

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 2018

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 OF THE BOARD

Shortly before the signing of these statements, the Central Community was deeply saddened by the passing of esteemed alumna, Honorary PhD and Vice-President, Cicely Berry CBE on 15 October 2018. Cis Berry was Voice Director of the Royal Shakespeare Company and was world-renowned for her seminal work as a voice and text coach. Her influence and memory will stay with us for years to come.

This has been a year of considerable change and development - both in the HE Sector as a whole, and at Central specifically.

Student Experience

The student experience is at the centre of all we do at Central and, along with the provision of excellent teaching, demonstrated by Central's continuing Teaching Excellence Framework (TEF) Gold status, buildings and facilities are a key component of this experience.

Central is now reaching the end of Phase 5 of its building plan with the completion of the North Block development. The act of 'Breaking the Ground' was performed by alumnus Sir Tony Robinson. A Foundation Stone ceremony was performed in blizzard conditions by Dame Judi Dench who had to conduct the ceremony by telephone link, having been snowed in at home - it was indeed a remarkable event! Also a 'topping out' ceremony was conducted by Hon Fellow Jo Brand.

The project is on budget, with most of the funds in place. A fundraising campaign is short of circa £200,000 against the overall cost of £16.7M, and this should be achieved in the coming year.

Meanwhile, temporary accommodation at Bankside, close by the Globe Theatre, is retained and works well.

Also important to our students is the excellent welfare support provided through the student advice and counselling services, and the mechanisms and processes to listen to and promote the student voice, through student fora and representation, and the Student Union which goes from strength to strength.

In the wake of various scandals the #MeToo campaign gained traction across the performing arts world. Central's staff and Governors worked alongside the Student Union to provide a joint declaration *Central Says Enough*. This was given additional attention by the Mayor of London, Sadiq Khan, coming to Central to launch his #VAWG (Violence Against Women and Girls) strategy at the School.

Inclusivity and support

Central has inclusivity at its heart and we continue to work hard to deliver to ambitious targets to embrace greater representation of BAME students and other protected characteristics such as age, disability, religion, sexual orientation, etc. Central is committed to equality, diversity and inclusion and its mission to shape the future of theatre and performance in the UK and beyond is contingent on a diverse and inclusive student and staff body. To this end the Governing Body has recently commissioned an external and independent review of the principles,

practices and processes of diversity and inclusion within all aspects of Central's work and has approved a programme for change. This is being led by a newly reconstituted committee for Access, Participation, Progression and Inclusion.

Our levels of application remain strong but we have to find ways of encouraging wider participation. Our Access and Participation programme is one means, and the various Outreach schemes are crucial.

Funding and regulation

HEFCE has now been succeeded by the Office for Students (OfS) -as regulatory body, with Research England's oversight of all research activity. Central has successfully completed the registration process and is included on the OfS Register in readiness for full implementation in 2019/20.

In the final years of HEFCE's remit we saw the introduction of a new basis for Exceptional Funding. An internationally recruited panel judged the various small specialist institutions as to whether they were 'World Leading'. Central was judged to be so and the benefit of this enhanced funding can be traced through the accounts which follow. Central now faces further adjudication in the process of a Review of Post 18 Education and Funding for HE and FE.

During the year under review, our Research profile has been greatly enhanced with substantial project funding. So too our outreach work, with various departments, has continued to grow and benefit from many different placements both at home and abroad.

OFFA (Office for Fair Access) has been integrated within the OfS, with an intensified agenda for inclusivity and three separate bodies - HEA, Leadership Foundation and Equality Challenge Unit - have been merged to form Advance HE, collaborating with the sector to provide continuous development.

The Government extended its schedule of EU / non-UK eligibility for existing 'Home' fee levels and access to loan funding. Central is intensifying its recruitment strategy in overseas markets; notably the USA where we have widened the approach for US Fundraising, including a plan for Fulbright scholarships. South America and Australia are also growing as areas for student recruitment.

A revitalised Development team is cultivating many contacts both for Scholarship and Bursary funding, and for the capital appeal. Funding for Research has also expanded significantly. There are new aspects of statutory funding which need to be pursued, as well as the need to build access to HE Innovation Funding.

Impact

A big factor in the last Research Excellence Framework (REF) exercise was Impact, and this will be increasingly prominent in assessment of teaching as well as Research. Thus it is important that we cultivate and maintain close relations with our Alumni, many of whom work on a freelance basis and set up their own companies, often on the basis of co-operatives.

Evidence of Central's success arises from the various festivals, particularly including film festivals recognising films by our student and alumni, and the

Edinburgh Festival Fringe. In the most recent Festival Central students and alumni were active in one way or another in 96 shows, an increase of 20 shows on the prior year... with major input as Writers, Producers, Lighting and Sound Designers, Stage Management and of course Actors. We are holding annual alumni receptions at the Edinburgh Festival, and these have grown substantially in recent years, as well as in New York and for particular year groups at Central itself.

Board Membership and Senior Staffing

Board membership continues with a 50/50 ratio of women to men, unusual in the HE sector. We said farewell to a number of Board members who have given remarkable service to Central - Charles Perrin CBE, Dame Pippa Harris, Jodi Myers and Peter Roberts. We thank them for their considerable commitment to Central. The Board continues to address all aspects of diversity within its membership.

A review of senior staffing has given way to a new structure to be in place for the Academic Year 2018/19. We welcome Julia Roberts as Director of Innovation and Development and congratulate Heather Akif in her new role of Director of Operations.

Graduation Ceremony

The Royal Festival Hall / Southbank Centre was once again the location for Central's Graduation ceremony. It was the last at which Sir Adrian Smith would confer the University of London degrees and awards. Michael Grandage was with us as President. Honorary Fellowships were awarded to Jatinder Verma - introduced by Professor Sally Mackey, to alumna Deborah Warner - introduced on video link by Fiona Shaw, and Professorship Emerita was conferred on Professor Gilli Bush-Bailey - introduced by Robert Sterne. Our outgoing Chairman, Paul Taiano, received Honorary Fellowship in recognition of his many years' service to Central and the significant achievements which occurred during his Chairmanship. He was presented by Deputy Principal, Debbie Scully. Paul Taiano was also accorded the OBE in the year past.

The ceremony was a warm and lively occasion, with a full hall of families and friends there to celebrate the achievements of all receiving their Degrees and Awards. The Registry is to be thanked for managing the smooth running of this event.

Thanks

We wish to thank all those who contribute so much to Central's wellbeing (and the excellent results outlined in the accounts which follow). Retiring Governors who gave of their time and expertise so freely, the staff who regularly achieve accolades both individually and collectively, to the donors whose financial assistance does so much to enable students to overcome the increasing financial hardship of attending full time university education. In particular, we draw attention to some of the wonderful achievements of our staff set out in the Public Benefit section of these statements. The dedication and hard work of our staff enhance the student experience. The reward lies in the work which our students and graduates set before the public; this in turn is a manifestation of the true excellence of Britain's leadership in the Creative Industries.



John Willis
Chair of Governors



Professor Gavin Henderson CBE
Principal and Chief Executive

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 Office for Students (OfS) became the principal regulator of Central on 1 April 2018, both as a Higher Education Institution and as a Charity. The Higher Education Funding Council for England (HEFCE) was the principal regulator for the period to 31 March 2018.

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 plan 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 and building on good practice;
- 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;
- k) capitalising on additional space gains through completion of the North Block development and Central Bankside lease extension.

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

- a) need for estate development with limited capital funding and the need to utilise 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 7-11% 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;
- k) effective profile and data management in a world soaked with information;
- l) sustaining appropriate leadership and governance succession arrangements throughout the period;
- m) generating sufficient income to continue outreach activity and to support scholarship and inclusion;
- n) supporting staff and students in issues of diversity and gender equality.

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;
- e) promoting ethical awareness and a culture of fairness and transparency.

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 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 OfS 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 to 2025 and establish phasing.
2. Delivering Phase 5 by Autumn 2018/19.

3. Securing appropriate accommodation for areas affected by Phase 5 build.
4. Commence feasibility of the final Phase 6 of the estate masterplan.

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 2017/18

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's staff Fellowship of the Higher Education Academy (HEA) increased by 9 (24%) from 38 to 47 in the year
- b) Regional auditions and a fee waiver scheme to support widening participation and access
- c) The Phase 5 North Block Development construction continued on site with estimated practical completion in November 2018. To date, pledges of £1.3m towards the capital fundraising appeal have been secured
- d) Registration with the OfS was secured
- e) 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
- f) Central achieved another excellent year-end financial result to fund future investment and to ensure on-going sustainability
- g) 1st in Complete University Guide League Table for Drama/Dance
- h) Launch of start-up and enterprise scheme to fund graduate start-ups and track impact
- i) Development and expansion of placement opportunities with new providers
- j) Development of technical and learning resources to:
 - provide opportunities for learning and using digital production technology, including 3D modelling
 - create new immersive virtual reality experiences
 - Learn about and experiment with traditional working methods and techniques for costume design
- k) Research successes and diversification of funding.

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. 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 2018
Payroll costs to remain within 60% of total income:	
Payroll costs as a percentage of total income	54.2%
Payroll costs as a percentage of total income excl. capital donations	54.2%
Gender Pay Gap - a measure of the difference between the average earnings of men and women expressed as a percentage of men's earnings.	2.5% Mean (average earning) -1.9% Median (mid value within range)
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 ²	£16.22 per m ²
External borrowing to remain below 50% of income	45%
Student non-completions below 5%	4%
Maintain Student recruitment numbers to annual targets	
Undergraduate	15 students Under target
Postgraduate Taught	26 students Over target

3 FINANCIAL REVIEW

The Financial Statements for the Year Ended 31 July 2018 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 £1.52m, where income has decreased by 1.2% to £19.1m and expenditure has increased by 7.1% to £17.62m when compared to prior year. The marginal decline in income resulted from a combination of an increase in tuition fees and a decrease in funding council grants and capital donations. The surplus of £1.52m (before actuarial gains) represents a good outturn, this is further improved by the valuation of pension as at 31 July 2018 which reflects £1,7m actuarial gains. The actuarial gains are due to positive market movements within the infrastructure, property and the target return portfolio asset funds since 31 July 2017. Therefore, actuarial gains of £1,702k are allocated to the comprehensive statement of income and expenditure resulting in a total comprehensive income of £3.2m in the year. See page 45 and 46 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 2018 £000	Year Ended 31 July 2017 £000
Income	19,141	19,372
Expenditure	(17,622)	(16,454)
Surplus for the Year	1,519	2,918
Surplus % Income	7.9%	15.1%

Income

Revenue Summary	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Tuition Fees & Support Grants	11,686	11,269	10,676	10,145	8,721
Funding Council Grants	6,161	6,240	3,968	3,637	4,276
Research Grants and Contracts	133	126	52	79	270
Other Income	633	648	759	808	809
Capital Donations	26	766	-	-	-
Other Donations	446	236	360	602	257
Endowment and Investment Income	56	87	98	68	54
Total Operating Income	19,141	19,372	15,913	15,339	14,387

Central's total operating income for the year is down by £0.2m compared to the previous year. This decrease is driven primarily through reduced capital donation income and Funding Council Grants. In addition, tuition fee income is up year on year.

Funding Council Grants from HEFCE, OfS and Research England decreased by £0.08m from 2016/17 to 2017/18. This decrease is due to a reduction in the recurrent Teaching and Research grants. Funding Body Grants as a proportion of total income remains 32% of total income as in the prior year.

Donations have decreased by £0.5m from 2016/17 mainly as a result of reduction in Phase 5 capital fundraising income of £0.70m. Capital fundraising income is non-recurring and restricted to fund the Phase 5 development project. However, there was a compensating increase corporate donations of 0.20m.

Tuition Fee income including Short Course and other fees has increased by £0.4m compared to 2017.

Tuition Fees & Education Contracts Income	2018			2017			Variances			
	£000	No.s*	%	£000	No.s*	%	£000	No.s	%	
Full -time Undergraduate	- Home	5,130	567	44%	5,242	579	47%	(112)	(12)	(2%)
	- EU	573	62	5%	413	46	4%	160	16	39%
	- Non EU	1,175	68	10%	947	54	8%	228	14	24%
Full-time Postgraduate	- Home	1,401	155	12%	1,437	150	13%	(36)	5	(3%)
	- EU	402	43	3%	439	49	4%	(37)	(6)	(8%)
	- Non EU	1,798	126	15%	1,791	133	16%	7	(7)	0%
Part-time Postgraduate	- Home	214	64	2%	223	59	2%	(9)	5	(4%)
	- EU	13	4	0%	20	5	0%	(7)	(1)	(35%)
	- Non EU	18	2	0%	-	-	-	18	2	100%
Total Tuition Fees	10,724	1,091	92%	10,512	1,075	93%	212	16	2%	
Short Course & Other Fees	962		8%	757		7%	205		27%	
Total	11,686		100%	11,269		100%	417		4%	

* Numbers excludes students with fully waived fees (2018: 7, 2017: 23)

The preceding table highlights the fact that the increase sits equally in Tuition and short course fee income. Significantly, an additional £0.39m compared to prior year was generated within the “Full-Time, Undergraduate, EU and Non EU” student classification.

The additional £0.2m on short course fees when compared to 2017 was primarily due to new courses.

Expenditure Summary	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Staff Costs	10,373	9,591	8,827	8,707	8,601
Other Operating Expenses	6,240	5,943	4,523	4,697	5,095
Depreciation	747	672	619	606	599
Interests and Other Finance Costs	276	200	236	146	105
(Gain) / Loss on investments and disposal of Fixed Assets	(12)	52	(2)	7	-
Transfer (from) / to endowment fund	(2)	(4)	15	2	8
Total Operating Expenditure	17,622	16,454	14,218	14,165	14,408

Total Operating Expenditure has increased by 7.1% from 2016/17, driven through increased staff costs, other operating expenses, interest and depreciation.

Expenditure on staff costs is the highest cost item, representing 54.2% (2016/17 - 49.5%) of total income. Although staff costs are up 8.2% (£0.78m) 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.

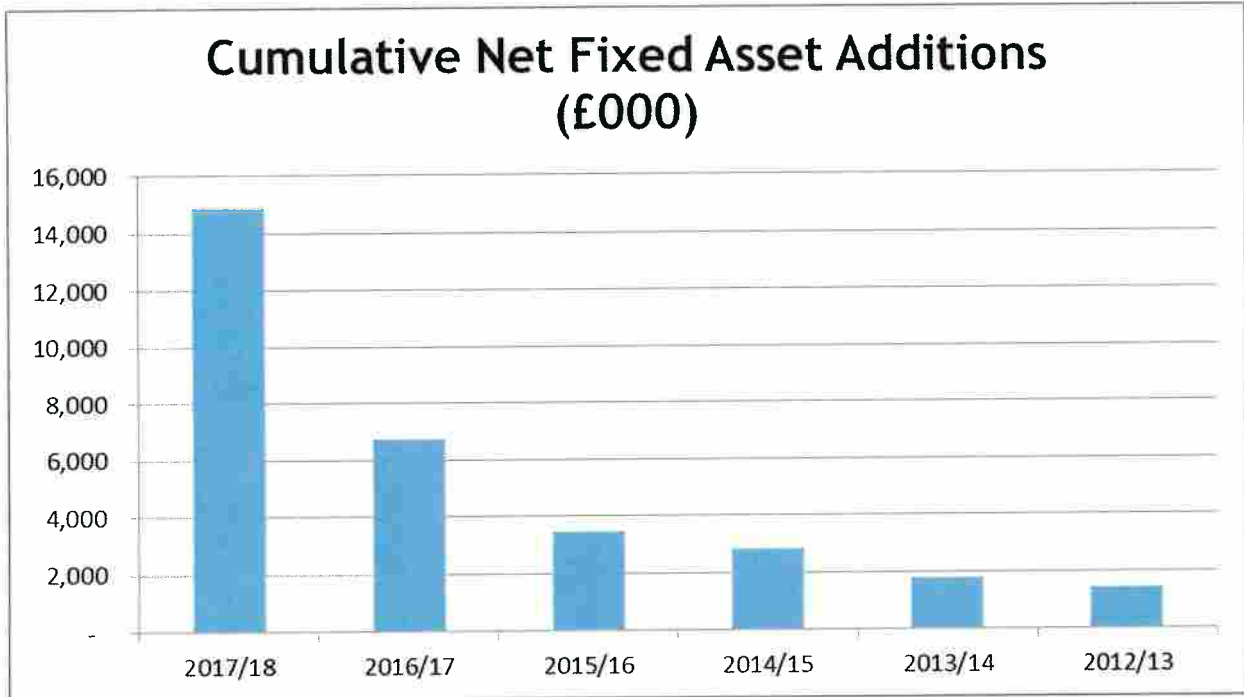
Other operating expenses for the year 2017/18 have increased by £0.30m when compared to 2016/17. This is primarily due to increased expenditure on Phase 5 building insurance (£0.11m) and computer projects (£0.11m) as a result of the new Student Records System. Other notable increases include Bursaries (£0.08m) as a result of increased support of student projects funded by donations, self-employed professionals (£0.04m) and advertising for staff (£0.04m).

Capital Projects

The construction of the new Phase 5 building progressed in 2017/18 with expected completion before the end of 2018 to provide full occupancy of the North Block from spring 2019.

“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 £8.2m incurred during the year comprised construction costs and computer and media equipment.



Cash Management

Cash and cash equivalents (note 20) plus short term deposit balances (note 14) at the end of the year stood at £16.9m, up £3.1m when compared with prior year, and represents the equivalent of 366 days of expenditure. A net cash inflow from operating activities of £2.3m was generated in year.

The Treasury management policy of the School reflects a low 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*
	2017/18	2016/17	2016/17
Current Ratio	3.8	2.9	n/a
Net Liquidity (Days)	366	321	140
Cash flow from operating activities as % total income	12.1%	26.2%	10.0%
External Borrowing as % of total income	45.5%	0%	33.1%

(Source: "Financial health of the higher education sector" - Financial Results and TRAC Outcomes HEFCE March 2018/04)

The preceding financial indicators represent a healthy liquidity position for the School, the Current Ratio has marginally increased and External Borrowing is 45.5% of total income as the bank loan facility of £8.7m was fully drawn down in May 2018.

Central entered into a new bank loan facility of £8.7m in May 2016 to part-finance the £16.7m Phase 5 Development after obtaining consent for HEFCE for an increased financial commitment threshold. The £8.7m loan is for 20 year period at an average fixed rate of just above 3%. Net Liquidity (Days) of 366 for the School, is an increase on the prior year and remains significantly better when compared to the sector mean of 140 days. Cash flow from operating activities is substantially down both in absolute terms and as a percentage of total income when compared against prior year (2017/18 £2.3m / 2016/17 £5.1m), driven predominantly through increase in construction activity as the Phase 5 building project proceeds to completion. In addition, the surplus delivered after depreciation is £1.52m in year compared to a prior year surplus after depreciation of £2.9m.

Pensions

The School participates in two schemes, the LPFA superannuation scheme which is a local government scheme in London and 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 currently being reassessed via the actuarial valuation out as at 31 March 2016 (and each subsequent four yearly valuation). The next revision to the employer contribution rate was expected to take effect from 1 April 2019 however, the actuarial valuation has been delayed because the Government has not published the central valuation assumptions that apply to all public service schemes. The provisional revised contribution has been announced as 23.68% to take effect from September 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 £6.3m for the School, representing a small improvement from a deficit of £7.0m reported at the previous year end. The £6.3m 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 2018. The present value of the fund's obligations for the School has increased to £18.4m, up £0.3m on the previous year. The fund's assets in turn have increased by £1m to £12.1m. The current employer rate of 14% 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 August 2018 the School submitted its 5 year forecast to the Office for Students (OfS) for the period up to 2022/23. These forecasts acknowledge on-going uncertainties across the sector such as:

- The Independent Review of Post 18 Education and Funding and the possibility of significant changes to higher education funding arrangements.
- Economic uncertainty remains particularly with Brexit, the funding position of new EU students entering UK HE from 2020/21 is still unknown.
- The outcome and impact of a General Election and Comprehensive Funding Review on higher education during the forecast period.
- Regulated Under-Graduate Taught (UGT) tuition fees are currently the subject of much debate. Regulated fee levels have been frozen in 2018/19 and 2019/20. The resumption of inflationary increases from 2020/21 may be under threat alongside the possible introduction of differential regulated fee levels.
- Sustainability of specialist Post-Graduate Courses following the withdrawal of the PGT supplement combined with Brexit risks.
- The immediate in-year financial impact on the income and expenditure statement resulting from new regime student recruitment and withdrawals.
- Higher staff costs including higher inflation leading to higher average pay levels beyond income uplift, pressure on the public sector pay cap, increases to employer NI rates, the apprenticeship levy and issues related to the long-term cost liabilities and the sustainability of current pension schemes outside of the control of Central.
- The proposed review on how Research Excellence Framework (REF) monies will be allocated in future years with possible increased selectivity and a possible return to the protection of STEM subjects.
- The outcome of the next REF and Teaching Excellence Framework (TEF) and the introduction of the Knowledge Exchange Framework (KEF).

- Concern about the withdrawal of the Student Disability Allowance (DSA) for certain categories with the expectation that institutions have a duty to make appropriate adjustments out of core funds. This may be a reasonable assumption for the average institution that may have an average of 11% of students in receipt of DSA. For arts institutions there is evidence that the number in receipt of DSA is much higher. For Central, this is usually around 25% of the student body.
- The lack of capital grants for specialist HEIs presenting real challenge in the financing of major capital builds.
- A further review of 'institution specific' specialist funding during the forecast period.

Against this background, the School's key Corporate Plan priorities, detailed in the Corporate Plan for the period to 2019/20, focus on:

- Attracting and retaining high calibre staff and students
- Teaching and Research excellence
- Estate development
- Constantly testing relevance of the School syllabus and skills provision
- Enhancing environmental performance
- 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 is 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 the value of £8.7m. The loan was drawn down in May 2018.

Financial sustainability underpinning the investment behind the School's Corporate Plan has been fully tested and reflected in the seven year financial forecasts [2 years' actual results plus 5 years of forecast] to 2022/23 as submitted to the OfS. The following table summarises key financial ratios closely associated with the assessment of an institution's long-term financial sustainability:

	Forecast	Forecast	Forecast	Forecast	Forecast	Actual	Actual
	2022/23	2021/22	2020/21	2019/20	2018/19	2017-18	2016-17
Surplus/(deficit) before gains and losses as a % of total income	7.7	7.3	6.3	6.0	2.5	7.9	15.3
Discretionary reserves exc. pension asset/(liability) as a % of total income	123.2	117.3	110.1	108.9	106.2	117.4	100.5
External borrowing as a % of total income	32.8	35.4	37.4	41.2	43.6	45.5	-
Net cash flow as a % of total income	11.1	10.8	9.9	9.7	5.6	12.1	26.2
Net liquidity days	324	292	255	238	210	366	321
Staff costs as a % of total income	57.0	57.0	56.8	57.0	56.4	54.2	49.5
Staff costs as a % of total income (excluding capital donations)	57.0	57.0	56.8	57.0	57.9	54.2	51.5
Adjusted net operating cash flow (£)	2,207	2,084	1,876	1,734	858	2,354	5,126
EBITDA (£)	2,526	2,439	2,218	2,102	1,395	2,818	3,808
EBITDA %	12.5	12.2	11.0	10.9	7.0	14.7	19.7
EBITDA excluding capital donations (£)	2,526	2,439	2,218	2,102	864	2,792	3,042
EBITDA %	12.5	12.2	11.0	10.9	4.3	14.6	15.7

Throughout the forecast period, discretionary reserves excluding pension liability as a percentage of total income range between 106.2% and 123.2% which is above the sector average of 104.9% for 2016/17 reported within “Financial Health of the higher education sector” (HEFCE March 2018/04). 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. The measure is consistently higher than the predicted forecast sector average of 140 days for 2016/17 (HEFCE March 2018/04). 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, a healthy Balance Sheet despite increased 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) higher than forecast level of withdrawals resulting in loss of forecast income resulting in loss of forecast tuition fee income and possible under-performance against the OfS contract; and
- c) reduction in number of students from the EU area resulting from Brexit;
- 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) regular monitoring of student withdrawals, and reasons thereof and optimising recruitment numbers to provide a cushion against future withdrawal;
- c) continued investment in infrastructure including the Phase 5 Development and capital equipment;
- d) reallocated duties to maximise effectiveness of the marketing strategy;
- e) 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;
- f) development of Scholarships to attract high quality applicants;
- g) maintaining quality teaching.

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

The trustees have considered the Charity Commission's guidance on public benefit in setting objectives and planning activities. Particular attention has been directed this past year towards supporting and promoting inclusion, diversity and equality within Central, within academic discourse, within the broader performing arts sector, and within the organisations and communities with which we work.

Widening participation

Central is committed to having positive and significant impact in terms of equality and diversity in the performing arts, including widening participation to under-represented groups. Our efforts are focused not only on activities and outcomes within our own walls, but also on widening access to, and participation in, the performing arts in state schools and academies and FE colleges.

Central carried out 157 outreach activities in such institutions this past year. Of the 4,185 students involved, 30% identified as BAME, 33% lived in areas characterised by multiple forms of deprivation, and 40% came from postcodes at the lowest socio-economic levels. The East Midlands Project illustrates the impact of such outreach. Over three years this project has engaged 31 groups, with 32% attending more than once and a 47% increase in new groups in 2017/2018. During the past year alone 18 schools and colleges participated, with attendance of almost 700 students and teachers at performances of Central's student production of #Dr@cula in Leicester and involvement of 200 students in associated workshops. The result has been a 33% increase in applications from this area over the past year, with 48% of engaged schools having student applicants and with applications for the BA in Theatre Practice more than doubling.

As additional elements of Central's outreach effort, about 700 of the estimated 13,000 attendees at Central productions, performances, exhibitions and events over the course of the year were teachers and students who received free tickets to encourage their engagement with the performing arts. Bursaries amounting to £8,250 were given to 29 students aged 6 to 17 to enable them to attend our Saturday Youth Theatre. Workshops and events were also held with 94 teachers to help them develop their skills in introducing the performing arts into their classrooms. In addition, Central continued its partnership with the University of Hertfordshire and this year the University of Cambridge in delivering a Residential Summer School for 18 Looked after Children (i.e. children in care) to expose them to the performing arts.

Ensuring access

Central provides a wide range of financial assistance, primarily in the form of scholarships, bursaries, audition fee waivers and hardship funds, to enable students to both apply to and attend Central. These allocations come from our own institutional funds, individual and corporate donors, and external trusts and foundations, and are primarily targeted to assist students from low-income households, disabled students and care leavers. In the past year 1,230 applicants were given audition fee waivers on the basis of either low income, deprivation, or a physical or learning disability. For example, from the East Midlands Project mentioned above, 114 students from deprived areas were able to attend auditions and 20 received offers to join our Applied Theatre and Theatre Practice courses.

A total of 215 financial awards amounting to £423,357 were made to students in the 2017/18 academic year to enable them to attend Central. These awards included almost £18k in bursaries to first year undergraduates with household income under £25k and £3,500 in bursaries to care leavers. Seven individuals were provided almost £19k in bursaries towards non-credit-bearing diplomas. Disabled students were given access to hardship funds to pay for Diagnostic Assessments to ensure they secured the full range of disability support, and were also encouraged to apply to a £45k scholarship fund donated by Sky to support diversity in the arts and entertainment industries. In the coming two years Sky is also providing £15k per year to Central's Performance Making Diploma for learning disabled adults, a collaboration with Access All Areas.

This financial support has enabled Central to attract and maintain a diverse population of students, as has an application and offer process focused on optimising diversity. Of students offered undergraduate places for 2017-18, 15.3% came from the most deprived areas and 16.4% claimed disabilities (per UCAS figures). **Of the 1,091 students who studied at Central during the year—685 full-time undergraduate students, 332 full-time and 54 part-time postgraduate students, and 9 full-time and 11 part-time PhD students—17.3% came from BAME backgrounds and 21.4% had declared physical or learning disabilities.** Of the 1,272 who attended our short courses, including evening, summer and youth courses and non-accredited diplomas, 24.1% were BAME and 9.6% had a declared disability. Such data has not been collected from the 1,791 people who participated in our business trainings, i.e. bespoke workshops, one-day courses and one-to-one trainings commissioned by organisations and individuals.

Promoting diversity

In addition to widening participation initiatives, Central has had an Equality and Diversity Committee in operation since 2008 with the express purpose of promoting a culture of diversity and a culture that values equality of opportunity throughout the School. During autumn 2017 this committee was subjected to an effectiveness review and, as a result, has been renamed the Access, Participation, Progression and Inclusion Committee (APPI). It has also been issued with revised terms of reference, which focus on effective development and implementation of the School's widening participation strategy, legal compliance with the Equality Act 2010, and operating in accordance with equality and diversity good practice. The first meeting of the APPI took place on 27 June 2018.

Following an internal review, a number of actions have been undertaken to further promote a culture of equality and diversity within the School, with more being planned. These include: the launch of an outreach newsletter; conducting unconscious bias training across the School; creating a Diversity and Inclusion Fellow role to assess, advise and develop equality and diversity practices and ensure all systems are fully inclusive; exploring ways to increase the diversity of visiting lecturers; including equality, diversity and inclusion in staff appraisals; developing the role of student Equality Advisors; reviewing BAME representation in staffing; and reviewing and extending existing BAME student admissions targets and removing any identified barriers to access and progression. The Governors monitor and review progress on the implementation of the change programme at every meeting.

Optimising curriculum diversity and inclusion

Another action that has been agreed is identifying additional ways to diversify the curriculum, an area to which significant attention has already been directed. A curriculum audit was conducted in 2017 by all course leaders of undergraduate and postgraduate courses, looking at diversity of representation in course texts in terms of gender, race, disability, age and other factors. Ongoing reflection and curriculum planning continues within all courses. The School also established a new competitive scheme in autumn 2017, called Curriculum Development Catalyst Funds, to encourage innovations in widening participation and inclusiveness in the curriculum.

Several academics also led research and teaching activities that addressed curriculum diversity issues within the School and within the higher education sector:

- Lecturer in Theatre and Performance Dr Tom Cornford has been collaborating with academic colleagues at Brunel, Exeter and Royal Holloway Universities on 'Decolonizing the Curriculum', a project to develop workshops, a mentoring scheme, and open access resources to address the urgent need for curriculum reform in higher education, to make universities more inclusive, and to ensure that teaching and research in theatre and performance reflect diverse, historically marginalized perspectives, particularly those of people of colour.
- Through his research into the experiences of acting students with dyslexia and dyspraxia, Senior Lecturer in Voice Daron Oram has found that traditional approaches to training often dysconsciously discriminate against neurodiverse students, and as a result introduced a revised curriculum that has had a significant impact on student attainment.
- As well, Daron Oram, assisted by Lecturer in Voice Deborah Garvey, explored student responses to traditional speech and accent training and found that a more inclusive approach is necessary to meet the needs of a diverse cohort of students, which led to the development of a revised curriculum using innovative new training methods and which has had a significant impact on student satisfaction and attainment.

Addressing gender equality

Central as an institution is committed to gender equality and diversity and in March released its gender pay gap statement in response to the Equality Act 2010 (Gender Pay Information) Regulations 2017. This showed that, at 2.5%, Central's mean (average earnings) gender pay gap is significantly less than the 14.1% for the higher education sector as a whole and the 14.8% for the entire UK economy. Central's median (mid-value) gender pay gap was -1.9%. The School is committed to addressing any identified areas of gender disparity.

Preventing sexual harassment

In the wake of the #MeToo movement, the School also introduced a slate of activities to elevate awareness, education, prevention and support in terms of sexual harassment and assault. It partnered with the Central Students' Union on a campaign called 'Central Says Enough', a collaborative, preventative model for implementing a zero-tolerance approach to sexual harassment and violence on campus. The Governors attended a training session led by Tender and are giving care and attention to the issue. The success of this campaign led to the Mayor of London Sadiq Khan launching his new strategy for preventing violence against women and girls at Central in March, and to the SU Women's Officer Rachel Vogler

receiving the Student Advocate of the Year Award from the anti-abuse and violence arts charity Tender. The Central Students' Union also helped Tender shape and deliver training with student unions across the country as part of its Shoulder2Shoulder sexual harassment and sexual assault university campaign.

Influencing the performing arts industry

Central academics have also been involved in projects and activities aimed at furthering understanding and influencing practice around inclusion, diversity and equality in the broader performing arts industry. These include:

- Wendy Gadian, Principal Lecturer and Course Leader for Acting-Musical Theatre, has led a collaboration with the Musical Theatre Network and Showstoppers the Musical called 'Ladies of the Stave', which aims to bring about equal opportunity and equal pay in the musical theatre industry through raising awareness, documenting inequities, and identifying opportunities for change.
- Dr Tom Cornford has served as lead researcher for the Parents in Performing Arts (PIPA) project, co-funded by Arts Council England, Creative Scotland, Central, and fifteen leading UK theatres, which has produced a report highlighting exclusions and challenges affecting UK theatre workers with caring responsibilities, generated and propagated models of inclusive practice in UK theatres, and created a legacy of best practice for the sector.
- Dr Catherine McNamara has been conducting a project called Trans Acting in collaboration with Gendered Intelligence, which works to develop and disseminate good practice in performer training with trans and/or non-binary people and to nurture and promote the talent of trans and/or non-binary performers within the industry, with success already demonstrated by project participants securing professional work opportunities on radio, television and theatre.
- Dr Stephen Farrier wrote the entry 'Queer Theater' for *The Global Encyclopaedia of Lesbian, Gay, Bisexual, Transgender and Queer History* (Charles Scribner's Sons imprint), which runs over 6,000 words and contributes to the three volume set by describing the broad movements in gay and queer theatre in the twentieth Century, and is now co-editing a two-volume book with Dr Mark Edwards (Edge Hill University) for Bloomsbury Methuen on the subject of drag performance, a performance mode that is currently experiencing an explosion of interest.
- Dr Farrier is also conducting a project with Wretched Theatre that brings actors from the Polish and Nigerian diasporas together to devise new performance forms that take account of the performance heritages of the performers, with their work to premiere to an audience of industry professionals.
- Dr Kate Elswit in collaboration with Dr Harmony Bench at Ohio State University is conducting a three-year research project using digital methods to examine how dance moves across geographical locations and networks of cultural, artistic, and financial capital, using the case study of African American choreographer Katherine Dunham, with a particular focus on understanding how Dunham sustained her career in the face of structural racism.
- Professor Emerita and Leverhulme Emeritus Fellow Gilli Bush-Bailey is illuminating the forgotten roles of women in theatre in a variety of ways: as an advisor to the Director of Stratford's Swan Theatre in staging a play written in 1700 by forgotten

playwright Mary Pix; through research mapping the international tour of Emma Stanley's one-woman show 'The Seven Ages of Woman' between 1856 to 1860; and by co-convening an international conference on the influential work of touring actresses in Australia in the 19th and early 20th centuries.

Promoting inclusion, diversity and equality in vulnerable and deprived communities

Many projects and activities at Central aim to address issues of inclusion, diversity and/or equality in vulnerable groups and deprived communities as one of their outcomes—through research, teaching and collaborative outreach. Examples include:

- Dr Selina Busby has been leading a project in Mumbai, India called the Voices of Worli-koliawada, in partnership with local theatre companies, G5A and Stage Left and with participants and co-researchers from the Dalit communities, which has explored the barriers faced by slum dwelling youth in terms of educational and employment opportunities and examined issues around sustainable living and mental health issues with women living in informal housing settlements, with the aim of building confidence, self-esteem and aspirational thinking in these two groups.
- Professor Sally Mackey and Dr Adelina Ong are conducting a project in collaboration with Bexley Council called Performing Places Bexley, aimed at creating community cohesion in diverse communities with age and racially contested space, which this past year in Phase 1 involved over 1,000 youngsters and adults in workshops and events and another 1,500 in performance activities in the main high street.
- Dr Sylvan Baker, in partnership with Drs Maggie Inchley and Sadhvi Dar of Queen Mary University of London and People's Palace Projects, is conducting a practice research project called the Verbatim Formula, which explores the needs and support required for care experienced young people seeking to enter higher education or consider their future, involving over 40 young people with care experience in the past year alone.
- Lecturer in Applied Theatre Practices Ben Buratta leads Outbox Theatre, which conducts workshops with LGBT youth and elders and makes theatre with LGBT artists and communities, with an evaluation finding improved self-esteem and confidence among young participants and reduced isolation among elder participants.
- Jo Shah, Programme Leader for Learning Skills, is conducting a research partnership with three East London based community organisations—Newham Community Programme, East London Business Alliance and London Stadium Learning—to examine long-term associations between the educational participation and social mobility of service users in these organisations and communities, as part of the Community University Partnership Initiative (CUPI), a partnership by the National Coordinating Centre for Public Engagement, Power to Change, the Arts and Humanities Research Council, and Connected Communities that aims to bring together community and university partners to examine live social issues.
- Dr Nicola Abraham, Lecturer in Applied Theatre Practices, is leading a range of community-based collaborative outreach projects with 2nd year undergraduates, which involve working with: care experienced young people, projects in deprived areas and disadvantaged primary schools, LGBT advocacy and identity, people living with mental ill health, delirium and dementia, adult carers, and elders in an acute dialysis ward.

In addition, our Visiting Research Fellows for 2017-18 all brought experience of world-leading work around issues of inclusion, diversity and equality—from the queer to the postcolonial—and drew on this work in their public lectures, masterclasses and PhD seminars. Nike Jonah, former Director of Arts Council England’s Decibel Programme and current Director of Afrovibes, spoke about her approach to thinking about creativity and diversity; Professor David Roman (University of Southern California) covered the politics of durational performance; Feminist theatre historian, Professor Tracy Davis (Northwestern University), spoke on mermaids shown in aquariums; and Dr Nadia Davids (University of Capetown) shared details on her creative practice in relation to post-apartheid and post-colonial memory.

As the activities described throughout this section demonstrate, Central trustees, staff, students and visiting professionals have worked to support and promote inclusion, diversity and equality within the institution, the industry and beyond, and in so doing contribute more fully to the achievement of significant and lasting public benefit.

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 and Nominations Committees. The Director of Operations who has oversight of the Human Resources function is Clerk to the Remuneration 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
John Willis <i>(Chair of Governors)</i>	Independent	Remuneration Committee (Chair) Nominations Committee (Chair) Finance and Employment Committee Investment Committee Phase 5 Board
Abdul Bhanji	Co-opted (University of London) <i>(Appointed on 16 July 2018)</i>	
Anthony Blackstock	Independent	Audit Committee (Chair)
Professor Maria Delgado	Staff (Academic Board nominated)	
Dr Stephen Farrier	Staff (Staff nominated)	
Eleni Gill	Independent	Audit Committee until November 2017 Finance and Employment Committee from December 2017
Alan Haigh	Independent	Audit Committee
Dame Pippa Harris	Independent <i>(Retired on 16 July 2018)</i>	Nominations Committee
Professor Gavin Henderson CBE	Ex Officio (Principal/CEO)	Finance and Employment Committee Nominations Committee Phase 5 Board (Chair)
Clare Hennings	Independent <i>(Appointed on 14 May 2018)</i>	Finance and Employment Committee - (Chair from 16 July 2018) Investment Committee (Chair from 16 July 2018)
Menna McGregor <i>(Deputy Chair of Governors)</i>	Independent	Finance and Employment Committee Remuneration Committee (Deputy Chair) Prevent <i>(Governor Champion)</i>
Professor Simon McVeigh	Independent	Academic Board <i>(Link Governor)</i> Audit Committee
Anne Mensah	Independent	Finance and Employment Committee
Jodi Myers	Independent <i>(Retired on 16 July 2018)</i>	Nominations Committee Equality and Diversity <i>(Governor Champion)</i> Phase 5 Board

Name	Category of Membership	Committees Served
Clara Nizard	Postgraduate Student (Student nominated) <i>(Appointed on 27 November 2017)</i>	
Charles Perrin CBE	Co-opted (University of London) <i>(Retired on 16 July 2018)</i>	Finance and Employment Committee (Chair) Investment Committee (Chair) Remuneration Committee Phase 5 Board
Peter Roberts	Independent <i>(Retired on 16 July 2018)</i>	Nominations Committee Finance and Employment Committee Remuneration Committee Health and Safety (Governor Champion) Phase 5 Board
Geoffrey Rowe	Independent <i>(Retired on 26 February 2018)</i>	Finance and Employment Committee
Jake Saunders	Ex-Officio (President of the Student Union) <i>(Appointed on 1 August 2017 and Retired on 31 July 2018)</i>	
Emily Thommes	Independent <i>(appointed on 14 May 2018)</i>	
Mark White	Independent <i>(Appointed on 16 July 2018)</i>	

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

- Holly Barraclough, President of the Student Union and Ex-Officio Student Governor, was appointed to the Board of Governors with effect from 1 August 2018;
- Clara Nizard, Postgraduate Student Governor, retired from the Board of Governors on 1 October 2018;
- Shreya Chatterjee, Postgraduate Student Governor, was co-opted to the Board of Governors on 26 November 2018;
- Christina Coker, Independent Governor was appointed to the Board of Governors with effect from 1 January 2019.

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 2017/18, a range of ages and backgrounds and reflecting a variety of differing characteristics, experience and skills.

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 had some success in attracting suitably qualified candidates from black, Asian or minority ethnic backgrounds, but this remains an area of challenge. Central has also developed a process of induction and continuous development for Governors which recognises the wide range of knowledge and experience.

Central used an external search platform to actively seek out a new Chair of Finance and Employment Committee.

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 and Revised in June 2018*.

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 Code in full in the year ended 31 July 2018.

The Governors have also applied the majority of *The Higher Education Senior Staff Remuneration Code* published by the CUC in June 2018. The Governors have adopted the three elements of fair and appropriate remuneration and the supporting principles. Modifications were made to Central's Remuneration Committee in October 2018. The following actions are in progress in order that a statement of full application of all three elements of the Remuneration Code can be applied in time for the year ending 31 July 2019:

- approval of a policy on external income
- equality audit of senior staff pay

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 seventeen members on 31 July 2018 including the Principal/CEO. The Governing Body was chaired by John Willis 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 2017/18, 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.

The Academic Board also undertakes periodic effectiveness reviews and a review was undertaken in 2017/18.

A skills audit has been undertaken to inform the priorities for appointment to vacant positions on the Board of Governors and is duly reflected in the recent Governor appointments.

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 nominated as Chair. A Project Board including independent governor members has also been convened to oversee the Phase 5 Development.

Details of Governing Body Committees operating in 2017/18 is summarised below.

The Finance and Employment Committee meets at least four times a year, and was chaired by Charles Perrin CBE until 16 July 2018. Clare Hennings took over as Chair on 16 July 2018. 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. With effect from October 2018, the Deputy Chair of Governors chairs the Remuneration Committee when the Principal's remuneration is considered. An external with expert knowledge of senior remuneration in the higher education and wider sectors was identified for appointment commencing

July 2018. 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 Auditor, 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 Office for Students 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 is 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 until November 2017. Richard Farr served as co-opted member on the Audit Committee from June 2018.

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.

A review of the Governing Body Committee Structure is being undertaken in Autumn 2018 to ensure it remains relevant and fit for purpose. It is intended that a new committee structure will be implemented with effect from January 2019.

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 and regularly provides assurance reports to the Governing Body. 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 2017/18.

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 auditor is aware of that information.

KPMG LLP was re-appointed as Central's auditor at the Annual General Meeting of the Members on 16 July 2018.

Statement of Governing Body Responsibilities in respect of the Strategic Report and the Financial Statements

In accordance with Company law and the Articles of Association, the Governors are required to present audited financial statements for each financial year. Under that law the Governors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practices).

The Governing Body is responsible for preparing the Strategic report and the financial statements in accordance with the requirements of the Office for Students' terms and conditions of funding for higher education institutions and Research England's terms and conditions of Research England grant and applicable law and regulations.

The Governing Body is 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 terms and conditions of funding further require 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 the Accounts Direction issued by the Office for Students. The Governing Body is 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 Governing Body is 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 to do so.

The Governing Body is responsible for keeping proper accounts and proper records in relation to the accounts. It is responsible for such internal control as the Governors 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 Governing Body is also responsible for ensuring that:

- a) 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 and with relevant legislation;
- b) funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- c) 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;
- d) there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- e) economical, efficient and effective management of the institution's resources and expenditure is secured.

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.

Publication of the Financial Statements on the Website

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.

Statement of Internal Controls

The institution's Governing Body is responsible for the institution's system of internal control and for reviewing its effectiveness. Such a system 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 misstatement or loss.

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 2018, 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), OfS 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 OfS 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 2018 and up to the date of approval of the annual report and financial statements.



John Willis
Chair of Governors
26 November 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Royal Central School of Speech and Drama ("the School") for the year ended 31 July 2018 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 2018, 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 the Accounts Direction dated 19 June 2018 issued by the Office for Students.

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 39, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS


We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice 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;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; 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.



Richard Hewes (Senior Statutory Officer)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

29 November 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

Year Ended 31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Group £'000	Central £'000	Group £'000	Central £'000
Income					
Tuition fees and education contracts	1	11,686	11,686	11,269	11,269
Funding body grants	2	6,161	6,161	6,240	6,240
Research grants and contracts	3	133	133	126	126
Other income	4	633	526	648	557
Investment income	5	56	56	87	87
Total income before endowments and donations		18,669	18,562	18,370	18,279
Donations and endowments	6	472	472	1,002	1,002
Total income		19,141	19,034	19,372	19,281
Expenditure					
Staff costs	7	10,373	10,328	9,591	9,557
Other operating expenses		6,240	6,182	5,943	5,893
Depreciation	11	747	747	672	672
Interest and other finance costs	8	276	276	200	200
Total expenditure	9	17,636	17,533	16,406	16,322
Surplus/(deficit) before other gains/(losses)		1,505	1,501	2,966	2,959
Loss on disposal of fixed assets	11	-	-	(96)	(96)
Gain on investments	12	12	12	44	44
Surplus / (Deficit) before tax		1,517	1,513	2,914	2,907
Transfer to accumulated income in endowment funds		2	2	4	4
Surplus for the year		1,519	1,515	2,918	2,911
Actuarial gain / (loss) in respect of pension schemes	27	1,702	1,702	408	408
Total comprehensive income / (expenditure) for the year		3,221	3,217	3,326	3,319

(Continued on the next page)

Consolidated Statement of Comprehensive Income and Expenditure
Year Ended 31 July 2018 (continued)

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Group £'000	Central £'000	Group £'000	Central £'000
Represented by:					
Endowment comprehensive income for the year		1	1	9	9
Restricted comprehensive income for the year		207	207	783	783
Unrestricted comprehensive income / (expenditure) for the year		3,013	3,009	2,534	2,527
Attributable to Group and Central		<u>3,221</u>	<u>3,217</u>	<u>3,326</u>	<u>3,319</u>
Surplus for the year attributable to: Group and Central		<u>1,519</u>	<u>1,515</u>	<u>2,918</u>	<u>2,911</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 2018	Year Ended 31 July 2017
Actuarial Gains / (Losses) in respect of LPFA pension scheme	1,702	408
Gain on investments	12	44
Total Gain / (Losses)	<u>1,714</u>	<u>452</u>

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

Year ended 31 July 2018

Group	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000		
Balance at 1 August 2016	392	501	15,619	1,270	17,816
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	-	-
Total comprehensive income / (expenditure) for the year	9	783	2,534	0	3,326
Endowment Transfer					9
Balance at 1 August 2017	401	1,284	18,153	1,270	21,151
Surplus from the income and expenditure statement	11	446	1,062	-	1,519
Other comprehensive income	-	-	1,702	-	1,702
Release of restricted funds spent in year	(10)	(239)	249	-	-
Total comprehensive income / (expenditure) for the year	1	207	3,013	0	3,221
Endowment Transfer					1
Balance at 31 July 2018	402	1,491	21,166	1,270	24,373

Consolidated Statement of Changes in Reserves
Year ended 31 July 2018 (continued)

Central	Income and expenditure account			Revaluation reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
	£'000	£'000	£'000		
Balance at 1 August 2016	392	501	15,662	1,270	17,859
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	-	-
Total comprehensive income / (expenditure) for the year	9	783	2,527	0	3,319
Endowment Transfer					9
Balance at 1 August 2017	401	1,284	18,189	1,270	21,187
Surplus from the income and expenditure statement	11	446	1,058	-	1,515
Other comprehensive income	-	-	1,702	-	1,702
Release of restricted funds spent in year	(10)	(239)	249	-	-
Total comprehensive income / (expenditure) for the year	1	207	3,009	-	3,217
Endowment Transfer					1
Balance at 31 July 2018	402	1,491	21,198	1,270	24,405

CONSOLIDATED BALANCE SHEET AS AT 31 JULY

Year ended 31 July 2018


	Notes	2018		2017	
		Group £000	Central £000	Group £000	Central £000
Non-current assets					
Fixed assets	11	34,289	34,288	26,843	26,842
Investments	12	1,080	1,080	1,067	1,067
		<u>35,369</u>	<u>35,368</u>	<u>27,910</u>	<u>27,909</u>
Current assets					
Stocks		3	-	3	-
Debtors	13	496	566	380	443
Investments	14	2,991	2,991	777	777
Cash and cash equivalents	20	13,926	13,881	13,072	13,038
		<u>17,416</u>	<u>17,438</u>	<u>14,232</u>	<u>14,258</u>
Less: creditors - amounts falling due within one year	15	(4,533)	(4,522)	(4,841)	(4,830)
Net current assets		<u>12,883</u>	<u>12,916</u>	<u>9,391</u>	<u>9,428</u>
Total assets less current liabilities		48,252	48,284	37,301	37,337
Creditors - amounts falling due after more than one year	16	(17,417)	(17,417)	(8,862)	(8,862)
Provisions					
Pension provisions	17	(6,243)	(6,243)	(7,058)	(7,058)
Other provisions	17	(219)	(219)	(230)	(230)
TOTAL ASSETS		<u>24,373</u>	<u>24,405</u>	<u>21,151</u>	<u>21,187</u>


Consolidated Balance Sheet as at 31 July (Continued)

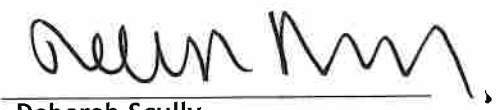
Year Ended 31 July 2018

	Notes	2018		2017	
		Group £000	Central £000	Group £000	Central £000
Restricted Reserves					
Income and expenditure reserve					
Endowment reserve	18	402	402	401	401
Income and expenditure reserve	19	1,491	1,491	1,284	1,284
Unrestricted Reserves					
Income and expenditure reserve					
Unrestricted		21,210	21,242	18,196	18,232
Revaluation reserve		1,270	1,270	1,270	1,270
TOTAL RESERVES		24,373	24,405	21,151	21,187

The financial statements were approved by the Governing Body on 26 November 2018 and were signed on its behalf on that date by:


John Willis
Chair of Governors


Professor Gavin Henderson
Principal / Chief Executive


Deborah Scully
Company Secretary

CONSOLIDATED CASH FLOW

Consolidated Cash Flow Year ended 31 July 2018

	Notes	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Cash flow from operating activities			
Surplus for the year		1,519	2,918
Adjustment for non-cash items			
Depreciation	11	747	672
Gain / (Loss) on investments	12	12	44
Decrease/(increase) in stock		-	1
Decrease/(increase) in debtors	13	(116)	(36)
Increase/(decrease) in creditors	15	(308)	1,352
Increase/(decrease) in pension provision	17	887	544
Increase/(decrease) in other provisions	17	(11)	(22)
Adjustment for investing or financing activities			
Investment income	5	(56)	(87)
Interest payable	8	91	27
Endowment income	18	(8)	(8)
Loss on disposal of fixed assets	11	-	96
Capital grant income		(438)	(434)
Net cash inflow from operating activities		2,319	5,067
Cash flows from investing activities			
Capital grants receipts		184	139
Investment income		46	78
Payments made to acquire fixed assets		(8,170)	(3,599)
New current asset investment		(2,214)	723
		(10,154)	(2,659)
Cash flows from financing activities			
Interest paid		(18)	(27)
Endowment cash received		7	8
New unsecured loan		9,700	-
Repayments of amounts borrowed		(1,000)	-
		8,689	(19)
Increase in cash and cash equivalents in the year		854	2,389
Cash and cash equivalents at beginning of the year	20	13,072	10,683
Cash and cash equivalents at end of the year	20	13,926	13,072

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 OfS, HEFCE and, Research England 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 2018**

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group £'000	Central £'000	Group £'000	Central £'000
1 Tuition fees and education contracts				
Full-time Undergraduate - Home	5,130	5,130	5,242	5,242
- EU students	573	573	413	413
- International students	1,175	1,175	947	947
Full-time Postgraduate - Home	1,401	1,401	1,437	1,437
- EU students	402	402	439	439
- International students	1,798	1,798	1,791	1,791
Part-time Postgraduate - Home	214	214	223	223
- EU students	13	13	20	20
- International students	18	18	-	-
	<u>10,724</u>	<u>10,724</u>	<u>10,512</u>	<u>10,512</u>
Short courses and other fees	962	962	757	757
	<u>11,686</u>	<u>11,686</u>	<u>11,269</u>	<u>11,269</u>
2 Funding body grants				
Recurrent grants				
Teaching - HEFCE	3,857	3,857	5,119	5,119
- OfS	1,227	1,227	-	-
Research - HEFCE	393	393	666	666
- Research England	230	230	-	-
Capital grants - HEFCE	438	438	434	434
Specific grants				
Inherited staff liabilities - HEFCE	16	16	21	21
	<u>6,161</u>	<u>6,161</u>	<u>6,240</u>	<u>6,240</u>

Notes to the Accounts
for the year ended 31 July 2018

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group £'000	Central £'000	Group £'000	Central £'000
3 Research grants and contracts				
Research councils	102	102	79	79
Government (UK and overseas)	31	31	43	43
Industry and commerce	-	-	4	4
	133	133	126	126
4 Other income				
Rent	44	44	41	41
Ticket sales	25	25	29	29
Shop sales	19	19	19	19
Bar sales	107	-	91	-
External services	102	102	104	104
Training	250	250	289	289
Other Income	86	86	75	75
	633	526	648	557
5 Investment income				
Investment income on endowments	7	7	8	8
Investment income on restricted reserves	10	10	9	9
Exchange Losses realised	(19)	(19)	-	-
Other investment income	58	58	70	70
	56	56	87	87
6 Donations and endowments				
Donations with restrictions	436	436	972	972
Unrestricted donations	36	36	30	30
	472	472	1,002	1,002

Notes to the Accounts
For the year ended 31 July 2018

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Group £'000	Central £'000	Group £'000	Central £'000
7 Staff costs				
Staff Costs :	£'000	£'000	£'000	£'000
Salaries	7,693	7,655	7,424	7,395
Social security costs	785	783	738	736
Other pension costs	1,895	1,890	1,429	1,426
Total	10,373	10,328	9,591	9,557

	2018 £	2017 £
Emoluments of the Principal:		
Salary	179,731	176,727
Taxable Benefits - Private Medical Insurance	2,647	2,288
Non Taxable Benefits - Misc expenses incurred on Central business	7,809	6,716
Pension contributions to TPA	29,620	29,125
Total	219,807	214,856

Central is a higher education conservatoire based in London and is internationally renowned. Employing 238 full-time equivalent contracted staff and engaging approximately 200 freelance visiting professionals, Central's annual turnover is c.£19million. In 2014, over two thirds of the School's research submitted to the Research Excellence Framework was deemed to be internationally excellent or world-leading. In 2017, the Teaching Excellent Framework awarded Central Gold status in recognition of its excellent teaching standard.

On behalf of the Board of Governors, the Remuneration Committee has delegated responsibility for reviewing the performance of and setting the salary level for the Principal on an annual basis. The review includes an assessment of the Principal's objectives, reference to institutional performance and financial sustainability and also reference to external market data such as CPI, public sector pay negotiations, UCEA senior staff survey and appropriate peer institutional benchmarks. Specific reference points include the median pay for head of providers in higher education as reported in 2017 and remuneration levels within specialist conservatoires. The 2017 median figures: for all providers - £248,513; for providers with an income of up to £24m - £172,366 and providers based in London - £260,000.

In comparison to appropriate external benchmarks and reference points, and noting the performance outcomes delivered, the total remuneration package for the Principal /CEO at £219,807 can be justified as being fair and appropriate. In comparison to the total workforce, the Principal's remuneration for 2018 was x4.4 of the median staff earnings. This is below the CUC reported average range of x5 to x8.5 for higher education.

Principal's Pay multiples - the ratio between the Principal's pay and the pay of the other staff at the institution.

	2018	2017
Basic salary	3.8	4.0
Total remuneration	4.4	4.5

Remuneration of other higher paid staff, excluding employer's pension contributions

	No.	No.
£100,000 to £104,999	1	-
£105,000 to £109,999	1	1
£110,000 to £115,999	-	-
£116,000 to £119,999	-	-
£120,000 to £124,999	-	-
£125,000 to £129,999	1	-
£130,000 to £134,999	-	1
Total	3	2

Average staff numbers by major category :

	No.	No.
Teaching	139	135
Teaching Support	57	56
Central Admin & Services	30	31
Staff and student facilities	5	5
Premises	7	6
	238	233

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 2018 £'000	Year ended 31 July 2017 £'000
Key management personnel staff costs and benefits (included in staff costs above)		
Salary	736	679
Total	736	679

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 (2017 - none).

However, during the year three (2017: two) non-executive directors received reimbursement of expenses of £1,079 (2017: £1,498).

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 2018

	Notes	Year Ended		Year Ended	
		31 July 2018		31 July 2017	
		Group	Central	Group	Central
		£'000	£'000	£'000	£'000
8 Interest and other finance costs					
Loan interest		91	91	27	27
Net charge on pension scheme	27	185	185	173	173
		276	276	200	200

9 Analysis of total expenditure by activity

Year Ended 31 JULY 2018	Staff	Other	Depn	Interest	Total
	Costs	Operating		Payable	
	£000	Expenses	£000	£000	£000
	£000	£000	£000	£000	£000
Teaching	5,368	1,719	1		7,088
Teaching Support	2,509	1,805	126	276	4,716
Central Admin & Services	2,207	1,780	297		4,284
Staff and student facilities	45	132	1		178
Premises	244	724	322		1,290
Catering	-	80			80
	10,373	6,240	747	276	17,636

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 - Buildings	306
Operating lease rentals - Other	85

Year Ended 31 JULY 2017	Staff	Other	Depn	Interest	Total
	Costs	Operating		Payable	
	£000	Expenses	£000	£000	£000
	£000	£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
	9,591	5,943	672	200	16,406

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

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 2018

11 Fixed Assets

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
Cost or valuation						
At 1 August 2017	24,666	1,186	3,997	1,809	4,390	36,048
Additions	-	-	51	407	7,735	8,193
Disposals	-	-	-	-	-	0
At 31 July 2018	24,666	1,186	4,048	2,216	12,125	44,241
Depreciation						
At 1 August 2017	5,730	-	2,277	1,198	-	9,205
Charge for the year	312	-	300	135	-	747
Disposals	-	-	-	-	-	0
At 31 July 2018	6,042	-	2,577	1,333	-	9,952
Net book value						
At 31 July 2018	18,624	1,186	1,471	883	12,125	34,289
At 31 July 2017	18,936	1,186	1,720	611	4,390	26,843

Notes to the Accounts
for the year ended 31 July 2018

11 Fixed Assets (Contd)						
	Freehold Land and Buildings	Leasehold Land and Buildings	Alterations and Improvements	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
Central	£'000	£'000	£'000	£'000	£'000	£'000
Cost and valuation						
At 1 August 2017	24,666	1,186	3,997	1,803	4,390	36,042
Additions	-	-	51	407	7,735	8,193
Disposals	-	-	-	-	-	-
At 31 July 2018	24,666	1,186	4,048	2,210	12,125	44,235
Depreciation						
At 1 August 2017	5,730	-	2,277	1,193	-	9,200
Charge for the year	312	-	300	135	-	747
Disposals	-	-	-	-	-	-
At At 31 July 2018	6,042	-	2,577	1,328	-	9,947
Net book value						
At 31 July 2018	18,624	1,186	1,471	882	12,125	34,288
At 31 July 2017	18,936	1,186	1,720	610	4,390	26,842

At 31 July 2018, freehold land and buildings included £8.8m (2017 - £8.8m) in respect of freehold land and is not depreciated.

Notes to the Accounts for the year ended 31 July 2018

12 Non-Current Investments

Group and Central	Endowment Investment	Other Investments	Total
	£'000	£'000	£'000
At 1 August 2017	401	666	1,067
Additions	-	-	-
Disposals	-	-	-
Increase / Decrease in value	1	12	13
At 31 July 2018	<u>402</u>	<u>678</u>	<u>1,080</u>
Group and Central	£'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>

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

	Central 2018 £	Central 2017 £
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	107	91
Cost of sales	(42)	(34)
Gross Profit	<u>65</u>	<u>57</u>
Net operating expenses	(61)	(50)
Profit / (Loss) for the financial year	<u>4</u>	<u>7</u>

Notes to the Accounts for the year ended 31 July 2018

13 Trade and other receivables

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group £'000	Central £'000	Group £'000	Central £'000
Amounts falling due within one year:				
Trade receivables	416	416	283	283
Prepayments and accrued income	80	80	97	97
Amounts due from subsidiary companies	-	70	-	63
	<u>496</u>	<u>566</u>	<u>380</u>	<u>443</u>

14 Current Investments

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group £'000	Central £'000	Group £'000	Central £'000
Short term deposits	<u>2,991</u>	<u>2,991</u>	<u>777</u>	<u>777</u>
	<u>2,991</u>	<u>2,991</u>	<u>777</u>	<u>777</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 2018 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 167 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 2018		Year ended 31 July 2017	
	Group £'000	Central £'000	Group £'000	Central £'000
Trade payables	158	150	430	419
Social security and other taxation payable	238	238	221	221
Accruals and deferred income	3,346	3,343	3,280	3,280
Other deferred income	300	300	454	454
Capital Grants	491	491	456	456
	<u>4,533</u>	<u>4,522</u>	<u>4,841</u>	<u>4,830</u>

Notes to the Accounts
for the year ended 31 July 2018

16 Creditors : amounts falling due after more than one year

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group £'000	Central £'000	Group £'000	Central £'000
Capital Creditors	8,571	8,571	8,862	8,862
Unsecured loan	8,700	8,700	-	-
Deferred income	146	146	-	-
	<u>17,417</u>	<u>17,417</u>	<u>8,862</u>	<u>8,862</u>
Analysis of unsecured loans:				
Due within one year or on demand	-	-	-	-
Due between one and two years	308	308	-	-
Due between two and five years	1,303	1,303	-	-
Due in five years or more	7,089	7,089	-	-
Due after more than one year	<u>8,700</u>	<u>8,700</u>	-	-
Total unsecured loans	<u>8,700</u>	<u>8,700</u>	-	-

The fixed interest rates on the £8.7m Lloyds loan is as detailed below:

	Amount £'000	Term	Interest %	Borrower
23 June 2016	5,000	20	3.155	Central
11 April 2017	1,000	20	2.743	Central
9 May 2018	2,700	20	3.083	Central
Total Lloyds Loan	<u>8,700</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 2017	190	7,058	40	7,288
Utilised in year	(11)	-	-	(11)
Additions	-	(815)	-	(815)
At 31 July 2018	<u>179</u>	<u>6,243</u>	<u>40</u>	<u>6,462</u>
Central	Enhanced Pension Provision £'000	LPFA Obligations FRS102 £'000	Other Obligation £'000	Total Pensions Provisions £'000
At 1 August 2017	190	7,058	40	7,288
Utilised in year	(11)	-	-	(11)
Addition	-	(815)	-	(815)
At 31 July 2018	<u>179</u>	<u>6,243</u>	<u>40</u>	<u>6,462</u>

Notes to the Accounts for the year ended 31 July 2018

18 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted Expendable Endowments	Restricted Permanent Endowments	2018 Total	2017 Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2017				
Capital	11	310	321	321
Accumulated income	19	61	80	71
	30	371	401	392
New endowments	-	-	-	-
Investment income	-	7	7	8
Expenditure	-	(10)	(10)	(12)
Increase in market value of investments	-	4	4	13
Total endowment comprehensive income for the year	-	1	1	9
At 31 July 2018	30	372	402	401
Represented by:				
Capital	11	310	321	321
Accumulated income	19	62	81	80
	30	372	402	401
Analysis by type of purpose:				
Scholarships and bursaries	-	340	340	339
Prize funds	-	32	32	32
General	30	-	30	30
	30	372	402	401
Analysis by asset				
Fixed assets	5	352	357	199
Current and non-current asset investments	-	-	-	-
Cash & cash equivalents	25	20	45	202
	30	372	402	401

Notes to the Accounts
for the year ended 31 July 2018

19 Restricted Reserves

Reserves with restrictions are as follows:

	Unspent capital grants	Donations	2018 Total	2017 Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2017	944	340	1,284	501
New grants	-	-	-	-
New donations	26	410	436	972
Investment income	-	10	10	9
Capital grants utilised	(6)	-	(6)	(6)
Expenditure	-	(233)	(233)	(192)
(Decrease) / increase in market value of investments	-	-	-	-
Total restricted comprehensive income for the year	20	187	207	783
At 31 July 2018	964	527	1,491	1,284

	2018 Total	2017 Total
	£'000	£'000
Analysis of other restricted funds /donations by type of purpose:		
Lectureships	31	22
Scholarships and bursaries	379	184
Prize funds	-	-
Capital	26	766
	436	972

20 Cash and cash equivalents

	At 1 August 2017	Cash Flows	At 31 July 2018
	£'000	£'000	£'000
Consolidated			
Cash in hand	17	5	22
Cash at bank	4,824	(2,053)	2,771
Term deposits with less than 3 months at 31 July	8,231	2,902	11,133
	13,072	854	13,926

Notes to the Accounts for the year ended 31 July 2018

21 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2018:

	31 July 2018		31 July 2017	
	Group £'000	Central £'000	Group £'000	Central £'000
Commitments contracted for	1,229	1,229	4,662	4,662
	<u>1,229</u>	<u>1,229</u>	<u>4,662</u>	<u>4,662</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.

Central has an operating lease with BNP Paribas for scanning and printing equipment (£85k p.a.) for the period from August 2016 to July 2020.

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

	Buildings	Printers	Total
(i) not later than one year	306	85	391
(ii) later than one year and not later than five years	306	85	391
(iii) later than five years	302	-	302
(b) lease payments recognised as an expense	306	85	391

23 Contingent liabilities

There are no contingent liabilities as 31 July 2018 (31 July 2017: 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
	2018 £000	2017 £000	
CSSD Students Union	(15)	(15)	Student Union grant

Notes to the Accounts for the year ended 31 July 2018

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 2018 £'000	Year Ended 31 July 2017 £'000
Teachers' Pension Scheme : contributions paid		
Contributions paid	644	575
Provision for pension costs	-	-
London Pensions Fund Authority:		
Current service cost	481	441
Provisions for pension costs	770	413
Total Pension Cost	1,895	1,429

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group’s defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. “GMP”. The Government will need to consider this outcome in conjunction with the Government’s recent consultation on GMP indexation in public sector schemes before concluding on any changes to the LGPS schemes.

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 Department (GAD).

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.

Valuation Balance Sheet

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

27 Pension schemes (continued)

GAD staff started its latest valuation of TPS in summer 2017 but there is no information about the results yet. The valuation has been delayed because the Government has not published the central valuation assumptions that apply to all public service schemes. There will be consultations involving employers and employees and any changes to contributions would be scheduled for April 2019 however due to delay in conforming the valuation, UCEA and the Association of Colleges have formally requested that any changes be scheduled for September 2019.

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

27 Pension schemes (continued)

- 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.

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 2017 and estimated whole fund returns for the period to 31 July 2018. The major assumptions used by the actuary were:

Assumptions as at	31 July 2018	31 July 2017
RPI increases	3.35%	3.6%
CPI increases	2.35%	2.7%
Salary increases	3.85%	4.2%
Pension increases	2.35%	2.7%
Discount rate	2.65%	2.7%

These assumptions are set with reference to market conditions at 31 July 2018. The actuary’s estimate of the duration of the Employer’s liabilities is 23 years.

The discount rate derived is such that the net present value (NPV) of the notional cash flows, discounted at this single rate, equates to the NPV of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve. The approach has changed from the “spot rate” approach adopted for the 2017 year-end to reflect national auditor preferences.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cash flows described above.

27 Pension schemes (continued)

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuary have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.35% 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 a slightly higher deduction than the prior year accounting date where CPI was 0.9% lower than RPI.

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

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

	<u>2018</u>	<u>2017</u>
Equities	61.0%	61.0%
Target return portfolio	22.0%	21.0%
Infrastructure	5.0%	5.0%
Properties	8.0%	7.0%
Cash	5.0%	7.0%

Notes to the Accounts
for the year ended 31 July 2018

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>2018</u>	<u>2017</u>
Retiring today:		
Males	21.3	21.2
Females	24.6	24.5
Retiring in 20 years:		
Males	23.7	23.5
Females	26.9	26.8

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

	<u>2018</u>	<u>2017</u>
	Fund	Fund
	Value	Value
	<u>£000</u>	<u>£000</u>
Equities	7,361	6,779
Target return portfolio	2,688	2,294
Infrastructure	604	498
Commodities	0	0
Properties	932	720
Cash	557	767
LDI/Cashflow matching	0	0
	<u>12,142</u>	<u>11,058</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-18	31-Jul-17	31-Jul-16	31-Jul-15	31-Jul-14	31-Jul-13
	£'000	£'000	£'000	£'000	£'000	£'000
Central's estimated assets share	12,142	11,058	9,066	8,132	7,200	6,662
Present value of scheme liabilities	(18,420)	(18,116)	(15,988)	(12,508)	(10,028)	(8,765)
Deficit in the scheme - net pension liability	<u>(6,278)</u>	<u>(7,058)</u>	<u>(6,922)</u>	<u>(4,376)</u>	<u>(2,828)</u>	<u>(2,103)</u>

Notes to the Accounts
for the year ended 31 July 2018

27 Pension Schemes (continued)

	31-Jul-18	31-Jul-17
	£'000	£'000
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	1,185	857
Net interest on the defined liability (asset)	185	173
Administrative expenses	14	12
Total operating charge	<u>1,384</u>	<u>1,042</u>
	At 31-Jul	At 31-Jul
	2018	2017
	£000s	£000s
Cumulative actuarial loss recognised as other comprehensive income		
Cumulative actuarial losses recognised at the start of the year	(2,946)	(3,354)
Movement	1,702	408
Cumulative actuarial losses recognised at the end of the year	(1,244)	(2,946)
Analysis of movement in surplus/(deficit) for LPFA		
Deficit at beginning of year	(7,058)	(6,922)
Contributions or benefits paid	462	498
Current service cost	(1,199)	(869)
Other finance charge	(185)	(173)
Gain / (Loss) recognised in other comprehensive income	1,702	408
Deficit at end of year	<u>(6,278)</u>	<u>(7,058)</u>
	Year to	Year to
	31-Jul-18	31-Jul-17
	£000s	£000s
Analysis of movement in the present value		
Present value at the start of the year	18,116	15,988
Current service cost (net of member contributions) recorded within other Comprehensive Income.	1,185	857
Actual member contributions (including notional contributions)	489	415
Actual member contributions (including notional contributions)	235	204
Actuarial (gain) / loss	(1,324)	1,248
Actual benefit payments	(281)	(241)
Change in demographic assumptions	-	(145)
Experience loss / (gain) on defined benefit	-	(210)
Present value at the end of the year	<u>18,420</u>	<u>18,116</u>

Notes to the Accounts
for the year ended 31 July 2018

27 Pension Schemes (continued)

	Year to 31-Jul-18 £000s	Year to 31-Jul-17 £000s
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	11,058	9,066
Interest on assets	304	242
Return on assets less interest	378	1,168
Other actuarial gains	-	133
Admin Expenses	(14)	(12)
Actual contributions paid	462	498
Actual member contributions (including notional contributions)	235	204
Actual benefit payments	(281)	(241)
Fair value of scheme assets at the end of the year	<u>12,142</u>	<u>11,058</u>

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

	Year to 31-Jul-18 £000s	Year to 31-Jul-17 £000s
Actual return on Scheme assets		
Expected return on Scheme assets	378	1,168
Other actuarial gain	-	133
Change in demographic assumptions	-	145
Experience gain	-	210
Asset gain/(loss)	1,324	(1,248)
	<u>1,702</u>	<u>408</u>

Estimated contributions to the LPFA in the Financial Year 2018-2019 is £461k assuming Employer contributions of 14%.

Accounting Estimates and Judgements

Valuation approach

To assess the value of the Employer's liabilities at 31 July 2018, 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 2018 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 July 2018 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. 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 2018.

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.