*Red-rated metrics for UCL Consultants (Lead organisation):*

UCLC does not operate in the same way as a privately-owned, for profit consultancy entity. As a wholly-owned subsidiary of UCL, it exists to enable the delivery of consultancy activity on behalf of UCL’s academics. As such it operates with the objective of generating sufficient margin to at least cover its operating costs over a sustained period of time. UCLC does not retain any substantial reserves in its own balance sheet given the support of its shareholder, and instead returns any surplus to UCL via Gift Aid. The reason why no Gift Aid took place in 2019 and 2018 is because the company had negative reserves as a result of losses incurred in 2018 and 2017 due to investments made in the development of the business, with the support of UCL as the sole shareholder. As the accounts show, these investments resulted in a substantial surplus in 2019. The cumulative surplus for the period 2017 to 2020 amounts to £81,668, which is consistent with the objective stated above.

Furthermore it should be noted that as a wholly-owned subsidiary of UCL, UCLC is supported by UCL to the extent that may be required, as stated in the going concern note in the Directors Report in the audited accounts.

*Red-rated metrics for University College London (Parent organisation):*

As noted in our FVRAT submission, and as per UCL’s published Financial Statement:

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

The University’s progression towards those long term targets, has been disrupted to an extent by the Covid pandemic but, in that context, the outcome achieved – a surplus of 3.5% of income (excluding movements on the USS pension provision and consolidated gains on investments), operating cashflow of 11.6% of income, total debt of 3.0x EBITDA and liquidity of 74 days (excluding headroom on short-access debt facilities) – is deemed acceptable and encouraging.

*Red-rated metrics for the British Council (sub-contractor):*

Operating margin: The British Council is a Charity and also a Non-Departmental Public Body. Any surpluses earned from commercial activity are redeployed back into the organisation for charitable purposes. In 18-19 net income increased by £24 million to £30 million (2017–18: £6 million). This was driven mainly by improved trading performance from charitable activities and increased income received from the FCDO, despite the adverse effect of foreign exchange in the year. The 19-20 position shows a defecit of £7.5m. This reduction in surplus was caused by the emerging Covid-19 pandemic and the impact this has had on our overseas markets.

Net Debt to EBITDA ratio: This ratio uses the low operating margin explained above which is due to our status as a Charity and NDPB, adjusted for tax and depreciation. The British Council had high cash balances in the last 3 years so this ratio is shown as higher than the ideal Ratio in the RAG threshold .We recalculated the ratio and attach a small explanation of our workings as we think it is -18.6, -9.2 and -55.1 for each year in question.

Net Debt + Net Pension Deficit to EBITDA: This ratio also uses the low operating margin explained above which is due to our status as a Charity and NDPB adjusted for tax and depreciation. The British Council had high cash balances in the last 3 years so this ratio is shown as higher than the ideal Ratio in the RAG threshold .We recalculated the ratio and we don’t have any net pension deficit so the ratio is identical to the net debt to EBITDA ratio. The explanation of our workings supports this ratio re- calculation as well. This is -18.6, -9.2 and -55.1 for each year in question.

Net Interest Paid Cover: The British Council had no debt in 17/18 and 18/19 financial years so this ratio is favourable representing the fact that the British Council had no interest payments associated with borrowing during these period. This changed at the end of 19/20 financial year due to the impact of Covid19 pandemic on our overseas markets.