academy was also strengthened, as the school celebrated its 10-year anniversary with a number of special events.

We also advanced strategic partnerships with the Local Government Association, Greater London Authority, Ministry of Justice, and Office for Health Improvement & Disparities, to deliver policy fellowships, knowledge exchange events and policy commissions.

Alongside this deepening of key national relationships, a new public affairs team has also been created to advance UCL's interests in policy and political arenas and ensure UCL has a voice and influence.

Increasingly, politicians who want to demonstrate active engagement with higher education are turning to UCL and our engagement events included: a visit in January by Leader of the Opposition Sir Keir Starmer and Shadow Chancellor Rachel Reeves to our pioneering research, engineering and robotics facility at UCL Here East, a visit to UCL Students Union in February by Prime Minister Rishi Sunak, who helped our students pack clothes, blankets, tents and baby food in support of the Turkey-Syria earthquake relief effort and a speech by Dr Michael Spence, UCL President & Provost about the importance of both academic freedom and freedom of speech in higher education at a parliamentary panel event in March.

Other high-profile events included our graduations which took place in September and July. Nearly 12,000 students graduated across 42 ceremonies and celebrated their achievements with 33,000 of their family and friends.

Meanwhile, the three UCL public museums welcomed a total of 55,289 in-person visitors in 2022-23. They also hosted regular weekend family workshops, and the 10-day Performing Planet Activism programme based in the Grant Museum, examining some of the most pressing environmental issues of the climate crisis.

**Building our community networks**

We continued to strengthen engagement with our former students, supporting 40 active alumni groups, clubs, and networks over the course of 2022-23. 89 events were organised for and by alumni, including UCL's Annual Global Gathering in December 2022, when 166 alumni, spanning the Classes of 1979 to 2022, attended from 56 countries across the world, from the UK to Mainland China to Colombia, Nigeria and beyond, and meetings with 125 alumni in Hong Kong in February, and over 500 alumni in mainland China in May.

At an event in Summer 2023, we celebrated forty recent graduates who are making waves in their careers, in fields ranging from technology to finance to creative industries to social entrepreneurship. Many attendees had set up a business while studying at UCL and several had appeared in Forbes' annual 30 Under 30 List, celebrating the power of young entrepreneurs and leaders to transform business and society on the global stage.

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This year, we also initiated the planning for our bicentenary in 2026: a once in 200 years opportunity to celebrate our impact and demonstrate our preparedness for the next century. So far, over 100 stakeholders have contributed to our early preparations and this socialisation will continue in 2023-24 to ensure the programme is co-produced and co-delivered with our whole community. Plans for UCL200 will be closely aligned with other institutional projects like the Student Life Strategy, the development of the Brand Framework, the Philanthropic Campaign, the evolving Grand Challenges and the improved Campus Experience.

**Telling the world about our research**

UCL Press extended its book publishing from 50 to 60 titles per year and surpassed 7.5 million lifetime downloads for the 302 Open Access books, plus journals, that it publishes.

The communication of our research is enriched by a prolific programme of podcasts, with twelve new podcast mini-series introduced in the last year across a range of areas including Women's Health Institute, Statistics, the Bartlett, the Faculty of Social and Historical Sciences, and Engineering. In addition to these, our centrally produced podcasts, Made at UCL and Generation One achieved over 55,000 listens this year.

On the national and global stage, an increase in UCL feature-led content has also achieved dozens of pieces of online coverage in both mainstream, science and academic media. Our prominence as a home for thought leaders was boosted by the promotion of 224 comment and analysis articles written by UCL academics, many of which were syndicated freely to all major UK and international news outlets, resulting in 6.8 million reads of UCL authored work.

**Recognising outstanding achievements**

There has also been notable recognition of staff from within the UCL community over the last year:

- Three UCL professors were elected to Fellowship of the British Academy in 2023. These are Professor Louise Archer (IOE), Professor Wendy Carlin (Economics) and Professor Philippe Sands (Laws). Prof Li Wei, Dean and Director of the IOE was also appointed to the British Academy Council.

- Twelve UCL professors were made Fellows of the Academy of Medical Sciences: Professor Dame Lynn Chitty DBE, Professors Mehul Dattani and Ruth Gilbert (UCL GOS Institute of Child Health), Professor Jugnoo Rahi (UCL GOS Institute of Child Health and Institute of Ophthalmology), Professors Olga Ciccarelli, Henry Houlden and Ley Sander (Institute of Neurology), Professor Aroon Hingorani (Institute of Cardiovascular Science), Professors Helen Lachmann and Stuart Taylor (Medicine), Professor Troy Margrie (Sainsbury Wellcome Centre at UCL) and Professor Claudia Mauri (Infection & Immunity).

- Professor Robert Killey (Electrical and Electronic Engineering) was made a Fellow of the Royal Academy of Engineering; Professor Toby Seddon (IOE) was made a Fellow of the Academy of Social Sciences; and Professor David Jones (Computer Science) and Professor Simon Lewis (Geography) were made Fellows of the Royal Society.

- Twenty members of the UCL community were recognised in the 2023 New Year's Honours and a further thirteen in the King's Birthday Honours, including Professor Sir Michael Marmot (Director of the Institute of Health Equity) - appointed to the Order of the Companion of Honour for services to public health; Professor Lyn Chitty (GOS Institute of Child Health) - made a Dame Commander of the Order of the British Empire for services to medicine; Professor Maxine Molyneux (Institute of the Americas) appointed a Companion of the Order of St Michael and St George (CMG) for services to international development and UK/Latin America relations; Professor David Price (former Vice-Provost Research) - awarded an OBE for services to science and research; Professor Eva Sorensen (Chemical Engineering) - awarded an MBE for services to education and chemical engineering; and Professor Bencie Woll (Division of Psychology & Language Sciences) - awarded an MBE for services to higher education and deaf people.

- Sir Michael Arthur, former UCL President & Provost (2013 – 2021) was awarded the Order of the Rising Sun, Gold and Silver Star by the government of Japan.

There was also recognition in the year for the quality and impact of our community's research, including for Professors Polina Bayvel, Stephen Fleming and Mohan Edirisinghe who were awarded the Royal Society medal in recognition of their contributions to science; Professor Heather Joshi CBE, Professor Lorraine Dearden and the team behind the COVID-19 Social Study, who were awarded UKRI Celebrating Impact Prizes; and Professor Wendy Carlin, who was awarded the Royal Economic Society Medal.

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**3. Education and student experience: in 2027 we will have an education offer that is future-focused, coherent and easier to navigate for our students, with an efficient and more responsive teaching infrastructure.**

In January 2023, Students' Union UCL, in partnership with UCL, launched the university's first Student Life Strategy, which aims to create thousands more opportunities for students to try new activities, develop their skills, feel a stronger sense of belonging and immerse themselves in exceptional experiences tailored to their needs.

Running from 2022 to 2027, the Student Life Strategy will complement and enhance students' academic work, helping them to develop networks and relationships outside their formal educational setting, broaden their horizons, grow in confidence and equip themselves with new skills. It will kickstart the largest ever expansion of both co and extra-curricular experiences at UCL and of Students' Union UCL's model of engagement, with significant additional investment each year, empowering thousands of student leaders to deliver exceptional experiences for their peers.

Alongside student experience, the quality of UCL's education was recognised under the 2023 Teaching Excellence Framework (TEF) with Gold for Student Outcomes, Silver for Student Experience, and an overall rating of Silver. The TEF Panel of assessors judged UCL's student outcomes to be 'Outstanding', and the student experience to be 'Very High Quality with Outstanding Features'. The panel further identified a number of positive features:

- A systematic and embedded approach to the development of learning resources, including the new Student Centre in Bloomsbury, and the new UCL East campus
- Opportunities for students to experience an education informed by cutting edge research
- Outstanding rates of continuation and completion, and an ethos of supporting the wellbeing of all students, from transition and induction to graduation and employment
- Embedded approaches to employability and effective support for students to achieve their ambitions across a developing framework of educational gains
- A strong student track record of volunteering.

The panel commented on our improving performance in student engagement and academic support, a reflection of our sustained work to embed a culture of partnership with our students. For the first time, UCL's Student Voice NSS 2023 scores moved into the top quartile for the Russell Group and the sector. In addition, the high satisfaction levels achieved for library and related resources placed UCL very near the top of the upper Russell Group quartile. The TEF panel also highlighted a number of suggested areas for enhancement over the next period, and all of these are being taken forward as part of our departmental NSS and education action plans.

### Supporting our talented students

The talent, drive and achievements of our global student community continued to be recognised in the year. Ten UCL undergraduates were chosen as Millennium Fellows 2022–23 to help achieve the UN Sustainable Development Goals (SDGs) – with UCL the only UK university to have its students selected as part of the global fellowship. Tech startup up LYFT, co-founded by UCL student Zuzanna Kosobudzka (MSci Natural Sciences), won the Health award in the prestigious London Mayor's Entrepreneur Competition, and, ten years after it was founded by Bartlett student Arthur Kay, 'bio-bean' was confirmed to be the largest coffee ground recycler worldwide.

Our vision is that anyone who has the ability should be able to experience and benefit from a UCL education, and our donors make this a reality, supporting 149 students to access a UCL education thanks to philanthropically funded scholarships.

The introduction of the Julia Prescot Scholarships at The Bartlett led to an increase in applications from women to post-graduate courses. In Laws, the Barrington Hibbert Associates Scholarship is transforming the lives of students from low-income backgrounds and underrepresented groups, and in Computer Science, the DeepMind scholarships enable underrepresented groups to become a part of UCL's world-leading engineering and AI community.

For Raymond Danks, who grew up in Darlington, receiving a DeepMind Scholarship enabled him to study robotics and computation at UCL and he now works with startups in research-based AI, to see what revolutionary difference they can make. 'My time at UCL has moulded my life from now. I couldn't have come to UCL without the support, but also, it's been me being able to move into a professional sphere, and therefore I've been able to build something to support my family.'

A generous £1.5m gift to the UCL Slade School of Fine Art, to forge more accessible pathways to a fine arts education, supported a trio of targeted initiatives: the Bloomfield Scholarships, which fund the tuition fees and living costs of ten UK-based students (over the next five years); the Slade's hardship fund, which benefits from £100,000; and an annual Slade Widening Participation Summer School on our Bloomsbury campus for Year 13 learners for the next five years.

In December we received the University Mental Health Charter Award, which recognises our whole–university approach to mental health and the proactive creation of an environment that promotes the mental health and wellbeing of all members of our community.

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**Building education leadership across UCL**

Our Vice Provost (Education) continued to build education leadership and effectiveness through the university, strengthen education governance and improve critical quality assurance processes. A number of areas for improvement in student experience – that were also identified by the TEF panel – had already begun to be addressed through flagship initiatives in UCL's Strategic Plan 2022-27.

Extensive conversations with the UCL community led to the agreement of principles and ambitions for Excellence in Education and Student Experience; and a new unit for development and skills was successfully established, bringing together expertise across careers and education design and delivery in support of faculties and departments.

An expert group was convened to ensure that staff have the guidance they need to adapt to artificial intelligence (AI) in teaching, learning and assessment. A new hub now brings together all the latest information, resources and guidance on using AI in education, and students are being supported to engage with AI effectively and ethically.

**4. Academic size and shape: in 2027 we will have agreed an optimum academic size and shape that is strategically and financially aligned, reflective of our strengths and supportive of future academic excellence.**

In February Council agreed a proposed framework for the overall size of our taught student cohort by the end of the planning period in 2027. This was the result of close working with members of Academic Board and based on previous community consultation and UCL's size and shape. The resulting framework is aligned to UCL's Financial Strategy and designed to support multi-year planning for our faculties and academic departments as part of a move towards a more integrated approach to strategic and financial planning.

In relation to broader consideration of future shape, work has started to develop a business case for the expansion of UCL's online education provision, subject to wider consultation and market analysis.

Work on UCL's approach to monitoring recruitment and admissions has also continued. This has included the establishment of the Recruitment and Admissions Group to monitor real-time data and intelligence on admissions trends throughout the year.

**5. Living our values: in 2027 we will have an institutional culture of greater openness, inclusion and mutual accountability, where our staff, students and partners feel respected, supported and enabled to do their best work.**

The Strategic Plan 2022-27 commits to a people-led culture and to a renewed focus on equity, inclusion and diversity, as well as amplifying the community voice in institutional decisions and a developing clearer, values-led approach to regulation and policy. Progress in this area this year focused on identifying the structures necessary to facilitate these commitments.

To introduce more robust representation of people matters on the senior leadership team, the Chief People Officer began to report directly to the President & Provost. The senior leadership team was also strengthened by the creation of three new Pro-Provost roles, senior academics who act as advisors to the Provost and the leadership team on specific issues of strategic importance.

Of these, Professor Alison Koslowski has been appointed Pro-Provost (Equity and Inclusion). Professor Koslowski is Professorial Director of the Thomas Coram Research Unit in IOE's Social Research Institute. As well as a huge passion for challenging prejudice and inequality, she brings to this role a significant track record of data-informed EDI-related academic research, especially in the context of the labour market, parental care and gender equality. Two further Pro-Provosts for Policy Engagement and Sustainability are to be recruited in 2023-24.

Within the year, UCL also adopted the transformed Athena Swan (AS) Charter, which supports enhanced and streamlined processes for departmental and institutional engagement with gender equality initiatives. A number of departments achieved new or up-graded Athena Swan awards, and, in May 2023, 51 UCL departments, divisions, and institutes were holders of AS awards (28 bronze; 19 Silver and four gold).

In line with our values of transparency and openness and our commitments on equity and inclusion, the Office of the General Counsel has also initiated a new policy function to oversee UCL's extensive policy portfolio, ensuring effective lifecycle management, consistency, and clarity of ownership. In tandem, our new University Secretary began a strategic review of UCL's governance processes with the aim of establishing more efficient and transparent governance approaches that build opportunities for input and engagement.

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Our 'Disagreeing Well' campaign aims to better equip UCL's community and the public to disagree well through the ability to listen with an open mind and a willingness to genuinely consider alternative viewpoints. Campaign activity is focusing on the way people disagree rather than the issues on which they disagree. The campaign's internal launch in June showed there is strong interest from the university community in the topic, with almost 500 attendees in-person and online at the launch event. The campaign continued over the summer through internal events and articles.

Finally, and following consultation with senior stakeholders, a new pay and reward strategy - to improve remuneration at UCL over and above any annual UCEA (Universities and Colleges Employers Association) pay awards – was also agreed. In July the President and Provost announced a plan to invest £110.2 million over the four financial years from 2023-24 in remuneration for both UCL staff and outsourced colleagues. The local measures in this package raised the median pay award for staff to 9.5% in 2023 (including incremental progression and the national pay settlement).

A commitment to further enhancements in 2023-24 included a further increase the London Allowance, the provision of additional support for early career researchers, increasing minimum pay levels and improving the process of pay progression for professorial staff and setting aside resources for a better sabbatical scheme.

**6. Positive enabling environments and structures: in 2027 we will have improved the experience of our staff and students through more effective enabling systems and processes, and enhanced campus environments.**

A key goal of the Strategic Plan is to provide the tools and the environment that our people need to do their remarkable work, and this takes a variety of forms.

**Improving data-led insight**

We have now published our first enterprise-wide Data Strategy setting out a vision for the use of data in achieving our goals by establishing a trusted single source of information and improving quality of that data in terms of completeness, accuracy, timeliness, consistency and accessibility. The goal is to build a culture that values data as a key asset. The delivery of the strategy began by addressing prioritised user-cases and looking to solve users' everyday data problems by leveraging automation, academic expertise and advanced analytics.

**Strengthening our research support services**

The transformation of our Research and Innovation Services continues with investment in our supporting systems and processes, the introduction of institution-wide standards for costing and pricing and a benchmarked service standard for research contract response times. The launch of our Innovation Service in October, to provide consistency, transparency and a single user journey for those engaged in research and innovation, supported the management of £30m of income across 124 project proposals.

We grew the team of research technology professionals who support interdisciplinary research and collaborate with the Advanced Research Computing Centre (ARC): UCL's service centre for the tools, practices and systems that enable computational science and digital scholarship. Our new team of Research Data Stewards collaborated on 10 projects this year, securing 120 grants with a total value to UCL of £50m.

**Improving our digital experience**

We introduced a new policy that will significantly enhance digital experiences for all students and staff, including those with disabilities, by embedding accessibility into management of digital platforms and services.

Information Services launched InsideUCL, a user-friendly interface for less complex tasks, such as booking a desk or requesting annual leave and over the year functionality was extended to include payslips, bank details, EDI data, sick leave, and training records (including mandatory training).

Students began working with us to co-create UCL Go as the student app, with a committed group of more than 100 students helping to test new features, reacting in minutes not days, weeks or months. In partnership with academics, trialists and leaders, we have also begun to implement a set of shared platforms to digitise clinical trials at UCL, working in a highly regulated environment.

**Improving our systems and processes**

Work has now begun on a major 3-year change initiative to improve the end-to-end timetabling process using technology, key data and automation. This will significantly enhance the experience of colleagues making the production and publishing of the timetable a largely automated, background activity, facilitating better use of space and giving students and staff more time to plan their work and studies.

## OPERATING AND FINANCIAL REVIEW

The Admissions Transformation Programme continued apace - providing better information to applicants, streamlining processes, and improving the policy framework - and further investment has been made on our HR systems and processes. Initiatives include: a new appraisal and talent management system; a new recruitment system that provides faster and more efficient routes for applicants, and the development of an expert in-house recruitment team to enhance our talent search capability.

**A sustainable environment**

Against a diverse set of environmental and ethical criteria, UCL was ranked seventh in the UK's People & Planet University League 2023, jumping twelve places in one year. We received full marks in half of the 14 categories, namely: environmental policy; sustainable food; carbon management; auditing and environmental management systems; sustainability staff; staff and student engagement; and education for sustainable development.

We have begun to identify the potential physical and transitional risks and opportunities presented by rising temperatures and climate change, and the scale of those risks to the University. Climate change is not a principle risk for UCL for the year ended 31 July 2023, but we have identified the climate transition as an emerging risk due to its intensifying importance to all stakeholders. The next steps are to draw together key stakeholders and begin a financial impact assessment of climate change risks under multiple future climate change scenarios.

We are also in the process of developing a revised Sustainability Plan, which will be complete by April 2024. The plan aims to align our sustainability approach to the institutional Strategic Plan and to ensure it is informed by both our academic insight and our professional services expertise. As part of the plan's development, stakeholder groups have been formed in key areas, including energy, carbon and responsible consumption, all of which inform our approach to both climate adaptation and mitigation.

**Developing our estate**

This year saw the opening of our new UCL East campus, the biggest development in UCL's nearly 200-year history. The campus on Queen Elizabeth Olympic Park offers exciting new degrees and the space needed to tackle the biggest challenges facing our planet, with multi-disciplinary research labs and studios exploring ecology, technology, robotics, urbanism, culture, and heritage, with teaching areas, fabrication workshops, collaboration spaces, a library, and homes for more than 500 students.

Central (Building 17) was the first of 18 Biological Services Units to be refurbished in a 5-year programme to comply with Home Office requirements and the Animals (Scientific Procedures) Act 1986. John Dodgson House, Bloomsbury, underwent refurbishment to meet current building regulations, create a new reception and upgrade communal spaces, kitchens and bedrooms. Works on the student accommodation building of 211 bedrooms were completed for the start of the 2023-24 academic session.

The Wolfson Foundation also made a £5m gift in January to help fund a dedicated innovation space at the heart of the new Oriel building: new eye health centre that is a partnership between Moorfields Eye Hospital NHS Foundation Trust, the UCL Institute of Ophthalmology and Moorfields Eye Charity. A breaking ground event in July 2023 marked the start of construction of Oriel, which is due to open in 2027.

**7. Financial sustainability and compliance: in 2027 we will have secured long-term financial resilience, with transparent planning for investment in academic areas of promise.**

In February 2023, Council approved a new four-year Financial Strategy to support delivery of the Strategic Plan 2022-27 and to ensure long term financial sustainability. Alongside an approved multi-year budget, it seeks to achieve those goals through a strong focus on cost reduction, supported by enhanced cost recovery within research and innovation, and sustainable growth in taught student numbers. Within that framework, UCL is also exploring opportunities to increase and diversify its income mix and has reset its investment strategy to optimise returns on existing reserves.

Over the next four years, targeted cost savings will be realised from within both academic areas and professional service functions and these efforts have already been supported by our recent Voluntary Resignation Scheme, by the re-negotiation of strategic contracts and framework agreements and through early-stage work on enhancing financial efficiency across research and innovation activities.

These measures will protect UCL's financial position and enable reinvestment in our academic mission, people, estates and digital infrastructure in line with the priorities set out in our strategic plan.

As we approach our bicentennial, however, philanthropy offers a separate opportunity to secure and increase the funds we can use to grow our activities and enhance our impact. In 2022-23 we secured £82.5m in philanthropic funding, representing a 13% increase on the previous year. This was effectively UCL's best philanthropic year ever, surpassed only in 2020-21 because of a significant one-off gift of £45m from the Gatsby Foundation for the Sainsbury Wellcome Centre.

Over the course of the year, 2,788 donors made 19,825 gifts to UCL, supporting every one of our eleven Faculties and donating £66.2m for research and £9.5 million for student and education support.

## OPERATING AND FINANCIAL REVIEW

**Financial Review**

UCL's summary consolidated results for the year ended 31 July 2023 are summarised in the table below.

| **Results for the year-ended 31 July** | **2023 £m** | **2022 £m** |
|---|---|---|
| **Total income** | **1,968.3** | **1,751.8** |
| Operating expenditure before movement on USS pension provision | (1,853.9) | (1,656.3) |
| Other gains and losses and tax | 10.7 | (4.1) |
| Share in joint ventures, associates and non-controlling interests | 0.6 | (0.8) |
| **Operating margin (before movement on USS pension provision and unrealised gains on consolidation*)** | **125.7** | **90.6** |
| Movement on USS pension provision | 101.8 | (332.1) |
| Consolidated gains on investments | 0.6 | 1.8 |
| **Total comprehensive income for the year** | **228.1** | **(239.7)** |

* 'Unrealised gains on consolidation' represents the difference between University and Group gains on investments, and largely comprises of movements in the value of equity interests held by Group subsidiary UCL Business in spin-out tech transfer companies.

UCL's Financial Strategy is designed to enable investment in people, buildings and technology on the scale required to deliver its institutional strategy and ensure long-term financial sustainability. In order to monitor progress, the University's performance and financial health are assessed through four key financial indicators: operating margin of at least 5% of income; operating cash flow of at least 8% of income; total borrowing below 5 times EBITDA (earnings before interest, tax, depreciation and amortisation); and liquidity of at least 80 days.

In the 2022-23 financial year, UCL generated income of around £2.0bn, of which around £1.9bn was used to fund the costs of running the university and delivering high quality teaching and research. The resulting operating margin, as the difference between the two, stood at £125.7m before movement on the USS pension provision and unrealised gains on consolidation. This was in line with the targets set out under the University's new Financial Strategy - approved by Council in early 2023 - and an encouraging sign of UCL's continuing financial resilience.

This level of financial performance also ensures that sufficient cash is generated for reinvestment back into the University's strategic priorities and, for the 2022-23 financial year specifically, reflects a level of outperformance against a target of £100m, driven by two notable gains: an enhanced £18.5m return on cash investments (arising from the steep climb in interest rates) and a £14.9m gain on the disposal of one of UCL's buildings (Queen's Square House) which was originally planned to take place in 2023-24.

Based on the £125.7m, 2022-23 performance against UCL's key financial indicators was as follows: operating margin of 6.4% of income (2022: 5.2%), operating cashflow of 8.0% of income (2022: 10.5%), total debt of 2.4x EBITDA (2022: 2.9x) and liquidity of 126 days (2022: 131 days). As such, all Key Financial Indicator (KFI) targets for the year have been met.

In terms of reinvestment, it has already been announced that £110m will be invested over the next four years in remuneration for staff at UCL as well as for outsourced colleagues - over and above any UCEA negotiated increases - reflecting our status as a world-leading international university, and the importance we attach to recruiting, motivating and retaining excellent staff. This however is just one of a number of strategic investment priorities, which also include:

- Maintaining UCL's existing estate, making better use of space and improving the campus experience for the whole UCL community.
- Implementing the next phase of the Student Life Strategy: the largest ever expansion of co- and extra-curricular experiences at UCL.
- Simplifying and streamlining the UCL Admissions process, ready for the 2024 admissions cycle, to deliver an improved experience for students and staff.
- Continued investment in the Institute of Neurology and Dementia Research Institute, which is due to open in early 2025, creating a world-class centre of excellence in neuroscience and accelerating the treatment of neurological diseases.

- Continued investment in the design stage of Oriel, a partnership between Moorfields Eye Hospital, the UCL Institute of Ophthalmology and Moorfields Eye Charity. This will create a world-leading centre for advancing eye health and enable delivery of the highest-quality care, research, and education.

***Universities Superannuation Scheme (USS) Pension Provision***

In the 2022-23 financial year, UCL's reported results have been materially influenced by a £101.8m net credit to the Statement of Comprehensive Income and Expenditure arising from a decrease in the value of its USS pension provision. This primarily reflects an increase in the discount rate used in the provision's valuation.

UCL participates in a number of pension schemes, the most significant of which is USS. Under the scheme's 2020 valuation, which remains in force for these financial statements, the scheme was assessed to be in deficit - as had been the case to varying degrees under the previous two valuations (2017 and 2018). In each case, a recovery plan had been agreed with employers, which included a commitment to earmark a proportion of future employer contributions to fund the scheme's past deficit.

As a participating employer - and in line with UK Accounting Standards - UCL is required to value this future commitment to fund the past deficit and account for the liability as a provision on its balance sheet.

The scale of UCL's provision (£454.0m as at 31 July 2023) is proportionate to its status as the scheme's largest employer, and the swings in its value that have followed the rising and falling levels of scheme deficit have been highly material to UCL's reported results.

Under the 2020 valuation, the scale of the deficit was assessed to be £14.1bn (a significant increase on the previous £3.6bn) and as a result UCL's provision rose from £223.8m to £555.8m in 2021-22. For this financial year, although the 2020 valuation remains in place and the employer recovery plan is unchanged, the discount rate used to value UCL's future payments under that recovery plan has increased from 3.33% to 5.49%.

As a result, the value of the provision has reduced from £555.8m to £454.0m, with the net £101.8m movement accounted for as a credit to the Statement of Comprehensive Income and Expenditure.

*Unwinding of the Provision*

The commitment to fund past deficits under a recovery plan is met through the ongoing settlement of contribution payments, and the current combined rate of 31.4% of payroll (members 9.8% and employers 21.6%) includes a total of 6.1% for that purpose.

The provision does not represent an additional cash outflow for the University above and beyond employer contributions, therefore, instead, it reduces to zero over the period of the recovery plan as those monthly contribution payments are made.

*Scheme Valuation Status*

As at the date of these financial statements, the 2023 scheme valuation is underway and approaching completion, with the technical employer consultation concluding in September and the statutory employee consultation in late November.

Under this valuation, which uses 31 March 2023 as its reference date, the scheme has seen a significant improvement in its financial position and is now reporting a £7bn surplus, in stark contrast to the £14bn deficit reported under the 2020 valuation.

That movement has been driven, almost exclusively, by the increase in interest rates between the two valuations and the impact that has had on the metrics used to value the scheme's assets and liabilities. As the discount rate has risen, the present value of the scheme's future commitments has fallen significantly, and at a faster rate than that of its projected investment returns, resulting in the shift to surplus.

## OPERATING AND FINANCIAL REVIEW

Whilst the level of volatility attached to scheme valuations has been acknowledged as an issue to be addressed over the coming years, the surplus position has provided the opportunity for immediate benefit improvement. With support from both employer and employee representative bodies, the focus of the 2023 consultation has been to: restore pension benefits back to the levels that were in place prior to the 2020 valuation, reduce combined contributions from the current 31.4% to 20.6% (14.5% employer and 6.1% employee) potentially as early as January 2024, retain the existing employer covenant measures (including a moratorium on employer exits and pari passu on securitised debt) and utilise contribution 'overpayments' from April 2023 to fund a level of benefit augmentation in recognition of value lost since the 2020 valuation.

Under the current timetable, the 2023 valuation is expected to conclude in early 2024, with revised benefit levels set and a new schedule of contributions agreed as early as January (well in advance of the 30 June statutory deadline).

As the scheme is reporting a surplus, the employer recovery plan that was put in place as part of the 2020 valuation is no longer needed and it forms no part of the current consultation. On conclusion of the 2023 valuation, the related commitment from employers to fund past deficits will fall away and UCL's related pension provision will reduce to zero. This will result in an expected £454.0m credit to the 2023-24 Statement of Comprehensive Income and Expenditure).

### *Operating Performance*

For the 2022-23 financial year, and as noted above, UCL's operating margin (excluding USS pension credit and consolidated gains on investments) stands at £125.7m or 6.4% of total income (2021-22: £90.6m or 5.2% of total income).

Within that, total income increased to £1.97bn (2021-22: £1.75bn) with tuition fees at the core of the University's income mix (£929m or 47% of total income compared to £795m or 45% in 2021-22). Fee growth was driven by unregulated fee increases of 3% for students joining in 2022-23 and by moderate growth in taught student numbers, reflecting the continued strong demand for places at UCL.

As a world-leading centre of research, we continued to receive significant levels of funding from research partners and sponsors (£527m or 27% of total income compared to £525m or 30% in 2021-22) as well as from funding bodes for teaching and research (£237m or 12% of total income compared to £221m or 13% in 2021-22).

The University also benefitted from a certain amount of non-recurrent income in 2022-23, including a £14.9m gain on the disposal of a property within the UCL estate (Queen's Square House).

Total expenditure for the financial year 2022-23 (before movement on the USS pension provision) was £1.85bn (2021-22: £1.66bn). As a people-centric organisation, the largest proportion of that was focussed on our staff, who are essential in the creation and delivery of our academic provision (£1.04bn or 56% of total expenditure compared to £0.94bn or 57% in 2021-22). Responding to the increase in the cost of living, this included the early implementation of a nationally agreed pay increase for 2023-24 as well as a locally agreed increase to the London Allowance.

Estates related costs were the next highest category of spend at 9% of total expenditure. High inflation has increased the cost of utilities (116% higher than 2021-22) and there has been a rise in expenditure on long term maintenance as well as on estates operating costs and rents, rates and insurance. Beyond the effect of inflation, the opening of UCL East and pay increases for outsourced staff have increased the overall cost of operating our estate.

Investment in scholarships and prizes then accounted for a further 5% of expenditure, with around half of that funded by UKRI, philanthropy and industry. Schemes were managed both centrally and within Faculties, with the aims of widening participation; providing research scholarships; creating a strong research environment; and providing students with financial assistance. Fundraising for scholarships to address underrepresentation and disadvantage in the graduate student community remains a priority.

The most significant drivers underpinning performance against the budgeted outturn for 2022-23 were:

- Additional fee income of £39.0m relating to an increase in taught students numbers and a higher proportion of overseas students.
- A £33.8m increase in funding body grants, including £25m from Research England linked to the REF2021 outcome.
- An enhanced level of return on cash investments (£18.5m above budget) due to heightened interest rates.

## OPERATING AND FINANCIAL REVIEW

- A £24m increase in utilities and other estates operating costs, reflecting the steep increase in energy costs and the impact of inflation across areas such as maintenance, rent, rates and insurance.

- A £32.9m increase in other non-pay costs, reflecting increased spend on scholarship to match UKRI rates, on professional fees and on operating costs to support increased student numbers.

- A one-off gain of £14.9m relating the disposal of Queen's Square House.

Across the capital programme, UCL continued to invest in both major new developments as well as existing estate with capital expenditure in the year of £273.3m. UCL East, our new campus on the Queen Elizabeth Olympic Park in East London, accounted for £49m of this investment and further detail on that landmark project is provided in the 'Developing our estate' section of this Operating and Financial Review.

A further £66m funded the continued development of the Institute of Neurology Dementia Research Institute (IoN-DRI) at Grays Inn Road, £34m was invested in the next phase of the Institute of Education development masterplan and £25m on the continued delivery of the 'Oriel' project to create a world-leading centre for advancing eye health.

The IoN-DRI is a new state-of-the-art facility that will equip the next generation of scientists to tackle the devastating global health challenge of neurological diseases such as dementia, and dramatically improve patient treatments. The UCL-Moorfields Eye Hospital (Oriel), situated in Camden, will become a centre for eye care research and education that harnesses the expertise of its partners and speeds up delivery of the highest quality treatments and therapies for patients in the UK and globally.

In 2022-23 UCL also invested £39m in its change and digital portfolios, designed to improve the experience of students, academics, researchers and staff. Outcomes included: the implementation of a new staff recruitment system, the introduction of streamlined student payment system, development of a customer relationship management (CRM) system for admissions enquiries and continued investment in our student information system and our cyber security defences.

Cash and short-term deposits, still bolstered by the proceeds of the University's £300m bond issuance in June 2021 stood at £598m: £43m above the equivalent £555m in 2021-22. A cash balance of £598m represents 126 days' expenditure (excluding depreciation and movement on the USS pension provision), compared to 131 at the previous year-end.

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

| **Source of income** | **2022-23** | | **2021-22** | |
|---|---|---|---|---|
| | **£m** | **%** | **£m** | **%** |
| Funding body grants | 236.7 | 12 | 220.7 | 13 |
| Academic fees | 929.3 | 47 | 794.9 | 45 |
| Research contracts | 526.7 | 27 | 524.9 | 30 |
| Other operations | 218.5 | 11 | 181.8 | 10 |
| Investment income | 28.1 | 1 | 6.9 | - |
| Donations and endowments | 29.0 | 2 | 22.5 | 2 |
| **Total** | **1,968.3** | | **1,751.8** | |

Total income from funding bodies (OfS and Research England) has risen by £16.0m in comparison to prior year, reflecting increases in funding for teaching and research of £0.8m and £10.3m respectively, plus a rise in capital grants and other knowledge exchange funding of £4.9m. Recurrent funding for teaching now stands at £29.1m (2021-22: £28.2m), with recurrent funding from Research England at £166.7m (2021-22 - £159.3m).

Academic fee income was up £134.4m (16.9%) to £929.3m, with the rise almost exclusively driven by growth in the full-time international student base. Fee income from full-time UK student numbers increased slightly by £0.4m (0.2%), whilst the income from short course fees rose by £4.0m (24.4%) to £20.4m

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Income from research contracts grew by £1.8m (0.3%) in relation to the previous year, reflecting a level of stability in the overall portfolio that, after a period of pandemic-related disruption, is representative of UCL's strength and long-standing success in securing new awards.

Income from other operations however rose by £36.6m (20.1%) against the previous year, largely as a result of UCL East opening, and a subsequent increase in accommodation and catering income of £8.4m (16.9%), taking total residences, catering and conference income in the year to £58.0m (2021-22 £49.6m).

Income from donations and endowments also increased to £29.0m (2021-22: £22.5m), driven by a £2.4m rise in new endowments and £3.2m rise in unrestricted donations.

Staff costs (excluding movement on the USS pension provision) increased by 10.5% in the year to £1,037.5m (2021-22: £938.6m) and is driven partly by a 6.6% increase in average payroll numbers (from 16,215 in 2021-22 to 17,291) and partly by early implementation of the nationally agreed pay increase for 2023-24 as well as a locally agreed increase to the London Allowance. This total cost of £1,037.5m amounts to 53% of total income (2021-22: 54%).

Other operating expenses increased by £88.0m (14.6%) to £688.8m (2021-22 £600.8m) driven primarily by inflationary pressures on heat, light and power combined with the impact on opening UCL East (£27m), a resumption of conference, travel and training activities post-covid (£18.7m) and increases to UCL funded scholarships and prizes (£11.4m) reflecting uplifts in stipends for doctoral researchers and increased student support in general.

Other operating expenses also includes audit fees for the year of £0.8m (2021-22: £0.6m) and other fees paid to UCL's auditors of £25k (2021-22: nil).

Total net assets increased in the year by £228m from £1,394m to £1,622m, driven largely by the £102m decrease in UCL's USS pension provision. Without this adjustment, net assets would have increased by £126m to £1,520m with much of the movement attributable to continued investment in the UCL estate.

The value of UCL's endowment assets at £157m (2021-22: £159m) remains largely in line with prior and total reserves (excluding endowments and USS pension provision) increased from £1,792m to £1,920m.

Net current assets stand at £70.3m (2021-22: £0.6m), with the movement in cash largely accounting for the difference against prior year -an increase of £43m from £555m in 2021-22 to £598m in 2022-23. Trade and other receivables, substantially accounted for the rest of the increase in net current assets in the year, with an increase of £11m (3.2%). The most significant increase in short term Trade and other receivables relates to other debtors and prepayments of £13m.

At £882m in total, creditors due in under one year includes £431m of research grant payments received in advance of spend, and a further £73m 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 £952m are sufficient to meet UCL's current cash obligations and maintain an appropriate level of working capital.

As at the year-end date, UCL had combined drawings of £580m against its debt facilities, including a £280m credit facility held with the European Investment Bank and £291m in long-term borrowing secured through the issue of UCL's public bond (representing the £300m face value less issue discount). The terms of the EIB facility structure repayment over a 30 year period to 2048 with capital repayment commencing in June 2026. The bond was issued as a 40 year sustainability bond - with a coupon rate of 1.625% - and is repayable in full in 2061.

As to mid-term liquidity support, UCL holds a 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 2023, nothing had been drawn against the RCF leaving £150m of headroom.

### *Financial outlook*

The financial outlook for UK universities remains challenging. The number of providers with an in-year deficit is increasing and financial stress is not isolated to one particular area of the sector.

Government funding has reduced significantly over the last decade and is now forecast to drop to its lowest level in real terms since the 1990s. Competition for overseas markets is increasing, inflation is expected to remain high well into 2023-24, and pressure continues to be added to the cost base as a result of disruption to global supply chains and high energy prices.

## OPERATING AND FINANCIAL REVIEW

Whilst there continues to be strong demand to study at UCL, the cap on tuition fees for home students means that the value of this income stream continues to reduce significantly in real terms, exacerbated by the recent period of high inflation. Analysis by the Russell Group suggests that universities now face an average shortfall of around £2,500 per year on every home undergraduate student.

International fees do offer a means of mitigation - and UCL continues to attract students from across the globe - but as their proportion of total income has grown, the risk of overreliance on certain international student markets has increased as well. Like other research-intensive providers, UCL is exposed to geopolitical shocks, changes in international student recruitment policy and increased international competition.

Across its research base, UCL has a fully diversified portfolio of income sources which largely accrues from governments, commercial, charitable and international organisations - reflecting the quality and excellence of our research – and the recent announcement of UK accession to Horizon Europe programmes further increases the opportunities available to our researchers.

Ultimately however, there continues to be a shortfall in the funding received to deliver research activities due to government policy choices that limit the proportion of indirect costs that can be recovered. The cost of this shortfall must therefore be met from other income sources – and that cost increases as UCL is more successful at winning research grants.

The UK has experienced changes in political leadership in recent years and the next General Election is on the horizon. However, the current economic climate makes it relatively challenging for any UK government to prioritise the sector for further investment or initiate major reform of tuition fees or research funding.

It is against this backdrop that UCL has agreed a new financial strategy and multi-year budget for the period to 2026-27: a financial framework designed to support delivery of UCL's strategic priorities - as set out in the Strategic Plan 2022-27 – and ensure long-term financial sustainability.

It seeks to achieve those goals through a strong focus on cost reduction, on enhanced cost recovery within research and innovation, and on managed, sustainable growth in taught student numbers. In support, UCL is also exploring opportunities to increase and diversify its mix of commercial and other income and has reset its investment strategy to optimise returns on existing reserves.

As part of that financial strategy, UCL has prioritised investment in pay as well as maintaining the university's estate and upgrading its digital infrastructure for the benefit of students and staff.

Due to the cumulative effects of inflation, we are forecasting a lower operating margin in 2023-24 and our current financial projections, based on the delivery of income growth and cost reduction targets, aim to generate an operating margin of at least 5% from 2024-25. This level of performance is sensitive to the external operating environment however, much of which is outside of UCL's control. In light of increasing geo-political headwinds, UCL will continue to monitor that environment and assess the likely impact on its financial position.

During the global pandemic UCL demonstrated its ability to adapt at pace and this provided invaluable insight into how we can best respond to further change. While the future is uncertain, UCL remains well placed to draw on its reputation, global ranking, application levels and national and global leadership in research.

**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 University Management Committee, Audit Committee and Council - 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.

Action is being taken in respect of all the identified strategic risks but most urgently in respect of those with the highest severity rating post-mitigation. As at the end of the 2022-23 financial year, this group included:

1. ***Financial Sustainability:*** In the current financial environment there is a material risk for any organisation that, without swift and targeted intervention, existing operating models become unsustainable, liquidity is put under pressure and longer term financial sustainability is jeopardised. In UCL's case, a prolonged period of high inflation could significantly depress the level of funding available for reinvestment back into the estate, technology and those other areas of student and staff experience that are so critical to retaining our global

position and achieving our strategic goals. Mitigating actions to review and control the cost base are already underway: UCL has set out a new four year financial strategy, reformed its internal financial model and established savings targets for all areas of the organisation.

2. ***Cyber Security:*** Universities remain a prime target for cyber-crime, with student data, personal information, and extremely valuable research at risk should an attack take place. The financial and reputational risks associated with a hostile data breach could also be significant. Our focus is on minimising the likelihood of a significant incident occurring as well as on reducing the level of impact on systems and operations if it does. We have increased our investment in this area accordingly. A strategic improvement plan for information security resilience is in place, vulnerability detection has been enhanced and a series of protective measures have been put in place, including: network anomaly detection, additional anti-phishing controls and new training and awareness campaigns for staff. The ‘Security Champions’ programme is also being rolled-out: a joint workstream between the Data Protection and Information Security teams to help ensure key messages are communicated effectively across all UCL staff.

3. ***Student wellbeing:*** UCL remains focused on the fact that students may experience mental ill health during their programme of study. These may be pre-existing conditions, or they may develop during their studies, and ensuring both that students are able to receive formal diagnosis and treatment, and that UCL provides adequate support for the physical and mental wellbeing of its student community is a key priority. University teams have worked closely with the Students’ Union UCL to develop a student health and wellbeing strategy which adopts a whole institution approach to student support. Work is also ongoing to improve student access to NHS mental health services as well as in developing the online Student Referral and Triage tool for staff in student facing roles.

4. ***Teaching and learning spaces***: There is a need for continual investment in the teaching and learning spaces within the University to ensure they are appropriate for student needs and to enhance the student experience. Growth in student numbers has also put pressure on the estate and our ability to keep up with demand. The Estates Masterplan is part of the Strategic Plan 2022-27 and aims to ensure the campus is fit for purpose in future years, but also recognises that this work will continue beyond the scope of the plan. It remains challenging, however, to invest adequately in space to improve the student experience alongside maintaining financial sustainability in the current climate.

5. ***Estates compliance***: Alongside enhancing our teaching and learning spaces, and improving our research spaces, there is also the risk of not investing adequately to meet compliance regulations across our estate. This is imperative to ensure staff and students are working and studying in spaces that are safe. An estates compliance audit was completed in 2022 and an action plan was formed from the recommendations that followed. These include rolling out an Integrated Workplace Management System to consolidate asset registers, a review of compliance monitoring and reporting and the purchase of a new contractor management system to address actions regarding competencies, contractor inductions and permit to work.

6. ***Student diversification***: A large proportion of UCL’s income is from international student fees, and volatility in certain high concentration markets increases the University financial risk. Changes in geopolitics, government policy and longer-term trends in the international marketplace for student recruitment could all impact on student recruitment from overseas. Diversifying the student body, therefore, is imperative in mitigating this risk. Work is already taking place to increase our global reach and to diversify the student body. A working group has been formed to look into the wider implications for UCL in the mid to long-term, including managing the risk of delivering to target alongside pursuing new markets.

In parallel, UCL continues to identify, 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.

**Trade Union Facility Time**

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 2023 is as follows:

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| **Relevant union officials** | |
|---|---|
| Number of employees who were relevant union officials during the relevant period | 81 |
| Full-time equivalent employee number | 75.7 |

| **Percentage of time spent on facility time** | |
|---|---|
| Percentage of time | Number of employees |
| 0% | 32 |
| 1-50% | 49 |
| 51-99% | 0 |
| 100% | 0 |

| **Percentage of pay bill spent on facility time** | |
|---|---|
| Total cost of facility time | £89,991 |
| Total pay bill | £957,604,461 |
| The percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time / total pay bill) x 100% | 0.01% |

| **Paid Trade Union Activities** | |
|---|---|
| Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:<br><br>(total hours spent on paid trade union activities by relevant union officials during the relevant period / total paid facility time hours) x 100% | 19.25% |

**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 2022-23 on pages 3 to 10.

DocuSigned by:
Sarah Whitney
DEABD12851CB4C9...

Sarah Whitney
Treasurer

DocuSigned by:
Victor Chu
12267F998FC1456...

Victor Chu
Chair of Council

## CORPORATE GOVERNANCE

UCL is an independent corporation whose legal status derives from a Royal Charter. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes.

UCL is an exempt charity under Schedule 3 of the Charities Act 2011 and is regulated by the Office for Students (OfS). UCL appears on the OfS' Register of officially recognised Higher Education providers.

UCL undertakes fundraising to assist with its charitable activities, claiming Gift Aid under its exempt charity status, and is registered with the Fundraising Regulator.

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. UCL has a Public Interest Disclosure ("Whistleblowing") Policy to enable staff, students, and other members of the University to raise concerns in the public interest.

**Corporate Governance Structures**

The Council is the governing body of UCL. In accordance with the Statutes of UCL, the Council comprises: external members; the President and Provost ('Provost' hereafter) who is the designated Accountable Officer with the OfS for the purposes of the Higher Education and Research Act 2017; elected academic staff members, and student members. All new members of Council receive an induction to the University and their responsibilities as a member of the governing body. 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 Council met eleven times during the year (including two away days).

The powers and duties of the Council are set out in the Statutes. The Council has adopted a Statement of Primary Responsibilities, a delegation framework, Regulations for Management and Financial Regulations. The Council holds to itself the responsibilities for the ongoing 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. Council Members provide a Register of Interests (updated at least annually) and a declaration that they are fit and proper persons, as defined by the OfS. Declaration of Interests is a standing item at the beginning of each Council and Committee meeting to remind Members of the need to disclose any interests relating to items on the agenda.

The Council has several committees, including the Finance Committee, Audit Committee, Remuneration Committee, People 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. Estates Committee, a sub-committee of Finance Committee, met six times during the year. Minutes of Estates Committee meetings are reported to Finance Committee.

The Investments Committee, which also 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 each financial year, is chaired by an external member of Council and comprises a majority of external members. The Committee approves the internal audit programme, drawn up based on assessment of the relative risks in relation to institutional strategy, the significance of each operating area and their materiality in the context of overall UCL activity. The Committee also 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 Committee is also responsible for meeting with the External Auditor to consider the nature and scope of the annual audit, and thereafter to 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 Remuneration Committee is chaired by an external member 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 Remuneration Committee and has always been excluded from discussions relating to his own remuneration package. The Remuneration 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

## CORPORATE GOVERNANCE

these staff is determined by the Provost in consultation with relevant Vice-Provosts and Deans and the Chief People Officer.

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.

A new People Committee has been established. The Committee will provide oversight, assurance and advice to Council on the University's HR strategies and compliance obligations. Council also established a Safety and Compliance Task & Finish Group to oversee the delivery of the Workplace Health & Safety, Statutory Compliance, and Fire Safety programme of works.

The Nominations Committee considers the filling of vacancies in the external membership of Council and the membership of other standing committees of Council. It maintains an overview of committee membership more generally. In exercising these functions, the Committee has regard to the diversity and skills of Council members, which are assessed on an ongoing basis. Membership of Nominations Committee is determined by Council.

In addition, other key governance highlights for the year included the appointment for a third term of Victor Chu CBE as an appointed member of Council and Chair of Council for a period of three years from 1 August 2024 to 31 July 2027, finalising the University title application, with the Supplemental Charter being sealed on 17 April 2023 giving UCL University Title status, along with updated Statutes to provide for more modernised decision-making procedures. In 2024 the Council will be looking forward to undertaking its next Council Effectiveness Review.

The Academic Board is a large body of over 2,000 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.

### Statement of Internal Control

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 last meeting of each calendar year, the Council carries out an assessment for the year ended 31 July by considering a report from the Audit Committee, taking account of events since 31 July. The Council is of the view that there is an ongoing 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 2023 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.

UCL also looks to other sources of good governance principles, for example, paragraph 29 of the UK Corporate Governance Code ("The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report"). The Audit Committee conducts a high-level review of the arrangements for internal control and data quality, with regular consideration of risk and control, as well as of the adequacy and effectiveness of procedures surrounding the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the OfS, the UKRI, the Student Loans Company, and other bodies. In reaching this opinion the Committee relies on reports from the Internal Auditor. When deemed necessary, follow-up reports are requested either from UCL officers or from the Internal Auditors, as appropriate. The Committee keeps a rigorous track of the implementation of internal audit recommendations. At each meeting the Committee considers a report on the progress of the implementation of every recommendation, in which any overdue recommendations are highlighted.

The Risk Management Working Group is chaired by the General Counsel 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 University Management Committee (UMC) on progress, with agreed actions, on all the identified risks, other than those directly monitored by the UMC. 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.

# RESPONSIBILITIES OF THE COUNCIL OF UNIVERSITY COLLEGE LONDON

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, 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;
(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.

UCL’s system of internal control, designed to discharge the responsibilities above, includes the following:

(i) clear definitions of the responsibilities of, and authority delegated, to executive management;
(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 and endorsed by the Council. The Internal Audit Service provides an annual report to the Audit Committee, summarising the results of internal audit activity undertaken during the year to assist the Audit Committee to include in its annual report to Council it’s opinion on the adequacy and effectiveness of UCL’s risk management, control and governance systems in place during the years;
(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 the internal controls 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.

Under Condition E3 of the OfS’s regulatory framework, Council must ensure the University’s 'compliance with all of its conditions of registration and with the OfS Accounts Direction'. Council confirms that its accounts have been prepared in accordance with the OfS Accounts Direction and give a true and fair view of the state of affairs of the University and Group and of the surplus or deficit and cash flows for 2022-23.

Any system of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss. Reflecting on the challenges associated with a period of sustained and rapid growth however, and following a self-assessment of the University’s financial control systems carried out in collaboration with professional advisors, Council believes it is essential that adequate attention is applied to the University’s system of internal controls now and in the future to ensure that it is effective and commensurate with the scale and complexity of the organisation, with a project to refresh controls to ensure that they remain adequate underway.

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's group financial statements and parent institution financial statements (the "financial statements"):

- Give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2023 and of the group's and of the parent institution's income and expenditure, gains and losses and changes in reserves, and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the requirements of the Office for Students' Accounts Direction (OfS 2019.41).

We have audited the financial statements of University College London (the 'parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2023 which comprise:

| Group | Parent institution |
|---|---|
| Consolidated statement of financial position as at 31 July 2023 | Institution statement of financial position as at 31 July 2023 |
| 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 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 37 to the financial statements | Related notes 1 to 37 to the financial statements |

The financial reporting framework that has been applied in the preparation of the group and parent institution financial statements 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. 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 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:

- Reading the Annual 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.
- Obtaining an understanding of the business planning process and challenging the underlying assumptions, for the going concern period through to 31 July 2025, for evidence of bias and for consistency with our knowledge of the organisation. We also 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

- Comparing actual performance for the year to 31 July 2023 to the budget for that period to assess the historical accuracy of management forecasts.

- Challenging management's assumptions compared to historic financial performance and assessing the level of available reserves against plans to apply those reserves to meet any future requirements.

- Challenging the financial forecast position of the group and parent institution as set out in the base case and plausible downside scenarios prepared by management to assess that it has sufficient liquidity to meet its anticipated liabilities and ensure compliance with its loan covenants through to 31 July 2025.

- Undertaking reverse stress testing to understand the potential circumstances required and likelihood of those circumstances occurring that could result in insufficient liquidity to maintain the group and parent institution's financial position within the going concern period.

- Testing management's assumptions and performing our own plausible downside scenario and reverse stress testing.

- Confirming to signed agreements the change during the period to loan covenants applicable to the group and parent institution's external borrowings from financial based covenants to 'loss of rating' covenants.

- Evaluating management's assessment of the circumstances under which, and the likelihood of those circumstances occurring, the loss of rating covenants could be breached.

- Assessing the levels of current borrowing and confirmed that under management's base case and downside scenario the group and parent institution is forecasting sufficient liquidity to enable repayment of all borrowings with covenants, should this be required, through the going concern period.

- Assessing management's going concern disclosures in the Financial Statements to ensure they are appropriate based on our knowledge and in conformity with FRS 102 "The financial reporting standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 to 31 July 2025.

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**

| | |
|---|---|
| Audit scope | • We performed an audit of the complete financial information of 1 component and audit procedures on specific balances for a further 2 components.<br>• The components where we performed full or specific audit procedures accounted for 97.9% of surplus before tax, 99.4% of income and 99.8% of total assets. |
| Key audit matters | • Risk of fraud in revenue recognition in relation to cut off and recognition in line with performance related conditions<br>• Accounting for property, plant and equipment |
| Materiality | • Overall group materiality of £19.6m which represents 1% of total income. |

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

**An overview of the scope of the parent and institution audits**

**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.

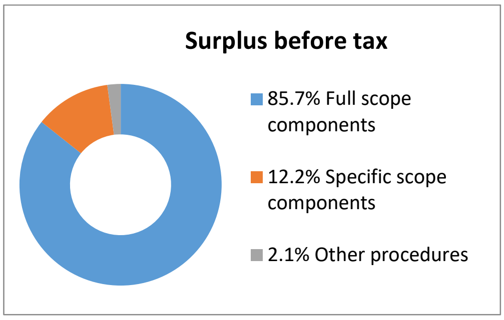
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 11 reporting components of the Group, we selected 3 components covering entities within the UK, which represent the principal business units within the Group.

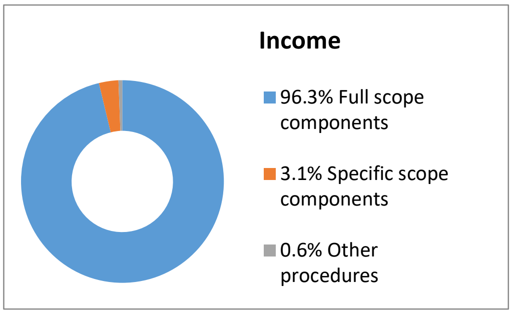
Of the 3 components selected, we performed an audit of the complete financial information of 1 component ("full scope component") which was selected based on its size or risk characteristics. For the remaining 2 components ("specific scope components"), we performed audit procedures on specific accounts 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.

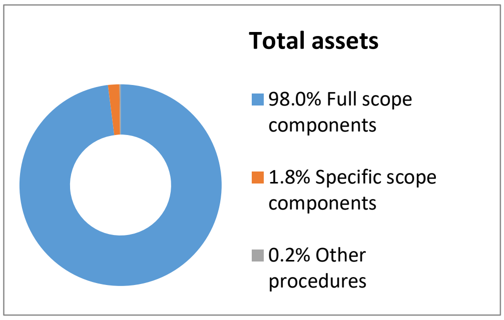
The reporting components where we performed audit procedures accounted for 97.9% (2022: 97.6% of deficit) of the Group's surplus before tax, 99.4% (2022: 98.1%) of the Group's income and 99.8% (2022: 99.8%) of the Group's total assets. For the current year, the full scope components contributed 85.7% (2022: 86.2% of deficit) of the Group's surplus before tax, 96.3% (2022: 96.9%) of the Group's income and 98.0% (2022: 98.1%) of the Group's total assets. The specific scope component contributed 12.2% (2022: 11.4% of deficit) of the Group's surplus before tax, 3.1% (2022: 2.4%) of the Group's income and 1.8% (2022: 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.

Of the remaining 8 components that together represent 0.6% of the Group's total income, none are individually greater than 0.4% of the Group's total income. For these components we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations 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.




**Changes from the prior year**
There were no changes to the components where we performed full or specific audit procedures from the prior year.

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

**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 from other EY global network firms operating under our instruction. For the 1 full scope component, audit procedures were performed 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.

**Climate change**
There has been increasing interest from stakeholders as to how climate change will impact higher education institutions. University College London has determined that the most significant future impact from climate change on its operations will be the climate transition. This is explained on page 10 in the Operating and Financial Review, which forms part of the 'other information' rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Group's disclosures in the financial statements and conclusion that no issues were identified that would impact the carrying values of assets with indefinite and long lives or have any other impact on the financial statements for University College London. We also challenged the Council's considerations of climate change in their assessment of going concern and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, 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.

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| Risk of fraud in revenue recognition in relation to cut off and recognition in line with performance related conditions (£1,968m total income, 2022: £1,752m)<br><br>*Refer to the Statement of Accounting Policies (pages 38 and 39), and notes 1-7 of the Consolidated financial statements (pages 43 and 44)*<br><br>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.<br><br>The number of revenue streams increases the risk of inappropriate revenue recognition.<br><br>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. There is inherently more | Our audit procedures included:<br>*Procedures across all revenue streams associated with the risk:*<br><br>- Understanding the revenue processes for each material revenue stream.<br><br>- Identification and walkthrough of key controls over revenue to understand processes for each material revenue stream.<br><br>- Performing an overall analytical review on revenue compared to prior year to identify, understand and corroborate any unusual fluctuations.<br><br>- Agreeing a sample of trade and other receivables back to source documents, such as invoice, contracts, grant agreements and cash.<br><br>- Agreeing a sample of deferred and accrued income back to source | 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. |

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

| | | |
|---|---|---|
| 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.<br><br>We have assessed the risk arises in the following areas:<br><br>*Tuition fee income (£929m, 2022: £795m)*<br><br>The timing of certain courses which span the year end create judgement in determining which period the income should be recognised in.<br><br>*Research grants and contracts (£527m, 2022: £525m)*<br>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.<br><br>*Other income (inc. investment income and donations and endowments) (£276m, 2022: £211m).*<br>The varied nature and size of the income streams creates an opportunity to apply judgement in the period the income is recognised in.<br><br>*Funding body grants, other than from Office for Students (£208m, 2022: £192m)*<br>Recognition may require judgement in determining when related conditions have been satisfied and, therefore, which period the income should be recognised in.<br>Since there is no material judgement associated with the recognition of the University's Office for Students' grant income (£29m, 2022: £28m), we have determined that the risk of revenue recognition does not materialise within this area.<br><br>We have expanded this risk from the prior year to include investment income, as part of the 'other income', as the value of such revenue has increased from £7m in the prior year to £28m for the current year due to the impact on such income of higher interest rates and is now a material revenue stream for the Group. | documents, such as invoice, contracts, grant agreements and cash.<br><br>- Performed cut off testing for a sample of transactions recorded either side of the year end, with a particular focus on those recorded after the year end, to confirm that they have been recorded in the correct financial year.<br><br>*Procedures specifically in relation to tuition fees*<br><br>- For full-time courses we performed substantive analytical review procedures, developing an expectation of fee income and comparing this to the income recognised in the Consolidated Statement of Comprehensive Income. 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.<br><br>- Testing 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.<br><br>- Sample testing part time student fees and short course fees agreeing the amounts back to invoices and cash.<br><br>*Procedures specifically in relation to research grants and contracts*<br><br>- Testing a sample of research income, deferred income and accrued income, confirming 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.<br><br>- Testing a sample of movements in deferred and accrued income for research income. This included agreeing to source documentation such as invoices and cash receipts.<br><br>*Procedures specifically in relation to other income*<br><br>- Testing a sample of other income back to source documents, such as invoice, contracts, grant agreements and cash.<br><br>- Testing a sample of donation and endowment income back to source | |

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

| | | |
|---|---|---|
| | documents, such as invoice, contracts, grant agreements and cash.<br><br>- Agreeing a sample of investment income back to external confirmation by the investment manager.<br><br>*Procedures specifically in relation to funding body grants, other than from the Office for Students*<br><br>- Testing a sample of grant income back to bank statements to confirm receipt, to grant agreements to confirm whether there were any associated performance conditions and evaluating whether those conditions had been met, and to bank statements to confirm receipt of funds.<br><br>We performed full scope audit procedures over this risk, which covered 96.3% of the risk amount. We also performed specified procedures over revenue in two additional components, which covered 3.1% of the risk amount. | |
| Accounting for property, plant and equipment<br><br>*Refer to the Statement of Accounting Policies (pages 40 and 42), and note 15 of the Consolidated financial statements (page 49)*<br><br>University College London has a significant capital estate which is an important element of supporting the University's learning, teaching and working environment. The combined value of freehold and leasehold land and buildings and assets under construction as at 31 July 2023 was £2,575m (2022: £2,460m).<br><br>A further £97m (2022: £98m) was held as equipment, plant and machinery, primarily in relation to equipment used in research projects.<br><br>The University is continuing to invest in its capital programme to ensure that its estate meets the demands of its current and future student population. The size of the capital programme creates a number of financial statement risks, including:<br><br>*Inappropriate capitalisation of expenditure (£251m, 2022: £273m)*<br>Recognition may require judgement in determining whether expenditure is capital or revenue in nature, and hence whether it should be recognised as an asset or charged to the Consolidated Statement of Comprehensive Income.<br><br>Judgement may also be applied in determining the period in which capital expenditure is recorded. | Our audit procedures included:<br><br>*Procedures applicable to the capital programme as a whole*<br><br>- Meeting the University's Estates team to understand the approach to asset management, estate valuation and ongoing maintenance and development.<br><br>- Gaining an understanding of the level of activity during the year through review of key committee papers and capital financial forecasts.<br><br>*Procedures specifically in relation to capitalisation of expenditure*<br><br>- Testing a sample of capital additions back to source documents, such as invoices, contracts and supplier account statements to verify that additions to Property, Plant and Equipment are capital in nature and recorded in the correct financial year.<br><br>*Procedures specifically in relation to timing of transfers out of assets under construction*<br><br>- Testing a sample of in-year transfers to confirm they were appropriately completed during the current period.<br><br>- Testing a sample of assets held as assets under construction at the reporting date to evidence that assets were not yet available for use. | The financial statements presented for audit included reclassification of £455m of assets under construction as available for use during the period, including in relation to the completion of the new UCL East campus.<br><br>Additional reclassifications of £69m have been recorded in respect of our audit findings, of which £8m related to reclassifications of in-year additions. Additional depreciation of £3m has been recognised in respect of these reclassifications where assets were in use before the reporting date and should have been depreciated.<br><br>Management identified and derecognised £31m (gross cost) of fully depreciated assets during the period. Our audit procedures estimate a further £3m (gross cost) of fully depreciated assets remain recognised within the Consolidated Statement of Financial Position and Note 15 but are no longer held by University College London.<br><br>Based upon the audit procedures performed, and after inclusion of the above adjustments, we conclude that property, plant and equipment is materially correctly accounted for in accordance with the requirements of FRS 102 and the Statement of Recommended Practice: Accounting for Further and Higher Education. |

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

| | | |
|---|---|---|
| *Timing of transfers out of assets under construction and commencement of depreciation (£516m, 2022: £31m)*<br><br>There is potential for error in the identification and/or recording of when assets under construction are available for use, which impacts upon the point from which depreciation is applied.<br><br>*Derecognition of assets (£72m, 2022: £58m (gross cost))*<br><br>There is potential for error in the identification and/or recording of when assets are disposed of and should be derecognised from the financial statements.<br><br>*Impairment (£nil, 2022: £nil)*<br><br>Judgement is involved in assessing whether assets should be impaired, including due to replacement by new assets or in the event of significant damage or obsolescence.<br><br>This is a new key audit matter for the year ended 31 July 2023 and reflects the additional audit focus on responding to identified misstatements, as set out within the key observations communicated to the Audit Committee, and risk of further misstatement, as identified above. | *Procedures specifically in relation to derecognition of assets*<br><br>- Reviewing and challenging management's exercise to verify the ongoing use of equipment plant and machinery.<br><br>- Testing a sample of assets held at 31 July to evidence that they were still in use at the reporting date.<br><br>*Procedures specifically in relation to impairment*<br><br>- Reviewing and challenging management's impairment assessment, including for consistency with our wider knowledge of the University and for completeness. | |

**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 £19.6 million (2022: £17.5 million), which is approximately 1% (2022: approximately 1%) of total income. We believe that total income provides us with the most appropriate basis for understanding the Group's activity and is the primary driver of overall financial performance.

We determined materiality for the Parent Institution to be £19.3 million (2022: £17.3 million), which is approximately 1% (2022: approximately 1%) of total income.

During the course of our audit, we reassessed initial materiality which was based upon total income in the prior year to reflect total income for the current year once this was known. Our assessment of materiality as approximately 1% of total income did not change.

We apply a lower materiality of £nil to the disclosure of the remuneration of the President and Provost, as there is an expectation that such amounts will be precisely stated. We do not apply a specific materiality for related party disclosures, but consider any misstatement in the context of both our materiality for the Group and parent Institution and in the context of what may be material to the related party.

**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.*

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

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 50% (2022: 75%) of our planning materiality, namely £9.8 million (2022: £13.1 million).

During the course of our audit, we reassessed initial performance materiality which was set at 75% to reflect higher levels of misstatement and internal control weaknesses identified during the course of the audit and our assessment that there was a higher risk of further undetected misstatements existing.

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 including the Institution itself was £1.0 million to £9.3 million (2022: £1.3 million to £13.0 million).

**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 £1.0 million (2022: £0.9 million), 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 annual report set out on pages 1 to 21, other than the financial statements and our auditor's report thereon. The Council is responsible for the other information contained within the annual report.

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, we are required to determine whether this gives rise to 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:

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

**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 whether:

- the institution's grant and fee income, as disclosed in note 7 to the financial statements, has been materially misstated; and
- the University's expenditure on access and participation activities for the financial year, as disclosed in note 12 to the financial statements, has been materially misstated.

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

**Responsibilities of the Council**

As explained more fully in the Statement of the Council's responsibilities statement set out on page 21, 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 determines 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 the Council either intends to liquidate the group or the parent institution or to cease operations, or has 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 institution 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, the Higher Education and Research Act 2017, the Charities Act 2011 and the Data Protection Act 2018.

- We understood how University College London is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management, those charged with governance and internal audit 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. 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 financial performance in order to influence the perceptions of stakeholders as to the entity's performance).

- 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 and review of Council minutes to identify any non-compliance with laws and regulations.

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

**Use of our report**

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

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

DocuSigned by:
Ernst & Young LLP
33F11C5B8633443...

**Jonathan Gill**

**for and on behalf of Ernst & Young LLP, Statutory Auditor**

**London**

20 **December 2023**

# CONSOLIDATED AND INSTITUTION STATEMENT OF COMPREHENSIVE INCOME

| | Notes | **Year ended 31 July 2023** Consolidated £'000 | **Year ended 31 July 2023** University £'000 | Year ended 31 July 2022 Consolidated £'000 | Year ended 31 July 2022 University £'000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Tuition fees and education contracts | 1 | **929,347** | **929,347** | 794,866 | 794,866 |
| Funding body grants | 2 | **236,720** | **236,720** | 220,746 | 220,746 |
| Research grants and contracts | 3 | **526,713** | **526,713** | 524,890 | 524,890 |
| Other income | 4 | **218,531** | **182,822** | 181,838 | 163,454 |
| Investment income | 5 | **28,079** | **26,697** | 6,938 | 6,437 |
| Donations and endowments | 6 | **28,954** | **31,504** | 22,501 | 24,103 |
| **Total income** | | **1,968,344** | **1,933,803** | 1,751,779 | 1,734,496 |
| **Expenditure** | | | | | |
| Staff costs | 8 | **1,037,548** | **1,028,072** | 938,569 | 929,211 |
| Movement on USS pension provision | 8,10 | **(101,830)** | **(101,860)** | 332,057 | 331,389 |
| Other operating expenses | 9 | **688,785** | **659,003** | 600,802 | 591,405 |
| Depreciation and amortisation | 14,15 | **118,445** | **118,323** | 110,166 | 109,983 |
| Interest and other finance costs | 10 | **9,098** | **9,058** | 6,751 | 6,892 |
| **Total expenditure** | 11 | **1,752,046** | **1,712,596** | 1,988,345 | 1,968,880 |
| **Surplus/(Deficit) before other gains/(losses) and share of operating surplus/(deficit) of joint ventures and associates** | | **216,298** | **221,207** | (236,566) | (234,384) |
| Gain/(Loss) on disposal of fixed assets | | **14,288** | **14,288** | 917 | 917 |
| Gain/(Loss) on disposal of subsidiary | | **5** | **-** | - | - |
| (Loss)/Gain on investments | 17 | **(2,786)** | **(3,421)** | (3,028) | (4,723) |
| Share of operating deficit in joint ventures | 18 | **-** | **-** | (1) | - |
| Share of operating profit/(deficit) in associates | 19 | **589** | **-** | (754) | - |
| **Surplus/(Deficit) before tax** | | **228,394** | **232,074** | (239,432) | (238,190) |
| Taxation | 13 | **(242)** | **-** | (263) | - |
| **Surplus/(Deficit) for the year** | | **228,152** | **232,074** | (239,695) | (238,190) |
| **Total comprehensive income / (expenditure) for the year** | | **228,152** | **232,074** | (239,695) | (238,190) |
| Represented by: | | | | | |
| Endowment comprehensive (expenditure) for the year | | **(1,941)** | **(1,941)** | (4,508) | (4,508) |
| Restricted comprehensive income for the year | | **116** | **189** | 3,266 | 2,810 |
| Unrestricted comprehensive income for the year | | **129,972** | **133,498** | 98,570 | 97,137 |
| Pension reserve comprehensive income / (expenditure) for the year | | **101,830** | **101,860** | (332,057) | (331,389) |
| Revaluation reserve comprehensive (expenditure) / income for the year | | **(1,847)** | **(1,532)** | (5,025) | (2,240) |
| Attributable to the University | | **228,130** | **232,074** | (239,754) | (238,190) |
| Attributable to the non-controlling interest | | **22** | **-** | 59 | - |
| | | **228,152** | **232,074** | (239,695) | (238,190) |
| **(Deficit)/Surplus for the year attributable to:** | | | | | |
| Non controlling interest | | **22** | **-** | 59 | - |
| University | | **228,130** | **232,074** | (239,754) | (238,190) |

All items of income and expenditure relate to continuing activities.

# CONSOLIDATED AND INSTITUTION STATEMENT OF CHANGES IN RESERVES

**Consolidated**

| | Income and expenditure account | | | Revaluation reserve | Pension reserve | Total excluding Non Controlling Interest | Non controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| | *Endowment* | *Restricted* | *Unrestricted* | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | **£'000** |
| **Balance at 1 August 2021** | **163,286** | **17,001** | **1,619,185** | **58,838** | **(224,618)** | **1,633,692** | **97** | **1,633,789** |
| Surplus/(Deficit) from the income and expenditure statement | 434 | 4,093 | 92,865 | (5,089) | (332,057) | **(239,754)** | 59 | **(239,695)** |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Transfers between revaluation and income and expenditure reserve | - | - | (64) | 64 | - | - | - | - |
| Transfers between endowment and unrestricted income and expenditure reserve | - | 582 | (582) | - | - | - | - | - |
| Release of restricted funds spent in year | (4,942) | (1,409) | 6,351 | - | - | - | - | - |
| **Total comprehensive income for the year** | (4,508) | 3,266 | 98,570 | (5,025) | (332,057) | (239,754) | 59 | **(239,695)** |
| Distribution to Non controlling interest | - | - | - | - | - | - | (124) | **(124)** |
| **Balance at 1 August 2022** | **158,778** | **20,267** | **1,717,755** | **53,813** | **(556,675)** | **1,393,938** | **32** | **1,393,970** |
| Surplus/(Deficit) from the income and expenditure statement | 4,453 | 1,682 | 121,462 | (1,297) | 101,830 | **228,130** | 22 | **228,152** |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Transfers between revaluation and income and expenditure reserve | - | - | 550 | (550) | - | - | - | - |
| Transfers between endowment and unrestricted income and expenditure reserve | - | - | - | - | - | - | - | - |
| Release of restricted funds spent in year | (6,394) | (1,566) | 7,960 | - | - | - | - | - |
| **Total comprehensive income for the year** | (1,941) | 116 | 129,972 | (1,847) | 101,830 | 228,130 | 22 | **228,152** |
| **Balance at 31 July 2023** | **156,837** | **20,383** | **1,847,727** | **51,966** | **(454,845)** | **1,622,068** | **54** | **1,622,122** |

**Institution**

| | Income and expenditure account | | | Revaluation reserve | Pension reserve | Total excluding Non Controlling Interest | Non controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| | *Endowment* | *Restricted* | *Unrestricted* | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | **£'000** |
| **Balance at 1 August 2021** | **163,286** | **17,001** | **1,602,997** | **54,643** | **(224,244)** | **1,613,683** | **-** | **1,613,683** |
| Surplus/(Deficit) from the income and expenditure statement | 434 | 4,219 | 89,876 | (1,330) | (331,389) | (238,190) | - | **(238,190)** |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Transfers between revaluation and income and expenditure reserve | - | - | 910 | (910) | - | - | - | - |
| Release of restricted funds spent in year | (4,942) | (1,409) | 6,351 | - | - | - | - | - |
| **Total comprehensive income for the year** | (4,508) | 2,810 | 97,137 | (2,240) | (331,389) | (238,190) | - | **(238,190)** |
| Other movements | - | - | 1 | - | - | 1 | - | **1** |
| **Balance at 1 August 2022** | **158,778** | **19,811** | **1,700,135** | **52,403** | **(555,633)** | **1,375,494** | **-** | **1,375,494** |
| Surplus/(Deficit) from the income and expenditure statement | 4,453 | 1,755 | 124,988 | (982) | 101,860 | 232,074 | - | **232,074** |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Transfers between revaluation and income and expenditure reserve | - | - | 550 | (550) | - | - | - | - |
| Release of restricted funds spent in year | (6,394) | (1,566) | 7,960 | - | - | - | - | - |
| **Total comprehensive income for the year** | (1,941) | 189 | 133,498 | (1,532) | 101,860 | 232,074 | - | **232,074** |
| **Balance at 31 July 2023** | **156,837** | **20,000** | **1,833,633** | **50,871** | **(453,773)** | **1,607,568** | **-** | **1,607,568** |

## CONSOLIDATED AND INSTITUTION STATEMENT OF FINANCIAL POSITION

| | Notes | **As at 31 July 2023** **Consolidated £'000** | **University £'000** | As at 31 July 2022 Consolidated £'000 | University £'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Intangible assets | 14 | **67,142** | **67,142** | 52,147 | 52,147 |
| Fixed assets | 15 | **2,671,897** | **2,671,415** | 2,557,938 | 2,557,366 |
| Investments | 17 | **277,010** | **272,825** | 308,278 | 304,784 |
| Investment in joint ventures | 18 | **20,000** | **20,000** | - | - |
| Investments in associates | 19 | **2,612** | **-** | 1,723 | - |
| Trade and other receivables: amounts falling due after more than one year | 20 | **11,360** | **11,220** | - | - |
| | | **3,050,021** | **3,042,602** | 2,920,086 | 2,914,297 |
| **Current assets** | | | | | |
| Stock | | **201** | **201** | 108 | 108 |
| Trade and other receivables | 20 | **353,808** | **370,357** | 342,970 | 351,759 |
| Cash and cash equivalents | | **597,805** | **551,554** | 554,743 | 510,084 |
| | | **951,814** | **922,112** | 897,821 | 861,951 |
| Less: Creditors: amounts falling due within one year | 21 | **(881,558)** | **(860,666)** | (897,259) | (876,722) |
| **Net current assets/(liabilities)** | | **70,256** | **61,446** | 562 | (14,771) |
| **Total assets less current liabilities** | | **3,120,277** | **3,104,048** | 2,920,648 | 2,899,526 |
| Creditors: amounts falling due after more than one year | 22 | **(1,030,354)** | **(1,030,354)** | (956,930) | (956,232) |
| **Provisions** | | | | | |
| Pension provisions | 23 | **(454,848)** | **(453,773)** | (556,678) | (555,633) |
| Other provisions | 23 | **(12,953)** | **(12,353)** | (13,070) | (12,167) |
| **Total net assets** | | **1,622,122** | **1,607,568** | 1,393,970 | 1,375,494 |
| **Restricted Reserves** | | | | | |
| Income and expenditure reserve - endowment reserve | 24 | **156,837** | **156,837** | 158,778 | 158,778 |
| Income and expenditure reserve - restricted reserve | | **20,383** | **20,000** | 20,267 | 19,811 |
| **Unrestricted Reserves** | | | | | |
| Income and expenditure reserve - unrestricted before pension reserve | | **1,847,727** | **1,833,633** | 1,717,755 | 1,700,135 |
| Pension reserve | | **(454,845)** | **(453,773)** | (556,675) | (555,633) |
| Income and expenditure reserve - unrestricted after pension reserve | | **1,392,882** | **1,379,860** | 1,161,080 | 1,144,502 |
| Revaluation reserve | | **51,966** | **50,871** | 53,813 | 52,403 |
| | | **1,622,068** | **1,607,568** | 1,393,938 | 1,375,494 |
| Non-controlling interest | | **54** | **-** | 32 | - |
| **Total Reserves** | | **1,622,122** | **1,607,568** | 1,393,970 | 1,375,494 |

Approved by Council on 20th December 2023

DocuSigned by:
Sarah Whitney
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Sarah Whitney
Treasurer

DocuSigned by:
F594B1DB55E64C2...

Dr. Michael Spence
President and Provost

DocuSigned by:
Charu Gorasia
09A039471B1048E...

Charu Gorasia
Chief Financial Officer

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | Year ended 31 July 2023 £'000 | Year ended 31 July 2022 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Surplus/(Deficit) for the year | | **228,152** | (239,695) |
| **Adjustment for non-cash items** | | | |
| Depreciation | 15 | **111,878** | 106,121 |
| Amortisation of intangible assets | 14 | **6,567** | 4,045 |
| Gain on disposal of subsidiary | | **(5)** | - |
| Loss on investments | 17 | **2,786** | 3,028 |
| (Increase)/Decrease in stock | | **(93)** | 38 |
| Decrease/(increase) in debtors | | **1,069** | (38,988) |
| (Decrease)/increase in creditors | | **(6,253)** | 55,891 |
| (Decrease)/Increase in pension provision | 23 | **(101,830)** | 332,057 |
| Decrease in other provisions | 23 | **186** | 3,249 |
| Impairment of fixed asset investments | | **41** | - |
| Share of operating (profit)/deficit in joint ventures | 18 | **-** | 1 |
| Share of operating (profit)/deficit in associates | 19 | **(589)** | 754 |
| **Adjustment for investing or financing activities** | | | |
| Investment income | 5 | **(28,079)** | (6,938) |
| Interest payable | 10 | **9,098** | 6,751 |
| Endowment income | 6 | **(2,951)** | (607) |
| Gain on sale of fixed and intangible assets | | **(14,288)** | (917) |
| Capital grant income | | **(47,656)** | (40,584) |
| **Net cash inflow from operating activities** | | **158,033** | 184,206 |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from sales of fixed and intangible assets | | **33,750** | 1,815 |
| Proceeds from sales of non-current asset investments | | **21,772** | 2,699 |
| Reduction in cash on disposal of subsidiary | | **5** | - |
| Capital grants receipts | | **124,335** | 46,287 |
| Investment income received | | **22,075** | 3,750 |
| Endowment income received | | **3,941** | 3,220 |
| Payments made to acquire fixed assets | | **(265,824)** | (260,695) |
| Payments made to acquire intangible assets | | **(21,894)** | (14,647) |
| New non-current asset investments | | **(23,702)** | (2,047) |
| Repayments from loans to associate companies | | **20** | 75 |
| | | **(105,522)** | (219,543) |
| | | | |
| **Cash flows from financing activities** | | | |
| Interest paid | | **(8,069)** | (7,507) |
| Endowment cash received | | **2,951** | 607 |
| Repayments of amounts borrowed | | **(4,331)** | (3,910) |
| Dividend distribution to Non-Controlling Interest | | **-** | (124) |
| | | **(9,449)** | (10,934) |
| | | | |
| **Increase/(Decrease) in cash and cash equivalents in the year** | | **43,062** | (46,271) |
| | | | |
| Cash and cash equivalents at beginning of the year | | **554,743** | 601,014 |
| Cash and cash equivalents at end of the year | | **597,805** | 554,743 |
| | | **43,062** | (46,271) |

# STATEMENT OF ACCOUNTING POLICIES

## 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 2025, 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 2023 year-end position

In the financial year to 31 July 2023, the University made a surplus of £125.7m before non-cash movements on the USS pension provision and unrealised gains on consolidation (2022: £90.6m). At the reporting date of 31 July 2023 the University held an excess of cash over debt of £12.6m (2022: excess of debt over liquid cash of £34.6m), cash and cash-equivalents stood at £597.8m (2022: £554.8m) and additionally net current assets were £70.3m (2022: £0.6m).

### 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 it has adequate resources to continue in operational existence to at least 31 July 2025. 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. Detailed assessment has been made of the University's activities, principal risks and uncertainties in the context of the current operating environment. This has included review of forecast liquidity, covenant levels, 2023/24 enrolment data and cost efficiency targets as well as the determination of potential mitigating actions.

As at the date of this report, the financial outlook for the higher education sector is challenging. Performance for the 2022/23 financial year (an operating surplus of £125.7m or 6.4% of income) is an encouraging sign of UCL’s financial resilience, but it is also clear that maintaining this level of performance will require continued focus on cost control and on protecting planned growth in student numbers.

In order to achieve this, UCL has agreed a new Financial Strategy and multi-year budget for the period to 2026/27: a financial framework designed to support delivery of UCL’s strategic priorities - as set out in the Strategic Plan 2022-27 - to enable investment in people, buildings and technology – and ensure long-term financial sustainability.

UCL’s success in attracting students underpins all its financial plans, and whilst 2023 application and enrolment rates have dipped across the sector - particularly for UK postgraduates – the pool of candidates available to UCL remains robust.

Total applications received by the first UCAS deadline of 15 October 2023 stood at 26,327: a 3.5% fall against the prior year and reflected across all student demographics. Latest benchmarking indicates that this in line with the 3.6% drop experienced by the sector at large.

As a result, whilst targets have been exceeded for full-time undergraduates (7,339 enrolled against a target of 7,065) there is a 2,168 or 13% shortfall for post-graduate taught students (14,622 against a target of 16,830), with UK students constituting over 80% of that gap. Taught overseas student enrolment remains virtually on target overall (13,407 against a target of 13,606).

The financial impact will be mitigated in full through a combination of budgetary contingency and cost savings measures, as well as upside arising from an expected reduction  in USS pension contributions from Spring 2024 onwards.

Due to the cumulative effects of inflation, we are forecasting a lower operating margin in 2023-24 and – based on delivery of income and cost reduction targets - an operating margin of at least 5% from 2024-25. This is of course sensitive to the external operating environment however - much of which is outside of UCL’s control – and so in light of increasing geo-political headwinds, UCL will continue to monitor that environment and assess the likely impact on its financial position.

## STATEMENT OF ACCOUNTING POLICIES

UCL's current base case reflects this dynamic and projects that the operating surplus for the upcoming financial year will stand at £52m in 2023/24, returning to £112m in 2024/25. Net operating cashflow for those two years is forecast at a positive £168m and £216m. This base case is derived from actual results for the 2022/23 financial year and the approved multi-year budget for the period 2023/24 to 2026/27.

The University has also considered a 'severe but 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 material crystallisation of identified risks, without mitigation through the realisation of tracked opportunities, and is therefore judged to be at the lowest plausible boundary of UCL's financial planning assumptions.

The primary risks built into this scenario include net under-recruitment across 2023 undergraduate and post graduate enrolment (an impact of £40m), the delivery of cost efficiency targets at a slower pace than planned (an impact of £20.3m), and a failure to realise income from UCL Business and budgeted optimism (a combined impact of £14.5m). Against these risks, the severe but plausible downside scenario also assumes that the contingency held for the 2023/24 financial year is utilised in full. In total, the net quantified risk attributable to each of the two financial years is £44.8m in 2023-24 and £63.2m in 2024-25.

Under the severe but plausible downside scenario, operating surpluses for 2023-24 and 2024-25 reduce to £7m and £49m respectively, although net operating cash flow remains sound at £123m and £153m. Year-end cash stands at £513m and £463m without further draw against existing debt facilities, and UCL remains compliant with all financial covenants.

**Financing arrangements through the going concern period**

As at 31 July 2023, UCL's debt financing totalled £585.2m, which comprised £280m of drawdown against the University's credit facility with the EIB, £10.2m of outstanding balances on legacy loans held with Barclays Bank and Royal Bank of Scotland and £291.3m (face value less issue discount) due under UCL's £300m, 40 year, sustainability bond issued in June 2021.

UCL has also retained its 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 2025.

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 £143m. As the University held £598m at the end of the 2022-23 financial year, is projecting net operating cash inflows over the next two years of £168m and £216m 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**

UCL is subject to financial covenants under its loan facility with the EIB, its RCF with Natwest and a facility with Barclays incorporating ~£6m of loans inherited on acquisition of the Institute of Education. In all cases, the University has remained compliant and expects that to continue over the going concern period and for the foreseeable future.

The Natwest RCF and Barclays loan agreement both require UCL to maintain a minimum ratio of 1 x net operating cash flow to debt servicing costs, and UCL's projected levels of 10.0x in 2023-24 and 15.6x in 2024-25 demonstrate significant headroom.

As of January 2023, UCL holds a single 'loss of rating' covenant with the EIB, which requires UCL to maintain its public credit rating above a Moody's 'Baa' grade (four notches below the current AA3). Analysis under the base case and severe but plausible downside scenario have demonstrated that this will remain the case with significant headroom.

An exercise has also been undertaken to establish the conditions necessary for UCL to breach its financial covenants, however the core requirement for UCL's metric based covenants - that operating cash flow falls by £162.7m (90%) to £17.9m - represents an outcome significantly beyond UCL's severe but plausible downside scenario and is judged to be outside the required scope of UCL's detailed planning scenarios.

The circumstances that would give rise to UCL breaching its 'loss of rating' covenant with the EIB are judged to be the same. A downgrade of that scale would be commensurate with a fall in total revenue to below £77.9m, (reflecting a conversion of Moody's $100m threshold using a 31 July 2023 exchange rate of 1.2841), a reduction in cash and investments from over £500m to £19.5m (converting Moody's threshold of $25m using the same 1.2841 exchange rate) and debt service coverage of 1.5x (versus the 7.7x projected under the severe but plausible downside scenario).

## STATEMENT OF ACCOUNTING POLICIES

**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 and has taken advantage of the exemption within FRS 102 Section 33 to not disclosed transactions with wholly-owned subsidiaries.

**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 2023. 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 Statement of Financial Position 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.

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.

## STATEMENT OF ACCOUNTING POLICIES

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 Principal Civil Service Pension Scheme (PCSPS) and the Medical Research Council Pension Scheme (MRCPS), as a result of a number of staff, transferred to UCL via historic business combinations.

The USS, SAUL and NHS, PCSPS and MRCPS 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

### 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 reporting 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.

The assets and liabilities of foreign operations are translated to the Group's presentational currency, Sterling, at the rates ruling at the reporting 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 |
| Minor refurbishments | 10 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

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 in the Statement of Comprehensive Income in the financial year or years where UCL is expected to benefit from the negative goodwill.

### 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 Statement of Financial Position at amortised cost less impairment. Current asset investments are held at amortised cost and are subject to annual impairment review.

### 15. Financial Instruments

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

Financial assets and liabilities are recognised only when UCL becomes party to the contractual provisions of the instrument. Initial measurement is either at the transaction price or, where appropriate, at fair value. Initial measurement also includes transaction costs, except in the initial measurement of financial assets and liabilities that are subsequently measured at fair value through profit or loss.

## STATEMENT OF ACCOUNTING POLICIES

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 Statement of Financial Position 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 Statement of Financial Position.

### 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 2023 Consolidated £'000 | Year Ended 31 July 2023 University £'000 | Year Ended 31 July 2022 Consolidated £'000 | Year Ended 31 July 2022 University £'000 |
|---|---|---|---|---|
| **1 Tuition fees and education contracts** | | | | |
| Full-time home and EU students | **174,137** | **174,137** | 173,718 | 173,718 |
| Full-time international students | **640,003** | **640,003** | 512,515 | 512,515 |
| Part time students | **28,747** | **28,747** | 25,959 | 25,959 |
| Other fees | **28,431** | **28,431** | 25,591 | 25,591 |
| Research training support grants | **37,587** | **37,587** | 40,668 | 40,668 |
| Short course fees | **20,442** | **20,442** | 16,415 | 16,415 |
| | **929,347** | **929,347** | 794,866 | 794,866 |

Other fees in the year includes External teaching contracts of £17.4m (2022 - £15.2m).

| | Year Ended 31 July 2023 Consolidated £'000 | Year Ended 31 July 2023 University £'000 | Year Ended 31 July 2022 Consolidated £'000 | Year Ended 31 July 2022 University £'000 |
|---|---|---|---|---|
| **2 Funding body grants** | | | | |
| **Recurrent grant** | | | | |
| Office for Students: | | | | |
| Teaching | **29,050** | **29,050** | 28,209 | 28,209 |
| Other | **89** | **89** | 142 | 142 |
| Research England: | | | | |
| Research | **166,709** | **166,709** | 159,250 | 159,250 |
| Other | **5,382** | **5,382** | 2,537 | 2,537 |
| **Specific grants** | | | | |
| Higher Education Innovation Fund | **6,670** | **6,670** | 5,714 | 5,714 |
| Capital grants | **28,820** | **28,820** | 24,894 | 24,894 |
| | **236,720** | **236,720** | 220,746 | 220,746 |

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 £23,884,191 (2022 - £17,097,918). Total capital funding received from Office for Students in the financial year was £100,000 (2022 - £30,000).

| | Year Ended 31 July 2023 Consolidated £'000 | Year Ended 31 July 2023 University £'000 | Year Ended 31 July 2022 Consolidated £'000 | Year Ended 31 July 2022 University £'000 |
|---|---|---|---|---|
| **3 Research grants and contracts** | | | | |
| Research councils | **176,912** | **176,912** | 170,374 | 170,374 |
| UK based charities | **152,700** | **152,700** | 154,433 | 154,433 |
| UK central government, local/health authorities, hospitals | **67,971** | **67,971** | 70,203 | 70,203 |
| UK industry, commerce and public corporations | **18,690** | **18,690** | 14,752 | 14,752 |
| EU government bodies | **37,957** | **37,957** | 41,492 | 41,492 |
| EU other | **6,250** | **6,250** | 6,870 | 6,870 |
| Other overseas | **49,395** | **49,395** | 49,798 | 49,798 |
| Other sources | **16,838** | **16,838** | 16,968 | 16,968 |
| | **526,713** | **526,713** | 524,890 | 524,890 |

Income from research grants and contracts includes deferred capital grants released in the year of £13,813,484 (2022 - £12,327,769).
Other overseas represents Research grants and contracts from non-UK and non-EU funders, including overseas governments, overseas universities, and overseas companies.

| | Year Ended 31 July 2023 Consolidated £'000 | Year Ended 31 July 2023 University £'000 | Year Ended 31 July 2022 Consolidated £'000 | Year Ended 31 July 2022 University £'000 |
|---|---|---|---|---|
| **4 Other income** | | | | |
| Residences, catering and conferences | **57,987** | **54,817** | 49,635 | 47,233 |
| Other revenue grants | **1,773** | **1,773** | 1,771 | 1,771 |
| Other capital grants | **1,603** | **1,603** | 548 | 548 |
| Other services rendered | **96,210** | **70,941** | 67,679 | 58,320 |
| Health authorities | **36,592** | **36,592** | 37,504 | 37,504 |
| Other income | **24,366** | **17,096** | 24,701 | 18,078 |
| | **218,531** | **182,822** | 181,838 | 163,454 |

Other services rendered includes income from various sources including, events and conference, income from UCL Consultants Limited, income from Joint Research collaborations and non-Sponsored Research contracts.

Other income in the year includes £3.1m of royalty income from UCL Business (2022 - £4.8m) and other income streams which are individually not material.

## NOTES TO THE ACCOUNTS

| | | Note | Year Ended 31 July 2023 Consolidated £'000 | Year Ended 31 July 2023 University £'000 | Year Ended 31 July 2022 Consolidated £'000 | Year Ended 31 July 2022 University £'000 |
|---|---|---|---|---|---|---|
| **5** | **Investment income** | | | | | |
| | Investment income on expendable endowments | 24 | **3,163** | **3,163** | 2,571 | 2,571 |
| | Investment income on permanent endowments | 24 | **778** | **778** | 650 | 650 |
| | Other investment income | | **24,138** | **22,756** | 3,717 | 3,216 |
| | | | **28,079** | **26,697** | 6,938 | 6,437 |

Other investment income in the year includes £21.1m of interest receivable (2022 - £1.5m).

| | | Note | Year Ended 31 July 2023 Consolidated £'000 | Year Ended 31 July 2023 University £'000 | Year Ended 31 July 2022 Consolidated £'000 | Year Ended 31 July 2022 University £'000 |
|---|---|---|---|---|---|---|
| **6** | **Donations and endowments** | | | | | |
| | New endowments | 24 | **2,951** | **2,951** | 607 | 607 |
| | Donations with restrictions | | **20,885** | **20,885** | 20,009 | 20,009 |
| | Unrestricted donations | | **5,118** | **7,668** | 1,885 | 3,487 |
| | | | **28,954** | **31,504** | 22,501 | 24,103 |

**7 Grant and fee income**

The source of grant and fee income, included in notes 1 to 4 is as follows:

| | Year Ended 31 July 2023 Consolidated £'000 | Year Ended 31 July 2023 University £'000 | Year Ended 31 July 2022 Consolidated £'000 | Year Ended 31 July 2022 University £'000 |
|---|---|---|---|---|
| Grant income from the OfS | **29,546** | **29,546** | 28,719 | 28,719 |
| Grant income from other bodies | **701,688** | **701,688** | 679,070 | 679,070 |
| Fee income for taught awards (exclusive of Vat) | **811,906** | **811,906** | 680,046 | 680,046 |
| Fee income for research awards (exclusive of Vat) | **48,352** | **48,352** | 47,314 | 47,314 |
| Fee income from non-qualifying courses (exclusive of Vat) | **69,089** | **69,089** | 67,495 | 67,495 |
| | **1,660,581** | **1,660,581** | 1,502,644 | 1,502,644 |

**8 Staff costs**

| | Note | Year Ended 31 July 2023 Consolidated £'000 | Year Ended 31 July 2023 University £'000 | Year Ended 31 July 2022 Consolidated £'000 | Year Ended 31 July 2022 University £'000 |
|---|---|---|---|---|---|
| Salaries and wages | | **807,145** | **800,231** | 731,150 | 724,010 |
| NI contributions | | **82,269** | **81,325** | 75,947 | 75,091 |
| Pension costs | 33 | **148,134** | **146,516** | 131,472 | 130,110 |
| | | **1,037,548** | **1,028,072** | 938,569 | 929,211 |
| Movement on USS provision | | **(120,343)** | **(120,334)** | 330,110 | 329,445 |
| | | **917,205** | **907,738** | 1,268,679 | 1,258,656 |

**Emoluments of the President and Provost:**

**Michael Spence**

| | **2023** £ | 2022 £ |
|---|---|---|
| Basic salary | **380,496** | 370,677 |
| Employer pension contributions | **82,187** | 79,388 |
| Taxable benefits in kind | **47,166** | 45,384 |
| | **509,849** | 495,449 |

For the 2022-23 financial year, the basic salary of the President and Provost includes a total London Allowance of £4,011 (2021-22: £3,461) and the category of taxable benefits in kind wholly relates to the provision of living accommodation.

As has been the case with previous President and Provosts, UCL will provide living accommodation to Dr. 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 £47,166 represents his occupation of a Bloomsbury based residence.

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 property within the year. As at the 2023 year-end date, the gross Market Rent of the property - as prepared in accordance with the requirements of the RICS Valuation - Global Standards 2021 was £40,560 (2021-22: £38,740).

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

The President and Provost's basic salary is 8.1 times (2021-22: 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 9.0 times (2021-22 9.5 times) the median total remuneration of staff, where the median total renumeration is calculated on a full-time equivalent basis for total remuneration paid by UCL to its staff.

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

The Provost’s salary is set and adjusted by the Remuneration Committee: a formal committee of UCL that includes the 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 the Committee of University Chairs (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 £1.9 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.

**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.

| | **2023 No.** | 2022 No. |
|---|---|---|
| £100,000 - £104,999 | 171 | 190 |
| £105,000 - £109,999 | 156 | 113 |
| £110,000 - £114,999 | 123 | 86 |
| £115,000 - £119,999 | 74 | 176 |
| £120,000 - £124,999 | 182 | 32 |
| £125,000 - £129,999 | 29 | 41 |
| £130,000 - £134,999 | 32 | 29 |
| £135,000 - £139,999 | 43 | 31 |
| £140,000 - £144,999 | 27 | 18 |
| £145,000 - £149,999 | 23 | 8 |
| £150,000 - £154,999 | 9 | 20 |
| £155,000 - £159,999 | 24 | 7 |
| £160,000 - £164,999 | 7 | 11 |
| £165,000 - £169,999 | 12 | 8 |
| £170,000 - £174,999 | 8 | 9 |
| £175,000 - £179,999 | 7 | 7 |
| £180,000 - £184,999 | 10 | 8 |
| £185,000 - £189,999 | 3 | 2 |
| £190,000 - £194,999 | 6 | 2 |
| £195,000 - £199,999 | 5 | 3 |
| £200,000 - £204,999 | 2 | 4 |
| £205,000 - £209,999 | 7 | 2 |
| £210,000 - £214,999 | 4 | - |
| £215,000 - £219,999 | 1 | 2 |
| £220,000 - £224,999 | 1 | 3 |
| £225,000 - £229,999 | 3 | 1 |
| £230,000 - £234,999 | 1 | 2 |
| £235,000 - £239,999 | 2 | 3 |
| £240,000 - £244,999 | 2 | - |
| £245,000 - £249,999 | 1 | - |
| £250,000 - £254,999 | - | - |
| £255,000 - £259,999 | 1 | - |
| £260,000 - £264,999 | 1 | 1 |
| £265,000 - £269,999 | - | 1 |
| £270,000 - £274,999 | - | 1 |
| £275,000 - £279,999 | - | - |
| £280,000 - £284,999 | 1 | - |
| £285,000 - £289,999 | 1 | - |
| £290,000 - £294,999 | - | - |
| | | - |
| £345,000 - £349,999 | - | 1 |
| £370,000 - £374,999 | - | 1 |
| £380,000 - £384,999 | 1 | - |
| £385,000 - £389,999 | - | 1 |
| £400,000 - £404,999 | 1 | - |
| | **981** | 824 |

Included within the table above are 228 members of staff (2022 - 206) who were employed by UCL on a part time basis and for whom basic salaries have been factored up to reflect full time equivalents.

## NOTES TO THE ACCOUNTS

The average number of individuals paid through the payroll during the year was 17,291 (2022 - 16,215).

Compensation for loss of office in respect of 796 employees totalled £16,437,196 (2022 - £2,821,399 in respect of 411 employees).

**Key management personnel**

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

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

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

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

**UCL Vice-Presidents and Vice-Provosts**: Members of the President and 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.

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Key management personnel compensation | **3,728** | 3,243 |
| Number of key management personnel included in above | **23** | 21 |

**Council members**

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

No trustee has received any remuneration for their role as a trustee from the group during the year (2022 - £nil). Seven trustees are also UCL employees but received no additional payment for acting as trustees. Total expenses paid to or on behalf of one trustee was £53 (2022 - £1,631 to two trustees). This represents travel, accommodation and office expenses incurred in the capacity of Council member.

| | | **Year Ended 31 July 2023** | | Year Ended 31 July 2022 | |
|---|---|---|---|---|---|
| | | **Consolidated** | **University** | Consolidated | University |
| **9** | **Other operating expenses** | **£'000** | **£'000** | £'000 | £'000 |
| | Residences and catering | **47,037** | **41,355** | 40,117 | 36,374 |
| | Furniture, computer and other equipment costs | **68,022** | **67,095** | 68,528 | 67,352 |
| | Academic consumables and laboratory expenditure | **55,449** | **54,754** | 53,777 | 53,359 |
| | Books, publications and periodicals | **18,025** | **18,000** | 18,047 | 18,013 |
| | Scholarships and prizes | **98,089** | **98,075** | 86,668 | 86,625 |
| | General educational expenditure | **12,649** | **12,649** | 9,985 | 9,985 |
| | Rents, rates and insurance | **33,225** | **33,093** | 33,923 | 33,609 |
| | Heat, light, water and power | **50,422** | **50,418** | 23,336 | 23,329 |
| | Service charges | **12,892** | **12,847** | 10,654 | 10,601 |
| | Repairs and general maintenance | **21,703** | **21,701** | 25,627 | 25,619 |
| | Long term maintenance | **7,906** | **7,906** | 6,660 | 6,660 |
| | Telephone | **3,168** | **3,157** | 3,409 | 3,400 |
| | Advertising and recruitment | **8,248** | **7,994** | 8,268 | 8,021 |
| | Printing, postage, stationery and other office costs | **4,415** | **4,319** | 4,062 | 4,009 |
| | Conference, travel and training | **42,933** | **42,536** | 24,184 | 23,958 |
| | Professional fees | **63,964** | **49,741** | 47,111 | 47,144 |
| | Audit fees | **758** | **541** | 568 | 382 |
| | Other fees paid to auditors | **25** | **25** | - | - |
| | Grants to Students Union and other student bodies | **4,642** | **4,642** | 4,124 | 4,124 |
| | Payments to non contract staff and agencies | **40,236** | **39,650** | 41,023 | 40,486 |
| | Other costs | **94,977** | **88,505** | 90,731 | 88,355 |
| | | **688,785** | **659,003** | 600,802 | 591,405 |

## NOTES TO THE ACCOUNTS

| | Year Ended 31 July 2023 | | Year Ended 31 July 2022 | |
|---|---|---|---|---|
| | **Consolidated** | **University** | Consolidated | University |
| | **£'000** | **£'000** | £'000 | £'000 |
| **10 Interest and other finance costs** | | | | |
| Loan interest | **8,973** | **8,973** | 6,861 | 6,780 |
| Exchange differences | **125** | **85** | (110) | 112 |
| | **9,098** | **9,058** | 6,751 | 6,892 |
| Unwinding of pension deficit funding | **18,513** | **18,474** | 1,947 | 1,944 |
| | **27,611** | **27,532** | 8,698 | 8,836 |

£3,998,277 of EIB loan interest was capitalised in the year (2022: £6,372,800) and has been brought into service in 2022-23 as part of Leasehold Land and Buildings, in note 15.

### 11 Analysis of total expenditure by activity

| | Consolidated 2023 | University 2023 | Consolidated 2022 | University 2022 |
|---|---|---|---|---|
| Academic departments | **641,214** | **641,329** | 579,918 | 579,976 |
| Academic services | **39,829** | **39,832** | 98,054 | 98,055 |
| Research grants and contracts | **435,456** | **435,456** | 428,385 | 428,385 |
| Residences and catering | **60,250** | **54,568** | 46,956 | 43,213 |
| Premises | **248,644** | **248,644** | 207,340 | 207,340 |
| Administration and central services | **356,317** | **357,745** | 252,752 | 254,335 |
| Other expenses | **(29,664)** | **(64,978)** | 374,940 | 357,576 |
| | **1,752,046** | **1,712,596** | 1,988,345 | 1,968,880 |

In 2022-23 other expenses includes £101.8m credit movement on the USS pension deficit provision, which is primarily driven by the impact of discounting the provision at a higher discount rate as a result of increases in interest rates. 2021-22 included the initial recognition of the revised USS pension deficit provision following the agreement of the revised USS deficit recovery plan by participating employers, this resulted in a significant increase to the value of UCL's provision as well as a subsequent £485m debit to other expenses.

Residencies and catering and Premises has increased in the year following the opening of UCL East. Academic services have decreased year on year, following a reclassification of IT and related services from Academic services to Administration and central services.

### 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 2023 | | | 31 July 2022 |
|---|---|---|---|---|
| | **Staff costs** | **Other operating expenses** | **Total** | Total |
| | **£'000** | **£'000** | **£'000** | £'000 |
| Access Investment | **1,957** | **1,091** | **3,048** | 2,437 |
| Financial Support | **68** | **9,464** | **9,532** | 7,569 |
| Disability Support | **1,204** | **1,216** | **2,420** | 1,667 |
| Research and Evaluation | **245** | **149** | **394** | 292 |
| | **3,474** | **11,920** | **15,394** | 11,965 |

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/universitycollegelondon_app_2020-21_v1_10007784.pdf

## NOTES TO THE ACCOUNTS

| **13 Taxation** | **Year Ended 31 July 2023** | | Year Ended 31 July 2022 | |
|---|---|---|---|---|
| | **Consolidated** | **University** | Consolidated | University |
| | **£'000** | **£'000** | £'000 | £'000 |
| Taxation charges and credits are in respect of corporation tax in the following subsidiary companies: | | | | |
| UCL Properties Limited | **-** | **-** | 5 | - |
| UCL Trading Limited | **1** | **-** | 126 | - |
| UCL Consultants Limited | **241** | **-** | 79 | - |
| UCLB Investments Limited | **-** | **-** | (6) | - |
| Bloomsbury Bioseed Fund Limited | **-** | **-** | 59 | - |
| | **242** | **-** | 263 | - |

**14 Intangible assets**

| | **Consolidated** | | | **University** | | |
|---|---|---|---|---|---|---|
| **Software** | **Software £'000** | **Assets in the Course of Construction £'000** | **Total £'000** | **Software £'000** | **Assets in the Course of Construction £'000** | **Total £'000** |
| **Cost** | | | | | | |
| At 1 August 2022 | 43,637 | 23,651 | 67,288 | 43,637 | 23,651 | 67,288 |
| Additions at cost | 3,971 | 17,923 | 21,894 | 3,971 | 17,923 | 21,894 |
| Transfers | 13,086 | (13,086) | | 13,086 | (13,086) | - |
| Disposals | (1,102) | - | (1,102) | (1,102) | - | (1,102) |
| **At 31 July 2023** | **59,592** | **28,488** | **88,080** | **59,592** | **28,488** | **88,080** |
| **Amortisation** | | | | | | |
| At 1 August 2022 | 15,141 | - | 15,141 | 15,141 | - | 15,141 |
| Charge for the year | 6,567 | - | 6,567 | 6,567 | - | 6,567 |
| Disposals | (770) | - | (770) | (770) | - | (770) |
| **At 31 July 2023** | **20,938** | **-** | **20,938** | **20,938** | **-** | **20,938** |
| **Net Book Value** | | | | | | |
| **At 31 July 2023** | **38,654** | **28,488** | **67,142** | **38,654** | **28,488** | **67,142** |
| At 1 August 2022 | 28,496 | 23,651 | 52,147 | 28,496 | 23,651 | 52,147 |

Intangible assets relate to the purchase of software and software development costs.

The amortisation period of intangible assets is 10 years.

## NOTES TO THE ACCOUNTS

### 15 Fixed assets

| Consolidated | Freehold Land and Buildings £'000 | Leasehold Land and Buildings £'000 | Equipment, plant and machinery £'000 | Assets in the Course of Construction £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 August 2022 | 1,986,489 | 650,061 | 319,045 | 594,701 | 3,550,296 |
| Additions at cost | 13,237 | 5,609 | 36,518 | 196,019 | 251,383 |
| Transfers | 13,237 | 501,074 | 1,447 | (515,758) | - |
| Impairments | - | - | - | - | - |
| Disposals | (38,401) | (1,328) | (32,675) | - | (72,404) |
| **At 31 July 2023** | **1,974,562** | **1,155,416** | **324,335** | **274,962** | **3,729,275** |
| **Depreciation** | | | | | |
| At 1 August 2022 | 500,590 | 270,484 | 221,284 | - | 992,358 |
| Charge for year | 47,478 | 25,861 | 38,539 | - | 111,878 |
| Disposals | (14,300) | (343) | (32,215) | - | (46,858) |
| **At 31 July 2023** | **533,768** | **296,002** | **227,608** | **-** | **1,057,378** |
| **Net book value** | | | | | |
| **At 31 July 2023** | **1,440,794** | **859,414** | **96,727** | **274,962** | **2,671,897** |
| At 31 July 2022 | 1,485,899 | 379,577 | 97,761 | 594,701 | 2,557,938 |

| University | Freehold Land and Buildings £'000 | Leasehold Land and Buildings £'000 | Equipment, plant and machinery £'000 | Assets in the Course of Construction £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 August 2022 | 1,986,489 | 648,894 | 317,654 | 594,701 | 3,547,738 |
| Additions at cost | 13,237 | 5,609 | 36,486 | 196,019 | 251,351 |
| Transfers | 13,237 | 501,074 | 1,447 | (515,758) | - |
| Reclassifications | - | - | - | - | - |
| Impairments | - | - | - | - | - |
| Disposals | (38,401) | (1,328) | (32,675) | - | (72,404) |
| **At 31 July 2023** | **1,974,562** | **1,154,249** | **322,912** | **274,962** | **3,726,685** |
| **Depreciation** | | | | | |
| At 1 August 2022 | 500,590 | 269,752 | 220,030 | - | 990,372 |
| Charge for year | 47,478 | 25,805 | 38,473 | - | 111,756 |
| Reclassifications | - | - | - | - | - |
| Disposals | (14,300) | (343) | (32,215) | - | (46,858) |
| **At 31 July 2023** | **533,768** | **295,214** | **226,288** | **-** | **1,055,270** |
| **Net book value** | | | | | |
| **At 31 July 2023** | **1,440,794** | **859,035** | **96,624** | **274,962** | **2,671,415** |
| At 31 July 2022 | 1,485,899 | 379,142 | 97,624 | 594,701 | 2,557,366 |

The declared value of buildings for insurance purposes (day one basis) as at 1 August 2023 was £4.0bn (2022 - £3.2bn).

During 2021-22 and 2022-23, UCL undertook exercises to validate historic fully depreciated assets. As a result of this exercise in 2022-23 £30.7m (2021-22 - £48.8m) of fully depreciated historic equipment has been disposed of from UCL's fixed asset register, which management do not consider to be material. The net impact on UCL's prior year and current year net book value is £nil. Transfers from Assets in the course of construction include amounts related to prior years, which management do not consider to be material.

At 31 July 2023 freehold land and buildings included £686m (2022 - £686m) in respect of freehold land that is not depreciated, and £54m (2022 - £54m) in respect of leasehold land held on a 295 year lease.

At 31 July 2023 there were no assets held under finance leases (2022 - no assets held under finance leases).

Included in the cost of fixed assets is aggregated interest capitalised of £26.4m (2022 - £22.4m).

## 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 2023 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

| Consolidated | Subsidiary companies £'000 | Monies held on long term deposit £'000 | Other investments £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 August 2022 | - | 30,004 | 278,274 | **308,278** |
| Reclassification to Associates | - | - | (300) | **(300)** |
| Additions | - | - | 3,702 | **3,702** |
| Revaluations | - | - | (4,541) | **(4,541)** |
| Impairments | - | - | (125) | **(125)** |
| Disposals/Repayments | - | (20,000) | - | **(20,000)** |
| Reclassification to current assets | - | (10,004) | - | **(10,004)** |
| At 31 July 2023 | **-** | **-** | **277,010** | **277,010** |
| **University** | | | | |
| At 1 August 2022 | 8,412 | 30,004 | 266,368 | **304,784** |
| Additions | - | - | 1,618 | **1,618** |
| Revaluations | - | - | (3,489) | **(3,489)** |
| Impairments | - | - | (84) | **(84)** |
| Disposals/Repayments | - | (20,000) | - | **(20,000)** |
| Reclassification to current assets | | (10,004) | - | **(10,004)** |
| At 31 July 2023 | **8,412** | **-** | **264,413** | **272,825** |

| Other investments are categorised as follows: | **Year ended 31 July 2023** Consolidated £m | University £m | Year ended 31 July 2022 Consolidated £m | University £m |
|---|---|---|---|---|
| Portfolio of fixed interest securities, equities and cash | **230.4** | **230.4** | 232.3 | 232.3 |
| Investment properties | **1.0** | **-** | 1.4 | - |
| Shares in The Francis Crick Institute Ltd | **33.6** | **33.6** | 33.6 | 33.6 |
| Credit facility fee | **0.1** | **0.1** | 0.2 | 0.2 |
| Shares in other limited companies and partnerships | **11.9** | **0.3** | 10.8 | 0.3 |
| | **277.0** | **264.4** | 278.3 | 266.4 |

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

| | | **Year ended 31 July 2023** | | Year Ended 31 July 2022 | |
|---|---|---|---|---|---|
| | | **Consolidated** | **University** | Consolidated | University |
| | Note | **£'000** | **£'000** | £'000 | £'000 |
| Realised gains on disposal of investments | | **1,384** | **-** | 2,615 | - |
| Gains on acquisitions and disposals of associates | | **-** | **-** | 1,917 | - |
| Revaluation (losses)/gains | | **(4,170)** | **(3,421)** | (7,560) | (4,723) |
| Total (loss)/gain on investments | | **(2,786)** | **(3,421)** | (3,028) | (4,723) |

Revaluation (losses)/ gains have been accounted for as follows:

| | Note | Consolidated 2023 | University 2023 | Consolidated 2022 | University 2022 |
|---|---|---|---|---|---|
| Statement of Comprehensive Income and Expenditure | | **(4,170)** | **(3,421)** | (7,560) | (4,723) |
| Creditors | | **(68)** | **(68)** | (1,541) | (93) |
| Provisions | 23 | **(303)** | **-** | (519) | - |
| Total revaluation (losses)/gains | | **(4,541)** | **(3,489)** | (9,620) | (4,816) |

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) **Oriel Estates Services LLP** is a joint venture partnership with Moorfields Eye Hospital NHS Foundation Trust. The Limited Liability Partnership was set up in 2022-23 to develop and construct a healthcare, research and education facility know as Project Oriel. The company prepares accounts to 31 March, and accounts to 31 March 2023 plus management accounts to 31 July 2023 are included.

(b) **EuroTempest Limited** 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. EuroTempest Ltd was a joint venture at 31 July 2022, during 2022-23 the joint venture agreement was terminated and UCL's investment in EuroTempest Ltd became an associate - see note 19.

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

| | **2023** | **2022** |
|---|---|---|
| | **£'000** | **£'000** |
| **Purchase of investments in joint ventures:** | | |
| Oriel Estates Services LLP | **20,000** | - |
| | **20,000** | - |
| **Share of operating profit/(loss):** | | |
| Oriel Estates Services LLP | **-** | - |
| EuroTempest Limited | **-** | (1) |
| | - | (1) |
| **Share of reserves:** | | |
| Oriel Estates Services LLP | **20,000** | - |
| EuroTempest Limited | **-** | - |
| | **20,000** | - |

## NOTES TO THE ACCOUNTS

**19 Associates**

The UCL group has interests in the following associate companies:

(a) 36.77% holding in ordinary shares of **Amalyst Limited**. 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 2022 are included. The company is currently in liquidation.

(b) 29.61% holding in ordinary shares of **Bloomsbury Genetic Therapies Limited**. A new investment in 2022-23. The company has been set up to develop potentially curative treatments, based on clinically proven gene therapy technologies, for patients suffering from rare neurological and metabolic diseases. The company prepares accounts to 31 December, and accounts to 31 December 2022 are included as well as management accounts to 30 June 2023. Management accounts to 31 July 2023 are unavailable.

(c) 20.0% holding in the ordinary shares of **Blue Sky Imaging Limited**. 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 2022 are included. Management accounts to 31 July 2023 are unavailable.

(d) 29.5% (2022 - 30.73%) holding in **Domainex Limited**. 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 2022 are included.

(e) 49.95% holding in ordinary shares of **E-Lucid Solutions Limited**. A new investment in 2022-23. The company offers an award-winning licensing platform for some of the world's leading universities, technology transfer and research organisations. The company prepares accounts to 31 July, and accounts to 31 July 2023 are included.

(f) 45.0% holding in ordinary shares of **EuroTempest Limited**. The company transforms weather forecasts and observations into the specific information required to make successful live risk management decisions. EuroTempest Ltd was a joint venture at 31 July 2022, during 2022-23 UCL's investment increased resulting in EuroTempest Ltd becoming an associate. The company prepares accounts to 31 December, and accounts to 31 December 2023 plus management accounts to 30 June 2023 are included.

(g) 34.84% holding in the ordinary shares of **Glialign Limited**. 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 2023 plus management accounts to 31 July 2023 are included.

(h) 25.99% holding in ordinary shares of **Helicon Health Limited**. 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, accounts to 31 July 2023 are included.

(i) 34.67% (2022: 36.6%) holding in the ordinary shares of **LRG1 Limited**. 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 2022. Management accounts to 31 July 2023 are unavailable.

(j) 45.00% holding in ordinary shares of **Movement Metrics CIC**. The company carries out research and experimental development in social sciences and humanities. The company prepares accounts to 31 March, and accounts to 31 March 2023 are included,  management accounts to 31 July 2023 are unavailable.

(k) 40.0% holding in ordinary shares of **Neuroresponse CIC**. The company has been established for the purpose of offering expert assessment and advice to people with long term conditions. The company prepares accounts to 31 October, and accounts to 31 October 2022 plus management accounts to 31 July 2023 are included.

(l) 41.87% holding in the ordinary shares of **Sylus Pharmaceuticals Limited**. The company has been set up to commercialise the use of a naturally occurring protein GPI-PLD. The company prepares accounts to 31 March, accounts to 31 March 2021 are included. Accounts to 31 March 2023 and management accounts to 31 July 2023 are unavailable.

(m) 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 careers. The company prepares accounts to 28 February and accounts to 28 February 2023 are included. Management accounts to 31 July 2023 are unavailable.

## NOTES TO THE ACCOUNTS

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

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Share of operating profit/(loss):** | | |
| Abcodia Limited** | **-** | (1,299) |
| Amalyst Limited | **-** | - |
| Atocap Limited** | **-** | - |
| Bloomsbury Genetic Therapies Limited* | **(53)** | - |
| Blue Sky Imaging Limited | **-** | - |
| Domainex Limited | **304** | 290 |
| E-Lucid Solutions Limited* | **48** | - |
| EuroTempest Limited | **9** | - |
| Glialign Limited | **3** | (4) |
| Helicon Health Limited | **(20)** | 21 |
| LRG1 Limited | **-** | (30) |
| Movement Metrics CIC | **-** | (1) |
| Neuroresponse CIC | **171** | 243 |
| SoftV Limited (Dissolved on 30 November 2021) | **-** | (1) |
| Sylus Pharmaceuticals Limited | **-** | - |
| TCR Materials Limited (Dissolved on 17 August 2021) | **-** | (4) |
| Trim Tots CIC | **-** | - |
| | **462** | (785) |
| **Share of taxation credit/(taxation charge):** | | |
| Bloomsbury Genetic Therapies Limited* | **53** | - |
| Domainex Limited | **75** | - |
| LRG1 Limited | **-** | 28 |
| Neuroresponse CIC | **(1)** | - |
| Sylus Pharmaceuticals Limited | **-** | 3 |
| | **127** | 31 |
| **Share of reserves:** | | |
| Amalyst Limited | **-** | - |
| Bloomsbury Genetic Therapies Limited* | **-** | - |
| Blue Sky Imaging Limited | **11** | 11 |
| Domainex Limited | **2,060** | 1,380 |
| E-Lucid Solutions Limited* | **48** | - |
| EuroTempest Limited | **9** | - |
| Glialign Limited | **7** | 4 |
| Helicon Health Limited | **-** | 20 |
| LRG1 Limited | **-** | - |
| Movement Metrics CIC | **6** | 7 |
| Neuroresponse CIC | **466** | 296 |
| Sylus Pharmaceuticals Limited | **-** | - |
| Trim Tots CIC | **5** | 5 |
| | **2,612** | 1,723 |
| **Acquisition of investments in associates:** | | |
| Bloomsbury Genetic Therapies Limited | **-** | - |
| Domainex Limited (Loan converted to equity) | **300** | - |
| E-Lucid Solutions Limited | **-** | - |
| | **300** | - |

* The Group invested into these entities during 2022-23.
** The Group's shareholding in this entity reduced in the prior year and the associate was reclassified as an investment in the prior year.

### 20 Trade and other receivables

| | **Year Ended 31 July 2023** | | Year Ended 31 July 2022 | |
|---|---|---|---|---|
| | **Consolidated £'000** | **University £'000** | Consolidated £'000 | University £'000 |
| **Amounts falling due within one year:** | | | | |
| Invoiced debtors | **19,541** | **11,217** | 13,366 | 7,745 |
| Research grants and contracts | **209,226** | **209,226** | 211,883 | 211,883 |
| Local health authorities/hospitals | **11,291** | **11,291** | 16,562 | 16,562 |
| Halls of residence debtors | **1,806** | **1,806** | 1,216 | 1,216 |
| Advances to members of staff | **6,158** | **6,154** | 6,788 | 6,783 |
| Inter company debtors | **-** | **33,868** | - | 21,792 |
| Other debtors and prepayments | **105,786** | **96,795** | 92,995 | 85,778 |
| | **353,808** | **370,357** | 342,810 | 351,759 |
| **Amounts falling due after more than one year:** | | | | |
| Other debtors and prepayments | **11,220** | **11,220** | - | - |
| Loans to associate companies | **140** | **-** | 160 | - |
| | **11,360** | **11,220** | 160 | - |
| | **365,168** | **381,577** | 342,970 | 351,759 |

Other debtors and prepayment - Amounts falling due after more than one year represents the 25% leased back portion of Queen Square House - see note 28 for further details
Loans to associate companies prior year value of £0.2m was disclosed as amounts falling due within one year in the prior year Statement of Financial Position. Management concluded it is immaterial to restate.

## NOTES TO THE ACCOUNTS

| | | Year Ended 31 July 2023 Consolidated £'000 | Year Ended 31 July 2023 University £'000 | Year Ended 31 July 2022 Consolidated £'000 | Year Ended 31 July 2022 University £'000 |
|---|---|---|---|---|---|
| **21 Creditors: amounts falling due within one year** | | | | | |
| Bank and other loans | | **1,665** | **1,665** | 1,661 | 1,661 |
| Cruciform Private Development Loan | | **3,145** | **3,145** | 2,668 | 2,668 |
| Research grants received on account | | **431,328** | **431,328** | 460,851 | 460,851 |
| Purchase ledger creditors | | **49,075** | **48,687** | 63,693 | 63,180 |
| Other creditors including taxation and social security | | **101,896** | **97,203** | 96,551 | 89,695 |
| Accruals and deferred income | | **294,449** | **277,770** | 271,835 | 258,667 |
| Inter-company creditors | | **-** | **868** | - | - |
| | | **881,558** | **860,666** | 897,259 | 876,722 |

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 | **14,426** | **14,426** | 12,845 | 12,845 |
| Capital grants | **73,033** | **73,033** | 67,950 | 67,950 |
| | **87,459** | **87,459** | 80,795 | 80,795 |

| | | | | | |
|---|---|---|---|---|---|
| **22 Creditors: amounts falling due after more than one year** | | | | | |
| Deferred income | | **449,969** | **449,969** | 371,962 | 371,264 |
| £300m Sustainability Bond 2061 | | **291,344** | **291,344** | 291,115 | 291,115 |
| Cruciform Private Development Loan | | **-** | **-** | 3,147 | 3,147 |
| Long term bank loans | | **288,541** | **288,541** | 290,206 | 290,206 |
| Salix Revolving Green Fund | | **500** | **500** | 500 | 500 |
| | | **1,030,354** | **1,030,354** | 956,930 | 956,232 |
| **Analysis of loan and bond repayments:** | | | | | |
| In less than one year: | | | | | |
| Loans | 21 | **4,810** | **4,810** | 4,329 | 4,329 |
| In more than one year but no more than two years | | | | | |
| Loans | | **1,668** | **1,668** | 4,813 | 4,813 |
| In more than two years but no more than five years | | | | | |
| Loans | | **33,545** | **33,545** | 4,371 | 4,371 |
| In more than five years | | | | | |
| Loans and Bond | | **545,172** | **545,172** | 575,784 | 575,784 |
| | | **585,195** | **585,195** | 589,297 | 589,297 |
| In less than one year | 21 | **(4,810)** | **(4,810)** | (4,329) | (4,329) |
| In more than one year | | **580,385** | **580,385** | 584,968 | 584,968 |

On 4 June 2021, UCL issued its debut public bond: a 40 year, £300m Sustainability bond, priced at 1.625% and listed on the London Stock Exchange. The £291.3m liability recorded in the balance sheet at 31 July 2023 (£291.1m at 31 July 2022) represents the £300m payable on maturity in 2061 less the issues discount of £8.7m at 31 July 2023 (£8.9m at 31 July 2022), which will unwind over the life of the instrument.

Included in bank loans are the following:

| **Lender** | **Total Amount £'000** | **Due <1 year £'000** | **Term** | **Interest rate %** | |
|---|---|---|---|---|---|
| Royal Bank of Scotland | 4,473 | 1,278 | 2026 | 1.1 | Fixed |
| Barclays Bank | 1,671 | 126 | 2036 | | Compounded Reference Rate (SONIA) plus 0.33% margin |
| Barclays Bank | 1,599 | 121 | 2036 | 5.3 | Fixed |
| Barclays Bank | 1,355 | 64 | 2037 | 5.9 | Fixed |
| Barclays Bank | 1,108 | 76 | 2037 | | Compounded Reference Rate (SONIA) plus 0.32% margin |
| European Investment Bank | 280,000 | - | 2048 | 2.3 | Fixed |
| | **290,206** | **1,665** | | | |

## NOTES TO THE ACCOUNTS

### 23 Provisions for liabilities

| Consolidated | Obligation to fund deficit on USS pension £'000 | Defined benefit scheme obligations £'000 | Total pension provisions £'000 | Dilapidations £'000 | Other £'000 | Total other provisions £'000 |
|---|---|---|---|---|---|---|
| At 1 August 2022 | 555,828 | 850 | **556,678** | 11,558 | 1,512 | **13,070** |
| Utilised in year | (32,913) | - | **(32,913)** | (39) | - | **(39)** |
| Additions | 18,513 | - | **18,513** | 331 | - | **331** |
| Releases | (87,430) | - | **(87,430)** | (106) | (303) | **(409)** |
| At 31 July 2023 | **453,998** | **850** | **454,848** | **11,744** | **1,209** | **12,953** |

| University | Obligation to fund deficit on USS pension £'000 | Defined benefit scheme obligations £'000 | Total pension provisions £'000 | Dilapidations £'000 | Other £'000 | Total other provisions £'000 |
|---|---|---|---|---|---|---|
| At 1 August 2022 | 554,783 | 850 | **555,633** | 11,558 | 609 | **12,167** |
| Utilised in year | (32,840) | - | **(32,840)** | (39) | - | **(39)** |
| Additions | 18,474 | - | **18,474** | 331 | - | **331** |
| Releases | (87,494) | - | **(87,494)** | (106) | - | **(106)** |
| At 31 July 2023 | **452,923** | **850** | **453,773** | **11,744** | **609** | **12,353** |

The obligation to fund the deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme to make payment in line with an agreed recovery plan. Further detail is set out in note 32. In assessing the value of the provision, management has assessed future employee numbers within the scheme and salary payment over the period of the contracted obligation.

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

## NOTES TO THE ACCOUNTS

### 24 Endowment Reserves

| Restricted net assets relating to endowments are as follows: | Restricted permanent endowments £'000 | Unrestricted permanent endowments £'000 | Expendable endowments £'000 | 2023 Total £'000 | 2022 Total £'000 |
|---|---|---|---|---|---|
| **Balances at 1 August 2022** | | | | | |
| Capital | 29,234 | 1,717 | 119,965 | **150,916** | 156,547 |
| Accumulated income | 2,249 | 248 | 5,365 | **7,862** | 6,739 |
| | 31,483 | 1,965 | 125,330 | **158,778** | 163,286 |
| New endowments | 59 | - | 2,892 | **2,951** | 607 |
| Investment income | 732 | 46 | 3,163 | **3,941** | 3,220 |
| Expenditure | (262) | (3) | (6,129) | **(6,394)** | (4,942) |
| (Decrease) / increase in market value of investments | (443) | (27) | (1,969) | **(2,439)** | (3,393) |
| **Total endowment comprehensive income for the year** | 86 | 16 | (2,043) | **(1,941)** | (4,508) |
| Transfer between endowment reserves | (1,413) | - | 1,413 | **-** | - |
| **Total movement in endowment reserves for the year** | (1,327) | 16 | (630) | **(1,941)** | (4,508) |
| **At 31 July 2023** | **30,156** | **1,981** | **124,700** | **156,837** | 158,778 |
| **Represented by:** | | | | | |
| Capital | 27,513 | 1,689 | 118,287 | **147,489** | 150,916 |
| Accumulated income | 2,643 | 292 | 6,413 | **9,348** | 7,862 |
| | **30,156** | **1,981** | **124,700** | **156,837** | 158,778 |
| **Analysis by type of purpose:** | | | | | |
| Lectureships | 105 | - | 34,509 | **34,614** | 36,451 |
| Scholarships and bursaries | 10,947 | - | 45,293 | **56,240** | 55,460 |
| Research support | 16,666 | - | 18,995 | **35,661** | 36,326 |
| Prize funds | 1,536 | - | 6,828 | **8,364** | 8,386 |
| General | 902 | 1,981 | 19,075 | **21,958** | 22,155 |
| | **30,156** | **1,981** | **124,700** | **156,837** | 158,778 |
| **Analysis by asset:** | | | | | |
| Fixed Income | | | | 22,775 | 10,971 |
| UK equities | | | | 13,157 | 24,252 |
| Global Equities | | | | 102,459 | 85,437 |
| Alternative Investments | | | | 16,495 | 22,259 |
| Cash | | | | 1,071 | 15,859 |
| Debtors | | | | 880 | - |
| | | | | **156,837** | 158,778 |

### 25 Consolidated reconciliation of net debt

| | 31 July 2023 £'000 |
|---|---|
| **Net debt 1 August 2022** | **(34,554)** |
| Net increase/(decrease) in cash and cash equivalents | **43,062** |
| Net (increase)/decrease in debt financing | **4,331** |
| Other non-cash changes | **(229)** |
| **Net debt 31 July 2023** | **12,610** |
| **Change in net debt** | **47,164** |

| **Analysis of net debt:** | Note | 31 July 2023 £'000 | 31 July 2022 £'000 |
|---|---|---|---|
| **Cash and cash equivalents** | | **597,805** | 554,743 |
| **Borrowings: amounts falling due within one year** | | | |
| Bank and other loans | 21 | **(1,665)** | (1,661) |
| Cruciform Private Development Loan | 21 | **(3,145)** | (2,668) |
| | | **(4,810)** | (4,329) |
| **Borrowings: amounts falling due after more than one year** | | | |
| Bank and other loans | | **(289,041)** | (290,706) |
| Cruciform Private Development Loan | | **-** | (3,147) |
| £300m Sustainability Bond 2061 | | **(291,344)** | (291,115) |
| | 22 | **(580,385)** | (584,968) |
| **Net debt** | | **12,610** | (34,554) |

## NOTES TO THE ACCOUNTS

### 26 Financial instruments

| | Year Ended 31 July 2023 Consolidated £'000 | Year Ended 31 July 2023 University £'000 | Year Ended 31 July 2022 Consolidated £'000 | Year Ended 31 July 2022 University £'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through Statement of Comprehensive Income | | | | |
| Listed investments | **231,983** | **230,324** | 234,269 | 232,195 |
| Other debtors | **1,903** | **1,903** | 1,824 | 1,824 |
| Financial assets that are equity instruments measured at cost less impairment | | | | |
| Other investments | **43,907** | **33,969** | 42,371 | 33,969 |
| Financial assets that are debt instruments measured at amortised cost | | | | |
| Cash and cash equivalents | **597,805** | **551,554** | 554,743 | 510,084 |
| Other investments | **120** | **120** | 204 | 204 |
| Other debtors | **272,698** | **305,425** | 268,166 | 289,196 |
| **Financial liabilities** | | | | |
| Financial liabilities measured at amortised cost | | | | |
| Loans | **585,195** | **585,195** | 589,297 | 589,297 |
| Trade creditors | **49,075** | **48,687** | 63,701 | 63,180 |
| Other creditors | **533,224** | **529,399** | 554,865 | 550,546 |

The values of the investments held at fair value through Statement of Comprehensive Income 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 Statement of Comprehensive Income at the balance sheet date are determined using open market value of the properties to which the loans relate.

### 27 Capital commitments

| | Year Ended 31 July 2023 Consolidated £'000 | Year Ended 31 July 2023 University £'000 | Year Ended 31 July 2022 Consolidated £'000 | Year Ended 31 July 2022 University £'000 |
|---|---|---|---|---|
| Commitments contracted | **289,845** | **289,845** | 240,975 | 240,975 |
| | **289,845** | **289,845** | 240,975 | 240,975 |

Commitments contracted as at 31 July 2023 include £131m for the Institute of Ophthalmology relocation and £115m for the Institute of Neurology - Dementia Research Institute (DRI) redevelopment.

UCL Capital programme is reducing due to the new Estates strategy. The largest programme for recent years, UCL East, practically completed during 2022-23.

### 28 Lease obligations

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

| | Year Ended 31 July 2023 Land & Buildings £'000 | Year Ended 31 July 2023 Other £'000 | Year Ended 31 July 2023 Total £'000 | Year Ended 31 July 2022 Land & Buildings £'000 | Year Ended 31 July 2022 Other £'000 | Year Ended 31 July 2022 Total £'000 |
|---|---|---|---|---|---|---|
| **Payable during the year** | **25,834** | **1,716** | **27,550** | 23,280 | 585 | 23,865 |
| **Future minimum lease payments due** | | | | | | |
| Not later than 1 year | **25,473** | **172** | **25,645** | 20,890 | 466 | 21,356 |
| Later than 1 year and not later than 5 years | **86,272** | **34** | **86,306** | 89,794 | 61 | 89,855 |
| Later than 5 years | **76,886** | **-** | **76,886** | 90,749 | - | 90,749 |
| **Total lease payments due** | **188,631** | **206** | **188,837** | 201,433 | 527 | 201,960 |

In 2022-23, UCL sold its interest in Queen's Square House to UCL Hospitals NHS Foundation Trust (UCLH FT) for total consideration of £45.0m, comprising cash consideration of £33.75m and entered into a 125 year peppercorn lease to occupy 25% of Queen's Square House with a notional value of £11.25m. UCL has recognised an associated prepayment asset - included within note 20 Trade and other receivables - Other debtors and prepayments. This asset will be depreciated over the life of the lease. The transaction resulted in a total gain of £19.9m. Of which £14.9m has been recognised in UCL's Statement of Comprehensive Income. In accordance with the principles of a sale and lease back finance lease transaction. UCL has deferred 25% of the gain from the sale and leaseback transaction of £4.9m. This is included within in Note 21: Creditors. This will be amortised over the life of the lease. The lease costs are not included in UCL's lease obligations as no further payments are required.

The Group lets retail and office units at the Caledonian Road to third party tenants under operating lease agreements. Rental income recognised in the Statement of Comprehensive Income in the year amounted to £266,000 (2022 - £247,000).

## NOTES TO THE ACCOUNTS

### 29 Agency arrangements

| Training consortia: | LAHP | | DfE Mandarin | | SEEL | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance unspent at 1 August 2022 | **-** | - | **490** | 45 | **1,846** | 781 |
| Funding received for consortium partners | **2,934** | 2,110 | **-** | 592 | **3,305** | 3,920 |
| Disbursements to partners | **(2,934)** | (2,110) | **(255)** | (147) | **(3,305)** | (2,855) |
| Balance unspent at 31 July 2023 | **-** | - | **235** | 490 | **1,846** | 1,846 |

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. The following consortiums 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
- DfE Mandarin - Mandarin Excellence Programme to expand the provision of Mandarin teaching in schools, funded by the Department for Education
- SEEL - South East, East and London consortium for initial training for educational psychologists, funded by the Department for Education

### 30 Contingent asset

Included in consolidated investments (note 17) is £0.5m (2021-22: £0.6m) unrealised gain arising on the revaluation of listed investments held by UCL's subsidiary, UCL Business, and that is potentially distributable to UCL on realisation. It has not been recognised as a receivable by UCL as at 31 July 2023, 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 2022-23 financial year.

### 31 Related party transactions

The financial statements of UCL for the year ended 31 July 2023 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. UCL is the ultimate controlling party of the Group. Outstanding balances with these entities as at 31 July 2023 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.

| | Income £'000 | Expenditure £'000 | Balance due to/(from) UCL at 31 July 23 £'000 |
|---|---|---|---|
| Academy of Medical Sciences | 457 | 31 | (30) |
| Africa Health Research Institute | - | 8,613 | (252) |
| Alan Turing Institute | 461 | - | 7 |
| British Heart Foundation | 4,370 | - | 2,330 |
| Francis Crick Institute | 1,748 | 4,630 | 420 |
| Royal Free London NHS Foundation Trust | 7,047 | 6,152 | 1,636 |
| Science and Technology Facilities Council | 10,103 | 472 | (230) |
| UCL Academy | - | 43 | - |
| UCL Hospitals NHS Foundation Trust | 62,748 | 8,331 | 2,653 |
| UCL Union | 62 | 31 | 11 |
| UCLPartners | 508 | 7 | 236 |
| University of London | 229 | 1,671 | (71) |

The following transactions also took place during the year:

Kathleen Armour, Vice-Provost (Education and Student Experience), serves on the Board of Governors of the University of Lincoln. UCL received donations to the value of £2k from Lincoln University and engaged in sales transactions totalling £3k, mainly in respect of project work.

Dominic Blakemore, external member of UCL Council, is the Chief Executive Officer of food services provider Compass Group Plc, and serves as a non-executive director of the London Stock Exchange Group Plc. During the year, two Compass Group subsidiaries (Compass Group UK & Ireland Ltd and Compass Contract Services UK Ltd) supplied UCL with catering services and accommodation to the value of £346k. This was chiefly in respect of graduation ceremonies, but spend was also incurred on various events, conferences and retreats. Nothing was owing to either company as at the year-end date. A couple of subscription purchases were made from the London Stock Exchange Group Plc in the year; these came to under £1k and at 31st July 2023 one was still outstanding.

Stephen Caddick, Pro-Vice-Provost (UK), is a member of Council of the University of Sussex. UCL's sales to that organisation totalled £27k in the year, and purchases came to £236k. A balance of £1k was due to the University of Sussex at 31 July 2023.

## NOTES TO THE ACCOUNTS

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 organisations worldwide. During the financial year, UCL transacted with the Airbus group: sales to Airbus Operations Ltd (UK) totalled £60k and this sum was outstanding at the year-end date; purchases to value of £13k (testing costs) were made from Airbus Defence and Space Ltd. Mr. Chu is also a director of financial services company Nomura Holdings Inc; UCL made a £1k sale to group entity Nomura International Plc in the year and owed back a £2k sum of research funding to the company.

Charu Gorasia, UCL's Chief Financial Officer and non-executive director of UCL Business Ltd, is a trustee of the Whitehall and Industry Group (WIG), a charity which encourages understanding and co-operation between the business, government and not-for-profit sectors. In the year, UCL paid the WIG membership fees of £7k, and a further £1k for a training course.

Richard Harrison, director and trustee of UCL subsidiary company Somers Town Community Sports Centre Ltd until August 2022, 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, paying the Knowledge Quarter £24k in membership fees for the year.

David Lomas, Vice-Provost (Health) until the end of August 2023, 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 is a non-executive director 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. In addition, Professor Lomas is a director of organisation MedCity, to which UCL paid £6k in conference fees during the year.

Gary Moore, director and trustee of UCL subsidiary company Somers Town Community Sports Centre Ltd, is the headteacher of Regent High School. The School has partnered with the University to provide teacher training placements to students on PGCE (Postgraduate Certificate in Education) programmes, for which it was paid £1k in the year. UCL additionally made a grant of £58k to the School to support use of the Somers Town Community Sports Centre by UCL Union students.

Lindsay Nicholson, external member of UCL Council, is Chair of Governors of adult education college City Lit, which made sales totalling £1k to the University during 2022-23.

David Price, Vice-Provost (Research, Innovation & Global Engagement) until August 2022, is a governor of the Latymer Prep and Latymer Upper Schools, from which UCL incurred expenditure to the value of £1k in the year.

Stephanie Schorge, interim Dean of the Faculty of Life Sciences, sits on the Council of Trustees of children's charity Action Medical Research. The charity forwarded UCL £456k of research funding in the year, and owed the University £200k at the year-end date.

Anthony Smith, Vice-Provost (Faculties), serves as a governor of the Capital City College Group (CCCG) which includes three large London-based further education colleges. CCCG charged the University a student placement fee of £1k in the year, with this sum remaining due as at the year-end date. Further, £1k was incurred on courses purchased from CCCG constituent college City and Islington College. Professor Smith also serves as Chair of the Academy Trust at the UCL Academy, transactions and balances for which are tabulated above.

Michael Spence, UCL President and Provost, sits on the board of The Russell Group of Universities and on the Rectors' Assembly of the League of European Research Universities (LERU). UCL is a member of both organisations and paid subscription fees in the year of £87k and £18k respectively. Doctor Spence is also a member of Universities UK, to which a £96k annual subscription was paid as well as a further £2k in conference fees. Doctor Spence serves as a trustee of the University of London and as a board member of UCLPartners, the transactional details for which are tabulated above. In addition, Doctor Spence is a trustee and board member of online journal The Conversation, to which UCL offers pro bono office space in the Engineering department; in return the University pays no membership fees to The Conversation.

Kirsty Walker, Vice-President (External Engagement), serves on the board of The Conversation. As explained in Michael Spence's paragraph above, the University has given up space to The Conversation in its Engineering department in exchange for non-payment of membership fees to The Conversation.

**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. Included within 2022-23 expenditure are contributions to the Institute totalling £1.5m, made towards building lifecycle costs and overheads, in fulfilment of UCL's obligations as a founder.

**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 Engineering and Physical Sciences Research Council (EPSRC) now UK Research and Innovation (UKRI). Each founding member pledged an initial £5.0m grant to the Institute, which UCL has since fully paid. Details of transactions with the ATI within the year can be found tabulated above.

**UCL HOSPITALS NHS FOUNDATION TRUST (UCLH):** In relation to the table above, the majority of income received and receivable from UCLH represents, sale proceeds from the sale of Queen Square House from UCL to UCLH for £33.75m and salary recharges for clinical academics who are employed by UCL but also hold clinical roles at the Trust. Expenditure chiefly comprises salary recharges, property-related costs for shared space (including electricity recharges) and sub-contractor payments in respect of research partnerships.

## NOTES TO THE ACCOUNTS

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

| | Balance 1 August 2022 £'000 | Cash transfers £'000 | Income/ (expenditure) £'000 | Other £'000 | Balance at 31 July 2023 £'000 |
|---|---|---|---|---|---|
| E-Lucid Solutions Limited | - | 98 | (98) | - | - |
| Total debtors | **-** | **98** | **(98)** | **-** | **-** |

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

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| E-Lucid Solutions Limited | **25** | - |
| Health Social Innovators LLP | **115** | 160 |
| Total loans | **140** | 160 |

### 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 2023 £'000 |
|---|---|---|---|---|---|
| Bloomsbury Bioseed Fund Limited (BBSF) (in liquidation) | Investment in bio-technology start ups. | 75% owned | Ordinary | 75% - UCL | - |
| UCL Business Plc | Exploitation of intellectual property. | 100% owned | Ordinary<br>Ordinary 'A'<br>Redeemable Preference | 100% - UCL<br>100% - UCL<br>100% - UCL | 6,693 |
| UCL Consultants Limited | Provision of administrative support to staff engaged in consultancy. | 100% owned | Ordinary | 100% - UCL | 17,991 |
| UCL Properties Limited | Property development and investment. | 100% owned | Ordinary | 100% - UCL | 1,837 |
| UCL Residences Limited | Commercial lettings of accommodation. | 100% owned | Ordinary | 100% - UCL | 7,342 |
| UCL Trading Limited | Contracting, consultancy and other commercial activities. | 100% owned | Ordinary | 100% - UCL | (868) |
| UCLB Investments Limited | 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 Limited | 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:
Thiologics Limited
Institute of Ophthalmology Ltd
UCL Developments (No1) Limited
UCL Enterprises Limited
UCL Investments Limited

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 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 2023** | | Year Ended 31 July 2022 | |
|---|---|---|---|---|
| | **Consolidated** | **University** | Consolidated | University |
| | **£'000** | **£'000** | £'000 | £'000 |
| Contribution to USS | **114,673** | **114,278** | 104,519 | 104,144 |
| Contribution to SAUL | **25,121** | **23,904** | 18,173 | 17,195 |
| Contribution to NHS | **7,421** | **7,415** | 7,824 | 7,815 |
| Contribution to MRCPS | **872** | **872** | 908 | 908 |
| Contribution to PCSPS | **47** | **47** | 48 | 48 |
| | **148,134** | **146,516** | 131,472 | 130,110 |

Outstanding contributions to USS, SAUL, the NHS Pension Scheme, MRCPS and PCSPS was £18.7m at 31 July 2023 (2022 - £16.2m).

**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 completed valuation was as at 31 March 2020 (the 2020 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) | Fixed interest gilt yield curve plus:<br>- Pre-retirement 2.75% p.a.<br>- Post-retirement 1.00% p.a. |
| CPI assumption | Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less:<br>1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long term difference of 0.1% pa. form 2040. |
| Pension increases | CPI assumption plus 0.05% (and subject to a floor of 0%) |

The mortality assumptions included in the valuation are that male (female) members who retire at typical ages will live to approximately age 90 (91).

The 2020 valuation was the sixth 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 maintain sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5bn and the value of the scheme's technical provisions was £80.6bn, indicating a shortfall of £14.1bn and a funding ratio of 83%. This compares to the equivalent shortfall of £3.6bn that was reported under the scheme's 2018 valuation and the associated funding ratio of 95%.

As part of the 2020 valuation, and in light of this increased shortfall, a new deficit recovery plan was put in place. Over the period from 1 April 2022 to 31 March 2024, a proportion of employer contributions equating to 6.2% of salaries (increasing to 6.3% from April 2024) was earmarked specifically to repair the existing deficit. Employers agreed to retain these deficit contributions until 31 March 2038, by which time it was expected that the shortfall would be eliminated.

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 5.49% as at 31 July 2023 (2022: 3.33%) are included in note 23 to the financial statements.

The University's liability calculation assumes a salary inflation rate on average of circa 4% over the four years to 2026/27 reducing to 2.0% thereafter and an assumed consistent level of FTE in line with 2022/23 over the four years to 2026/27 and then increasing to a 2.0% annual increase in staff FTE thereafter. A change in the assumptions for salary inflation by +/- 0.5% would increase the obligation to fund the USS deficit by +£17.0m/-£16.2m. Similarly, a +/- 0.5% change to the increase in staff FTE assumptions would impact the liability as at 31 July 2023 by +£16.3m/-£15.6m.

A further full valuation as at 31 March 2023 is now underway and is showing a much improved funding position. Since the 2020 valuation, rising long-term interest rates have acted to reduce the value placed on the scheme's liabilities and increase the value of its assets, resulting in a reported surplus of £7.4bn. On this basis the sector's representative bodies have made a joint commitment to the restoration of pre-April 2022 benefit levels where that can be achieved in a demonstrably sustainable manner, and USS has priced that proposal at a combined contribution rate of 20.6% of salaries: a significant decrease on the current 31.4%.

## NOTES TO THE ACCOUNTS

Consultation with both employers and employees took between September and November 2023 with an early decision on future service benefits sought for mid-December - well in advance of the 30 June 2024 statutory deadline for completing the valuation. At the point of transition to the new rates, the recovery plan required under the 2020 valuation will fall away, as will employers' future obligation to fund past deficits. This is expected to generate a significant credit for UCL in the 2023-24 financial year as the current USS pension provision is released in full.

Further commentary is set out in the USS Pension Scheme section of the Financial Review on page 11, and detail around the ongoing 2023 valuation can be found at 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 (unaudited) using the projected unit method. The financial assumptions that had the most significant effect on the result of the valuation were as follows:

| | |
|---|---|
| Investment returns per annum: | |
| - before retirement | 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 fixed interest gilt yields 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. The estimated contribution strain for future service benefits (the amount by which future benefit accrual outstrips contributions) was 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 agreed to increase employer contributions from 16% to 19% from 1 April 2022 and then again to 21% from January 2023, and to amend the Scheme's eligibility requirements such that new members joining after January 2023 could only accrue full benefit after 3 complete years of service. In combination, these measures were estimated to reduce contribution strain by approximately £50m per annum.

As at 31 March 2022, the date of the most recent annual actuarial report, the position had improved substantially and the scheme was estimated to have a technical provision surplus of £616m, equivalent to a funding level of 116%. This was due to higher than expected investment returns over the two year period since the 2020 valuation, contributing to a £952m increase in the market value of scheme assets (to £4,564m).

A further full valuation as at 31 March 2023 is now underway and the Trustee expects it to show that the scheme is fully funded with no contribution strain. Proposals around future contribution rates are expected to follow in late 2023. Details of the scheme and the 2023 valuation can be found at 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% |
| - 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). They have been fixed at 20.6% until at least 31 March 2024.

**Medical Research Council Pension Scheme**

The latest actuarial valuation of the University section of the scheme was at 31 December 2019 (unaudited) using the projected unit method. The financial assumptions that had the most significant effect on the result of the valuation were as follows:

| | |
|---|---|
| Investment returns per annum | 2.00% |
| 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 driven 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 (unaudited) using the projected unit method. The financial assumptions that had the most significant effect on the result of the valuation were as follows:

| | |
|---|---|
| Investment returns per annum: | |
| - for liabilities and contribution rate | 2.80% to 2019, 2.40% thereafter |
| - for cost cap rate | 2.40% |
| Long term salary growth per annum | 4.20% |
| Pension increases per annum | 2.00% |

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

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 27.0%. They have been fixed at 27.0% until at least 31 March 2024.

*Defined benefit plans*

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

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

Scheme assets are measured at fair value. Liabilities are measured on an actuarial basis using the projected unit method and are discounted at a rate of return based on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuation is obtained at least triennially and is updated at the end of each reporting period. 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 Statement of Financial Position.

**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 2023 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 2023 valuation were as follows:

| | |
|---|---|
| Investment returns per annum | 5.05% |
| Future increases in deferred pensions | 2.70% |
| Increase on post 1997 pension | |
| - for pre 2006 leavers | 2.65% |
| - for post 2006 leavers | 3.15% |

At the valuation date, the value of the assets of the scheme was £4.09m and the value of the scheme's defined benefit obligation was £3.72m. As UCL does not have the ability to recover the resulting surplus of £0.37m (2022: £0.76m) 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 Statement of Financial Position.

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 2023, the value of this 'buy-out' payment has been estimated by an independent actuary as £0.85m (2022: £0.85m). Provision has been made for the expected cost of discharging these financial obligations (Note 23).

The pension expense over the year to 31 July 2023 was £106,000. 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 2024 is £132,000.

# NOTES TO THE ACCOUNTS

## 34 Contingent liabilities

UCL was affected by the University and College Union (UCU) nationwide Marking and Assessment Boycott (MAB) during the 2022-23 marking and assessment period. The vast majority of students at UCL were unaffected by the MAB and received their marks on Results Day – Thursday 6th July. An additional Results Day was put in place on Thursday 27th July to ensure that as many students as possible would receive their marks, by giving additional time for UCL to support departments in processing outstanding marks. For those who continue to be affected, now that the MAB has ended, all remaining marks were issued by the end of October 2023. Due to the MAB, and therefore the delay in providing the small number of affected students with marks, UCL has disclosed this contingent liability, related to any future claims for compensation from individuals impacted. It is too early to determine the potential financial impact, which will depend on the circumstances of each individual case.

## 35 Events after the End of the Reporting Period

The 2023 USS scheme valuation is currently underway. USS have been actively facilitating discussions with stakeholders with the aim of completing the valuation in time to implement any changes they decide to make by April 2024.

Given the changes in market conditions since the 2020 valuation, it is expected that the 2023 valuation will show an improved funding position with the scheme expected to be in a surplus position. The obligation to fund the USS deficit recovery provision disclosed in note 23 continues to be recognised at 31 July 2023 in line with the current deficit recovery agreement in place at year-end. Once the revised schedule of contributions and scheme funding is agreed and implemented, which is expected by April 2024, then if, as anticipated, the scheme is in surplus, the deficit recovery provision will be fully written back.

The latest information from USS as the 2023 valuation progresses through consultation is a non-adjustment post balance sheet event. The impact of this on the 2023-24 UCL institution and consolidated accounts would be a reversal of £452.9m institution provision and £454.0m consolidated provision, recognised in the Surplus for the year.

## 36 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 judgements**
Significant judgements made in the preparation of the financial statements are as follows:

<u>Research Income</u>
Income from research grants and contracts is recognised on entitlement and when the performance-related conditions under each grant funding award have been met. See note 3 for values. 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.

<u>Property, plant and equipment</u>
In 2021-22 and 2022-23, UCL undertook an exercise to validate its historic gross book value of equipment assets disclosed in Note 15. It was identified that £30.7m in 2022-23 and £48.4m in 2021-22 of fully depreciated assets had not been disposed. It has not been possible to determine the precise disposal dates for all these equipment assets and whilst this resulted in UCL's Property, Plant and Equipment gross asset value being greater than the asset value that UCL owned, there was no material impact on UCL's Property, Plant and Equipment net book value, as the equipment was fully depreciated. Therefore management do not consider the impact to be material in either 2021-22 or 2022-23.

<u>Retirement Benefit Obligations</u>
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.

**Significant estimates**
Significant estimates used in the preparation of the financial statements are as follows:

<u>Pension provision</u>
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 in the prior year following the conclusion of the 2020 actuarial valuation. The recovery plan defines the deficit payment required as a percentage of future salaries until 2038, 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. See note 23 for details on the value and note 33 for details on sensitivities.

## NOTES TO THE ACCOUNTS

### 37 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 2020 (SORP 2020) 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 2023 Consolidated £'000 | 31 July 2022 Consolidated £'000 |
|---|---|---|---|---|
| Statement of Financial Position: Unrestricted reserves | 34 | Net assets without donor restrictions | 1,444,902 | 1,214,925 |
| Statement of Financial Position: Restricted reserves | 34 | Net assets with donor restrictions | 177,220 | 179,045 |
| Note 24: Restricted permanent endowments | 56 | Net assets with donor restrictions: restricted in perpetuity | (30,156) | (31,483) |
| Statement of Financial Position: Fixed & intangible assets | 34 | Property, plant and equipment, net | (2,739,039) | (2,610,085) |
| Notes 21 & 22: Current and long-term debt and finance leases | 54 | Debt obligations, net | 583,530 | 587,636 |
| Notes 21 & 22: Deferred income | 54 | Deferred revenue & capital grants | 537,428 | 452,757 |
| Note 21: Short term bank and other loans | 54 | Loans | 1,665 | 1,661 |
| Note 23: Total provisions | 55 | Post-employment and pension liability | 467,801 | 569,748 |
| | | **Expendable Net Assets** | **443,351** | **364,204** |

**Total Expenses and Losses**

| Related Disclosure | Page | Required Line Item | 31 July 2023 Consolidated £'000 | 31 July 2022 Consolidated £'000 |
|---|---|---|---|---|
| Statement of Comprehensive Income: Total expenditure less pension provision movement | 32 | Total operating expenses | 1,853,876 | 1,656,288 |
| | | **Total Expenses and Losses** | **1,853,876** | **1,656,288** |

**Equity Ratio**

**Modified Net Assets**

| Related Disclosure | Page | Required Line Item | 31 July 2023 Consolidated £'000 | 31 July 2022 Consolidated £'000 |
|---|---|---|---|---|
| Statement of Financial Position: Unrestricted reserves | 34 | Net assets without donor restrictions | 1,444,902 | 1,214,925 |
| Statement of Financial Position: Restricted reserves | 34 | Net assets with donor restrictions | 177,220 | 179,045 |
| | | **Modified Net Assets** | **1,622,122** | **1,393,970** |

**Modified Assets**

| Related Disclosure | Page | Required Line Item | 31 July 2023 Consolidated £'000 | 31 July 2022 Consolidated £'000 |
|---|---|---|---|---|
| Statement of Financial Position: Non-current plus current assets | 34 | Total assets | 4,001,835 | 3,817,907 |
| | | **Modified Assets** | **4,001,835** | **3,817,907** |

## NOTES TO THE ACCOUNTS

### Net Income Ratio

#### Change in Net Assets without Donor Restrictions

| Related Disclosure | Page | Required Line Item | 31 July 2023 Consolidated £'000 | 31 July 2022 Consolidated £'000 |
|---|---|---|---|---|
| Statement of Changes in Reserves: Total excluding endowment & restricted I&E | 33 | Changes in net assets, unrestricted | 229,977 | (238,453) |
| | | **Change in Net Assets without Donor Restrictions** | **229,977** | **(238,453)** |

#### Total Revenues and Gains without Donor Restrictions

| Related Disclosure | Page | Required Line Item | 31 July 2023 Consolidated £'000 | 31 July 2022 Consolidated £'000 |
|---|---|---|---|---|
| Statement of Comprehensive Income: Total income | 32 | Total operating revenues and support, unrestricted | 1,968,344 | 1,751,779 |
| Statement of Comprehensive Income: Investment income | 32 | Investment income, unrestricted | (28,079) | (6,938) |
| | | **Total Revenues and Gains without Donor Restrictions** | **1,940,265** | **1,744,841** |

#### Net Property, Plant and Equipment

| | 31 July 2023 Consolidated £'000 |
|---|---|
| Pre-implementation property, plant and equipment | 1,518,438 |
| Post-implementation property, plant and equipment purchased by obtaining debt | - |
| Construction in progress | 303,449 |
| Post-implementation property, plant and equipment with no outstanding debt | 917,152 |
| **Net Property, Plant and Equipment** | **2,739,039** |

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

| | 31 July 2023 Consolidated £'000 |
|---|---|
| Pre-implementation long-term debt | 289,041 |
| 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 | 291,344 |
| **Net Long-Term Debt for Long-Term Purposes** | **580,385** |