

# **The Royal Central School of Speech and Drama University of London**

## **Patron**

HRH Princess Alexandra, The Hon Lady Ogilvy KG GCVO

## **President**

Michael Grandage CBE

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017**

The Royal Central School of Speech and Drama is registered as a Company Limited by Guarantee, with exempt charitable status, in England and Wales under Company No. 203645. Its registered office is at Embassy Theatre Eton Avenue London NW3 3HY. VAT No. 135 6002 46.



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## REPORT BY THE PRINCIPAL

This year has been prelude to a poignant turning point. Our Chairman for some twelve years - Paul Taiano - steps down. Despite undergoing a serious accident shortly after he took on the Chair's role at Central, Paul continued his leadership of the Board and the School has progressed from strength to strength: the conferment of Degree Awarding Powers, Integration to the Fellowship of the University of London, winning the accolade of CETL - Centre of Excellence in Teaching and Learning for Theatre - in due course winning 'World Leading Status' in the RISTA (Review of Institution Specific Targeted Allocations) leading to Exceptional Funding being more than doubled, our entry into Research Excellence also being awarded World Leading Status ahead of all the other Drama Conservatoires and indeed in parallel with the University sector in general, and most recently the Gold Standard rating in the Teaching Excellence Framework. It is indeed a chapter of remarkable achievement for Central, which also became Royal Central under Paul Taiano's watch. We thank him for all he has guided Central through in turbulent times for Higher Education in the UK. His attention to financial detail is exceptional ... as reflected in the very positive accounts which follow in this report.

We also say farewell to Victoria Dickie as a member of the Board, but both she and Paul Taiano will remain with us as members of various working groups leading the establishment of our Phase 5 building programme. We welcome John Willis, a distinguished film and TV producer, and former Chair of BAFTA as Paul Taiano's successor as Chair of Royal Central.

### HEFCE / Office for Students

During the year it was announced that HEFCE would be superseded by a new Office for Students, as part of a wider process of consolidation that would embrace OFFA and Quality Assurance.

### Higher Education and Research Bill

A crucial factor in the new HE and Research Bill has been the TEF (Teaching Excellence Framework). An initial (Stage 2) assessment procedure has been instigated rating the University sector in three categories - Gold, Silver and Bronze - out of some 270 education providers, 58 were accounted Gold - Central being one of them. This will hold for some three years, before another round of assessment - which will in all probability coincide with the next RISTA exercise. It is, however, possible for institutions to elect to resubmit within the three-year period. In the meantime another round of TEF is likely to be subject specific.

One must applaud and welcome the attention being devoted to Teaching and Learning after years of priority given to Research, but the time and energy absorbed by these many assessments is hugely demanding when the real call must lie with delivering the best to the students. Our staff have been seriously stretched in answering the call, and they have done so magnificently.

However, the snap election brought the surprising result of a hung parliament, with the increased Labour support pressing for the abolition of student fees and the lifting of public sector pay cap. Whilst there is no majority in place to promulgate such motions, the pressure

is undoubtedly building for radical change to the austerity agenda with significant implications for the HE sector. We have set out projections for five year planning but must recognise that these can only be best guestimate at this time.

The results set out in the accounts which follow show a very positive outcome on the year, compounding an excellent year on year performance. However, these are achieved by an unusual non-recurring level of vacancy in Senior Management positions which should be recruited for in the coming year.

It must also be recognised that the financing of major capital development within HE now has to be achieved through the accrual of reserves and/or private philanthropic benefaction.

### **Phase 5 / North Block Development**

After much deliberation, agreement was reached on the finance and budget for the Phase 5 development giving onto Buckland Crescent. Tim Ronalds, as Architect, with a team of consultants had delivered a scheme which makes maximum use of the restricted site, including a two storey basement. Graham Construction was appointed as Contractors - after a thorough tendering process. The £16.7m cost, including fees, was covered by a combination of Bank Loan, call on reserves, and a £2m fundraising target - which is progressing well.

The project is now on site, with a ground-breaking ceremony undertaken by alumnus Sir Tony Robinson. The completion date is set for Autumn 2018.

As part of the development process it has been necessary to decamp from the studios and workshops on this site, which had to be demolished, to alternative accommodation. This has been established on Bankside, close to the Globe Theatre, and here we have joined a burgeoning community of small scale theatres, rehearsal studios and workshops where the original theatre district of London was first established. It is working well as a new facility for the School, pro tem in advance of the North Block being ready for occupation. Nonetheless, there are many who hope that we may be able to hold onto the Bankside premises beyond the current five year lease - perhaps housing more income generating short courses and executive training.

### **Brexit**

The implications of Brexit are still being debated across the HE system. The Home fee status of admissions from the EU/non UK are secure up to and including the 2018/19 intake, with those students continuing to pay the basic home fee and eligible for student loans for the duration of their course. It remains to be seen whether a 'soft Brexit' would extend this cycle. We have to assume not and plan accordingly. It is inevitable that applications from the EU will reduce and thus we have to address alternative markets. The USA remains a strong field of interest, but needs continued development. So too, we have opened new avenues in South America - Chile and Colombia in particular. We have good connections in Argentina and Mexico, and Peru looks likely for future partnership. This calls for a period of concerted promotion of Central's interests.

Central has not been a serious participant in the Erasmus programme, and thus we will be less affected by withdrawal from the EU than other HEIs/universities. However, we are being compromised in aspects of Research funding. Even with several years to run, other partners are less keen to have a UK institution as lead organisation in a Research programme. Following on from Central's significant success in the last REF, building relationships with European collaborations had been an important development.

Research funding and EU partnerships is one of the many issues being pressed on the Brexit negotiators, with UUK to the fore in these discussions.

#### **UUK / CUK / GuildHE / London Higher / FDS / ukadia / TCCE / ELIA**

Central participates in many of the associations representing both General and Specialised HE interests. Universities UK has a small specialist forum, and also shares the services of a dedicated officer with Conservatoires UK, which has become in effect the elite body for the small specialist performing arts colleges. It was originally a group of Music Conservatoires, and has now widened its brief to embrace Dance and Drama. With the closure of Drama UK, many of the other small colleges were left without a representative body, and thus a Federation of Drama Schools has emerged - which includes all the recognised schools/colleges, which Central has played a significant role in establishing.

GuildHE is a parallel organisation to UUK - is well run, and represents the broad range of colleges aside from the core university sector, within which there is a specific group for the art and design element, Ukadia, which we are a part of in terms of our stage design / scenography work.

London Higher is just what it says - the representative organisation for all the London-based HEIs. It is a useful conduit to the GLA/Mayor's office, and is looking at issues of student welfare and accommodation, as well as the Brexit agenda.

TCCE, The Culture Capital Exchange, is a partnership of arts colleges and universities with strong arts focus. This has been important for research partnership and general promotion and profile.

ELIA is the European League of Institutions in the Arts ... which we feel is an important expression of our continued commitment to European affairs and collaboration.

All in all, these organisations represent a significant cost in terms of membership dues and subscriptions. At a time of enormous change in our sector, indeed across society, and with the onset of Brexit, it seems sensible to keep fingers in as many pies as possible - but at some stage we will need to rationalise these many memberships.

#### **University of London**

As with all Heads of Colleges, I sit as member of the Collegiate Council, which is the managing body of the University - reporting to the Board of Trustees. There are some very major projects in being - notably the regeneration of Senate House; also the completion of

new student accommodation, to which Central has some access. The winding up of ULU (the University-wide Student Union) is now complete, with the Malet Street premises more generally available as student recreational facilities.

The process of establishing long term sustainability of the Senate House Library (one of the main benefits of our membership of the University) continues.

I also serve on the Honorary Awards Committee of the University, and as Trustee of the CNAA Art Collection, now held by the University.

### **Recruitment / ebacc**

Recruitment has been holding up well in most areas. However, for certain courses on BATP there are worrying trends. This is the technical side, where apprenticeships are now coming on stream, together with specialist FE courses developed with Industry support. Central clearly offers the 'Gold Standard' in training leaders in the field, but this is difficult to get across to the prospective market. That market is also being hit by the Government's determined approach to ebaac, in which the creative subjects are not given any form of priority status. The long term impact of this action is cause for real concern in terms of supplying the Creative Industries with the workforce that is needed in keeping the UK 'ahead of the game'. These issues follow on from the marginalisation of teacher training opportunities in our sector.

One factor that is becoming more apparent in terms of recruitment, particularly for overseas students, is the fact that Central does not have its own student residential accommodation. Even though we have experienced very little difficulty in housing our students, parents feel much more assured if we can demonstrate accommodation within our own remit. The University can provide some, but this is quite minimal. The planning for the final Phase 6 of the Estate Masterplan must therefore seek to address this need.

### **Partnerships**

In the course of the year, Central students have benefited enormously from placements with various partners. Much of this work derives from our BA DATE programme. The list of such partners is too great to enumerate here, but includes schools, community centres, arts centres, theatres, festivals, prisons and hospitals. We are indebted to these organisations for the valuable experience they offer our students.

We are also indebted to many sources of independent funding - notably the Leverhulme Trust which supports many projects, often placing students overseas. The Trust is also a major funder of research work. We are also indebted to Sky TV for significant scholarship funding for students with disability and in hardship.

### **Alumni and Awards**

Our record of employment upon graduation is amongst the highest in our sector. One could single out a number of actors heading for stardom, but Central also produces so many figures notable in other aspects of theatre making. At one stage in the year four major West End



productions had been authored by Central graduates, so too in Sound and Lighting Design with winners of Tony and Olivier awards. Several of our Scenography students also won final places in the Linbury Stage Design awards.

It is gratifying to see so many of the most energetic and creative producing theatres being directed by Central graduates - e.g. The Traverse, Edinburgh; the Dublin Gate; The Gate London, the Finborough and BAC (Battersea Arts Centre).

The tracking of alumni employment and achievement will be ever more important as we are required by the Government agencies (i.e. the Office for Students) to measure impact of our graduates - principally for economic assessment, but also (we hope) for social impact. Such metrics will feature prominently in the TEF, REF and RISTA exercises. We are working on intensifying our Alumni relations and in calculating impact. Special gatherings have been organised in the USA (New York and San Francisco) and for specific year groups in London. We now have a well-established gathering at the Edinburgh Festival acknowledging the huge presence of Central alumni on the Fringe, and indeed for technical work at the International Festival.

### **League Tables**

The NSS (National Student Survey) is a prominent tool of Government in assessing the relative standing of HEIs, and outputs can inform the TEF, REF and RISTA. It has become contentious in that it may be used to regulate how a college or university might qualify for increasing its fees. The NUS has campaigned against this, urging individual student unions to boycott the call for NSS response. Central's SU has taken a particularly strident approach to this Boycott, indeed - probably the most stringent action of any HEI in the UK, and this has attracted a good deal of attention. It remains to be seen how this might rebound on our standing across the sector. The SU has been adamant in stressing that this Boycott should in no way be taken as a measure of criticism of the work and their satisfaction with Central.

We have done well in various other league tables. For instance - third in the Complete University Guide, for arts institutions (and well ahead of the other Drama Schools). We were 8th in the *Guardian* league table, and in the top quartile of the QS World University Rankings, and in the Hollywood Reporter's rankings - in which few of the UK Drama Schools are listed at all. We also made the final shortlist of *Times Higher (THE)* and *Guardian* HE awards. No other Conservatoires were thus recognised.

### **Graduation Ceremony**

The Royal Festival Hall on London's Southbank has become our regular venue for the annual Graduation Ceremony. It is always a spirited and positive occasion. This year we were able to confer Honorary Fellowships of Royal Central on Actor and alumnus Martin Freeman, who was introduced by Jason Watkins; on Kully Thiarai - Artistic Director of National Theatre of Wales - introduced by Catherine Howard; on Sound Designer and alumnus Gareth Fry, introduced by Professor Ross Brown; and Honorary Doctorate of the University of London on Playwright and Screenwriter Lee Hall, introduced by Professor Maria Delgado and conferred by the Vice-Chancellor Sir Adrian Smith, who officiated in awarding all the degrees.

The Registry should be thanked and congratulated for organising a really happy occasion with absolute efficiency.

**Patron, President and Board Members**

Her Majesty The Queen gave a reception at Buckingham Palace to recognise the considerable work which our Patron, HRH Princess Alexandra gives to the various organisations and causes with which she is associated. We were honoured to be amongst the guests so recognised.

Our President, Michael Grandage, has given support in many ways. He was unable to attend the Graduation Ceremony due to commitments in the USA with a major new production, but his active support of Central is greatly valued.

We are indebted to the dedication of our Board Members who give unstintingly of their time and wisdom. That Central is in such good heart and such a robust state financially is in no small measure due to their commitment.



**Professor Gavin Henderson CBE**  
**Principal**

## STRATEGIC REPORT INCLUDING OPERATING AND FINANCIAL REVIEW

The Royal Central School of Speech and Drama (hereafter referred to as 'Central' or the 'School') is an exempt charity under the terms of the Charities Act 2011 and the Higher Education Funding Council for England (HEFCE) is the principal regulator of Central, both as a Higher Education Institution and as a Charity.

Central has no linked charities attached to it. The members of the Governing Body of Central are the Directors and charitable Trustees of Central.

### 1 Context, Objectives and Strategies

#### 1.1 Legal Status

Central, herein defined as the parent company, is incorporated as a Company Limited by Guarantee, with a subsidiary Company, CSSD Enterprises Limited.

Central was admitted as a Federal College of the University of London on 1 September 2005.

#### 1.2 Charity Objects

In setting and reviewing Central's objectives and activities, the Governors have had due regard to the Charity Commissioner's guidance on the reporting of public benefit and particularly to its guidance on the advancement of education and fee charging.

The objects for which Central is established are the advancement of education and learning and to promote the knowledge, study and practice of speech training and of dramatic art.

#### 1.3 Vision and Mission

**Vision:** *To be a world-leading institution of the theatrical and performing arts.*

**Mission:** *Placing students at the centre of its work, Central develops practitioners and researchers who shape the future of theatre and performance across the UK and beyond.*

This Mission statement forms the cornerstone of the existing Corporate Plan which covers the planning period to 2019.

#### 1.4 Corporate Plan

Central is a Higher Education conservatoire, drawing both of those elements together and situating itself at the junction of HE, industry and community interests,

contributing to the interplay of these interests, and brokering the relationships between them.

The Corporate Plan identifies a number of opportunities and challenges that are expected to be prominent over the period to 2019.

Opportunities during the strategy period are expected to include:

- a) conditions which favour Central's taking up an acknowledged premier position among UK specialist theatre institutions;
- b) optimisation of the student experience through further developed partnerships with companies and professional practitioners;
- c) income generation through fundraising, sponsorship, consultancy and research;
- d) efficiencies and effectiveness through shared services;
- e) development of Central's outreach and business training and establishing a new role as the specialist college with partnership schools;
- f) maximising the value of the University of London brand;
- g) maximising the value of the Royal title for recruitment and general profile in relevant markets and media;
- h) providing leadership and advocacy for the creative industries in Central's areas of specialism;
- i) development of external examinations in speech and drama;
- j) development of an advocacy role through an increased ability to inform government policy and to represent the HE perspective.

Challenges that the School expects to face during the strategy period include:

- a) need for estate development with limited capital funding and the need to identify suitable alternative accommodation during construction work;
- b) continued public-sector austerity throughout the planning period including:
  - likely adjustments to government funding that may strip money out of the HE sector in general
  - increased actual and perceived poverty of those who might think about entering higher education
  - competition from new providers entering the public-funded sector
  - impact of increased student debt burden
  - ability to maintain high student employability including self-employed/freelance
  - assessed need to deliver an annual "Earnings Before Interest, Tax, Depreciation and Amortisation" (EBITDA) surplus in the range of 9-13% to remain sustainable;
- c) changed circumstances, and further review, of public funding for specialist institutions and conservatoires from 2015;
- d) changing school syllabus and possible resultant challenge to widening participation and student diversity;
- e) a move to training teachers within school settings;
- f) attracting and retaining high calibre staff, including suitably qualified academic staff to sustain disciplinary specialist expertise in a climate of pay restraint;

- g) the need to optimise environmental performance to enhance economic sustainability;
- h) maintaining and developing research quality in an increasingly selective funding environment;
- i) maintaining the quality of student experience during a downturn and through a period of construction; and matching student satisfaction with student expectation;
- j) sustainability of Postgraduate taught provision in a competitive and changing environment post Brexit;
- k) effective profile and data management in a world soaked with information;
- l) sustaining appropriate leadership and governance succession arrangements throughout the period.

In dealing with these challenges the School continues to recognise the potency and effectiveness that stem from its small size, disciplinary coherence and the culture of commitment among its students and staff.

The School continues to develop and diversify its range, whilst maintaining its disciplinary-specific culture and customary high quality, promoting intensive engagement with specialist knowledge that can develop applications in new and testing contexts. It believes there are not just opportunities, but productive dialogues, in its relationships with specialist professions and with a diverse range of user groups.

## 1.5 Values

Central remains committed to:

- a) maintaining the distinctive ethos as an HE conservatoire at the crossing-point of HE, industry and community. This consists of a fluid combination of scholarship and research, industry-related vocational training and research-informed teaching;
- b) recognition that enhancement of learning is a project for staff and students alike, and that it takes many forms and relationships;
- c) active encouragement of diversity as a basis not only for an enriched learning experience but also for an enhanced working environment;
- d) opening doors to disciplines for new thinkers, makers and practitioners in dispersed and diverse communities and seeking to lead participation in varied but interrelated communities of interest and study.

## 1.6 Strategic Aims and Objectives

A series of over-arching strategic aims are established in the Corporate Plan for the period to 2019 together with key objectives that flow from them. These relate inter alia to teaching, learning and the student experience; research outputs and the sustainability of the research culture and the School's industry impact. Alongside these, there are objectives relating to the continued development of the School's

estate and its organisational resilience and sustainability. A summary of aims and objectives is given below:

***Teaching, learning and the student experience***

1. Furthering the development of an engagement plan for the supply chain to ensure that Central continues to provide highly-skilled and qualified graduates into the theatre and allied industries across the full range of its courses.
2. Maintaining high quality student experience and the distinctiveness of the provision, ensuring that expectations are met.
3. Defining standards and benchmarking them with international peers in relevant disciplines.
4. Exploring opportunities for, and the feasibility of, extending Central's geographical range of delivery regionally and internationally.

***Research (outputs and sustainability)***

1. Development of new research leaders.
2. Increasing the quality of research outputs for submission.
3. Diversifying research funding.

***Financial performance for sustainability and financial health:***

1. Maintaining agreed EBITDA and "Margin for Sustainability and Investment" (MSI) targets and appropriate positive net current assets and cash balances.
2. Diversifying funding and in particular reduce reliance on HEFCE funding.
3. Ensuring affordability of estate development.
4. Maintaining staffing costs within agreed plan.

***Industry Impact***

1. Further developing Central's external engagement with a focus on "third stream" activity.
2. Discipline-specific engagement models.
3. Collection of employment data.

***Estate Development***

1. Modelling estate masterplan (including Phase 6) to 2025 and establish phasing.
2. Delivering Phase 5 by 2018/19.
3. Securing appropriate accommodation for areas affected by Phase 5 build.

***Human Resource Development***

1. Developing and maintaining a comprehensive learning and development strategy that prepares and equips staff to fulfil the changing requirements of roles in accordance with institutional needs.
2. Maintaining and enhancing career progression routes to retain an appropriate balance of staff.
3. Maintaining and enhancing quality and diversity of staff.
4. Maintaining the integrated contribution of visiting and professional staff.

## 2 PERFORMANCE REVIEW 2016/17

### 2.1 Strategic Performance against the current Corporate Plan:

The Board of Governors monitors Central's performance against the strategic aims and objectives set out above. The following is a summary of Central's key strategic achievements for the year:

- a) Central participated in the Teaching Excellence Framework (TEF) 2 and was awarded the highest possible rating of Gold
- b) Central's staff Fellowship of the HEA increased by 10 (36%) from 28 to 38 in year
- c) A Teaching and Scholarship pathway was introduced to provide enhanced career pathways for staff. To support this initiative, a Teaching Excellence Scheme was established to fund teaching sabbaticals. This runs alongside the established scheme for research sabbaticals
- d) Regional auditions and a fee waiver scheme was established to support widening participation and access
- e) The Phase 5 North Block Development commenced construction on site for completion in Autumn 2018. Pledges of £1.7m towards the capital fundraising appeal have been secured
- f) Additional teaching accommodation at Emerson Studios, Bankside has been secured until June 2021 to provide decant accommodation during the Phase 5 Development and to facilitate a growth in short course and summer school activity. The Bankside site was opened in January 2017
- g) In addition to capital campaign pledges, recurrent fundraising targets were exceeded. Notable successes included bursaries for students with disabilities and to fund applied theatre placement bursaries
- h) Through the hard work of staff, Central achieved an excellent year-end financial result to fund future investment and to ensure on-going sustainability.

### 2.2 Key Performance Indicators

The Governing Body has agreed a number of key performance indicators to assess strategic performance against agreed benchmarks and objectives. **Some of the Key Indicators** for the year under review are shown below. Further Financial Indicators are shown in the Financial Review in section 3 below.

Key Performance Indicator - Sustainability	Year ended 31 July 2017
Payroll costs to remain within 60% of total income:	
Payroll costs as a percentage of total income	49.5%
Payroll costs as a percentage of total income excl capital donations	51.5%
Continue to invest up to 1% of staff payroll cost on staff development activity	1%
Condition of estates in condition A and B to be above sector benchmark of 80%	98%
Energy costs to remain below sector benchmark of £20 per m <sup>2</sup>	£17.06 per m <sup>2</sup>
External borrowing to remain below 50% of income	0.0%
Student non-completions below 5%	5.7%
Maintain Student recruitment numbers	4.6% (12 students)
Undergraduate	Under target
Postgraduate Taught	20% (52 students)
	Over target

### 3 FINANCIAL REVIEW

The Financial Statements for the Year Ended 31 July 2017 show the group position for Central and include the results of CSSD Enterprises Limited, a subsidiary company. The principal activity of CSSD Enterprises Limited was to operate the student bar during the year.

The School is reporting current year surplus of £2.92m, where income has grown by 21.7% to £19.4m and expenditure has increased by 15.7% to £16.5m when compared to prior year. The significant growth in income resulted from the outcome of the HEFCE periodic Review of Institution-Specific Targeted Allocations (RISTA) to support specialist institutions with world-leading teaching. Decisions on the strategic investment of additional grant monies were approved by the Board of Governors in July 2016. The full implementation of investment decisions was not in place for the full financial year resulting in lower than budgeted expenditure in-year. The exceptional non-recurring surplus is necessary for investment in equipment and facilities, to part-fund the Phase 5 North Block Development and to provide a margin to cover any unforeseen events that might put Central at financial risk. The surplus of £2.92m (before actuarial gains) represents a very strong outturn. The allocation of £408k of actuarial gains in respect of the LPFA pension scheme to the comprehensive statement of income and expenditure results in a comprehensive income of £3.3m. The actuarial gains are due to positive market movements within the equities, corporate bonds and gilts asset funds since 31 July 2016. See page 44 and 45 for further details.

It should be recognised that the actuarial gains represent the value as at a certain point in time, the nature of actuary valuation dictates that fluctuations of this nature (positive and negative) will occur.

Central has a strong reserve position and bank covenants in relation to the new loan exclude the fluctuation in the pension deficit figure.

A summary of the Group Income and Expenditure Account is shown below:

	Year Ended 31 July 2017 £000	Year Ended 31 July 2016 £000
Income	19,372	15,913
Expenditure	(16,454)	(14,218)
Surplus for the Year	2,918	1,695
Surplus % Income	15.1%	10.7%



Income

Revenue Summary	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Tuition Fees & Support Grants	11,269	10,676	10,145	8,721	7,936
Funding Council Grants	6,240	3,968	3,637	4,276	4,690
Research Grants and Contracts	126	52	79	270	190
Other Income	648	759	808	809	971
Donations	1,002	360	602	257	239
Endowment and Investment Income	87	98	68	54	82
<b>Total Operating Income</b>	<b>19,372</b>	<b>15,913</b>	<b>15,339</b>	<b>14,387</b>	<b>14,108</b>

Central's total operating income for the year is up by £3.5m compared to the previous year. This increase is driven primarily through increased tuition fee income, Funding Council Grants and donations.

Funding Council Grants from HEFCE increased by £2.3m from 2015/16 to 2016/17. As noted above, this increase is due to the 2016 RISTA Review which confirmed that Central's teaching is world-leading. This has resulted in a significant uplift in grant funding to recognise the higher costs and distinctive nature of Central's specialist provision. Funding Body Grants as a proportion of total income, is up 7% to 32% of total income, from 25% in the prior year.

Donations have increased by £642k from 2015/16 as a result of Phase 5 capital fundraising. Capital fundraising income amounted to £766k, this income is non-recurring and restricted to fund the Phase 5 development project.

Tuition Fee income including Short Course and other fees has increased by £0.6m compared to 2016.

Tuition Fees & Education Contracts Income	2017			2016			Variances		
	£000	No.s *	%	£000	No.s *	%	£000	No.s	%
Full -time - Home/EU	5,655	625	50%	5,330	593	50%	325	32	6%
Undergraduate - Non EU	947	54	8%	734	49	7%	213	5	29%
Full-time - Home/EU	1,876	199	17%	1,883	181	18%	(7)	18	(0%)
Postgraduate - Non EU	1,791	133	16%	1,616	106	15%	175	27	11%
Part-time - Home/EU	243	64	2%	259	77	2%	(16)	(13)	(6%)
<b>Total Tuition Fees</b>	<b>10,512</b>	<b>1,075</b>	<b>93%</b>	<b>9,822</b>	<b>1,006</b>	<b>92%</b>	<b>690</b>	<b>69</b>	<b>7%</b>
Short Course & Other Fees	757		7%	854		8%	-97		(11%)
<b>Total</b>	<b>11,269</b>		<b>100%</b>	<b>10,676</b>		<b>100%</b>	<b>593</b>		<b>6%</b>

\* Numbers exclude students with fully waived fees (2017: 23, 2016: 38)

The preceding table highlights the fact that the increase sits primarily within Tuition fee income. More specifically, an additional £0.21m (29% increase) compared to prior year was generated within the “Full-Time, Undergraduate, Non EU” student classification.

In addition, Full-time Non EU Postgraduate student income increased by £0.17m (11%) when compared to 2016.

Expenditure Summary	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Staff Costs	9,591	8,827	8,707	8,601	7,636
Other Operating Expenses	5,943	4,523	4,697	5,095	4,735
Depreciation	672	619	606	599	594
Interests and Other Finance Costs	200	236	146	105	93
Gain / (Loss) on investments and disposal of Fixed Assets	52	(2)	7	-	2
Transfer (from) / to endowment fund	(4)	15	2	8	14
<b>Total Operating Expenditure</b>	<b>16,454</b>	<b>14,218</b>	<b>14,165</b>	<b>14,408</b>	<b>13,074</b>

Total Operating Expenditure has increased by 15.7% (£2.2m) from 2015/16, driven predominately through increased staff costs and other operating expenses.

Expenditure on staff costs is the highest cost item, representing 49.5% (2015/16 - 55.5%) of total income. As a leading Conservatoire, Central also draws on freelance industry professionals at an additional cost of £1m (5.4% of total income). Although staff costs are up 8.7% (£0.76m) on the prior year, this increase masks significant savings achieved from the deferral of recruitment on vacant positions previously expected to be filled at the beginning of the year. This was done without detriment to the student experience. However, the significant uplift in grant funding as result of RISTA will enable Central to enhance investment in student facing staff to ensure continued sustainable development and world-leading excellence. The timing of the RISTA notification prevented appointments being in place for the full academic year. This saving will not flow through to future years.

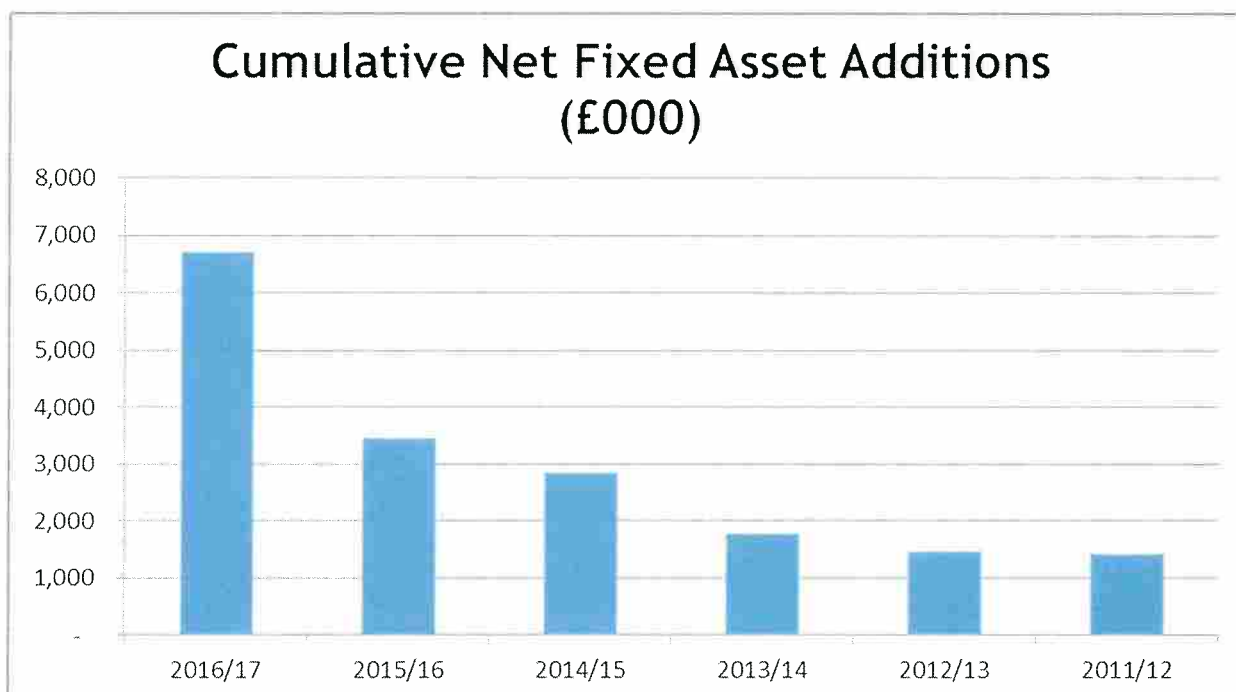
Other operating expenses for the year 2016/17 have increased by £1.4m when compared to 2015/16. This is primarily due to increased expenditure on rent (£0.5m) as a result of the new Bankside lease and the hire of temporary porta-cabins since the start of the Phase 5 Build project. Other notable increases include self-employed professionals (£0.24m), bad debts (£0.13m) increased as a result of the write off of SLC funded tuition fees for students suspending their studies, consumables (£0.08m), Bursaries (£0.07m) as a result of increased bursaries to support student projects (funded by donations), subscriptions (£0.05m) as a result of 3 additional institutional subscriptions.

### Capital Projects

“Phase 5” is Stage 5 of Central’s six phase estates master plan to address the longer term space requirements of both students and staff at the School.

Capitalised costs of £3.3m incurred during the year comprised construction costs and alteration and improvements on de-cant accommodation on the leased property at Central Bankside.

The construction of the new building commenced in January with expected occupancy in Autumn 2018.



## Investment Performance

Cash balances plus short term deposits at the end of the year stood at £13.8m, up £1.6m when compared with prior year, and represents the equivalent of 321 days of expenditure. A net cash inflow from operating activities of £5m was generated in year.

The Treasury management policy of the School reflects a low/medium appetite for risk, where liquidity and capital preservation represent the two essential criteria guiding cash management. Diversification of funds across a range of highly rated banking institutions was also employed to reduce exposure to counter-party risk.

## Key Financial Indicators

	Royal Central School of Speech and Drama		Sector Mean*
	2016/17	2015/16	2015/16
Current Ratio	2.9	3.6	2.1
Net Liquidity (Days)	321	327	135
Cash flow from operating activities as % total income	26.2%	19.5%	10.3%
External Borrowing as % of total income	0%	0%	29.8%

(\* Source: "Financial health of the higher education sector" - Financial Results and TRAC Outcomes HEFCE March 2017/02)

The preceding financial indicators represent a healthy liquidity position for the School, the Current Ratio has marginally decreased and External Borrowing is zero as the new bank loan facility of £8.7m is yet to be drawn down.

Central entered into a new bank loan facility of £8.7m in May 2016 which will not be drawn until 2017/18 after initially utilising retained earnings to fund the Phase 5 construction. The £8.7m loan is for 20 year period on a mixture of 57.47% fixed rate of 3.155%, 11.49% at a fixed rate of 2.743% and the balance of £2.7m at floating LIBOR (3 Months) plus 1.35% margin. External borrowing is expected to increase to 31% of total income in 2017/18. Net Liquidity (Days) of 321 for the School, is a decrease on the prior year but remains significantly better when compared to the sector mean of 135 days. Cash flow from operating activities is substantially up both in absolute terms and as a percentage of total income when compared against prior year (2016/17 £5.1m / 2015/16 £3.1m), driven predominantly through the delivery of a surplus after depreciation of £2.92m in year compared to a prior year surplus after depreciation of £1.7m.

## Pensions

The School participates in two schemes, the LPFA superannuation scheme, a local government scheme which in London is managed by the London Pensions Fund Authority and the Teachers' Pension Scheme (TPS). Both schemes are multi-employer and defined benefit schemes.

The TPS provides pensions to teachers who have worked in schools and other educational establishments in England and Wales. The scheme is an unfunded statutory public service pension scheme with the benefits underwritten by the Government. The scheme is financed by payments from the employer and from those current employees who are members of the scheme who pay contributions at different rates which depend on their salaries. The rate of employer contributions is typically set following an actuarial valuation.

The Department for Education published the latest TPS valuation report as at 31 March 2012 on the 9 June 2014. Following the recommendations of Lord Hutton on public sector pensions, the valuation has been undertaken by the Government Actuary's Department in line with the revised valuation directions determined by Her Majesty's Treasury. The directions require the existing TPS and the new scheme introduced for the teachers' workforce on 1 April 2015 under section 1 of The Public Service Pensions Act 2013 to be taken into account in aggregate for the purposes of the current valuation.

The report recommended the employer contribution rate for the TPS increase from 14.1% to 16.4% with effect from 1 September 2015. The employer contribution rate is expected to be reassessed at the actuarial valuation to be carried out as at 31 March 2016 (and each subsequent four yearly valuation). The next revision to the employer contribution rate is expected to take effect from 1 April 2019.

The TPS is unable to identify the School's share of the underlying assets and therefore the School is exempt from detailed reporting in the accounts in accordance with the relevant reporting standard Financial Reporting Standard 102 (section 28).

The LPFA scheme currently shows an FRS 102 deficit of £7.0m for the School, representing a small deterioration from a deficit of £6.9m reported at the previous year end. The £7.0m liability reflects changes in assumptions underlying the present value of the fund's obligations compared to the fair value of scheme assets as at 31 July 2017. The present value of the fund's obligations for the School has increased to £18.1m, up £2.1m on the previous year. The fund's assets in turn have increased by £2m to £11.0m. Based on the 31 March 2016 LPFA valuation, the School elected to continue pay an employer contribution rate of 14% although the valuation set the employer rate at 12%. This rate is set for a 3 year period from 1 April 2017 to 31 March 2020. The next actuarial valuation of the fund will be carried out as at 31 March 2019 and will set the contributions for the period from 1 April 2020 to 31 March 2023.

The School's share of the LPFA scheme deficit is reflected in the balance sheet in accordance with FRS 102.

## Future Outlook and Key Risks

In July 2017 the School submitted its 4 year forecast to the Higher Education Funding Council for England (HEFCE) for the period up to 2019/20. These forecasts acknowledge on-going uncertainties across the sector such as:

- In 2017/18, institutions that meet TEF requirements will be able to raise tuition fees in line with inflation. Thereafter, fees will be frozen at the 2017/18 rates.
- Higher staff costs and the sustainability of current pension schemes.
- The level of public funding, in particular, cuts to Teaching grants including exceptional funding and student opportunity grants and the lack of capital grants for specialist HEIs presenting real challenge in the financing of major capital building projects.
- The impact of Brexit and the funding status of students entering higher education in the UK from 2019/20.
- The impact from the HE Bill, TEF and the Stern Review.

Against this background, the School's key Corporate Plan priorities, detailed in the Corporate Plan for the period to 2019, focus on:

- Attracting and retaining high calibre academic staff
- Estate development
- Constantly testing relevance of the School syllabus and skills provision
- Pursuing environmental performance to enhance economic sustainability
- Ensuring on-going sustainability.

Investment in the on-going sustainability of the School is clearly evident through the School's investment in staffing costs and ambitious plans with regard to the estate investment plan (Phase 5), all aimed at enhancing the teaching, learning environment and ultimately the student experience. The emphasis on surplus generation and the accumulation of surpluses to date enables the School to invest strategically in support of the corporate plan. As evidenced above, investment will take the form of both capital investment and additional recurrent spend. The £16.7m Phase 5 capital element of the investment plan will be funded through a combination of an external loan facility, a Capital fundraising campaign and by drawing on internal reserves. The School entered into a new bank loan in May 2016 to value of £8.7m. This will not be drawn down until Q3 2018.

Financial sustainability underpinning the investment behind the School's Corporate Plan has been fully tested and reflected in the six year financial forecasts [2 years' actual results plus 4 years of forecast] to 2019/20 as submitted to HEFCE. The following table summarises key financial ratios closely associated with the assessment of an institution's long term financial sustainability:

	Forecast	Forecast	Forecast	Actual	Actual	Actual
	2019/20	2018/19	2017-18	2016-17	2015-16	2014-15
Surplus/(deficit) before gains and losses as a % of total income	5.5	6.0	6.1	15.3	10.6	7.7
Discretionary reserves exc. pension asset/(liability) as a % of total income	111.6	110.0	106.6	100.5	106.3	113.8
External borrowing as a % of total income	40.9	43.9	31.0	0.0	0.0	3.5
Net cash flow as a % of total income	9.4	10.8	9.9	26.2	19.5	12.4
Net liquidity days	257	243	165	321	327	278
Staff costs as a % of total income	55.7	55.7	55.2	49.5	55.5	56.8
Staff costs as a % of total income (excluding capital donations)	55.7	55.7	56.2	51.5	55.5	56.8
EBITDA	2,134	2,130	1,775	3,808	2,397	1,698
EBITDA %	10.4	10.8	9.2	19.7	15.1	11.1

Throughout this period, discretionary reserves excluding pension liability as a percentage of total income range between 100.5% and 111.6% which is significantly above the sector average of 82.2% for 2015/16 reported within “Financial Health of the higher education sector” (HEFCE 2017/02). The focus on discretionary reserves is due to the fact that they can act as a buffer against large, unexpected financial pressures.

The measure “Net Liquidity (Days)”, indicates the School’s ability to respond to short term financial pressures. Whilst dipping to 165 days in 2017/18, this is higher than the predicted forecast sector average of 135 days for 2015/16 (HEFCE 2017/02). Detailed cash-flow analysis also highlights a healthy liquidity position throughout the planning period.

The School is moving forward from a position of strength and a strong focus on long term financial sustainability, noting a healthy Balance Sheet reflecting no debt and a high cash balance position with a good level of reserves and a strong track record of generating surpluses. The School has therefore a reasonable expectation that adequate resources exist to continue operations for the foreseeable future and the going concern basis continues to be appropriate for preparing the annual financial statements.

## Risk Management

Risk management is conducted at both a strategic and operational level across the School. It is periodically reviewed by the Governing Body, Finance and Employment Committee, Audit Committee and Executive Management Group. The risk management process itself is also subject to internal audit review. The reviews consider the addition or deletion of risks and the reassessment of impact and probability as well as the adequacy of action being taken to mitigate risk. The high level risk register includes certain items which are generic to the sector and not wholly within the School’s control.

There are four key risks to the financial health and sustainability of the School related to student recruitment. All risks are reflected on the School Strategic Risk Register:

- a) reduction in the number of overseas student applications/acceptances resulting in loss of forecast income;

- b) reduction in the number of home postgraduate taught student applications/ acceptances resulting in loss of forecast tuition fee income and possible under-performance against the HEFCE contract; and
- c) the impact on Brexit on EU student funding support.
- d) the marginalization of creative arts within the school curriculum and the introduction of paid technical apprenticeships will reduce the supply of suitable applicants to some of Central's specialist technical pathways .

The above risks highlight the potential for increased income volatility as a result of pressures on student recruitment, including increased competition for international students from other countries and a significant fall in part-time undergraduate and postgraduate numbers.

The School is responding to these risks by undertaking a combination of the following actions:

- a) further development of a proactive marketing strategy.
- b) continued investment in infrastructure including the Phase 5 Development and capital equipment.
- c) refocused staff resource to maximise effectiveness of the marketing strategy.
- d) investing in website, press and social media enhancements to seek a competitive edge to attract students worldwide and facilitate a more proactive press and social media campaign to correct any false reporting, highlight good news stories and promote the School's achievements.
- e) development of Scholarships to attract high quality applicants.

Other key risks identified by the School and logged on the School Strategic Risk Register include:

- a) unsustainable pension schemes resulting in significant pension scheme liabilities.
- b) insufficient on-site or off-site physical space of good quality to meet operational requirements.
- c) potential adverse impact on student experience and satisfaction ratings during the construction phase of the Phase 5 Development project.
- d) effects of continued austerity within the Higher Education sector.
- e) inherent inflexibility of the business model and the very long lead time for change to take effect.



## **PUBLIC BENEFIT**

Central's charity objects are the advancement of education and learning and to promote the knowledge, study and practice of speech training and of dramatic art.

Central remains committed to widening participation, whether that is seen as a measure of participant satisfaction, applications to Central and arts institutions, or to the success of its new partnerships and collaborations. In line with current guidance it continues to take a holistic whole student lifecycle approach which will contribute not only to changing underrepresentation in higher education in general but also to the diversity of its own staff/student body and the creative sector as a whole. In particular, Central's outreach plan addresses geographic targeting and also the targeting of specific groups of young people, UCAS analysis shows that only around 10% of white British men from the most disadvantage backgrounds go into higher education. Central's activity in the East Midlands addresses this through its outreach programme; of the white British male participants 38% were from POLAR 3 quintiles 1 & 2 (least likely to progress to HE) and 46% were from the lowest National Statistics Socio-Economic Groups 4-7 (NS-SEC). Further, of the young people Central engaged with from the London area, 62% were from a non-white background, another group of people for whom progression into higher education requires improvement, especially in the arts sector.

Specific core public benefit aims include:

- a) developing the leading practitioners of the performance industries;
- b) developing leading edge knowledge in performance practice and application;
- c) promoting the societal value of performance;
- d) creation of new audiences;
- e) offering specialist speech and drama training that is innovative, socially responsive and tailored to the needs of diverse groups by working with schools, voluntary and community organisations, businesses and communities and the public sector;
- f) reaching out to under-represented groups to inspire interest in pursuing a career in theatre arts;
- g) developing a culture that productively uses and enjoys difference;
- h) continuing to build upon community engagement activity within Central London, nationally and internationally; and
- i) promoting widening participation and fair access through Central's Access Agreement which provides bursary support and increased investment in outreach work.

## **PUBLIC BENEFIT PERFORMANCE**

The Board of Governors monitors Central's performance against the strategic aims and objectives set out above. The following are some of the highlights of the year:

### **Teaching, learning and the student experience**

1,098 students studied at the School during the year, comprising 677 full-time undergraduate students; 344 full-time postgraduate students; 9 full-time PHD students; 58 part-time postgraduate students and 10 part-time PHD students. The School awarded 191 Bachelor of

Arts degrees (58 at First Class and 113 at Upper Second), 258 Masters of Arts degrees, 20 Postgraduate/Diplomas and 3 PhDs.

Projects and placements are essential parts of the curriculum on many courses. This year approximately 360 students were placed with companies including the Almeida, Generation Arts, National Theatre, Shakespeare's Globe, Royal Opera House, Tricycle Theatre and Young Vic, undertaking activities that contributed to learning outcomes and to the work of the organisations. Student performances and work were also showcased at the Wanamaker Festival at Shakespeare's Globe, Tate Modern and the Festival of Theatre and Performance at the V&A Museum.

Placements also take students overseas. Amongst other destinations, Applied Theatre students returned to New York to work with homeless and trafficked youth through Covenant House International, to Dhavari in Mumbai, one of the most populous places in India, to work with non-profit organisation Sneha and to Malta's only prison, building upon the School's sustained history of engagement with prison systems through applied theatre.

Knowledge and understanding of touring is vital to a career in the drama industry and students took productions across the UK, visiting cities, towns and rural areas to learn the skills involved.

Teaching staff achieved several notable external successes during the year, including:

Dr Sylvan Baker, Central's Postdoctoral Teaching Fellow for Drama, Applied Theatre and Education, was recently awarded a 2017 Centre for Public Engagement Award for Influence at the Queen Mary University of London Engagement and Enterprise Awards. The award was given in recognition of *The Verbatim Formula*, a collaboration between Dr Baker, Dr Maggie Inchley and Dr Sadhvi Dar (both of Queen Mary University of London). People's Palace Projects in partnership with the Greater London Authority Peer Outreach Team produced the project.

Central's associate artist, London-based arts company Fevered Sleep, described by the Guardian as 'boundary-smashing', and their Co-Artistic Director, Central's Professor of Interdisciplinary Performance David Harradine, premiered a new version of their highly acclaimed dance piece, 'Men & Girls Dance'. The performances of Men and Girls Dance, presented by Tate London's Early Years and Families Learning Programme, had just under 5000 attendees. Men & Girls Dance brought together two very different groups of performers: adult, male professional contemporary dancers and girls who dance for fun.

*On the Verge*, an exciting new film festival celebrating new, emerging work from a selection of talented female filmmakers. *On the Verge* was organised and curated by filmmakers Riffy Ahmed, Jacqueline Pepall and Central's Principal Lecturer and Course Leader of MA Acting for Screen Amanda Brennan. Amanda Brennan; also works as a freelance acting coach, has directed, and produced a series of award-winning short films. A number of students and graduates from Central's MA Acting for Screen course had their work shown as a part of the *On the Verge* festival, including Vanesa Calderon, Robyn Rainsford, Anna Mackay, Daniele Darvill, Eva Kung and Jessica Priestley. All proceeds from *On the Verge* went to the Hospital Club Foundation, providing opportunities for young people to access, explore and excel in the creative industries.

Research Fellow Dr Dani Ploeger's installation artwork *Assault* was shortlisted for a 2016 Celeste Prize. Celeste Prize is an international contemporary arts prize, and finalists'

work will be exhibited at London's Bargehouse at the OXO Tower Wharf in October 2017, and winners will be announced later in the year.

### **Research (outputs and sustainability)**

Research has continued to build on initiatives set up in 2015-16. A new committee structure - a Research Committee (RC) with a Research Degrees Subcommittee (RDSC) and Sabbaticals and Awards Sub-Committee (SASC) reporting in to it - now offers clearer accounting structures for all aspects of the department's work. Two associate directors of research have been appointed, one specifically taking responsibility for Research Degrees, and a restructuring of the Research department has seen the new position of Head of Research Services created to oversee the day-to-day management of the department. A Research Services Administrator takes responsibility for the administration of the Research Degrees programme and all research events. The contracting of a research-funding consultant has also helped us put in place a new strategic plan for funding applications. This has already seen results with two Leverhulme Trust awards this year, including a three-year Early Career Fellowship. We end the year with 12 applications in development.

Support for staff activities has taken many shapes and forms. SASC awarded 33 internal funding awards totalling £96,966, including seven sabbaticals, to support academic staff produce high quality research outputs, research grant applications, and special projects. Central staff were supported to attend key national and international theatre conferences with 9 staff delivering papers at TaPRA, 2 at SCUDD, 3 at PSI, 5 at IFTR, 1 at ATHE and 3 at ASTR, allowing for a more sustained contribution to disciplinary debates. We have been delighted to receive our first ever Leverhulme Visiting Professorship awarded to Professor Christopher Balme from Ludwig-Maximilians-Universität München. Professor Balme was with us between February and April undertaking a range of activities; he was joined by a number of Visiting Fellows who contributed to our research culture through seminars, lectures, mentoring and research degrees' guest sessions. These included esteemed international academics Professor Patrick Anderson (UC-San Diego), Dr. Priya Srinivasen (University of Melbourne), and Professor Maurice Hamington (Portland State University) and researchers working in industry (ecologist and dramaturg Dr. Ruth Little and playwright Caridad Svich). In addition, two Professorial Fellows (Dr. Claire MacDonald and Professor Robin Nelson) have continued associations with the institution.

All visiting fellows have contributed to our seminar series, which have attracted an audience in excess of a thousand over the course of the year. In addition to our 20 in-house events, we have held 20 high quality research events in partnership with external organisations - the ICA, the Institute for Modern Languages Research, the ICA, the V&A and King's College London. A particular highlight was the Brexit the Stage conference realised in April with the V&A where speakers included David Lan, Mark Ball, Natalia Kaliada, and Kully Thiarai. A further conference on Performance and Care was held at Central in December 2016 and our Edward Gordon Craig Lecture was hosted by Jo Parker and delivered by Lizzie Clachan.

Central staff have continued to contribute to the discipline, offering advice to Research Councils, funding bodies (Arts Council England, AHRC, ESRC, Leverhulme Trust), and disciplinary organisations, including SCUDD and TaPRA. Our membership of the AHRC's Peer Review Council increased from 2 to 5 with Professor Delgado appointed also to the Strategic, International and Knowledge Exchange Colleges and the Digital Science Focus Group.

Professor Delgado remains on HEFCE's Research and Knowledge Exchange Strategic Committee and its HE KE Steering Group and served on the Australian Research Council's National Engagement and Impact Assessment Pilot Review Panel. Dr. Abrams was appointed ATHE incoming President and was co-organiser of the 2016 ASTR conference. Professor Bush-Bailey continues to serve as Chair of TaPRA and Dr. Gareth White served his first year as Secretary of SCUDD. All this comes in addition to work as journal editors, series editors and members of editorial boards, as well as extensive peer review for funding bodies, journals and publishers.

Staff continued to produce monographs, edited collections, articles and book chapters as well as practice research projects. Highlights included Dr. Tony Fisher's *Theatre and Governance in Britain, 1500-1900: Democracy, Disorder and the State* (Cambridge University Press); Professor Delgado's co-edited *Companion to Latin American Cinema* (Wiley-Blackwell); Kate Elswit's co-authored 'Mapping Movement on the Move: Dance Touring and Digital Methods' (*Theatre Journal*, Johns Hopkins University Press); Professor Sally Mackey's AHRC-funded 'Performing Places: working with local councils to reach new communities and facilitate wellbeing in living environments'; Professor David Harradine's ACE-funded *Men and Girl's Dance*; and Dr. Dani Ploeger's AHRC-funded 'Electronics Consumption, Waste and the Informal Trade Sector in Sub-Saharan Africa'.

In addition, staff have been shortlisted for and received a number of awards for their research. We were runners up in two Guardian University Awards (International Projects for Dr. Selina Busby's [Concrete Utopias in Dharavi](#) and Social and Community Impact for Fevered Sleep's [Men and Girls Dance](#)). Dr. Selina Busby's [Concrete Utopias in Dharavi](#) was also a shortlisted finalist for the Times Higher Award for Excellence and Innovation in the Arts. Dr. Tom Cornford received the SCUDD David Bradby Award for Early Career Researchers and both Dr. Stephen Farrier and Professor Maria Delgado were finalists in the TaPRA Editing Prize, which was awarded to Delgado and Professor Joanne Tompkins (University of Queensland) - a Central Visiting Fellow in 2015-16. Delgado was also awarded the Cross of Alfonso X the Wise for her body of work on Spanish-language cultures.

Our postgraduate numbers have met our strategic targets, and moreover, we have seen a marked increase in the quality of applicants, with a new and robust system in place for recruitment to the programme. We had a successful periodic review of the programme and have secured a co-funded industry PhD studentship with ABTT which will begin in January 2018. Our Collisions festival of practice research saw participation from the Royal College of Music and the University of the Arts London with whom we are enjoying a new shared relationship in training. Our student-led international PGR conference, Intersections, attracted attention with high placed keynote speakers, such as Simon Sladen from the V&A, testifying to the outward facing ethos of Research at Central.

Our students also disseminated their research at TaPRA (5 students attending) and IFTR (2 students attending). Most importantly, we have joined the London Arts and Humanities Partnership Doctoral Training Programme which is a major achievement and will hopefully allow us to access AHRC postgraduate funds from 2019.

## Fundraising

The School continued its relationships with a number of Trusts and Foundations, corporate supporters and individual philanthropists, including many long-standing supporters.

Trusts and Foundations supporting scholarships and bursaries in 2016/17 included The Andy Stewart Charitable Trust, The Andrew Lloyd Webber Foundation, The Ashley Family Foundation, The Leverhulme Trust, Shores Charitable Trust, The Stanley Picker Trust, and The William Walton Trust. Funds from the Behrens Foundation continued to support delivery of the academic programme.

The Andrew Lloyd Webber Foundation and The Beatrice Lillie International College of Comedy and Musical Theatre again supported the role of Associate Musical Director. The Savile Club Scholarship for postgraduate students was awarded for a third year. The Commercial Education Trust's Entrepreneurs' Award for MA/MFA Creative Producers has spurred new initiatives to support graduating entrepreneurs across all courses at the School.

Scholarships and bursaries totalling £240,426 were awarded through endowed funds and donations. In the main, scholarships were donated by Trusts & Foundations, alumni, and friends & families of alumni. Additionally, prize funds of circa £1,300 were gifted from endowed funds given in memory of following alumni: Clive Brook, Gary Bond Award, and Robert Tunstall.

Working with corporate organisations is a growing area for Central and the School attracted £65,000 of support for scholarships from Sky, The Hall School, ETC & Lloyds Bank amongst others. Sky has chosen to contribute to a dedicated fund to support students with disabilities, helping to promote equal access to training at Central; The Hall School continue to support MA Applied Theatre students and ETC chose to focus their support on Lighting Design and Production Lighting students.

The School benefits from the continued support of the members of The Pivot Club whose collective gifts totalled £37,299. In 2016-17, their gifts were used to provide a series of scholarship awards and to fund a range of small capital projects including: remodelling the props workshop; contribution to the large-scale roof repair of the Embassy Theatre; and new speakers and amplifiers for the New Studio.

Central has collaborated with a group of individuals who wished to donate a scholarship in memory of a friend/family member. The funds raised in 2016-17 supported two beneficiaries, and created two further scholarships, which will be awarded in 2017-18.

Last, but by no means least, a significant legacy from a former Governor was realised in 2015-16, with a second tranche in 2016-17. Part of these funds were allocated to the Phase 5 North Block development, with the remainder offered to undergraduate students with financially disadvantaged backgrounds, care leavers, and those who have had a difficult life journey and for whom drama has been a salvation.

The School is deeply grateful to all of its donors and supporters including those who choose to remain anonymous.

The School conducts its fundraising in line with the Charity Commission's principles at all times, and is fully committed to compliance with the new General Data Protection Regulation as outlined by the Fundraising Regulator and the Information Commissioner's Office.

## Industry Impact

Each year, Central awards Honorary Fellowships to members of the industry who are considered to have made extraordinary contributions to drama and the performing arts. This year, Honorary Fellowships were awarded to Central alumnus and acclaimed actor Martin Freeman, to Gareth Fry award-winning sound designer, and Chairman of the Association of Sound Designers. A Honorary Doctorate was awarded to Lee Hall, writer, whose career started in radio, Lee has won various awards, and has been writer-in-residence at Live Theatre, Newcastle and the RSC. A fellowship was also awarded to Kully Thiarai an experienced Theatre Director currently Artistic Director and Chief Executive of National Theatre Wales. Kully was, until May 2016, a founding Director of Cast in Doncaster, a £22 million performance venue that she opened as the cultural living room for the town.

Central's graduates are entrepreneurial, often forming companies with others from their cohort and entering the theatre industry by creating their own products and services, again this year was no exception. The Edinburgh Festival Fringe as usual forming an important early focus, Alumni and current students were involved in over sixty productions in the 2017 Edinburgh Festivals with Central providing marketing support, including a flyer promoting 35 student and alumni shows, and the chance to network in Edinburgh. Professor Sally Mackey also lead a workshop titled 'Writing and Producing your own work: Top Tips and Study Options', this was a free event, which gave participants the opportunity to develop and hone the skills of writers and creative producers working in the creative industries across the globe.

Building on the ever-increasing stream of Edinburgh Fringe shows produced or starring Central alumni, Central collaborated with graduate theatre company Mad Like Roar to deliver a series of live Q&As. The live Q&As focused on the process of successfully forming a show and taking it to the Fringe. Mad Like Roar is a theatre company consisting of a number of Central BA Acting (Collaborative & Devised Theatre) alumni.

The School continued to collaborate with companies on projects to influence the industry. Examples include the continuing relationship with world-renowned international touring company Complicite through the BA (Hons) Acting (Collaborative and Devised Theatre) course and Dr Catherine McNamara's ongoing *TransActing project* run in collaboration with Community Interest Company, Gendered Intelligence as well as Outbox Theatre Company which delivered workshops in several cities across England with regional theatres as hosts. Members of the first cohort of the Performance Making Diploma for Learning Disabled Adults delivered in partnership with theatre company Access All Areas achieved some notable successes in theatre and on television during the year.

The three-year Entrepreneurs' Award programme to support MA/MFA Creative Producing students in planning and starting up their own enterprises, funded by the Commercial Education Trust (CET), concluded with notable success. For example, Sarah McBriar's AVA Festival went global within two years of receiving the award, Sarah Elghady's Midsummer Dreams Festival is in its second year with support from Arts Council England, and Megan Keiran was awarded the Deutsche Bank Award for Creative Enterprise in the Performance Category for her We Are Now festival. A new initiative modelled after the CET Entrepreneurs' Award, called The Enterprise Fund, has been launched to promote and support entrepreneurship across the school.

**Developing the leading practitioners of the performance industries; developing leading edge knowledge in performance practice and application; continuing to build upon community engagement activity within Central London, nationally and internationally; creation of new audiences; developing a culture that productively uses and enjoys difference; promoting the societal value of performance:**

The School continued to create a broad range of opportunities to develop practitioners through the curriculum. These included public productions in its theatres and studios, the annual Craft and Design Exhibition, tours to venues across the country, on-site and off-site festivals and the annual opportunity for students to network and gain experience of the latest technology provided by its hosting of the Association of Lighting Designers New Technology Showcase.

As well as being vital for learning outcomes, public productions and events are popular with audiences, connecting Central to the community, introducing new audiences to performance and providing the opportunity to demonstrate the value of a career in drama and the theatre industry.

In 2016/17 Central put on 19 productions, with 117 performances. These figures include one production (four performances) staged at The Y Theatre (Leicester) and three productions, 18 performances staged at the Pleasance Theatre. This year, 84 public productions of 14 staged at the school, attracting a total audience of 6,994.

The regional show autumn term transfer to the East Midlands toured several cities and worked with the Y Theatre Leicester. Touring cities made the project more central within the region and the outreach team engaged with schools from Birmingham, Derby, Leicester, Loughborough, Northampton, Nottingham, Sheffield and Warwick. Drama, Applied Theatre and Education engaged in Swindon and again toured to venues in Oldham. Alongside performances, workshops enabled targeted audiences to find out more about studying drama and professional careers in the performing arts.

Directly addressing the societal value of theatre, members of academic staff participated in Parliament Week, the annual programme of public events at the House of Commons where Head of Acting Geoffrey Colman and Dr Catherine McNamara represented the School in panel discussions.'

This continues a bright year for Central with alumni successes in the Olivier, Golden Globe and WhatsOnStage awards, and a host of other awards and nominations. Central projects were shortlisted for two Guardian University Awards, a Times Higher Education Award, and a Hearts for the Arts Award for Best Local Authority Arts Project, and won the SCUDD (The Standing Conference of University Drama Departments) David Bradby award. Additionally, Central appointed its first ever Leverhulme Visiting Professor and The Leverhulme Trust also provided major funding for undergraduate and postgraduate Applied Theatre student projects in summer 2017.

**Offering specialist speech and drama training that is innovative, socially responsive and tailored to the needs of diverse groups by working with schools, voluntary and community organisations, businesses and communities and the public sector:**

The School delivered non-award bearing professional and community programmes to over 3,000 individuals.

Participants included over 1200 learners undertaking short courses ranging from diplomas in acting and musical theatre to evening courses in drama to Saturday Youth Theatre.

In 2016/17, we delivered close to 300 bespoke training experiences across diverse sectors and industry. Clients included; Louis Vuitton, Santander, The Financial Times, The BBC, UNICEF, Salesforce, Vodafone, Sky, Marks & Spencer, Accenture, Babcock International, Imperial College, TUI, Perkin Elmer, Capita, Huawei, Ketchum, etc. We launched new lines of training; namely, Step Up a course designed by a recent MA Voice Studies graduate combining Executive Coaching and Voice & Communication Training and 'Creative Facilitation' drawing on techniques and approaches from BA DATE. Significant experiences delivered include; 'Storytelling & Facilitation' for TUI; Central sent over a team of 8 trainer/facilitators, recent graduates from BA DATE to teach facilitation and leading drama workshops to holiday representatives, 'Delivering The Message' for Santander; Central became part of Santander's core curriculum delivering over 12 face-to-face sessions across the country. 'Launch of Eva' for Huawei; Central provided consultancy on comms and communication, supporting a leading tech company with a launch of a new product in London and China.

The income generated in 2016/17 by Central's business training increased by over 20% to just under £300k. This is a 115% increase from 2013/14 when the function was reshaped and refocused towards providing bespoke solutions.

**Promoting widening participation and fair access through Central's Access Agreement, which provides bursary support and increased investment in outreach, work:**

The outreach team delivered over 140 engagement activities to over 840 participants from schools, colleges and community groups in London and across England, exposing them to Central and Higher Education. The School continued to offer free acting audition vouchers to outreach participants. We issued over 700 audition fee waiver vouchers for 2017-18 entry.

Bursaries were awarded to the local community on Central's diploma and short courses programmes, including 30 places on the Saturday Youth Theatre. Hardship funding is given to all first year undergraduate students whose household income is lower than £25k meeting the Office of Fair Access (OFFA) criteria.

Central's access funding enabled three outreach projects across the UK, they provided information on all aspects of the undergraduate curriculum and allowed potential applicants to engage with current undergraduate students. Over 850 students from the East Midlands, Oldham and London attended performances, workshops and question-and-answer sessions to learn more about studying and working in the fields of acting, applied theatre and theatre practice.

The School continues to collaborate closely with local schools, colleges and community groups and building on its presence in the East Midlands. This year over 570 free tickets to public performances were given to targeted students through this route.

Student Ambassadors are widely acknowledged to be one of the keys to success in widening participation and increasing engagement with potential students. They are drawn from across the student body, with new ambassadors needed every year to replace those who have graduated. This year training was delivered to 45 new ambassadors to make a total of 105 at undergraduate and postgraduate level.



The School continues to work closely with Access All Areas, a theatre company for people with learning disabilities, to provide a one-year performance-making diploma for adults with learning disabilities. The current cohorts start their final year 2017/18, and currently longer-term funding opportunities are being explored.

The School again delivered a three-day residential summer school for 17 “Looked After Children” attending secondary school in collaboration with the University of Hertfordshire and the University of Oxford.

These are just some of the ways in which Central continues to provide public benefit through the engagement of its staff, its outreach activity to promote drama to people from all backgrounds and the use of its facilities by the community. They are typical of many others that took place across the year.

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

### Governance and Legal Structure

The following statement is provided to enable readers of the annual report and financial statements of The Royal Central School of Speech and Drama to obtain a better understanding of its governance and legal structure.

Central is an Independent Company Limited by Guarantee and an Exempt Charity. Its objects, powers and framework of governance are set out in the Articles of Association. The Privy Council approved the current version of the Articles on 25 February 2014.

The Articles require the institution to have a Governing Body and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Governing Body is unambiguously and collectively accountable for institutional activities. The Governing Body has a majority of independent members. There is also provision for the appointment of co-opted members, and members from the staff and the student bodies. The Chair is elected from among the independent members.

Central maintains a register of interests of Members of the Governing Body and senior staff, which may be consulted by arrangement with the Clerk to the Governors. No conflicts of interest have been revealed by review of returns for the current year. Details of the Governors' memberships of other charities are publicly available on the Governance section of Central's website.

In accordance with the Articles of Association, Debbie Scully, the Deputy Principal and Deputy CEO of the institution, has been appointed as Clerk to the Governing Body. In that capacity, she provides advice on matters of governance to all Members of the Governing Body. In order to eliminate potential conflict of interests with other management responsibilities of the Clerk's role, Karen Burnell has been appointed as Deputy Clerk to Governors acting as Minuting Secretary to Governing Body Committees and Clerk to the Audit Committee.

All the Governors of Central are Directors of the Company. The role of non-executive director is unpaid and no Governor receives any reimbursement for their work as a Governor but out of pocket expenses are available and those paid during the year are noted within staff costs.

## Governing Body Membership

The Governors serving during the year are as shown below:

Name	Category of Membership	Committees Served
Paul Taiano (Chair of Governors)	Independent (Retired on 17 July 2017)	Remuneration Committee (Chair) Nominations Committee (Chair) Finance and Employment Committee Investment Committee Phase 5 Board
Anthony Blackstock	Independent	Audit Committee (Chair) Search Committee - Chair of Governors
Professor Maria Delgado	Staff (Academic Board) (Appointed on 17 October 2016)	Search Committee - Chair of Governors
Victoria Dickie	Independent (Retired on 17 July 2017)	Phase 5 Board
Dr Stephen Farrier	Staff (Appointed on 22 July 2017)	
Eleni Gill	Independent	Audit Committee
Alan Haigh	Independent	Audit Committee
Dame Pippa Harris	Independent	Nominations Committee
Professor Gavin Henderson CBE	Ex Officio (Principal/CEO)	Finance and Employment Committee Nominations Committee Search Committee - Chair of Governors Phase 5 Board (Chair)
Phoebe Hitt	Postgraduate Student (Retired on 23/09/2016)	
Ella Howe	Ex Officio - Student Union President (Appointed 1 August 2016 and retired on 31 July 2017)	Search Committee - Chair of Governors
Menna McGregor (Deputy Chair of Governors)	Independent	Finance and Employment Committee Remuneration Committee Prevent (Governor Champion)
Professor Simon McVeigh	Independent	Academic Board (Link Governor) Audit Committee (with effect from 13 March 2017)
Anne Mensah	Independent	Finance and Employment Committee

Jodi Myers	Independent	Nominations Committee Search Committee - Chair of Governors Equality and Diversity ( <i>Governor Champion</i> ) Phase 5 Board
Charles Perrin CBE	Co-opted (University of London)	Finance and Employment Committee (Chair) Investment Committee (Chair) Search Committee - Chair of Governors (Chair) Remuneration Committee Phase 5 Board
Laura Pirret	Postgraduate Student Governor ( <i>Appointed on 23 November 2016</i> )	
Peter Roberts	Independent	Nominations Committee Finance and Employment Committee Remuneration Committee Search Committee - Chair of Governors Health and Safety (Governor Champion) Phase 5 Board
Geoffrey Rowe	Independent	Finance and Employment Committee
Dominic Tulett	Staff ( <i>Retired on 31 July 2017</i> )	
John Willis Chair of Governors ( <i>with effect from 17 July 2017</i> )	Independent ( <i>Appointed as Chair elect on 27 February 2017</i> )	Remuneration Committee ( <i>Chair with effect from 17 July 2017</i> ) Nominations Committee ( <i>Chair with effect from 17 July 2017</i> ) Finance and Employment Committee Investment Committee Phase 5 Board

The following changes occurred after the year-end before the Financial Statements were signed:

- Jake Saunders, President of the Student Union and Ex-Officio Student Governor, was appointed to the Board of Governors with effect from 1 August 2017;
- Emily Thommes, Independent Governor Elect, was granted observer status at Board meetings during 2017/18;
- Laura Pirret, Postgraduate Student Governor, retired from the Board of Governors on 17 October 2017;
- Eleni Gill, Independent Governor, stood down from the Audit Committee on 25 October 2017 and joined the membership of the Finance and Employment Committee
- Clara Nizard, Postgraduate Student Governor, co-opted to the Board of Governors on 27 November 2017.

### **Governing Body Diversity**

Central values the diversity of its workforce and student population and it is the Governing Body's ambition to reflect greater diversity across Central's staff and students and also within its own membership. The Governing Body welcomes the current diverse mix within its membership, consisting as it does of an even gender balance during 2016/17, a range of ages and backgrounds and reflecting a variety of differing characteristics, experience and skills. The challenge remains, however, in attracting application from those suitably qualified candidates from a black, Asian or minority ethnic background.

The Nominations Committee regularly reviews the mix and skills of the Governing Body in order to identify gaps and consider ways of attracting appropriate candidates and maintaining an effective balance of members. Central has also developed a process of induction and continuous development for Governors which recognises the wide range of knowledge and experience.

Central used the services of external consultants to actively seek out a new Chair of Governors.

### **Governing Body Conduct and Code of Governance**

The Board of Governors of Central is committed to exhibiting good practice in all aspects of corporate governance.

Central 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), and to apply the guidance to institutions of higher education from the Committee of University Chairmen (CUC) in its *Higher Education Code of Governance published in December 2014*.

The Governors have adopted the core values of higher education governance as set out in the HE Code of Governance, which build upon the above principles of public life, and have adopted the seven primary elements of governance which underpin these values, as outlined below:

- 1 to be unambiguously and collectively accountable for institutional activities
- 2 to protect institutional reputation by being assured that clear regulations, policies and procedures that adhere to legislative and regulatory requirements are in place, ethical in nature and followed;
- 3 to ensure institutional sustainability;
- 4 to receive assurance that academic governance is effective;
- 5 to work with the Executive to be assured that effective control and due diligence take place;
- 6 to promote equality and diversity throughout the institution;
- 7 to ensure that governance structures and processes are fit for purpose.

The Governors have applied all seven elements of the HE Code of Governance in the year ended 31 July 2017 in full.

## Statement of the Governing Body's Responsibilities

In accordance with The Higher Education Code of Governance published by the Committee of University Chairmen (CUC), the Governing Body has adopted a Statement of Primary Responsibilities:

- 1 To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
- 2 To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be - where possible and appropriate - benchmarked against other comparable institutions.
- 3 To delegate authority to the Principal, as chief executive, for the academic, corporate, financial, estate and human resource management of the institution. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.
- 4 To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
- 5 To establish processes to monitor and evaluate the performance and effectiveness of the Governing Body itself.
- 6 To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
- 7 To safeguard the good name and values of the institution.
- 8 To appoint the Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
- 9 To appoint a Clerk to the Governing Body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
- 10 To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
- 11 To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
- 12 To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
- 13 To receive assurance that adequate provision has been made for the general welfare of students.
- 14 To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
- 15 To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

## Summary of Delegated Authority

### **Governing Body**

The Governing Body has determined maximum membership numbers of nineteen of whom fourteen are external independent lay members. The Governing Body comprised eighteen members on 31 July 2017 including the Principal/CEO. The Governing Body was chaired by Paul Taiano throughout the year. Members of the Governing Body, excluding the Chair, may serve for a maximum of three terms of three years. Exceptionally, a Governor may serve for a fourth term on a resolution of the majority of Governors. Currently the Chair of Governors may serve for three terms of four years (a maximum of 12 years as Chair).

The matters specially reserved to the Governors for decision are set out in the Articles of Association and include: the determination of the educational character of the institution; the approval of annual estimates of 'income and expenditure'; ensuring the solvency of the institution and the safeguarding of its assets and for maintaining a sound system of internal control. The Governing Body held five meetings during the academic year 2016/17, including two strategic topic meetings.

The Governing Body undertakes periodic Effectiveness Reviews. A review was conducted in 2014/15 and formed part of the review of application of the new Higher Education Code of Governance. The Effectiveness review resulted in the production of an Action Plan to enhance governance arrangements and demonstrate evidence in the application of the Code. The implementation of the Action Plan is monitored by the Nominations Committee, the Audit Committee and the Internal Auditors. A further review in relation to Governing Body committee meeting effectiveness was undertaken during 2015/16. A Finance and Employment Committee Effectiveness Review was also undertaken during 2015/16 and an Audit Committee Effectiveness Review in 2016/17.

A skills audit has been undertaken to inform the priorities for appointment to vacant positions on the Board of Governors.

### **Governing Body Committees**

The Governing Body has established several committees including a Finance and Employment Committee, an Audit Committee, and a Nominations Committee. Committees in relation to Remuneration and Investment have also been set up as sub-committees of the Finance and Employment Committee.

All Governing Body committees are formally constituted with terms of reference and comprise mainly independent members of the Governors, one of whom is Chair. In addition the Governing Body re-established a Search Committee (Chair of Governors) which was chaired by the University of London Co-opted member and also included staff and student Governors. The Search Committee concluded its work in February 2017 following the unanimous appointment of John Willis as Chair Elect. A Project Board including independent governor members has also been convened to oversee the Phase 5 Development.

**The Finance and Employment Committee** meets at least four times a year, and is chaired by Charles Perrin CBE. The committee inter alia recommends to the Governors annual revenue and capital budgets; monitors performance in relation to the approved budgets; reviews the management of significant risks and makes recommendations to the Board of Governors on the Framework for the Pay and Conditions of Staff.

**The Investment Committee** is a sub-committee of the Finance and Employment Committee and is chaired by the Chairman of the Finance and Employment Committee. The Investment Committee meets at least two times a year to review investment strategy and policy and to monitor and review investment performance.

**The Remuneration Committee** is a sub-committee of the Finance and Employment Committee and is chaired by the Chair of Governors. The Remuneration Committee meets at least once a year to review the performance, and determine the annual remuneration, of senior post holders; and to review the remuneration policy of executive staff.

A **Phase 5 Development Project Board** has been established to oversee the Phase 5 capital development programme. The Project Board is chaired by the Principal and comprises members of the Executive alongside Governors, and reports to the Board of Governors through the Finance and Employment Committee. The Project Board meets as required to oversee strategic issues in relation to the project and to make recommendations in relation to project scope, procurement, programme, risk and budget.

**The Audit Committee** meets at least three times a year, with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider detailed internal audit reports and recommendations for the improvement of Central's systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect institutional business, and monitors adherence with the regulatory requirements. It reviews the institution's annual financial statements together with accounting policies and keeps under review: the effectiveness of health, safety and wellbeing management; risk management control and governance arrangements; value for money; and quality assurance of data. The Audit Committee was chaired by Anthony Blackstock. Whilst senior executives are invited to attend meetings of the Audit Committee, they are not members of the committee, and the committee meets with the external and internal auditors at least once a year without any officers present for independent discussions. Charles Lowe served as co-opted member on the Audit Committee throughout the year under review.

**The Nominations Committee** meets at least twice a year and is chaired by the Chair of Governors. The Committee keeps under review the balance of skills and experience needs of the Board of Governors; prepares written descriptions of the role and capabilities required for new members; considers arrangements for the identification and selection of new members; and makes recommendations for appointments to the Board of Governors. The implementation of the Action Plan stemming from the latest Effectiveness Review, is being monitored by the Nominations Committee. Lee Menzies served as a co-opted member on the Nominations Committee throughout the year under review.

**The Search Committee - Chair of Governors** met as required and was chaired by the Chair of the Finance and Employment Committee. The Committee prepared written descriptions of the role of the Chair of Governors and the capabilities required based on identified needs, and considered arrangements for the identification and selection of the successor.



### **Academic Board**

Subject to the overall responsibility of the Governing Body, the Academic Board has oversight of the academic affairs of the institution and draws its membership entirely from the staff and the students of the institution. A member of the Governing Body is invited to meetings as an observer (known as the Link Governor). Academic Board is particularly concerned with general issues relating to the learning and teaching and research work of the institution. The Academic Board is chaired by the Principal.

### **Accountable Officer**

The Principal and Chief Executive Officer is Accountable Officer and as such may be called to appear at the Public Accounts Committee.

Professor Gavin Henderson CBE holds the offices of Principal and Chief Executive Officer and did so throughout 2016/17.

The Articles of Association vest the following delegated powers to the Principal/CEO:

- a) the organisation, direction and management of the institution and leadership of staff;
- b) the appointment, assignment, grading, appraisal, suspension, dismissal, and determination - within the framework set by the Governors - of the pay and conditions of service of staff other than the holders of senior designated posts;
- c) the determination - after consultation with the Academic Board - of the institution's academic activities, and for the determination of its other activities;
- d) the maintenance of student discipline and - within the rules and procedures of the Articles of Association - for the suspension or expulsion of students on disciplinary grounds and for implementing decisions to expel students on academic grounds; and
- e) the implementation of decisions of the Governors;
- f) the current Articles of Association were confirmed by Privy Council and the Charity Commission in February 2014 and duly registered with Companies House.

As Accountable Officer, the Principal/CEO has delegated powers for the management of budgets and resources within estimates approved by the Board of Governors subject to compliance with the Memorandum of Association and the Financial Regulations.

The Principal/CEO is authorised to delegate powers to Senior Staff, within the limits of his own delegated authority, to exercise concurrently all powers delegated to Senior Staff, and generally to supervise the exercise of delegated powers by Senior Staff.

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this Corporate Governance report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

KPMG LLP was re-appointed as Central's auditors at the Annual General Meeting of the Members on 17 July 2017.

## STATEMENT OF GOVERNING BODY'S RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT AND THE FINANCIAL STATEMENTS

The Governing Body is responsible for preparing the Strategic report and the financial statements in accordance with the requirements of the Higher Education Funding Council for England's Memorandum of Assurance and Accountability issued by HEFCE and applicable law and regulations.

They are required to prepare group and parent School financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education, in accordance with the requirements of HEFCE's Accounts Direction to higher education institutions. The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent School and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent School financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d) assess the group and parent School's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- e) use the going concern basis of accounting unless they either intend to liquidate the group or the parent School or to cease operations, or have no realistic alternative but to do so.

The Governing Body is responsible for keeping adequate accounting records that are sufficient to show and explain the parent School's transactions and disclose with reasonable accuracy at any time the financial position of the parent School and enable them to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The institution's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mis-statement or loss. The system of internal control measures include:

- Regular independent review by Internal Audit
- Scheme of Authorised Delegation
- Approved Budgets and Forward Forecasts
- Regular Monitoring Reports against Budgets and Forecasts

- Monthly Board Dash Board reporting on performance against KPIs and Project Progress
- Regular Non-Compliance reporting
- Segregation of Duties and requirement for staff to take a continuous two-week annual leave break each year
- Qualified professional staff with supported training and development
- Board of Governors with appropriate mix of skills and access to external advice

The key elements of the institution's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- a) clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- b) a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- c) regular variance reporting and updates of forecast outturns;
- d) clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governors;
- e) comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Governors; and
- f) a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Governors, has reviewed the effectiveness of the institution's system of internal control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Governing Body is also responsible under the Memorandum of Assurance and Accountability for:

- a) ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- b) ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- c) securing the economical, efficient and effective management of the School's resources and expenditure.

The Governing Body is responsible for the maintenance and integrity of the corporate and financial information included on the School's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Publication of the Financial Statements on the Website**

The maintenance and integrity of The Royal Central School of Speech and Drama website is the responsibility of the Governing Body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### ***Risk Management***

The Governing Body is of the view that there is an effective on-going process for identifying, evaluating and managing the institution's significant risks, that it has been in place throughout the year ended 31 July 2017, and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

A Risk Management Strategy and Policy is in place, which defines the institution's approach to risk management and provides a framework for risk assurance and is informed by best practice guidance received through the British Universities Finance Directors Group (BUFDG), HEFCE Audit Service Guidance and the HM Treasury Assurance Framework. Risks are identified for each strategic aim and scored as to impact and likelihood using a defined scale. Measures to control each risk have been defined and risk scores are kept under review regularly. Risk management procedures are reviewed annually. The following provides a summary of arrangements in place:

- a) the Governing Body meets at regular intervals to consider the plans and strategic direction of the institution;
- b) the Governing Body receives periodic reports from the Chair of the Audit Committee concerning internal control and requires regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- c) the Finance and Employment Committee reviews the management of risks termly and reports to the full Board of Governors on the management of significant risks;
- d) the Governing Body undertakes an annual review of the significant risks facing the institution;
- e) the Audit Committee provides oversight of risk management procedures and receives regular reports from the head of internal audit, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement;
- f) the annual internal audit programme is approved by the Audit Committee based upon identified strategic risks;
- g) regular discussions are held at Executive and Board level to identify and keep up to date the record of risks facing the institution;
- h) a system of key performance and risk indicators has been developed;
- i) a robust risk prioritisation methodology based on risk ranking has been established;
- j) an organisation-wide risk register is maintained;
- k) a risk assurance framework has been developed to provide reliable evidence to underpin the assessment of the risk and control environment for the annual Governance statement;
- l) the Audit Committee regularly reviews risk reports which include assurance-mapping of the key strategic risks;

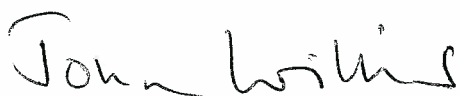
- m) the Executive Management Group reviews the key strategic risks at each meeting and undertakes a review of departmental operational risk registers termly. Feedback and training is provided on an on-going basis; and
- n) reports are received from budget holders, department heads and project managers on internal control activities.

During the year, the Governing Body has overseen effective action undertaken to address risks arising from a major estate development project. This has included review of a separate specific project risk register, awarding of construction contract and identification of good quality temporary performance spaces.

The Governing Body review of the effectiveness of the system of internal control is informed by the School appointed internal audit firm "Grant Thornton", which operates to standards defined in the HEFCE Audit Code of Practice and was last reviewed for effectiveness by the HEFCE Audit Service in February 2015. It is also informed by the work of executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

### Conclusion

The Governing Body is of the view that the process for identifying, evaluating and managing significant risks has been in place and operated effectively for the year ended 31 July 2017 and up to the date of approval of the annual report and financial statements.



John Willis  
Chair of Governors  
27 November 2017

## INDEPENDENT AUDITOR'S REPORT TO GOVERNING BODY OF ROYAL CENTRAL SCHOOL OF SPEECH AND DRAMA

### Opinion

We have audited the financial statements of The Royal Central School of Speech and Drama ("the School") for the year ended 31 July 2017 which comprise the Group and School Statement of Comprehensive Income, the Group and School Statement of Changes in Reserves, the Group and School Balance Sheets, the Group Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the School's affairs as at 31 July 2017, and of the Group's and the School'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 UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice - Accounting for Further and Higher Education*; and
- meet the requirements of HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The Governing body is responsible for the other information, which comprises the Strategic Review and the Report of the Governors and Corporate Governance Statement and Public Benefit Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

### Governing Body responsibilities

As explained more fully in their statement set out on page 41, the Governing Body is responsible for: the preparation of the financial statements and for being satisfied that they

give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent School'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 it either intends to liquidate the group or the parent School or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the School for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

### **THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Governing Body, in accordance with the Articles, Charters, Statutes or Ordinances of the institution. Our audit work has been undertaken so that we might state to the Governing Body 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 School and the Governing Body for our audit work, for this report, or for the opinions we have formed.



Fleur Nieboer (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*

15 Canada Square, London, E14 5GL

29 November 2017

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

Year Ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Group £'000	Central £'000	Group £'000	Central £'000
<b>Income</b>					
Tuition fees and education contracts	1	11,269	11,269	10,676	10,676
Funding body grants	2	6,240	6,240	3,968	3,968
Research grants and contracts	3	126	126	52	52
Other income	4	648	557	759	673
Investment income	5	87	87	98	98
<b>Total income before endowments and donations</b>		<b>18,370</b>	<b>18,279</b>	<b>15,553</b>	<b>15,467</b>
Donations and endowments	6	1,002	1,002	360	360
<b>Total income</b>		<b>19,372</b>	<b>19,281</b>	<b>15,913</b>	<b>15,827</b>
<b>Expenditure</b>					
Staff costs	7	9,591	9,557	8,827	8,785
Other operating expenses		5,943	5,893	4,523	4,482
Depreciation	11	672	672	619	618
Interest and other finance costs	8	200	200	236	236
<b>Total expenditure</b>	9	<b>16,406</b>	<b>16,322</b>	<b>14,205</b>	<b>14,121</b>
<b>Surplus/(deficit) before other gains/(losses)</b>		<b>2,966</b>	<b>2,959</b>	<b>1,708</b>	<b>1,706</b>
(Loss) / Gain on disposal of fixed assets	11	(96)	(96)	(9)	(9)
Gain / (Loss) on investments	12	44	44	11	11
<b>Surplus / (Deficit) before tax</b>		<b>2,914</b>	<b>2,907</b>	<b>1,710</b>	<b>1,708</b>
Transfer from / (to) accumulated income in endowment funds		4	4	(15)	(15)
<b>Surplus for the year</b>		<b>2,918</b>	<b>2,911</b>	<b>1,695</b>	<b>1,693</b>
Actuarial gain / (loss) in respect of pension schemes	27	408	408	(2,109)	(2,109)
<b>Total comprehensive income / (expenditure) for the year</b>		<b>3,326</b>	<b>3,319</b>	<b>(414)</b>	<b>(416)</b>

(Continued on the next page)



Consolidated Statement of Comprehensive Income and Expenditure  
Year Ended 31 July 2017 (continued)

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Group £'000	Central £'000	Group £'000	Central £'000
Represented by:					
Endowment comprehensive income for the year		9	9	18	18
Restricted comprehensive income for the year		783	783	126	126
Unrestricted comprehensive income / (expenditure) for the year		2,534	2,527	(558)	(560)
Attributable to Group and Central		<u>3,326</u>	<u>3,319</u>	<u>(414)</u>	<u>(416)</u>
<b>Surplus for the year attributable to:</b>					
Group and Central		<u>2,918</u>	<u>2,911</u>	<u>1,695</u>	<u>1,693</u>

The following items relating to market revaluations until allocated in the statement of recognised gains and losses (SORP 2007) are now shown on the consolidated statement of comprehensive income and expenditure (SORP 2015):

	Group and Central £'000	
	Year Ended 31 July 2017	Year Ended 31 July 2016
Actuarial Gains / ( Losses) in respect of LPFA pension scheme	408	(2,109)
Gain on investments	44	11
<b>Total Gain / (Loss)</b>	<u>452</u>	<u>(2,098)</u>

Consolidated Statement of Changes in Reserves  
Year ended 31 July 2017

Group	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000		
<i>Endowment Transfer</i>					15
<b>Balance at 1 August 2015</b>	<b>374</b>	<b>375</b>	<b>16,177</b>	<b>1,270</b>	<b>18,196</b>
Surplus from the income and expenditure statement	22	266	1,407	-	1,695
Other comprehensive income	-	-	(2,109)	-	(2,109)
Release of restricted funds spent in year	(4)	(140)	144	-	0
<b>Total comprehensive income / (expenditure) for the year</b>	<b>18</b>	<b>126</b>	<b>(558)</b>	<b>0</b>	<b>(414)</b>
Endowment Transfer					19
<b>Balance at 1 August 2016</b>	<b>392</b>	<b>501</b>	<b>15,619</b>	<b>1,270</b>	<b>17,816</b>
Surplus from the income and expenditure statement	21	981	1,916	-	2,918
Other comprehensive income	-	-	408	-	408
Release of restricted funds spent in year	(12)	(198)	210	-	-
<b>Total comprehensive income / (expenditure) for the year</b>	<b>9</b>	<b>783</b>	<b>2,534</b>	<b>0</b>	<b>3,326</b>
Endowment Transfer					9
<b>Balance at 31 July 2017</b>	<b>401</b>	<b>1,284</b>	<b>18,153</b>	<b>1,270</b>	<b>21,151</b>

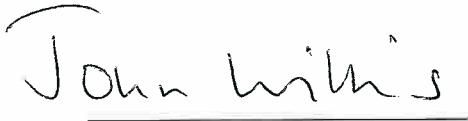
**Consolidated Statement of Changes in Reserves**  
**Year ended 31 July 2017 (continued)**

Central	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000		
<i>Endowment Transfer</i>					15
<b>Balance at 1 August 2015</b>	<b>374</b>	<b>375</b>	<b>16,222</b>	<b>1,270</b>	<b>18,241</b>
Surplus from the income and expenditure statement	22	266	1,405	-	1,693
Other comprehensive income	-	-	(2,109)	-	(2,109)
Release of restricted funds spent in year	(4)	(140)	144	-	0
<b>Total comprehensive income / (expenditure) for the year</b>	<b>18</b>	<b>126</b>	<b>(560)</b>	<b>0</b>	<b>(416)</b>
Endowment Transfer					19
<b>Balance at 1 August 2016</b>	<b>392</b>	<b>501</b>	<b>15,662</b>	<b>1,270</b>	<b>17,859</b>
Surplus from the income and expenditure statement	21	981	1,909	-	2,911
Other comprehensive income	-	-	408	-	408
Release of restricted funds spent in year	(12)	(198)	210	-	-
<b>Total comprehensive income / (expenditure) for the year</b>	<b>9</b>	<b>783</b>	<b>2,527</b>	<b>0</b>	<b>3,319</b>
Endowment Transfer					9
<b>Balance at 31 July 2017</b>	<b>401</b>	<b>1,284</b>	<b>18,189</b>	<b>1,270</b>	<b>21,187</b>

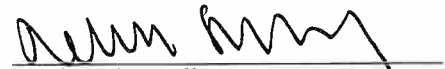
## Consolidated Balance Sheet

	Notes	As at 31 July 2017		As at 31 July 2016	
		Group £'000	Central £'000	Group £'000	Central £'000
<b>Non-current assets</b>					
Fixed assets	11	26,843	26,842	24,135	24,134
Investments	12	1,067	1,067	1,014	1,014
		<u>27,910</u>	<u>27,909</u>	<u>25,149</u>	<u>25,148</u>
<b>Current assets</b>					
Stock		3	-	4	-
Trade and other receivables	13	380	443	344	399
Investments	14	777	777	1,500	1,500
Cash and cash equivalents	20	13,072	13,038	10,683	10,653
		<u>14,232</u>	<u>14,258</u>	<u>12,531</u>	<u>12,552</u>
Less: Creditors: amounts falling due within one year	15	(4,841)	(4,830)	(3,489)	(3,466)
		<u>9,391</u>	<u>9,428</u>	<u>9,042</u>	<u>9,086</u>
<b>Net current assets</b>		<b>9,391</b>	<b>9,428</b>	<b>9,042</b>	<b>9,086</b>
<b>Total assets less current liabilities</b>		<b>37,301</b>	<b>37,337</b>	<b>34,191</b>	<b>34,234</b>
Creditors: amounts falling due after more than one year	16	(8,862)	(8,862)	(9,201)	(9,201)
<b>Provisions</b>					
Pension provisions	17	(7,058)	(7,058)	(6,922)	(6,922)
Other provisions	17	(230)	(230)	(252)	(252)
		<u>21,151</u>	<u>21,187</u>	<u>17,816</u>	<u>17,859</u>
<b>Total net assets</b>		<b>21,151</b>	<b>21,187</b>	<b>17,816</b>	<b>17,859</b>
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	18	401	401	392	392
Income and expenditure reserve - restricted reserve	19	1,284	1,284	501	501
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		18,196	18,232	15,653	15,696
Revaluation reserve		1,270	1,270	1,270	1,270
		<u>21,151</u>	<u>21,187</u>	<u>17,816</u>	<u>17,859</u>
<b>Total Reserves</b>		<b>21,151</b>	<b>21,187</b>	<b>17,816</b>	<b>17,859</b>

The financial statements were approved by the Governing Body on 27 November 2017 and were signed on its behalf on that date by:

  
\_\_\_\_\_  
John Willis  
Chairman of Governors

  
\_\_\_\_\_  
Professor Gavin Henderson  
Principal / Chief Executive

  
\_\_\_\_\_  
Deborah Scully  
Company Secretary

## CONSOLIDATED CASH FLOW

### Consolidated Cash Flow Year ended 31 July 2017

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		2,918	1,695
<b>Adjustment for non-cash items</b>			
Depreciation	11	672	619
Gain / (Loss) on investments	12	44	11
Decrease/(increase) in stock		1	(3)
Decrease/(increase) in debtors	13	(36)	(83)
Increase/(decrease) in creditors	15	1,352	891
Increase/(decrease) in pension provision	17	544	437
Increase/(decrease) in other provisions	17	(22)	(13)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(87)	(98)
Interest payable	8	27	78
Endowment income	18	(8)	(19)
Loss on disposal of fixed assets	11	96	9
Capital grant income		(434)	(417)
<b>Net cash inflow from operating activities</b>		<b>5,067</b>	<b>3,107</b>
<b>Cash flows from investing activities</b>			
Capital grants receipts		139	114
Investment income		78	87
Payments made to acquire fixed assets		(3,599)	(901)
New current asset investment		723	(1,500)
		<b>(2,659)</b>	<b>(2,200)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(27)	(78)
Endowment cash received		8	19
Repayments of amounts borrowed		-	(471)
		<b>(19)</b>	<b>(530)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>2,389</b>	<b>377</b>
Cash and cash equivalents at beginning of the year	20	10,683	10,306
Cash and cash equivalents at end of the year	20	13,072	10,683

## NOTES TO THE ACCOUNTS

### Statement of Principal Accounting Policies and Estimation Techniques

#### Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS102). Central is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

#### Going Concern

The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain fixed assets). Central meets its day-to-day working capital requirements from the funding and fee income it receives and also, if needed, from surplus reserves. The current economic environment and changed funding rules create uncertainty over the future level of student demand and student fee income and the level of government funding.

Central's forecasts and projections, taking account of reasonably possible changes in funding and costs, show that Central has adequate resources to continue in operational existence for the foreseeable future. Thus Central continues to adopt the going concern basis in preparing its financial statements.

#### Basis of Consolidation

Central has taken advantage of the exemption in S. 408 of the Companies Act 2006 not to present its own Income and Expenditure Account.

The group financial statements include Central (the parent company, also referred to as the School) and its subsidiary undertaking, CSSD Enterprises Limited. Intra-group sales and profits are eliminated fully on consolidation. The group financial statements do not include the income and expenditure of the Student's Union as the School does not exert control or dominant influence over policy decisions.

#### Income Recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the School receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the School where the School is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### **Grant Funding**

Research income and specific purpose non-recurrent grants from Funding Councils or other bodies are recognised in income over the periods in which the School recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the School is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the School is entitled to the funds subject to any performance related conditions being met.

### **Donations and Endowments**

An Endowment fund is a form of charitable trust retained for the benefit of the School for the long term and is subdivided into a capital and accumulated income element. A donation to establish an endowment fund which prohibits conversion of capital to income creates a 'permanent' endowment fund and such fund must generally be held indefinitely. If the School has power to use the capital then the endowment fund is 'expendable' but the School would be unlikely to use this power in the short term.

The investment income from permanent endowment funds may be restricted or unrestricted in use depending on the requirements of the donor whereas investment income from expendable endowment funds will always be restricted in use.

New endowment funds are credited to the Consolidated Statement of Comprehensive Income and Expenditure on entitlement and then transferred to an endowment fund within the Balance Sheet. Investment income is credited to the Consolidated Statement of Income and Expenditure and, if restricted, reserved within the endowment fund for future spend in accordance with restrictions. Expenditure against the restricted endowment fund is debited to the Consolidated Statement of Income and Expenditure and charged to the endowment fund.

Appreciation/depreciation of endowment investments is recorded within the Consolidated Statement of Income and Expenditure and then transferred to the capital element of the endowment funds.

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in



income when the School is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the School is entitled to the funds.

There is no longer a difference in the basis of recognition for revenue and capital donations. Capital donations have performance related conditions specific to the construction or purchase of an asset. Once the conditions have been met the donation income is released. However, the depreciation of these costs are charged over the assets' useful life. This results in an imbalance between the benefit and costs within the consolidated statement of comprehensive income and expenditure.

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 or other restriction applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the School.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the School has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

#### **Accounting for retirement benefits**

Central contributes to the London Pensions Fund Authority Pension Fund (LPFA) and the Teachers' Pension Scheme (TPS). Both schemes are defined benefit schemes but the TPS scheme is a multi-employer scheme and it is not possible to identify the assets of the scheme which are attributable to Central. In accordance with FRS 102 section 28 this scheme is accounted for on a defined contribution basis and contributions to this scheme are included as expenditure in the period in which they are payable. Central is able to identify its share of assets and liabilities of the LPFA scheme and thus Central fully adopts FRS 102 section 28.

The schemes are statutory, contributory, career average schemes, with a final salary link for service prior to scheme change dates. The schemes were contracted out of the State Earnings-Related Pension Scheme until April 2016.

The Funds are valued every three years (LPFA) and every four years (TPS) by actuaries using the aggregate method, the rates of contribution payable being determined on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which Central benefits from the employees' services. Variations from regular costs are

spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals.

Service costs are spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The cost of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The differences between actual and expected returns during the year, including changes in actuarial assumptions are recognised in the Statement of Comprehensive Income and Expenditure.

Central continues to make a small and diminishing number of supplementation payments to retired members and dependants of former members of the Central School of Speech Training and Dramatic Art Pension Fund.

#### **Staff Costs and Employment Benefits**

Staff costs cover all staff for whom Central is liable to pay Class 1 National Insurance contributions and/or who have a contract of employment with Central, and include any severance costs.

Short term employment benefits such as salaries and annual leave are recognised as an expense in the year in which the employees render service to the School. Any unused benefits are accrued and measured as the additional amount the School expects to pay as a result of the unused entitlement.

#### **Leased Assets**

Assets obtained under finance leases are included in fixed assets at an amount equal to the cost at which the assets would have been purchased, and depreciated over the period of the lease on a straight-line basis. The related lease obligations, excluding finance charges allocated to future periods, are included in creditors. Finance charges are amortised over the life of the lease on the actuarial basis. Rental costs under operating leases are charged to the income and expenditure account as incurred.

#### **Land and Buildings**

Land has been revalued as at 31 July 2014 values. Buildings are valued at cost. Leasehold and Freehold land is not depreciated as it is considered to have an indefinite useful life. Brick-built buildings are depreciated over their expected useful lives of 50 years, and prefabricated and wooden buildings over 10 years. Alterations and improvements to buildings are depreciated over the expected life of the alterations.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected life of the buildings. Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs to 31 July. They are not depreciated until brought into use.

## Equipment

Equipment costing more than £1,000 is capitalised. Other items are written off in the year of acquisition.

Capital equipment is depreciated over its expected useful life on a straight-line basis as follows:

Computer equipment	- 3 years
Lighting equipment	- 5 years
Media and digital equipment	- 2 years
Management information systems	- 5 years
Telephone equipment	- 7 years
Other equipment	- 10 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure over the expected useful economic life of the related equipment.

## Listed Investments

Listed investments are shown in the balance sheet at market value. Investment income arising from these investments is dealt with through the Consolidated Statement of Comprehensive Income and Expenditure account, as are profits or losses arising from the sale of these investments.

## Stocks

Bar stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Although Central maintains small stocks of stationery and consumables, these are charged to expenditure in the year of purchase, and have not been included in the Balance Sheet.

## Cash and Cash Equivalents

Cash flows comprise increases or decreases in cash. 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. No investments, however liquid, are included as cash.

Liquid resources comprise term deposits held as part of Central's treasury management activities.

## Maintenance of Premises

The cost of planned and routine corrective maintenance is charged to the income and expenditure account as incurred.

## Taxation Status

Central is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, Central is potentially exempt from taxation in respect of income or capital gains received

within categories covered by Section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied exclusively to charitable purposes. Central generally suffers the cost of irrecoverable VAT, as the supply of education and of research by eligible bodies is exempt from VAT under Group 8, Schedule 9, Value Added Tax Act, 1994. As an exempt charity, Central does benefit from some zero rating reliefs. Central's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

### **Provisions**

Provisions are recognised when Central has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **Foreign currency translation**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates at the date of the Balance Sheet. The resulting exchange differences are dealt with in the Income and Expenditure Account for the financial year.

### **Reserves**

Reserves are allocated between Restricted and unrestricted reserves. Restricted reserves include endowments and non-endowment balances which the donor has designated for a specific purpose.

Notes to the Accounts  
for the year ended 31 July 2017

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Group £'000	Central £'000	Group £'000	Central £'000
<b>1 Tuition fees and education contracts</b>				
Full-time Undergraduate - home and EU students	5,655	5,655	5,330	5,330
- international students	947	947	734	734
Full-time Postgraduate - home and EU students	1,876	1,876	1,883	1,883
- international students	1,791	1,791	1,616	1,616
Part-time Postgraduate - home and EU students	243	243	259	259
- international students	-	-	-	-
	<u>10,512</u>	<u>10,512</u>	<u>9,822</u>	<u>9,822</u>
Short courses and other fees	757	757	854	854
	<u>11,269</u>	<u>11,269</u>	<u>10,676</u>	<u>10,676</u>
<b>2 Funding body grants</b>				
HEFCE Recurrent grant				
Teaching	5,119	5,119	2,855	2,855
Research	666	666	673	673
Capital grant	434	434	417	417
HEFCE Specific grants				
Inherited staff liabilities	21	21	23	23
	<u>6,240</u>	<u>6,240</u>	<u>3,968</u>	<u>3,968</u>

**Notes to the Accounts**  
**for the year ended 31 July 2017**

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Group £'000	Central £'000	Group £'000	Central £'000
<b>3 Research grants and contracts</b>				
Research councils	79	79	20	20
Government (UK and overseas)	43	43	29	29
Industry and commerce	4	4	3	3
	<b>126</b>	<b>126</b>	<b>52</b>	<b>52</b>
<b>4 Other income</b>				
Rent	41	41	44	44
Ticket sales	29	29	30	30
Shop sales	19	19	21	21
Bar sales	91	-	86	-
Catering and conferences	-	-	179	179
External services	104	104	112	112
Training	289	289	231	231
Other Income	75	75	56	56
	<b>648</b>	<b>557</b>	<b>759</b>	<b>673</b>
<b>5 Investment income</b>				
Investment income on endowments	8	8	19	19
Investment income on restricted reserves	9	9	11	11
Other investment income	70	70	68	68
	<b>87</b>	<b>87</b>	<b>98</b>	<b>98</b>
<b>6 Donations and endowments</b>				
Donations with restrictions	972	972	255	255
Unrestricted donations	30	30	105	105
	<b>1,002</b>	<b>1,002</b>	<b>360</b>	<b>360</b>

## Notes to the Accounts for the year ended 31 July 2017

	Year Ended 31 July 2017		Year Ended 31 July 2016	
	Group	Central	Group	Central
	£'000	£'000	£'000	£'000
<b>7 Staff costs</b>				
Staff Costs :	£'000	£'000	£'000	£'000
Salaries	7,424	7,395	6,972	6,937
Social security costs	738	736	591	587
Other pension costs	1,429	1,426	1,264	1,261
<b>Total</b>	<b>9,591</b>	<b>9,557</b>	<b>8,827</b>	<b>8,785</b>

	£	£
Emoluments of the Principal:		
Salary	176,727	174,805
Benefits	2,288	1,925
Pension contributions to TPA	29,125	28,465
	<b>208,140</b>	<b>205,195</b>

Remuneration of other higher paid staff, excluding employer's pension contributions (subject to relevant direction) [all shown before any salary sacrifice]:

	No.	No.
£100,000 to £109,999	1	1
£120,000 to £129,999	-	1
£130,000 to £139,999	1	-
	<b>2</b>	<b>2</b>

Average staff numbers by major category :	No.	No.
Teaching	135	104
Teaching Support	56	54
Central Admin & Services	31	29
Staff and student facilities	5	4
Premises	6	6
	<b>233</b>	<b>197</b>

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the School. These include leading members of the Executive Management Group.

	Year ended 31 July 2017	Year ended 31 July 2016
	£'000	£'000
Key management personnel staff costs and benefits (included in staff costs above)	679	709

**Notes to the Accounts  
for the year ended 31 July 2017**

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**7 Staff costs (continued)**

**Governing Body Members**

The School's Governing Body members are the trustees for charitable law purposes. There are no related party transactions between the School and the non-executive directors. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arms length and in accordance with the School's Financial Regulations and usual procurement procedures.

No non-executive director has received any remuneration/waived payments from the group during the year (2016 - none). However, during the year three (2016:two) non-executive directors received reimbursement of expenses of £1,498 (2016: £1,422).

This represents travel and subsistence expenses incurred in attending Governing Body and Committee meetings in their official capacity.



## Notes to the Accounts for the year ended 31 July 2017

	Notes	Year Ended		Year Ended	
		31 July 2017		31 July 2016	
		Group	Central	Group	Central
		£'000	£'000	£'000	£'000
<b>8 Interest and other finance costs</b>					
Loan interest		27	27	78	78
Net charge on pension scheme	27	173	173	158	158
		<u>200</u>	<u>200</u>	<u>236</u>	<u>236</u>

### 9 Analysis of total expenditure by activity

Year Ended 31 JULY 2017	Staff	Other	Depn	Interest	Total
	Costs	Operating		Payable	
	£ 000	Expenses	£ 000	£ 000	£ 000
		£ 000			
Teaching	5,058	1,706	2		6,766
Teaching Support	2,414	1,703	95		4,212
Central Admin & Services	1,853	1,645	293	200	3,991
Staff and student facilities	36	89	1		126
Premises	230	722	281		1,233
Catering	-	78	-		78
	<u>9,591</u>	<u>5,943</u>	<u>672</u>	<u>200</u>	<u>16,406</u>

Other operating expenses include:

External auditor's remuneration in respect of audit services	36
External auditor's remuneration in respect of non-audit services	3
Operating lease rentals	185
Operating lease rentals - Other	107

Year Ended 31 JULY 2016	Staff	Other	Depn	Interest	Total
	Costs	Operating		Payable	
	£ 000	Expenses	£ 000	£ 000	£ 000
		£ 000			
Teaching	4,556	1,330	3		5,889
Teaching Support	2,303	1,007	80		3,390
Central Admin & Services	1,718	1,300	306	236	3,560
Staff and student facilities	42	84	1		127
Premises	208	560	229		997
Catering	-	242	-		242
	<u>8,827</u>	<u>4,523</u>	<u>619</u>	<u>236</u>	<u>14,205</u>

Other operating expenses include:

External auditor's remuneration in respect of audit services	49
External auditor's remuneration in respect of non-audit services	3
Operating lease rentals - Other	98

### 10 Taxation

The activities of the parent company are not subject to Corporation Tax. No taxation is due on the result for the year of the subsidiary company.

Notes to the Accounts  
for the year ended 31 July 2017

Group	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Alterations and Improvements £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
<b>11 Fixed Assets</b>						
<b>Cost or valuation</b>						
At 1 August 2016	24,866	1,186	3,542	1,775	1,607	32,976
Additions	-	-	455	238	2,783	3,476
Disposals	(200)	-	-	(204)	-	(404)
<b>At 31 July 2017</b>	<b>24,666</b>	<b>1,186</b>	<b>3,997</b>	<b>1,809</b>	<b>4,390</b>	<b>36,048</b>
<b>Depreciation</b>						
At 1 August 2016	5,526	-	2,021	1,294	-	8,841
Charge for the year	316	-	256	100	-	672
Disposals	(112)	-	-	(196)	-	(308)
<b>At 31 July 2017</b>	<b>5,730</b>	<b>-</b>	<b>2,277</b>	<b>1,198</b>	<b>-</b>	<b>9,205</b>
<b>Net book value</b>						
<b>At 31 July 2017</b>	<b>18,936</b>	<b>1,186</b>	<b>1,720</b>	<b>611</b>	<b>4,390</b>	<b>26,843</b>
At 31 July 2016	19,340	1,186	1,521	481	1,607	24,135

Notes to the Accounts  
for the year ended 31 July 2017

11 Fixed Assets (Contd)

Central	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Alterations and Improvements £'000	Fixtures, Fittings and Equipment £'000	Assets in the Course of Construction £'000	Total £'000
<b>Cost and valuation</b>						
At 1 August 2016	24,866	1,186	3,542	1,769	1,607	32,970
Additions	-	-	455	238	2,783	3,476
Disposals	(200)	-	-	(204)	-	(404)
<b>At 31 July 2017</b>	<b>24,666</b>	<b>1,186</b>	<b>3,997</b>	<b>1,803</b>	<b>4,390</b>	<b>36,042</b>
<b>Depreciation</b>						
At 1 August 2016	5,526	-	2,021	1,289	-	8,836
Charge for the year	316	-	256	100	-	672
Disposals	(112)	-	-	(196)	-	(308)
<b>At At 31 July 2017</b>	<b>5,730</b>	<b>-</b>	<b>2,277</b>	<b>1,193</b>	<b>-</b>	<b>9,200</b>
<b>Net book value</b>						
<b>At 31 July 2017</b>	<b>18,936</b>	<b>1,186</b>	<b>1,720</b>	<b>610</b>	<b>4,390</b>	<b>26,842</b>
At 31 July 2016	19,340	1,186	1,521	480	1,607	24,134

At 31 July 2017, freehold land and buildings included £8.8m (2016 - £8.8m) in respect of freehold land and is not depreciated.

## Notes to the Accounts for the year ended 31 July 2017

### 12 Non-Current Investments

Group and Central	Endowment Investment	Other Investments	Total
	£'000	£'000	£'000
At 1 August 2016	392	622	1,014
Additions	-	-	-
Disposals	-	-	-
Increase in value	9	44	53
At 31 July 2017	<u>401</u>	<u>666</u>	<u>1,067</u>
Group and Central	£'000	£'000	£'000
At 1 August 2015	374	611	985
Additions	-	-	-
Disposals	-	-	-
Increase in value	18	11	29
At 31 July 2016	<u>392</u>	<u>622</u>	<u>1,014</u>

The non-current investments have been valued at market value.

	Central 2017 £	Central 2016 £
Investment in Subsidiary company at cost		
Subsidiary Company	1	1

The results of the group consolidate those of CSSD Enterprises Limited

The result of the subsidiary are as follows:

	Year Ended £'000	Year Ended £'000
Turnover	91	86
Cost of sales	(34)	(32)
Gross Profit	<u>57</u>	<u>54</u>
Net operating expenses	(50)	(52)
Operatin Profit / (Loss)	<u>7</u>	<u>2</u>
Profit / (Loss) on ordinary activities before taxation	<u>7</u>	<u>2</u>
Transferred to Parent Company	-	-
Profit / (Loss) for the financial year	<u>7</u>	<u>2</u>

## Notes to the Accounts for the year ended 31 July 2017

### 13 Trade and other receivables

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	Central £'000	Group £'000	Central £'000
Amounts falling due within one year:				
Trade receivables	283	283	300	300
Prepayments and accrued income	97	97	44	44
Amounts due from subsidiary companies	-	63	-	55
	<u>380</u>	<u>443</u>	<u>344</u>	<u>399</u>

### 14 Current Investments

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	Central £'000	Group £'000	Central £'000
Short term deposits	777	777	1,500	1,500
	<u>777</u>	<u>777</u>	<u>1,500</u>	<u>1,500</u>

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2017 the weighted average interest rate of these fixed rate deposits was 0.80% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 105 days. The fair value of these deposits was not materially different from the book value.

### 15 Creditors : amounts falling due within one year

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	Central £'000	Group £'000	Central £'000
Trade payables	430	419	358	335
Social security and other taxation payable	221	221	198	198
Accruals and deferred income	3,280	3,280	2,523	2,523
Other deferred income	454	454	-	-
Capital Grants	456	456	410	410
	<u>4,841</u>	<u>4,830</u>	<u>3,489</u>	<u>3,466</u>

Notes to the Accounts  
for the year ended 31 July 2017

16 Creditors : amounts falling due after more than one year

	Year ended 31 July 2017		Year ended 31 July 2016	
	Group £'000	Central £'000	Group £'000	Central £'000
Deferred income	8,862	8,862	9,201	9,201
	<u>8,862</u>	<u>8,862</u>	<u>9,201</u>	<u>9,201</u>

17 Provisions for liabilities

Group	Enhanced Pension Provision £'000	LPFA Obligations (Note 27) £'000	Other Obligation £'000	Total Pensions Provisions £'000
At 1 August 2016	212	6,922	40	7,174
Utilised in year	(22)	-	-	(22)
Additions	-	136	-	136
At 31 July 2017	<u>190</u>	<u>7,058</u>	<u>40</u>	<u>7,288</u>
Central	Enhanced Pension Provision £'000	LPFA Obligations FRS102 £'000	Other Obligation £'000	Total Pensions Provisions £'000
At 1 August 2016	212	6,922	40	7,174
Utilised in year	(22)	-	-	(22)
Addition	-	136	-	136
At 31 July 2017	<u>190</u>	<u>7,058</u>	<u>40</u>	<u>7,288</u>

## Notes to the Accounts for the year ended 31 July 2017

### 18 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted Expendable Endowments	Restricted Permanent Endowments	2017 Total	2016 Total
	£'000	£'000	£'000	£'000
<b>Balances at 1 August 2016</b>				
Capital	11	310	321	321
Accumulated income	19	52	71	53
	<b>30</b>	<b>362</b>	<b>392</b>	<b>374</b>
New endowments	-	-	-	8
Investment income	-	8	8	11
Expenditure	-	(12)	(12)	(4)
Increase in market value of investments	-	13	13	3
<b>Total endowment comprehensive income for the year</b>	<b>-</b>	<b>9</b>	<b>9</b>	<b>18</b>
<b>At 31 July 2017</b>	<b>30</b>	<b>371</b>	<b>401</b>	<b>392</b>
<b>Represented by:</b>				
Capital	11	310	321	332
Accumulated income	19	61	80	60
	<b>30</b>	<b>371</b>	<b>401</b>	<b>392</b>
<b>Analysis by type of purpose:</b>				
Scholarships and bursaries	-	339	339	329
Prize funds	-	32	32	33
General	30	-	30	30
	<b>30</b>	<b>371</b>	<b>401</b>	<b>392</b>
<b>Analysis by asset</b>				
Fixed assets	-	199	199	187
Current and non-current asset investments	-	-	-	-
Cash & cash equivalents	30	172	202	205
	<b>30</b>	<b>371</b>	<b>401</b>	<b>392</b>

Notes to the Accounts  
for the year ended 31 July 2017

19 Restricted Reserves

Reserves with restrictions are as follows:

	Unspent capital grants	Donations	2017 Total	2016 Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2016	184	317	501	375
New grants	-	-	-	-
New donations	766	206	972	255
Investment income	-	9	9	11
Capital grants utilised	(6)	-	(6)	(6)
Expenditure	-	(192)	(192)	(134)
(Decrease) / increase in market value of investments	-	-	-	-
<b>Total restricted comprehensive income for the year</b>	<b>760</b>	<b>23</b>	<b>783</b>	<b>126</b>
<b>At 31 July 2017</b>	<b>944</b>	<b>340</b>	<b>1,284</b>	<b>501</b>

	2017 Total	2016 Total
	£'000	£'000
<b>Analysis of other restricted funds /donations by type of purpose:</b>		
Lectureships	22	22
Scholarships and bursaries	184	221
Prize funds	-	12
Capital	766	-
	<b>972</b>	<b>255</b>

20 Cash and cash equivalents

	At 1 August 2016	Cash Flows	At 31 July 2017
	£'000	£'000	£'000
Consolidated			
Cash in hand	20	(3)	17
Cash at bank	8,070	(3,246)	4,824
Term deposits with less than 3 months at 31 July	2,593	5,638	8,231
	<b>10,683</b>	<b>2,389</b>	<b>13,072</b>



## Notes to the Accounts for the year ended 31 July 2017

### 21 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	31 July 2017		31 July 2016	
	Group £'000	Central £'000	Group £'000	Central £'000
Commitments contracted for	4,662	4,662	114	114
	<u>4,662</u>	<u>4,662</u>	<u>114</u>	<u>114</u>

### 22 Financial Commitments

Central has an operating lease with St Peter's Church, Belsize Square London NW3 on which rent is payable (£13k p.a.) from 1 August 2016 onwards. The lease expires on 1 August 2023.

Central entered into a full repairing and insuring lease on Emerson Studios, 4-8 Emerson St, London SE1 9DU for the period from 27 October 2016 to 24 June 2021.

(a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

- (i) not later than one year £244k ;
  - (ii) later than one year and not later than five years £708k;
  - (iii) later than five years nil
- (b) lease payments recognised as an expense - £185k

### 23 Contingent liabilities

There are no contingent liabilities as 31 July 2017 (31 July 2016: nil).

### 24 Events after the reporting period

None

### 25 Related Party Transactions

Central has transactions with a number of organisations which fall within the definition of Related Parties under FRS8 'Related Party Disclosures'. Details of transactions, where material (in excess of £5k) are shown below. In accordance with FRS8 no disclosure has been made of intra-group transactions and balances eliminated on consolidation.

Transaction	Income/ (Expenditure)		Nature of Transaction
	2017 £000	2016 £000	
CSSD Students Union	(15)	(15)	Union grant
The son of the Principal was employed as Course Support Officer	(9)	(10)	3 month fixed term employment contract - conducted at arm's length. 2016 - Interim Digital Development Manager

## Notes to the Accounts for the year ended 31 July 2017

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### 26 Subsidiary undertakings

The subsidiary company (which is registered in England & Wales), wholly-owned by the School as follows:

Company	Principal Activity	Status
CSSD Enterprises	Established to carry out Central's commercial activities. This arrangement preserves Central's charitable status, while also allowing Central to benefit from any tax relief available through Gift Aid arrangements.	100% owned

## 27 Pension Schemes

The two principal pension schemes for Central's staff are the Teachers' Pension Scheme (TPS) and the London Pensions Fund Authority Pension Fund (LPFA).

The TPS provides defined benefits for academic and related employees, and is valued every four years by actuaries using the aggregate method, the rates of contribution payable being determined on the advice of the actuaries.

The LPFA provides similar benefits for Administrative staff at Central. The scheme is valued every three years by actuaries using the projected unit method.

The total pension cost for Central was:

	Year Ended 31 July 2017 £000	Year Ended 31 July 2016 £000
Teachers' Pension Scheme : contributions paid		
Contributions paid	575	509
Provision for pension costs	-	(13)
London Pensions Fund Authority:		
Current service cost	441	414
Provisions for pension costs	413	354
	1,429	1,264

### Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions on a 'pay-as-you-go' basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

As noted above, the pensions cost is assessed every four years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

The last valuation of the TPS was published in 2014 and valued the scheme as it stood in 2012. The valuation estimated that there was a £14.9 billion deficit (a 92% funding level) and led the Treasury and DFE to increase employer contributions from 14.1% to 16.48% in September 2015. The next TPS valuation will be carried out between 2017 and 2018 and will value the scheme as it stands in 2016. There will be consultations involving employers and employees and any changes to contributions are scheduled for April 2019.

### Valuation Balance Sheet

	£Billions 31 March 2012	£Billions 31 March 2008
<b>Aggregate Scheme Assets</b>	<b>176.6</b>	<b>115.8</b>
Aggregate Scheme Liabilities in respect of:		
Active members	74.7	58.4
Deferred pensioners	17.4	9.5
Pensioners	99.4	49.7
<b>Total aggregate scheme liabilities</b>	<b>191.5</b>	<b>117.6</b>
<b>Surplus / (shortfall) as at valuation date</b>	<b>(14.9)</b>	<b>(1.8)</b>

## 27 Pension schemes (continued)

Under definitions set out in Financial Reporting Standard 102 section 28 Retirement Benefits, the TPS is a multi-employer pension scheme. Central is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, Central has taken advantage of the exemption in FRS 102 section 28 and has accounted for its contributions to the scheme as a defined contribution scheme.

### LPFA

The LPFA is a defined benefit statutory scheme administered in accordance with the London Pension Scheme Regulation 2013 and currently provides benefits on career average earnings.

The administering authority for the Fund is the London Pensions Fund Authority. The LPFA Board oversees the management of the Fund whilst the day to day fund administration is undertaken by the Local Pensions Partnership. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, the London Pensions Fund Authority, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of actuarial valuation of the fund required by regulation. The next actuarial valuation of the fund will be carried out as at 31 March 2019 and will set the contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short term volatility can cause additional funding to be required if a deficit emerges;
- interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the London Pension Fund Authority Pension Fund, there is an "orphan" liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

## 27 Pension schemes (continued)

All of the risks above may also benefit the Employer, for example, higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

During the accounting period, Central paid contributions to the pension scheme at the rate of 14% of pensionable salaries.

A qualified independent actuary carried out a full actuarial valuation of the fund at 31 March 2016 and estimated whole fund returns for the period to 31 July 2017. The major assumptions used by the actuary were:

	31 July 2017	31 July 2016	31 July 2015
RPI increases	3.6%	3.1%	3.6%
CPI increases	2.7%	2.2%	2.7%
Salary increases	4.2%	4.0%	4.5%
Pension increases	2.7%	2.2%	2.7%
Discount rate	2.7%	2.6%	3.8%

These assumptions are set with reference to market conditions at 31 July 2017. The actuary's estimate of the duration of the Employer's liabilities is 23 years.

The discount rate is the annualised yield at the 23 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of FRS102 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 23 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.6% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuary has made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.7% p.a. The actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the last accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, the actuary has allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

## 27 Pension schemes (continued)

The major categories of fund assets as a percentage of total fund assets were:

	<u>2017</u>	<u>2016</u>
Equities	61.0%	51.0%
Target return portfolio	21.0%	24.0%
Infrastructure	5.0%	7.0%
Commodities	n/a	1.0%
Properties	7.0%	4.0%
Cash	7.0%	4.0%
LDI/Cash flow matching	n/a	9.0%

Notes to the Accounts  
for the year ended 31 July 2017

27 Pension Schemes (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	<u>2017</u>	<u>2016</u>
Retiring today:		
Males	21.2	22.4
Females	24.5	25.5
Retiring in 20 years:		
Males	23.5	24.8
Females	26.8	27.8

The estimated asset allocation for Central at 31 July is as follows:

	2017 Fund Value <u>£000</u>	2016 Fund Value <u>£000</u>	2015 Fund Value <u>£000</u>
Equities	6,779	4,665	3,597
Target return portfolio	2,294	2,204	1,580
Infrastructure	498	641	437
Commodities	0	48	37
Properties	720	339	255
Cash	767	377	1,050
LDI/Cashflow matching	0	792	1176
	<u>11,058</u>	<u>9,066</u>	<u>8,132</u>

Based on the above, Central's share of the assets of the fund is less than 1%.

The following amounts at 31 July were measured in accordance with the requirements of FRS 102:

Analysis of the amounts shown in the balance sheet	31-Jul-17 £'000	31-Jul-16 £'000	31-Jul-15 £'000	31-Jul-14 £'000	31-Jul-13 £'000	31-Jul-12 £'000
Central's estimated assets share	11,058	9,066	8,132	7,200	6,662	5,278
Present value of scheme liabilities	(18,116)	(15,988)	(12,508)	(10,028)	(8,765)	(8,209)
Deficit in the scheme - net pension liability	<u>(7,058)</u>	<u>(6,922)</u>	<u>(4,376)</u>	<u>(2,828)</u>	<u>(2,103)</u>	<u>(2,931)</u>

Notes to the Accounts  
for the year ended 31 July 2017

**27 Pension Schemes (continued)**

Analysis of the	31-Jul-17 £'000	31-Jul-16 £'000
Current service cost	857	711
Net interest on the defined liability (asset)	173	158
Administrative expenses	12	12
<b>Total operating charge</b>	<b>1,042</b>	<b>881</b>

At 31-Jul 2017 £000s	At 31-Jul 2016 £000s
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**Cumulative actuarial loss recognised as other comprehensive income**

Cumulative actuarial losses recognised at the start of the year	(3,354)	(1,245)
Movement	408	(2,109)
<b>Cumulative actuarial losses recognised at the end of the year</b>	<b>(2,946)</b>	<b>(3,354)</b>

**Analysis of movement in surplus/(deficit) for LPFA**

Deficit at beginning of year	(6,922)	(4,376)
Contributions or benefits paid	498	444
Current service cost	(869)	(723)
Other finance charge	(173)	(158)
Gain / (Loss) recognised in other comprehensive income	408	(2,109)
<b>Deficit at end of year</b>	<b>(7,058)</b>	<b>(6,922)</b>

Year to 31-Jul-17 £000s	Year to 31-Jul-16 £000s
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**Analysis of movement in the present value**

Present value at the start of the year	15,988	12,508
Current service cost (net of member contributions) recorded within other Comprehensive Income.	857	711
Actual member contributions (including notional contributions)	204	206
Actuarial loss / (gain)	1,248	2,238
Actual benefit payments	(241)	(151)
Change in demographic assumptions	(145)	-
Experience loss / (gain) on defined benefit	(210)	-
<b>Present value at the end of the year</b>	<b>18,116</b>	<b>15,988</b>



Notes to the Accounts  
for the year ended 31 July 2017

27 Pension Schemes (continued)

	Year to 31-Jul-17 £000s	Year to 31-Jul-16 £000s
<b>Analysis of movement in the fair value of scheme assets</b>		
Fair value of assets at the start of the year	9,066	8,132
Interest on assets	242	318
Return on assets less interest	1,168	129
Other actuarial gains	133	-
Admin Expenses	(12)	(12)
Actual contributions paid	498	444
Actual member contributions (including notional contributions)	204	206
Actual benefit payments	(241)	(151)
<b>Fair value of scheme assets at the end of the year</b>	<b><u>11,058</u></b>	<b><u>9,066</u></b>

LPFA assets do not include any of Central's own financial instruments, or any property occupied by the Central.

	Year to 31-Jul-17 £000s	Year to 31-Jul-16 £000s
<b>Actual return on Scheme assets</b>		
Expected return on Scheme assets	1,168	129
Other actuarial gain	133	-
Change in demographic assumptions	145	-
Experience gain	210	-
Asset gain/(loss)	(1,248)	(2,238)
	<b><u>408</u></b>	<b><u>(2,109)</u></b>

Estimated contributions to the LPFA in the Financial Year 2017-2018 is £383k assuming Employer contributions of 14%.

## Accounting Estimates and Judgements

### Valuation approach

To assess the value of the Employer's liabilities at 31 July 2017, the actuary rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with FRS102.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 July 2017 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 July 2017 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information the actuary has received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share the actuary has rolled forward the assets allocated to the Employer at 31 March 2016 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

### Demographic/Statistical assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. These have been updated from the tables used at the previous accounting date. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

### Past service costs/gains

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost.

The actuary is not aware of any additional benefits which were granted over the year ending 31 July 2017.

### Curtailments

The actuary has calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, the actuary has only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

The actuary calculates the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, the actuary understands no employees were permitted by the Employer to take unreduced early retirement that they would not otherwise have been entitled to.

### **Settlements**

The actuary is not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.