

The Royal Central School of Speech and Drama University of London

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

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

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REPORT BY THE PRINCIPAL

This has been a year of uncertainty, of preparation and of submission, and a year which has embraced significant organisational change. Such times can be unsettling and challenging. That the School has managed these circumstances in robust form, albeit at a breakeven result financially, says much for the determination of the staff. The background to these times has been continuing pressure on government funding, administered through HEFCE, whilst establishing the radically changed basis of support for 'Home' students via loans rather than grant in aid. The case for 'exceptional funding' for small specialist institutions has been well made, and largely accepted in political circles - albeit at reduced levels. David Willetts, as Minister of State within BIS responsible for HE, embraced the cause of the specialist arts colleges - 'though the measures were to be short term, pending a more far reaching review in 2015 (now deferred to 2016). He has now stepped down, and we wait to see how a changed regime will handle these issues. So too we have a new Chief Executive at HEFCE - Professor Madeleine Atkins; the landscape is new, but seems promising.

Research

This year has particularly seen the final arrangements for submission of Central's research work for the REF (Research Excellence Framework), and with it some extra investment financially. Whilst Central did well in the RAE (as was) some seven years previously, gaining support as the only Drama Conservatoire to be so recognised within this exercise, this round of REF has been driven by a government edict to prioritise the so called STEM subjects, giving less resource for arts and humanities. Thus it is that we have to strive significantly harder to stay still. But strive we have, ably led by Professor Robin Nelson, working to Professor Simon Shepherd as Deputy Principal Academic. At the close of the academic year, Professor Shepherd announced his intention to retire in December 2014. He has led the introduction of a research culture to Central, as a prime factor in the School being integrated into the federation that is the University of London. His intellectual rigour, and far reaching academic insight, has done much to enhance Central's standing as a leading Conservatoire of Drama within the University sector. He will be greatly missed, and we thank him for his longstanding commitment to the School.

Central Connects and Teacher Training

Professor Shepherd has also played a leading role in focusing the School's outreach, enterprise and teacher training operations as a unit known as Central Connects. During the course of the year, it became necessary to suspend the School's work in teacher training (managed within Central Connects). This was a hard decision, for it was via teacher training that Central first became integrated and funded within the formal education system, in the pre 'comprehensive university' structure of colleges and polytechnics - becoming the first Drama School to be so recognised. The changes brought in under Michael Gove's stewardship of the Department of Education, followed an already established pattern of incremental reduction in places for Drama and Media teacher training, and a transfer to a basis of 'Schools Direct' placements - in which schools take responsibility for the placements in partnership with the HEI have had a profound impact

upon our ability to deliver a cost effective course structure. In this arrangement there could be no guarantee of numbers, and thus of resource. A large university might be able to massage its cohorts, but a school of the size of Central cannot take such risk. We will continue to campaign for a more secure system, and indeed for an allocation of student numbers which will make this viable. We are deeply committed to re-engaging with this area of our work.

Departmental Reorganisation

Both Student Services and Learning Resources have undergone significant reorganisation to create a new Student Advice Service led by Maria Haijima, and a new Learning Centre - which has brought about staff changes and new appointments - notably a new chief Librarian, Helen Davies.

The last five years have seen the gradual establishment of a Department of Development and External Affairs - overseeing fundraising, marketing and public relations. Amanda Jones joined us as Director of DEA, taking on the final stages of a radical remake and launch of a new website. This has been an expensive exercise, and one which has required root and branch consultation and rethink of how the School projects itself. This is now established to good effect.

Estate Development

Perhaps the most dynamic advance of the year has been the appointment of the design team to take forward planning for the 'Phase 5' development - led by the architect Tim Ronalds. Whilst the prospect of this vital addition to the School's estate is exciting, it also raises challenging issues of finance. The new regime of support for HE expects universities and colleges to fund capital development out of accrued revenue. Central has built up a healthy reserve, but not sufficient to cover the costs of this major building programme whilst continuing to underpin the operation of the School. Significant borrowing will be required, along with fundraising from the philanthropic community. It has highlighted the need for a dedicated capital fund to be established within the HEFCE remit, something which has been vigorously campaigned for through Universities UK small specialist forum.

The building will excavate to enable a structure with five double height studios; some will give special attention to film and broadcasting needs, one will be focused on movement and dance, and one - at ground floor, level with the stage of the Embassy Theatre, will be a small galleried 'courtyard' theatre.

It is hoped that this Phase 5 development will be ready and tested for commencement of the 2017/18 academic year.

Board Membership and Chairmanship

It has been felt that this period of change and development would benefit from continuity and extension of the chairmanship of the Board of Governors. Under the new Articles of Association, it became possible to extend Paul Taiano's period of office as Chairman for a

third term of four years, and this was agreed. It is, however, recognised that this has to be a final term and the process of seeking a successor will need to be investigated in the next year. Diana Balsdon, as Chair of the Audit Committee, had already served an exceptional extra term, and thus stepped down, to be succeeded by Anthony Blackstock. Roger Alexander also came to the end of his full term of office. We thank them for all the enthusiastic support and wise counsel they have given to Central over so many years.

Royal Visit

We were delighted and honoured to welcome the School's Patron, HRH Princess Alexandra, Mrs Angus Ogilvy, to visit Central - by way of celebrating the according of Royal Title a year earlier. She was able to tour many workshops and studios, talking with staff and students - then taking to the stage of the Embassy Theatre to award Honorary Fellowships to actor Claire Bloom, one of our most distinguished alumni, and to Julian Rudd - for his remarkable services to community and outdoor theatre. Before departing, she unveiled a plaque in the atrium.

Fellowships

During the course of the year, the School awarded an Honorary Fellowship to Christopher Wade in acknowledgement of his longstanding support for students of Central, recognising his deep commitment to the advancement of theatre practice. So too Honorary Fellowship was awarded to Sir Arnold Wesker, as one of Britain's foremost playwrights - coinciding with Central's production of the new musical version of his play *The Kitchen*.

Graduation Day was once again held at the Royal Festival Hall - presided over by President Michael Grandage, with the Vice-Chancellor of the University conferring the awards. Honorary Fellowships were bestowed upon the playwright Stephen Poliakoff, the actor (and alumnus) Kevin Whately, and Director Jenny Sealey - whose work with people with physical or sensory disabilities, enabling them to work in performance, has had a truly startling impact.

Alumni Relations

Central was pleased to welcome Sir Cameron Mackintosh back to the School, for a workshop session with students focusing on musical theatre and producing. Reunions were once again held in New York, and at the Edinburgh Festival - where a very successful party, at the Scottish Arts Club, also drew on some Webber Douglas alumni - including Stephen Berkoff - raising the issue that the Webber Douglas Academy (which was subsumed within Central) does not have an established alumni organisation and location.

Alumnus and President Michael Grandage, together with former President and alumna Dame Judi Dench, hosted an evening for Pivot Club members, and potential members, at the Noel Coward Theatre, which raised significant support for scholarship funds.

Camden Council and Hoardings

Dame Judi Dench was one of many well-wishers who helped to campaign against Camden Council's edict that the advertising hoardings, which have been in place at the corner of the Eton Avenue prospect for more than twenty seven years, should be removed. Income of some £150,000 per annum had been invaluable for scholarship funding, and for supporting small scale, local, and experimental initiatives. It has also supported a range of community and youth activity. No objections had ever been received from the public, indeed support was readily given by local amenity societies, conservation groups and local traders. Notwithstanding, the Council upheld its planning policy, which was confirmed on appeal. Loss of this income has compounded certain aspects of the year end accounts.

Performances and Events

Central continues to produce a wide range of performances, workshops, lectures, seminars and exhibitions which are open to the public and attract interest and support from the profession at large, and also contribute substantially to the local cultural wellbeing. The School supported Camden Council's Library initiative, and continued to act as catalyst for the Cultural Camden initiative - a partnership of Central, the Roundhouse and Hampstead Theatre, now joined also by Camden Arts Centre - to which officers of Camden Council are invited.

Various festivals have become annual - the Accidental Festival in association with the Roundhouse, and Collisions - a festival of new performance and theory which grows out of Central's research and post graduate community. It is heartening to see so much new writing and devised performance work emerging from the School; so too design and construction.

Central continues to play a leading role in nurturing creative work in the community - indeed many diverse communities. This is achieved by partnership with a huge range of organisations - theatres, arts centres, schools, special needs centres, prisons and remand homes, community groups and hospitals. The School is deeply grateful to all these partners for the passion and dedication they share with students.

International Relations

Central was very pleased to partner Sadler's Wells Theatre in hosting the remarkable Odin Teatret from Scandinavia. A series of workshops, screenings and seminars was given at Central, in parallel with performance at the Bayliss Theatre/Sadler's Wells. All were overfull and received with acclaim.

The VASTA - a gathering of voice and speech specialists based in North America - has seldom ventured beyond the USA, but did so during this year, holding its annual conference at Central.

Overseas recruitment of students, and postgraduates in particular, continues to be a priority - with a welcome growth in South America, where a significant development in terms of recruitment has taken place in Chile. It is hoped that this will grow to embrace other countries in South America, including Colombia. Connections with Mexico have been strong, and the prospect of the Cultural Olympiad in Brazil may well produce further opportunities. The British Council has been/is very supportive of Central's initiative in this direction.

Future Planning

What lies ahead is uncertainty of political direction. A general election looms. The Scottish Referendum will provoke radical changes in many quarters. Full economic recovery is still far off, and further cuts are imminent. What is certain is the buoyancy of the creative and cultural sector. It far outperforms other traditional industries, and Central is amongst the leaders in its graduate employment statistics. The English language must be considered one of the great assets of UK PLC. Royal Central commenced discussions, during the year, with the Royal Scottish Conservatoire, and the Royal Welsh College of Music & Drama with a view to exploring exciting new opportunities afforded through collaboration and joint enterprise.



Professor Gavin Henderson CBE
Principal

STRATEGIC REPORT INCLUDING OPERATING AND FINANCIAL REVIEW

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

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

1 CONTEXT, OBJECTIVES AND STRATEGIES

1.1 Legal Status

Central, herein defined as the parent company, is incorporated as a Company Limited by Guarantee. 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 from 2013-2018.

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 new Corporate Plan identifies a number of opportunities and challenges that are expected to be prominent over the next five years.

Opportunities during the strategy period are expected to include:

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

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

- a) need for estate development with limited capital funding and the need to identify appropriate alternative accommodation during construction work where necessary;
- b) continued public-sector austerity throughout the planning period including:
 - likely adjustments to government funding in 2015 that may strip money out of the HE sector in general
 - increased actual and perceived poverty of those who might think about entering higher education
 - competition from new providers entering the public-funded sector
 - impact of increased student debt burden
 - ability to maintain high student employability including self-employed/freelance
 - assessed need to deliver an annual "Earnings Before Interest, Tax, Depreciation and Amortisation" (EBITDA) surplus in the range of 9-13% to remain sustainable; except in years where there is significant capital development when this may be suspended by exception to recognise the investment in infrastructure during those years;
- c) changed circumstances, and further review, of public funding for specialist institutions and conservatoires in 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.

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

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

1.5 Values

Central remains committed to:

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

1.6 Strategic Aims and Objectives

A series of over-arching strategic aims are established in the 2013-18 Corporate Plan together with key objectives that flow from them. These relate inter alia to teaching, learning and the student experience; research outputs and the sustainability of the research culture and the School's industry impact. Alongside these, there are objectives relating to the continued development of the School's estate and its organisational resilience and sustainability. A summary of aims and objectives is given below:

Teaching, learning and the student experience

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

Research (outputs and sustainability)

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

Financial performance for sustainability and financial health:

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

Industry Impact

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

Estate Development

1. Modelling estate masterplan to 2025 and establish phasing.
2. Delivering Phase 5 by spring 2017.
3. Securing appropriate accommodation for areas affected by Phase 5 build.

Human Resource Development

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

2 PERFORMANCE REVIEW 2013/14

2.1 Strategic Performance against the current Corporate Plan - 2013-2018

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) Ensured the continuation of HEFCE targeted funds supporting the high cost conservatoire work at Central until 2015/16;
- b) Fulfilled initial stages of the Phase 5 Capital Development Programme to RIBA Stage C;
- c) Achieved target for fundraising income;
- d) Considering the level of investment in-year, achieved an acceptable financial outturn;
- e) Developed and launched a new website with improved functionality, navigation and design;
- f) Won the 2013 Green Gown Award: Courses for our sustainable production of the musical Cabaret by BA (Hons) Musical Theatre and BA (Hons) Theatre Practice students;
- g) Welcomed Her Royal Highness Princess Alexandra on the occasion of her visit to unveil a plaque marking the conferment of Royal Title on the School.

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	Year ended 31 July 2014
Payroll costs to remain within 60% of total income	59.8%
Continue to invest up to 1% of staff payroll cost on staff development activity	0.9%
Gender pay gap to be below 0.5%	0.41%
Condition of estates in condition A and B to be below sector benchmark of 80%	98%
Energy costs to remain below sector benchmark of £20 per m ²	£15.58 per m ²
External borrowing to remain below 50% of income	4.4%
Student numbers to remain within HEFCE control number limits	Achieved
Student non-completions below 5%	2.7%
Maintain Student recruitment numbers	
Undergraduate	Target +1%
Postgraduate Taught	Target +0%

3 FINANCIAL REVIEW

The Financial Statements for the Year Ended 31 July 2014 show the group position for Central and include the results of CSSD Enterprises Ltd, a subsidiary company. The principal activity of CSSD Enterprises Ltd was to operate the student bar.

The School is reporting a small current year deficit of £21k, where Income has grown by 2% to £14.4m and expenditure has grown by 10% to £14.4m when compared to prior year.

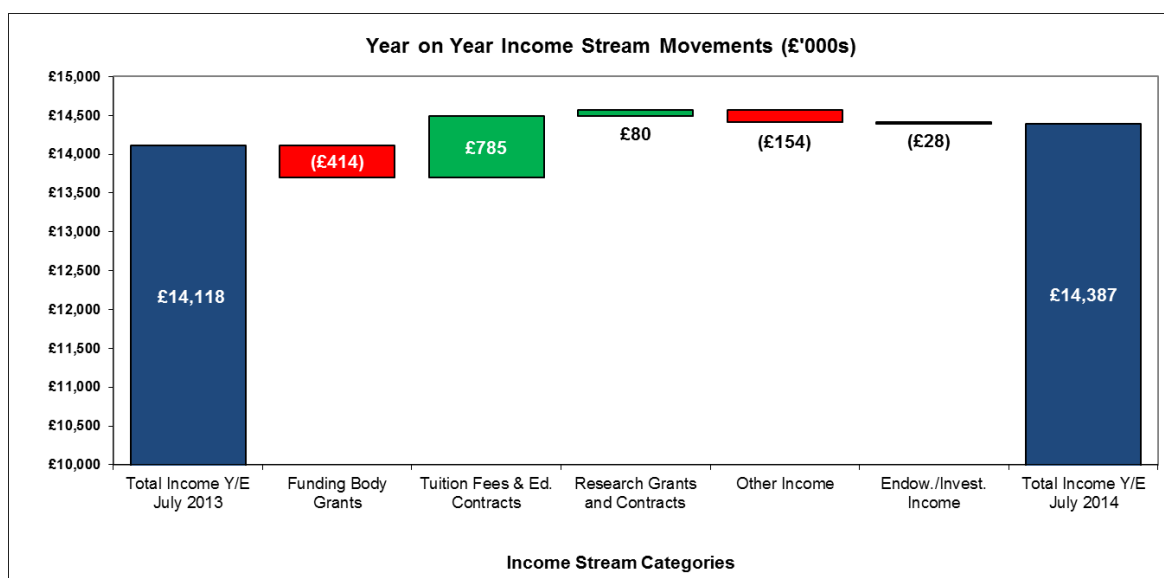
A summary of the Group Income and Expenditure Account is shown below:

	Year ended 31 July 2014 £m	Year ended 31 July 2013 £m
Income	14.4	14.1
Expenditure	<u>(14.4)</u>	<u>(13.1)</u>
Surplus/ (Deficit) for the Year	<u>0.0</u>	<u>1.0</u>
Surplus % Income	0.0%	7.1%

Income

Revenue Summary	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Funding Council Grants	4,276	4,690	5,406	5,881	6,741
Tuition Fees & Support Grants	8,721	7,936	6,532	5,627	4,996
Research Grants and Contracts	270	190	192	131	171
Other Income	1,066	1,220	1,025	851	885
Endowment and Investment income	54	82	116	106	154
Total Operating Income	14,387	14,118	13,271	12,596	12,947

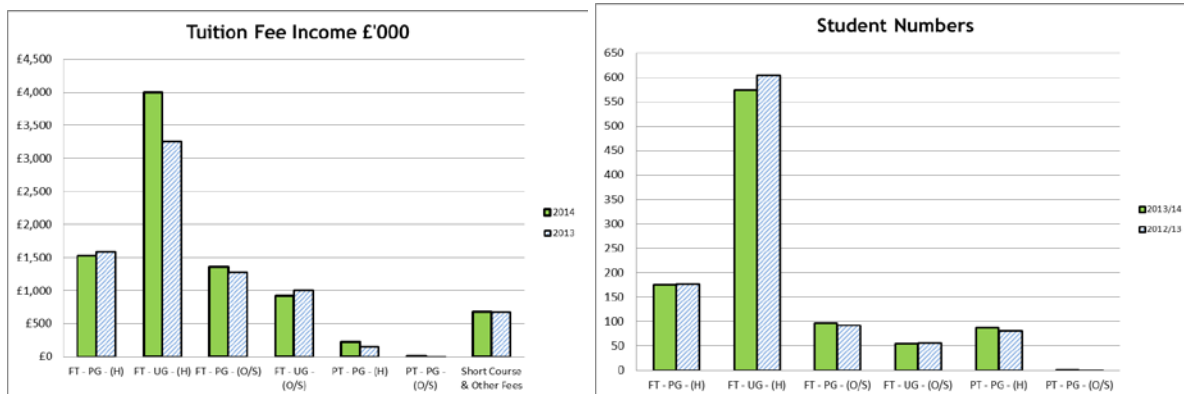
Central's total operating income for the year is up by £269k compared to the previous year. As highlighted in the chart below, this increase is driven primarily through increased tuition fee income. Funding Body Grants, both HEFCE and TDA, have been reduced by £414k year on year, and continue to represent a diminishing proportion of total income, now representing only 30% of total income compared to 33% in the previous year.



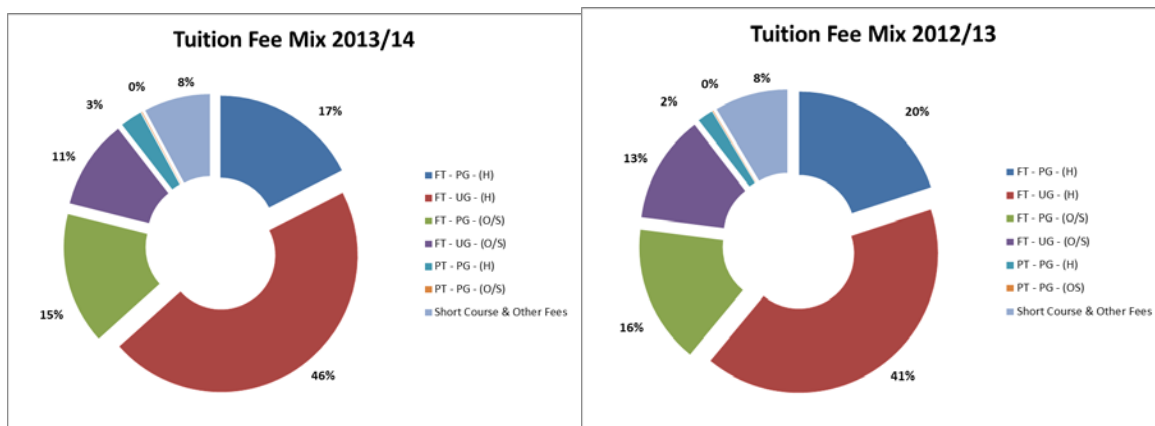
Tuition Fee income including Short Course fees has improved by £785k compared to 2013, off-set in turn by reduced Funding Body Grants as the School completes the second of a three year migration plan to a full three-year undergraduate body of "New Fee Regime" students.

Tuition Fees & Education Contracts Income	2014 £'000	2013 £'000	YoY move	% +/-
FT - PG - (H)	1,528	1,579	-51	-3%
FT - UG - (H)	4,002	3,248	754	23%
FT - PG - (O/S)	1,359	1,275	84	7%
FT - UG - (O/S)	922	995	-73	-7%
PT - PG - (H)	225	145	80	55%
PT - PG - (O/S)	7	6	1	17%
Total Tuition Fee Income	8,043	7,248	795	11%
Short Course & Other Fees	679	675	4	1%
Other Education Contracts		13	-13	N/A
Total	8,721	7,936	785	9%

The table above highlights the fact that the increase of £785k sits primarily within Tuition fee income. More specifically, an additional £754k (23% increase) compared to prior year was generated within the "Full-Time, Undergraduate, Home" student classification.



As can be seen from the "Tuition Fee Mix" charts below, full-time home undergraduate student income increased year on year from 41% to 46% of total tuition fee income.



Other income is down £154k year on year, driven predominately through the loss of advertising hoarding income. Income generated through fundraising activity, whilst the School continues to experience significant early success in this area, has remained relatively flat year on year. This diversification of revenue streams does however remain a key component of the School's corporate strategy particularly in light of the "self-reliance" nature of the funding model adopted by the sector.

Expenditure

Expenditure Summary	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Staff Costs	8,601	7,636	7,419	6,955	6,968
Other Operating Expenses	5,095	4,738	4,289	4,572	4,362
Depreciation	599	594	608	645	658
Interest and Other Finance costs	105	93	95	105	138
Total Operating Expenditure	14,400	13,061	12,411	12,277	12,126

Total Operating Expenditure has increased by 10.2% year on year, driven predominately through increased spend within "Staff Costs" and "Other Operating Expenses", which have increased by 12.6% and 7.0% respectively when compared to the previous year.

The increase in staff costs of £965k over the previous year reflects the impact of the full implementation of investment associated with strategic recruitment to a staffing establishment designed to meet the needs of the School in the future. Following the Government introduction of higher student fees, Central agreed a significant programme of strategic investment to enhance the student learning experience. Developments included a commitment to protect teaching staff ratios, the establishment of enhanced student facing learning support and advisory services, the full implementation of an operations directorate to enhance and professionalise front of house facilities, additional support for the admissions office and development activities to strengthen fundraising capacity to provide an increase in scholarships to widen access to those with talent. In order to attract and retain a high quality staff base, a periodic review of staff progression scales benchmarked against peer institutions was undertaken which led to some adjustments to the alignment of grades within the national pay scale. This alignment was implemented in 2013/14 and led to some one-off implementation costs. A direct benefit of this alignment has been the successful recruitment to previously hard to fill specialist posts. Also contributing to the year on year increase is a 1% annual pay award negotiated at a national level for 2013/14, incremental progression of 3% for eligible staff and additional costs associated with the implementation of auto-enrolment into a pension scheme for all staff including hourly paid workers with effect from November 2013.

The table below highlights where the recruitment emphasis has been.

Staff Costs	2014 £'000	2013 £'000	YoY move
Teaching	4429	4005	424
Teaching Support	2176	1944	232
Central Admin & Services	1790	1488	302
Staff and Student Facilities	27	40	-13
Premises	179	159	20
Residences and Catering			
Total	8601	7636	965

As can be seen from the above, 77% of the additional spend has been invested across Teaching and Teaching Support activity. The full establishment of staffing is now in place and expenditure on staff will be contained within the assessed ceiling benchmark of 60% of total income going forward.

Other operating expenses for the year 2013/14 have increased by £357k when compared to 2012/13. Additional spend supporting the initial stages of the Phase 5 Capital Development Investment Programme to RIBA Stage C and design and development of the School's new external website represents the main reasons for this year on year increase. The new website represents a key channel to promote the School's reputation for excellence, provide potential students with an insight to Central's facilities and courses and provide a firm platform for further development in the future. Additional external hire costs were also incurred when compared to prior year in response to student needs regarding availability and scheduling of space supporting the delivery of programme curriculum. One-off project related spend aimed at securing internal process improvements has also contributed to the year on year increase.

Along similar lines, Utility costs of £218k in 2013/14 when compared to prior year show an increase of £113k. Prior year utility costs, consisting of Gas, Water and Electricity, were understated by approximately £83k arising from an internal processing issue in relation to payments made specifically via Direct Debit. This issue has now been resolved through the implementation of a robust reconciliation process regarding payments via Direct Debit alongside the recent consolidation of "Utility Services" suppliers.

Against the above accounting corrections, savings have been reflected across "Subscriptions" spend, "Hospitality", spend on "Staff Advertising", Professional Fees and "Strategic Development" costs.

Year End Result

The year-end deficit was disappointing and some way below the budgeted surplus for the year. There were a number of reasons for this. Some arose from the normal occurrence of over and under achievement of budgets such as the loss of anticipated advertising hoarding income, and others arose from exceptional post-budget additional investment in-year towards strategic objectives and higher staff costs than forecast as the pace of new recruitment was encouraging. Finally some arose from unscheduled overspends against forecast budgeted expenditure.

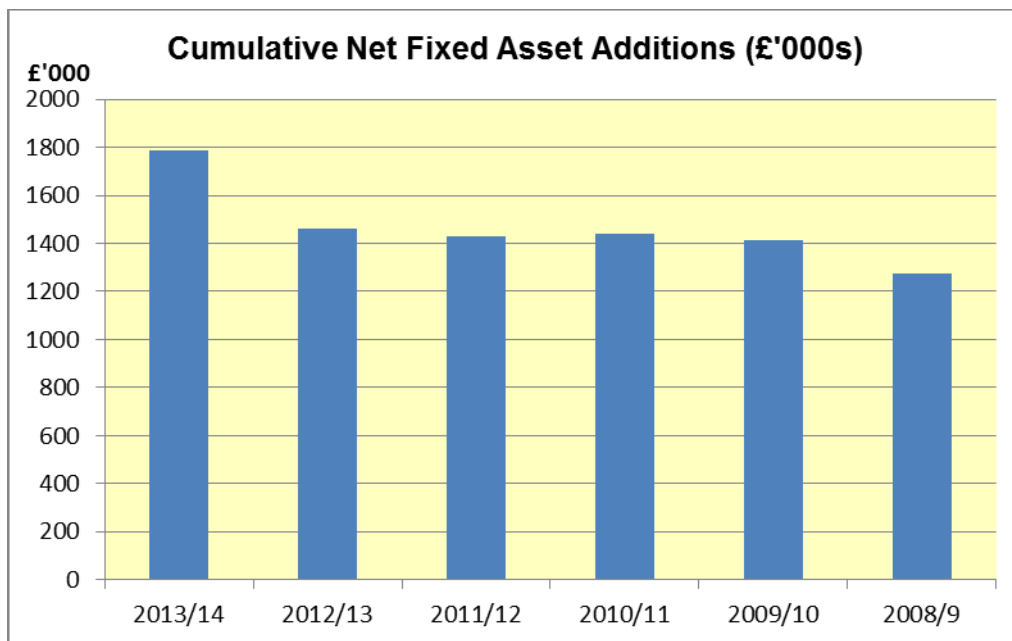
Nevertheless, the School would still have posted a surplus had it not been for a higher than anticipated LPFA Pension Fund valuation adjustment notified at the end of the financial year. Central has posted strong returns over a significant period of time and can accommodate the result for the year. The Margin for Sustainability and Investment (MSI) remains satisfactory at 10%. Budgets for the year ahead are realistic and will support a return to trend of surpluses for future investment and sustainability. The future outlook section below provides further information on the forward forecasts approved by the Governing Body.

Capital Projects

In order to address the longer term space requirements of both students and staff at the School, a firm of architects was appointed to lead a design team to scope out a variety of options and proposals which addressed the findings of the feasibility study commissioned during 2012/13. The options and proposals presented related specifically to "Phase 5" of the School's six phase estates capital investment plan.

Capitalised costs of £328k incurred during the year, comprises £192k of consultancy costs associated with taking the project to a detailed design stage "Royal Institute of British Architects (RIBA) stage C".

It is anticipated that the construction of the new building outlined under "Phase 5" will take place during the period 2015/16 to 2016/17, with expected occupancy in spring 2017.



Investment Performance

Cash balances plus short term deposits at the end of the year stood at £9.7m, down £0.3m when compared with prior year, and represents the equivalent of 256 days of expenditure. A net cash inflow from operating activities of £41k was generated in year. The Treasury management policy of the School reflects a low/medium appetite for risk, where liquidity and capital preservation represent the two essential criteria guiding cash management.

Diversification of funds across a range of highly rated banking institutions was also employed to reduce exposure to counter-party risk.

Key Financial Indicators

	Royal Central School of Speech and Drama		Sector Mean*
	2013/14	2012/13	2012/13
Current Ratio	6.27	5.69	N/A
Net Liquidity (Days)	256	293	123
Cash flow from operating activities as % total income	0.3%	8.5%	8.3%
External Borrowing as % of total income	4%	5%	25.8%

(* Source: "Financial health of the higher education sector" - HEFCE March 2014/02)

The above financial indicators represent a healthy liquidity position for the School, improving year on year in the Current Ratio and External Borrowing measures. Net Liquidity (Days) of 256 for the School, whilst down year on year, remains significantly better when compared to the sector mean of 123 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 (2013/14 £41k / 2012/13 £1.2m), driven predominately through the delivery of a small deficit after depreciation of £13k in year compared to a prior year surplus after depreciation of £1.1m and the decrease in creditors at the year-end compared to prior year.

Pensions

The School participates in two schemes, the LPFA superannuation scheme, a local government scheme which in London is managed by the London Pensions Fund Authority and the Teachers' Pension Scheme (TPS). Both schemes are multi-employer, defined benefit, final salary 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 previous valuation of the scheme was carried out as at 31 March 2004 and this recommended an employer contribution rate of 14.1%. A valuation as at 31 March 2008 was due to be completed in 2010, but this was put on hold pending the completion of Lord Hutton's review of public sector pensions.

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

The TPS is unable to identify the School's share of the underlying assets and therefore the School is exempt from detailed reporting in the accounts in accordance with the relevant reporting standard Financial Reporting Standard 17 (FRS 17).

The LPFA scheme currently shows an FRS 17 deficit of £2.8m for the School, representing a significant increase from a deficit of £2.1m reported at the previous year end. The £2.8m liability reflects changes in assumptions underlying the present value of the fund's obligations compared to the fair value of scheme assets as at 31st July 2014. The present value of the fund's obligations for the School has increased to £10m, up £1.2m on the previous year. The fund's assets in turn have only increased by £0.5m to £7.2m. The next actuarial valuation of the fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. Based on the previous actuarial valuation in 2010, the School paid an employer contribution rate of 12.5%. Following the more recent 2013 actuarial valuation, the School is facing a potential employer contribution rate of 17.4% with effect from 1 April 2014. Currently, the School is paying a default rate of 14% whilst it works with the LPFA to confirm an appropriate "Funding Strategy Statement" (FSS) category. The School's share of the LPFA scheme deficit is reflected in the balance sheet in accordance with FRS 17.

Future Outlook and Key Risks

In July 2014 the School submitted its five year forecast to the Higher Education Funding Council for England (HEFCE) for the period up to 2016/17. These forecasts acknowledge on-going uncertainties across the sector such as:

- Regulated undergraduate tuition fees remaining flat at a maximum of £9k resulting in a continued real-term reduction in the unit of resource
- Increased concern regarding the lack of financial support for Post-graduate students
- Higher staff costs and the sustainability of current pension schemes
- The level of public funding, in particular, the lack of capital grants for specialist HEIs presenting real challenge in the financing of major capital builds.

Against this background, the School's key Corporate Plan priorities, detailed in the Corporate Plan for the period 2013 to 2018, focus on:

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

Investment in the on-going sustainability of the School is clearly evident through the School's increased 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. It is anticipated that the capital element of the investment plan will be funded through a combination of an external loan facility, a School Capital fundraising campaign and internal reserves.

Financial sustainability underpinning the investment behind the School's Corporate Plan has been fully tested and reflected in the five year financial forecasts to 2016/17 as submitted to HEFCE. The table below summarises key financial ratios closely associated with the assessment of an institution's long term financial sustainability:

	Actual 2012-13	Actual 2013-14	Actual 2014-15	Actual 2015-16	Actual 2016-17
Historical Costs surplus/(deficit) as a % of total income	7.5	0.0	5.0	2.6	2.0
Discretionary reserves as a % of total income	80.6	79.6	82.4	83.0	82.7
External borrowing as a % of total income	5.1	4.4	3.0	48.0	45.4
Net cashflow as a % of total income	8.5	0.003	4.8	5.4	8.3
Net Liquidity days	293	256	219	241	125
Staff costs as % of total income	54.1	59.8	60.1	59.0	0.6
EBITDA as a % Total Income	10.7	3.0	7.9	6.8	7.0

Throughout this period, discretionary reserves excluding pension liability as a percentage of total income range between 79.6% and 82.7% which is significantly above the sector average of 62.9% prediction for 2013/14 reported within "Financial Health of the higher education sector" (HEFCE 2014/02). The focus on discretionary reserves is due to the fact that they can act as a buffer against large, unexpected financial pressures.

The measure "Net Liquidity (Days)", indicates the School's ability to respond to short term financial pressures. Whilst dipping to 125 days in 2016/17, this is again significantly higher than the predicted forecast sector average of 98 days for 2013/14 (HEFCE 2014/02).

Detailed cash-flow analysis also highlights a healthy liquidity position throughout the planning period.

The School is moving forward from a position of strength and a strong focus on long term financial sustainability, noting a healthy Balance Sheet reflecting low 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 two key risks to the financial health and sustainability of the School related to student recruitment. Both 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; and
- b) Reduction in the number of home/EU postgraduate taught student applications/acceptances resulting in loss of forecast tuition fee income and possible under-performance against the HEFCE contract.

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

- f) Undertaking a periodic portfolio review during 2014/15 to ensure that our offer remains relevant to applicants and industry.

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) Failure to secure sufficient level of finance and HEFCE borrowing consent for the "Phase 5" new build development.
- d) Potential adverse impact on student experience and satisfaction ratings during the construction phase of the "New Build" project.
- e) Effects of continued austerity within the Higher Education sector
- f) Inherent inflexibility of the business model and the very long lead time for change to take effect.

PUBLIC BENEFIT

Central's Charity objects are the advancement of education and learning and to promote the knowledge, study and practice of speech training and of dramatic art. Specific core public benefit aims include:

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

Public Benefit Performance 2013/14

The Board of Governors monitors Central's performance against its core public benefit aims within the Corporate Plan. A summary of key achievements for 2013/14 is presented below:

Academic and Professional

- a) a range of higher educational professional training programmes were delivered to 988 students: 629 full-time undergraduate students; 246 full-time postgraduate students; 20 full-time PGCE students; 18 full-time PHD students; 62 part-time postgraduate students and 13 part-time PHD students;
- a) Central awarded 460 higher education awards; 196 Bachelor of Arts degrees (52 at First Class), 221 Masters of Arts degrees, 5 Certificates/Diplomas of Higher Education, 20 Postgraduate Certificates of Education, 13 Postgraduate/Diplomas and 5 PhDs;
- b) the School delivered a range of non-award bearing professional and community programmes to over 2,400 individuals: 403 short-course students (including Diploma); 340 Saturday Youth Theatre students, 200 summer school students; 78 clients (one-to-ones) and approximately 1,400 individuals from 42 clients (groups) including; TQMI, Partners Group, General Mills, St John's Hospice, UCL, Bartlett School of Architecture, RCA, FDA, MiP, Atkins, Kew Gardens, Imperial College, J-Hub, Webcredible, Work & Family Show, Barclays, SSAT, Cognizant,

Certitude, Institute of Education, The London Chamber of Commerce, Bartlett Mitchell, Capital One, European Commission, Open University, Skills Academy, Aukett Swanke, CIPD, TMF Group, ETF Security, Westbury Group, Chestnut Grove Academy, Bristol Old Vic, Abbott Nutrition, Hong Kong University, PA Consulting Group, Newham College, Ealing West London College, Westminster College, NHS Chelsea & Westminster, Winchester Theatre Royal. 42 UK Higher Education workshops and master classes delivered in schools, colleges and youth theatres across London and England with over 600 targeted participants;

- c) the School secured funding from the Behrens Foundation to support Academic Programming;
- d) the School continued to use the funds received from Sir Siegmund Warburg's Voluntary Settlement towards the Visiting Professional's Programme;
- e) the Andrew Lloyd Webber Foundation supported an Associate Musical Director role, enabling an emerging Musical Director to gain professional experience in a training environment; this was awarded to Benjamin Holder;
- f) the Commercial Education Trust funded the first Entrepreneurs' Award for graduating MA/MFA Creative Producing students, enabling successful candidates to launch commercially viable projects;
- g) the 'Audition Voucher Scheme', entitles participants in these workshops to a free audition/interview at Central. 389 vouchers were distributed to targeted students and approximately 80 returned in 2013/14 in lieu of the £50 audition fee for BA Acting;
- h) a four-day residential summer school was delivered to 17 Looked After Children (LAC) secondary school participants in collaboration with the University of Hertfordshire and the University of Cambridge;
- i) the School delivered Student Ambassador training to 83 Central Students;
- j) two student ambassador mentoring schemes were delivered for students from a widening participation background;
- k) the School attended and presented at five UK HE/Careers Fairs working with 520 participants;
- l) approximately 350 undergraduate and postgraduate students went on placement in a variety of settings that include: The National Theatre, Doncaster Prison, The Young Vic, The Soho Theatre, LIFT Festival, MIND in Camden, the Priory Hospital, Haverstock School, Shakespeare's Globe, Clean Break, Tender, Stratford Circus, E15, RADA and the Sydney Opera House;
- m) the School presented the internationally acclaimed Odin Teatret ensemble and its award-winning director Eugenio Barba in a four-day, fully-subscribed residency of master classes, demonstrations and film screenings;
- n) an 'industry breakfast' for agents and producers provided an opportunity for Governors, the Principal and staff to update the industry about significant developments and initiatives; events for Central's alumni in New York and for alumni and students at the Edinburgh Festival also provided focal points for networking and engagement;

- o) the School delivered Teach First, a project involving approximately 200 student teachers.

One challenge this year was the continuing incremental changes to policy and funding for Initial Teacher Training which has forced the decision to suspend Central's Post-Graduate Certificate in Education programme and the School's participation in the School Direct scheme. However, Central continues to advocate for the need for high-quality specialist teaching provision to ensure a robust pipeline of suitably trained young people into the theatre and allied industries.

Scholarships and Support

- a) Central is committed to ensuring that financial obstacles are no deterrent to students who wish to study at the School. As such the School has secured and distributed Prize Funds and Scholarships from the following: Clive Brook Prize; Tunstall Award; Gary Bond Award; Andrew Lloyd Webber Foundation Scholarship; Guildford Academic Associates Scholarships; The Fenton Arts Scholarships; The John Thaw Scholarship; The Wingate Fellowships; The Stanley Picker Bursary; Shoresh Bursaries; The Roger and Ingrid Pilkington Trust Bursaries; Jeremy Brett Scholarships; Diana Wade Memorial Scholarships; the BA Technical Theatre Award; the Lilian Baylis Award and The Sir John Gielgud Charitable Trust Bursary;
- b) alongside this, three Central Scholarships were awarded to first year students, and the School match-funded 20 scholarships through the National Scholarship Programme, meaning a total of 40 National Scholarship Programme scholarships were offered altogether;
- c) OFFA funded student support and diploma awards were given to Central students from low-income backgrounds; 41 outreach student support awards, 2 Musical Theatre diploma bursaries and 1 Gap-Year diploma bursary.

Public Performances and Community Engagement

- a) 16 public productions (95 public performances) were staged at Central to an audience of 7,576;
- b) in June 2014, BA (Hons) Drama, Applied Theatre and Education students staged five days of performances at Minack theatre, Cornwall, alongside a programme of workshops with local primary schools;
- c) BA (Hons) Acting - Collaborative and Devised Theatre worked with Out of Inc Theatre Company on the world-premiere of a dance-theatre show *Loaded*, at Jackson's Lane Theatre achieving sell-out performances;
- d) the School hosted the official launch of alumnus and Honorary Fellow Bette Bourne's acclaimed documentary 'It Goes With The Shoes' at a public performance at which both Bourne and Mark Ravenhill were present for a subsequent conversation with the audience;
- e) MA Music Theatre students collaborated with Camden Council, arts research events organisation, Platform-Y, and Veolia Environmental Services on a series of site-specific performances to raise environmental awareness across Camden;

- f) second year BA (Hons) Theatre Practice students, specialising in Performance Arts, again curated and organised The Accidental Festival at the Roundhouse in Camden;
- g) Central continued to encourage discussion and debate on diversity, celebrating Black History Month by hosting two performances of Collective Artistes Theatre Company's national touring production of *ZHE: [noun] undefined* amongst her events, hosting Talawa Young People's Theatre's devised performances as the culmination of its annual programme, and hosting a student-led day of events for International Women's Day;
- h) the School undertook the first year of a new partnership with Access All Areas, a theatre company for people with learning disabilities. This partnership provides a one-year Performance Making Diploma for adults with learning disabilities. Leverhulme scholarships were available to participants who studied physical and devised theatre practice in a programme which culminated in a three week devising project and performance at Central;
- i) BA (Hons) Acting Musical Theatre students gave performances as part of Derby Live, accompanied by a programme of workshops for schools;
- j) BA (Hons) Acting Musical Theatre students performed with Streetwise Opera and professional singers at a gala dinner to raise money for KIDS, a home learning charity for severely disabled children;
- k) graduates and current students were involved in over 37 productions in the 2014 Edinburgh Fringe Festival;
- l) the School extended use of its facilities to a range of community and professional organisations including the Winchester Project; Swiss Cottage Community Centre; Swiss Cottage Festival; Swiss Cottage SEN school; Generation Arts; National Youth Theatre; Talawa Theatre Company; Dream Arts; Cultural Camden; International Centre for Voice; Hampstead Theatre; London Drama; Critics Circle; University of London; The British Association of Dramatherapists (BADth); GuildHE; Camden Fringe Festival; The Puppet Centre; Sesame Institute; Association of Dyslexia Specialists in HE (aDshe); Association of British Theatre Technicians (ABTT); Clean Break; D&B Audio; Aria Entertainment; Poel Event; Szpiezak Productions; Engineer Theatre Collective; the Standing Conference of University Drama Departments (SCUDD); and a range of Alumni and Alumni start-up companies;
- m) in August 2013, Central welcomed a group of 27 members of the Friends of Theatre group to learn more about the work of the School. The guests were given a tour of the facilities and offered tickets to a matinee performance at the School;
- n) in August 2014, the School was also visited by a group of 19 members of the Museum of London friends group. The attendees were given a 'behind-the-scenes' tour of the building to engage them with the work of the School;
- o) Central hosted eight Community Art Groups working with 533 participants;
- p) third year BA Theatre Practice students displayed their work in a public Design & Crafts exhibition, attended by approximately 250 people.

Outreach and International engagement

- a) the School secured and distributed funding from the Leverhulme Trust to offer outreach opportunities using drama and performance in a range of different social and community settings;
- b) Central distributed funding from Fondation Bay to offer outreach opportunities using drama and performance in a range of different London-based social and community settings. These projects were carried out by second year BA Drama, Applied Theatre and Education students.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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.

The Board of Governors of Central is committed to exhibiting good practice in all aspects of corporate governance. All the Governors of Central are Directors of the Company. The Governors serving during the year are as shown below:

Name	Category of Membership	Committees Served
Paul Taiano (<i>Chairman of Governors</i>)	Independent	Remuneration Committee (Chair) Nominations Committee (Chair) Finance and Employment Committee Investment Committee
Roger Alexander	Independent (<i>Retired on 14/07/2014</i>)	Remuneration Committee Finance and Employment Committee
Diana Balsdon	Independent (<i>Retired on 14/07/2014</i>)	Audit Committee (Chair) Search Committee - Chairman of Governors
Anthony Blackstock	Independent (<i>Appointed on 12/05/2014</i>)	Audit Committee (Chair from 15/07/2014)
Professor Ross Brown	Staff (Academic Board)	Governors' Health and Safety Assurance Committee Search Committee - Chairman of Governors
Victoria Dickie	Independent	-
Sarah Fortescue	Postgraduate Student (<i>Appointed on 25/11/2013</i>)	
Pippa Harris	Independent	Nominations Committee
Professor Gavin Henderson CBE	Ex Officio (Principal/CEO)	Finance and Employment Committee Nominations Committee Search Committee - Chairman of Governors
Menna McGregor	Independent	Audit Committee
Professor Simon McVeigh	Independent	Academic Board (<i>Link Governor</i>)
Anne Mensah	Independent	Finance and Employment Committee
Jodi Myers	Independent	Nominations Committee Search Committee - Chairman of Governors Equality and Diversity (<i>Governor Champion</i>)
Douglas Paulson	Postgraduate Student (<i>Retired on 15/09/2013</i>)	-

Name	Category of Membership	Committees Served
Charles Perrin CBE	Co-opted (University of London)	Finance and Employment Committee (Chair) Investment Committee (Chair) Search Committee - Chairman of Governors (Chair) Remuneration Committee Governors' Health and Safety Assurance Committee
Peter Roberts (Deputy Chairman of Governors)	Independent	Governors' Health and Safety Assurance Committee (Chair) Nominations Committee Remuneration Committee
Martin Scott	Independent	Audit Committee
Dominic Tulett	Staff	-
Leonora Twynam	Independent	Finance and Employment Committee
Matthew Withers	Student Union President (Retired on 31/07/2014)	Governors' Health and Safety Assurance Committee Search Committee -Chairman of Governors

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

- Natalie Poernig, Student Union President, was appointed to the Board of Governors with effect from 1 August 2014;
- Sarah Fortescue, Postgraduate Student Governor, retired from the Board of Governors on 30 September 2014;
- Leonie Webb, Postgraduate Student Governor, was co-opted to the Board of Governors on 24 November 2014.

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 with the guidance to institutions of higher education from the Committee of University Chairmen (CUC) in its *Guide for Members of HE Governing Bodies in the UK*.

In accordance with CUC guidance, the Governors have adopted a Statement of Primary Responsibilities which is incorporated within this statement. The Governors have had regard to the CUC Code of Practice and have complied in full with the seventeen point Code of Practice Provisions in the year ended 31 July 2014.

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 the executive governing body. The Governing Body has a majority of independent members, chosen in accordance with strict criteria contained in the legislation. The Chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the staff and the student body. No members of the Governing Body receive any reimbursement for the work they do for that body.

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 Governing Body Membership on 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 (Corporate) 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. During the year under review, Karen Burnell acted as Minuting Secretary to Governing Body Committees.

Statement of the Governing Body's Responsibilities

In accordance with the Committee of University Chairmen (CUC) Voluntary Governance Code of Practice, 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 particularly in the context of duty of care for academic standards.
- 2 To delegate authority to the Principal, as chief executive, for the academic, corporate, financial, estate and personnel 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.
- 3 To delegate authority to Committees in accordance with the Articles of Association governed by the Scheme of Approved Delegation subject to annual review.
- 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 interests.
- 5 To ensure 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.
- 6 To establish processes to monitor and evaluate the performance and effectiveness of the Governing Body itself.

- 7 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.
- 8 To safeguard the good name and values of the institution.
- 9 To appoint the Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
- 10 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.
- 11 To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
- 12 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.
- 13 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.
- 14 To make such provision as it thinks fit for the general welfare of students, in consultation with the academic board.
- 15 To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
- 16 To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Key Individuals and Summary of Delegated Responsibilities

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 2014 including the Principal/CEO. The Governing Body was chaired by Paul Taiano throughout the year. Members of the Governing Body, excluding the Chairman, 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 Chairman 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 2013/14, including two strategic topic meetings.

The Governing Body undertakes periodic Effectiveness Reviews. A full review was conducted in 2010/11 and formed part of the Leadership Foundation for Higher Education (LFHE) and the Committee of University Chairs (CUC) Pilot Project to Develop a New Approach for Reviewing Governing Body Effectiveness. Central validated the Framework for undertaking Effectiveness Reviews. The Effectiveness review resulted in the production of an Action Plan to enhance governance arrangements. The implementation of the Action Plan is monitored by the Nominations Committee and the Internal Auditors. A further review in relation to Governing Body meeting effectiveness was undertaken during the year and a periodic Skills Audit has been undertaken to inform the priorities for appointing to vacant positions on the Board.

Governing Body Committees

The Governing Body has established several committees including a Finance and Employment Committee, a Remuneration Committee, an Audit Committee, a Governors' Health and Safety Assurance Committee, a Nominations Committee and an Investment Committee (sub-committee of the Finance and Employment Committee). These committees are formally constituted with terms of reference and comprise mainly independent members of the Governors, one of whom is Chair. The Governing Body has also re-established a Search Committee (Chair of Governors) which is chaired by the University of London Co-opted member and also includes staff and student Governors.

The Finance and Employment Committee meets at least four times a year, and is chaired by Charles Perrin CBE. The committee inter alia recommends to the Governors annual revenue and capital budgets; monitors performance in relation to the approved budgets; reviews the management of significant risks and makes recommendations to the Board on the Framework for the Pay and Conditions of Staff. The Remuneration Committee is a sub-committee of the Finance and Employment Committee and is chaired by Paul Taiano. The Remuneration Committee meets at least once a year to determine the annual remuneration of senior post holders. The Investment Committee is a sub-committee of the Finance and Employment Committee and is chaired by Charles Perrin CBE. The Investment Committee meets at least two times a year to review investment strategy and policy and to monitor and review investment performance. A Phase 5 Development Project Board was established in year to oversee the Phase 5 capital development programme. The Project Board is chaired by Professor Gavin Henderson CBE and comprises members of the Executive and Governors and reports to the Board of Governors through the Finance and Employment Committee. The Project Board meets as required to oversee strategic issues in relation to the project and to make recommendations in relation to project scope, procurement, programme, risk and budget.

The Audit Committee meets at least three times a year, with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider detailed internal audit reports and recommendations for the improvement of Central's systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect institutional business, and monitors adherence with the regulatory requirements. It reviews the institution's annual financial statements together with accounting policies and keeps under review the effectiveness of risk management, control, governance

arrangements, value for money and quality assurance of data. The Audit Committee was chaired by Diana Balsdon until 14 July 2014 and by Anthony Blackstock from 15 July 2014. Whilst senior executives 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. Anthony Blackstock served as a co-opted member on the Audit Committee until 14 July 2014 and Charles Lowe served as co-opted member on the Audit Committee throughout the year under review.

The Governors' Health and Safety Assurance Committee meets at least twice a year and is chaired by Peter Roberts. The Committee monitors the work and effectiveness of the Health and Safety Management Committee, advises the Board of Governors on resource implications and reports annually to the Board on the effectiveness of Central's health and safety arrangements.

The Nominations Committee meets at least twice a year and is chaired by Paul Taiano. The Committee keeps under review the balance of skills and experience needs of the Board, 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. The implementation of the Action Plan stemming from the latest Effectiveness Review (Reviewing Governing Body Effectiveness) and the Governing Body Meeting Effectiveness Review, is being monitored by the Nominations Committee. Lee Menzies served as a co-opted member on the Nominations Committee throughout the year under review.

The Search Committee (Chairman of Governors) has been re-established to consider arrangements for the identification and selection of the successor Chair of Governors.

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. Academic Board is particularly concerned with general issues relating to the learning and teaching and research work of the institution. The Academic Board is chaired by the Principal.

Principal / Chief Executive Officer (CEO)

Professor Gavin Henderson CBE held the offices of Principal and Chief Executive Officer.

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

Articles of Association

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) in February 2014 the Privy Council and the Charity Commission confirmed approval of amendments to the Articles of Association which were duly registered with Companies House.

Accountable Officer

As Accountable Officer, the Principal/CEO has delegated powers for the management of budgets and resources within estimates approved by the Board subject to compliance with the Financial Memorandum and 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 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 directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

KPMG LLP was re-appointed as Central's auditors at the Annual General Meeting of the Members on 14 July 2014.

GOVERNING BODY'S RESPONSIBILITIES FOR 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 are responsible for preparing the Strategic report and the financial statements in accordance with applicable law and regulations.

The Royal Central School of Speech and Drama is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Institution and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England (HEFCE) and The Royal Central School of Speech and Drama, and the HEFCE annual accounts direction, Central, through its accountable officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the institution and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governors have to ensure that:

- a) suitable accounting policies are selected and applied consistently;
- b) judgements and estimates are made that are reasonable and prudent;
- c) applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- d) financial statements are prepared on the going concern basis unless it is inappropriate to presume that the institution will continue in operation.

The Governors are satisfied that the institution has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

- a) ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- b) ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- c) safeguard the assets of The Royal Central School of Speech and Drama and to prevent and detect fraud; and
- d) secure the economical, efficient and effective management of the institution's resources and expenditure.

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 Royal Central School of Speech and Drama Website

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

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

Summary Review of 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.

The Governing Body is of the view that there is an on-going process for identifying, evaluating and managing the institution's significant risks, that it has been in place for the year ended 31 July 2014, 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. 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 regularly under review. Risk management procedures are reviewed annually. The following provides a summary of arrangements in place:

- a) the Governing Body meet at regular intervals to consider the plans and strategic direction of the institution;
- b) the Governing Body receive periodic reports from the Chair of the Audit Committee concerning internal control and require 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 on the management of significant risks;
- d) the Governing Body undertake 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) regular discussions are held at Executive and Board level to identify and keep up to date the record of risks facing the institution;
- g) a system of key performance and risk indicators has been developed;
- h) a robust risk prioritisation methodology based on risk ranking has been established;
- i) an organisation-wide risk register is maintained;
- j) 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
- k) reports are received from budget holders, department heads and project managers on internal control activities.

The Governing Body review of the effectiveness of the system of internal control is informed by the School appointed internal audit firm "Deloitte", which operates to standards defined in the HEFCE Audit Code of Practice and was last reviewed for effectiveness by the HEFCE Audit Service in February 2009. 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 2014 and up to the date of approval of the annual report and financial statements.

A handwritten signature in black ink that reads "Paul Taiano". The signature is written in a cursive style with a large initial 'P' and a long horizontal stroke at the end.

Paul Taiano
Chair of Governors
24 November 2014

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

We have audited the group and School financial statements (the "financial statements") of The Royal Central School of Speech and Drama (Central) for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the Consolidated and School Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of the Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with the Charters and Statutes of Central and section 124B of the Education Reform Act 1988 and to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it 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 Board of Governors for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body and auditor

As explained more fully in the Statement of Responsibilities of Governing Body set out on page 34 the Governing Body (whose members are also the directors of the company for the purposes of company law) is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Central's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and Central as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006 .

Opinion on other matters prescribed in the HEFCE Audit Code 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 and Central for specific purposes have been properly applied to those purposes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the Statement of Corporate Governance (included as part of the Corporate Governance Statement and Internal Control) is inconsistent with our knowledge of the Group and Central.

We have nothing to report in respect to the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the School, or returns adequate for our audit have not been received from the branches not visited by us; or
- the School financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Fleur Nieboer
Senior Statutory Auditor
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, Canary Wharf
London E14 5GL

27 November 2014

GROUP INCOME AND EXPENDITURE ACCOUNT

Year ended 31 July 2014

INCOME	Notes	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Funding body grants	2	4,276	4,690
Tuition fees and education contracts	3	8,721	7,936
Research grants and contracts	4	270	190
Other income	5	1,066	1,220
Endowment and investment income	6	54	82
Total income		<u>14,387</u>	<u>14,118</u>
EXPENDITURE			
Staff costs	7	8,601	7,636
Other operating expenses	8	5,095	4,738
Depreciation	12	599	594
Interest and other finance costs	10	105	93
Total expenditure	9	<u>14,400</u>	<u>13,061</u>
(Deficit) / Surplus on continuing operations after depreciation of tangible fixed assets at valuation		(13)	1,057
Transfer from / (to) accumulated income in endowment funds	21	(8)	(13)
(Deficit) / Surplus for the year retained within general reserves		<u>(21)</u>	<u>1,044</u>

All items of income and expenditure arise from continuing operations.

There is no difference between the loss on an historical cost basis.

Pages 46 to 73 form part of these financial statements.

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 July 2014

	Notes	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
(Deficit) / Surplus on continuing operations after depreciation of tangible fixed assets at valuation		(13)	1,057
Unrealised gains/(losses) on investments	22	4	43
Increase / (Decrease) in endowment assets	21	9	145
Actuarial (losses) / gains in respect of pension schemes	35	(514)	963
		<u>(514)</u>	<u>2,208</u>
Total recognised(losses) / gains relating to the year		<u>(514)</u>	<u>2,208</u>
Reconciliation			
Opening reserves and endowments		10,854	8,646
Prior year reserves adjustment		(128)	
Total recognised (losses) / gains for the year		(514)	2,208
		<u>10,209</u>	<u>10,854</u>
Closing reserves and endowments		<u>10,209</u>	<u>10,854</u>

BALANCE SHEET AS AT 31 July

	Notes	2014		2013	
		Group £000	Central £000	Group £000	Central £000
Fixed assets					
Tangible assets	12	15,129	15,127	15,400	15,398
Investments	13	391	391	387	387
		<u>15,520</u>	<u>15,518</u>	<u>15,787</u>	<u>15,785</u>
Endowment assets	14	<u>345</u>	<u>345</u>	<u>331</u>	<u>331</u>
Current assets					
Stocks		2	-	-	-
Debtors	15	318	341	379	409
Investments	16	7,099	7,099	6,574	6,574
Cash at bank and in hand		2,575	2,537	3,418	3,388
		<u>9,994</u>	<u>9,977</u>	<u>10,371</u>	<u>10,371</u>
Less: creditors - amounts falling due within one year	17	(1,620)	(1,557)	(1,825)	(1,807)
Net current assets		<u>8,374</u>	<u>8,420</u>	<u>8,546</u>	<u>8,564</u>
Total assets less current liabilities		24,239	24,283	24,664	24,680
Less: creditors - amounts falling due after more than one year	18	(542)	(542)	(632)	(632)
Less: provisions for liabilities	19	(272)	(272)	(349)	(349)
Net assets excluding pension liability		<u>23,425</u>	<u>23,469</u>	<u>23,683</u>	<u>23,699</u>
Net pension liability	35	(2,828)	(2,828)	(2,103)	(2,103)
Net assets including pension liability		<u>20,597</u>	<u>20,641</u>	<u>21,580</u>	<u>21,596</u>

BALANCE SHEET AS AT 31 JULY (continued)

	Notes	2014		2013	
		Group £000	Central £000	Group £000	Central £000
Deferred capital grants	20	10,388	10,388	10,726	10,726
Endowments	21				
Expendable		22	22	22	22
Permanent		323	323	309	309
		<u>345</u>	<u>345</u>	<u>331</u>	<u>331</u>
Reserves	22				
Income and expenditure account excluding pension reserve		11,422	11,466	11,360	11,376
Pension reserve (deficit)		<u>(2,828)</u>	<u>(2,828)</u>	<u>(2,103)</u>	<u>(2,103)</u>
Income and expenditure account including pension reserve		8,594	8,638	9,257	9,273
Revaluation reserve	22	<u>1,270</u>	<u>1,270</u>	<u>1,266</u>	<u>1,266</u>
Total reserves		<u>9,864</u>	<u>9,908</u>	<u>10,523</u>	<u>10,539</u>
Reserves and endowments		<u>10,209</u>	<u>10,253</u>	<u>10,854</u>	<u>10,870</u>
TOTAL FUNDS		<u>20,597</u>	<u>20,641</u>	<u>21,580</u>	<u>21,596</u>

The financial statements were approved by the Governing Body on 24 November 2014 and were signed on its behalf on that date by:



Paul Taiano
Chairman of Governors



Professor Gavin Henderson
Principal / Chief Executive



Deborah Scully
Company Secretary

GROUP CASH FLOW STATEMENT

Year ended 31 July 2014

	Notes	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Net cash inflow from operating activities	23	41	1,205
Returns on investments and servicing of finance	24	15	90
Capital expenditure and financial investment	25	(283)	(137)
Management of liquid resources	26	(525)	(1,463)
Financing	27	(86)	(81)
(Decrease) / Increase in cash		<u>(838)</u>	<u>(386)</u>

Reconciliation of net cash flow to movement in net funds

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
(Decrease) / Increase in cash in the year	(838)	(386)
Change in short term deposits	525	1,463
Change in debt	<u>86</u>	<u>81</u>
Change in net funds	(227)	1,158
Net funds at 1 August	9,450	8,292
Net funds at 31 July	<u>9,223</u>	<u>9,450</u>

NOTES TO THE ACCOUNTS

1 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 2007 and in accordance with applicable accounting standards.

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. In accordance with FRS2, the activities of the students union have not been consolidated because Central does not control these activities.

Recognition of Income and Expenditure

Research income and specific purpose non-recurrent grants from Funding Councils or other bodies are recognised to the extent of expenditure incurred, the balance being held as Deferred Income within Creditors: Amounts Falling Due Within One Year. Student fees received in advance of the academic year are held as Accruals and Deferred Income within Creditors: Amounts falling due within one year.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the asset. All income from other sources is credited to the income and expenditure account on a receivable basis.

Income from endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account

to specific endowments. Recurrent grants from Funding Councils are recognised in the year in which they are receivable.

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 FRS17 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 17 "Retirement Benefits".

The schemes are statutory, contributory, final salary schemes, and are contracted out of the State Earnings-Related Pension Scheme.

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.

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.

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 and buildings are stated 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.

In adopting Financial Reporting Standard 15 with effect from 1 August 1999, Central has followed the transitional provisions of the FRS available in the first year of adoption, and retained the book values of land and buildings last re-valued on 1 August 1989, and not re-valued since that date.

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
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 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 Flows and Liquid Resources

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.

Accounting for charitable donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of Central as specified by the donors, these are accounted for as endowments. There are two main types:

1. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and Central can convert the donated sum into income.
2. 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.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

Staff costs

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.

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.

2 Funding Body Grants

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Recurrent Grant		
HEFCE - Teaching	3,382	3,913
HEFCE - Research	388	322
Higher Education Funding Council for England	<u>3,770</u>	<u>4,235</u>
Teaching Agency (TA)	-	36
TOTAL RECURRENT GRANTS	<u>3,770</u>	<u>4,271</u>
Specific Grants (TA & HEFCE)		
SEN	9	-
Inherited Staff Liabilities	23	21
National Scholarship Programme	60	-
Leading Transformational Change	10	2
	<u>102</u>	<u>23</u>
TOTAL SPECIFIC GRANTS	102	23
Deferred capital grants released in the year:		
HEFCE - Buildings	403	392
HEFCE - Equipment	1	4
	<u>404</u>	<u>396</u>
TOTAL DEFERRED CAPITAL GRANTS (Note 20)	404	396
TOTAL FUNDING COUNCIL GRANTS	<u><u>4,276</u></u>	<u><u>4,690</u></u>

3 Tuition Fees and Education Contracts

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Full-time Undergraduate - Home and EU Fees	4,002	3,248
- International and Island* Fees	922	995
Full-time Postgraduate - Home and EU Fees	1,527	1,579
- International and Island* Fees	1,359	1,275
Part-time Postgraduate - Home and EU Fees	225	145
- International and Island* Fees	7	6
Short course and other fees	679	675
Other education contracts	-	13
Learning and Teaching grants	-	-
Total fees paid by, or on behalf of, individual students	8,721	7,936

* Island Fees include Channel Islands and the Isle of Man

4 Research Grants and Contracts

Arts and Humanities Research Council	194	118
Other	76	72
	270	190

5 Other Income

Catering and conferences	285	267
Promotions and events	41	34
External services	140	154
Training services	128	147
Rental income	59	197
Theatre receipts	37	22
Donations	258	249
Shop and photocopy sales	22	25
Released from deferred capital grants (Note 20)	6	6
Other income	90	119
	1,066	1,220

6 Endowment and Investment Income

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Income from permanent endowments	9	14
Income from investments	15	14
Bank interest	55	79
Foreign currency translation (losses) / gains	(25)	(25)
	54	82

7 Staff Costs

	Year Ended 31 July 2014 FTE	Year Ended 31 July 2013 FTE
Average staff numbers, expressed as full-time equivalents (FTE):		
Teaching	132	110
Teaching Support	63	41
Central Admin & services	39	29
Staff and student facilities	9	3
Premises	6	5
Residences and catering	-	-
	<u>249</u>	<u>188</u>

The staff FTE classifications have been aligned with HESA categories.

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Staff costs for the above:		
Salaries	7,091	6,229
Social security costs	591	540
Other pension costs (Note 35)	919	867
	<u>8,601</u>	<u>7,636</u>
Restructuring costs	-	-
Total	<u>8,601</u>	<u>7,636</u>

Directors Emoluments

Aggregate emoluments of the 18 Directors (2012: 17) who served during the year:

Salaries	319	294
Benefits in kind	1	1
Pension contributions	36	34
Total	<u>356</u>	<u>329</u>

The Directors' emoluments include the Principal and three other executive directors' emoluments who are employed by the School.

During the year one (2013: one) non-executive director received reimbursement of expenses of £93 (2013: £138).

7 Staff Costs (continued)

Emoluments of the Chair of Governors

The Chair of Governors received no emoluments during the years ended 31 July 2014 and 31 July 2013.

Emoluments of the Principal	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Salary	170	168
Benefits in kind	1	1
	<u>171</u>	<u>169</u>
Pension contributions	24	23
Total	<u><u>195</u></u>	<u><u>192</u></u>

Apart from the Principal, no other Director was paid in excess of £100,000.

Remuneration of other higher paid staff, excluding Employer's National Insurance and pension contributions	Year Ended 31 July 2014 FTE	Year Ended 31 July 2013 FTE
£100,000 - £110,000	1	1
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-
	<u>2</u>	<u>2</u>
	<u><u>2</u></u>	<u><u>2</u></u>

8 Other Operating Expenses

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Auditors' remuneration - external audit, parent company, current year	49	43
Bursaries	216	220
Catering and conferences operating expenses	252	250
Cleaning	245	157
Computer and web-site maintenance	376	235
Consumables	194	130
Furniture, fittings and equipment	101	79
Hire of facilities and equipment	86	80
Internal audit	24	28
Insurance	93	103
Legal and professional	88	214
Other expenditure	478	320
Postage, printing, stationery and periodicals	199	183
Promotions and events	335	357
Rent and rates	188	134
Repairs and general maintenance	322	327
Self-employed professionals	858	906
Staff and student travel	140	145
Staff development and recruitment	404	396
Strategic Development	33	84
Subscriptions	196	242
Utilities	218	105
	<u>5,095</u>	<u>4,738</u>

Included within audit fees above are the following amounts receivable by the external auditor:

- Statutory audit fee £34,000 (includes CSSD Enterprises)
- Audit-related assurance services £4,600 (US Loans, Teaching Agency and Teachers Pension)
- Taxation advisory service £2,000

An analysis of expenditure by activity for the year ended 31 July 2014 is shown in Note 9.

9 Analysis of Expenditure by Activity

YEAR ENDED 31 JULY 2014

<u>Departments</u>	Staff Costs £000	Other Operating Expenses £000	Depre- ciation £000	Interest Payable £000	Total £000
Teaching	4,429	1,054	4	-	5,487
Teaching Support	2,176	1,239	44	-	3,459
Central Admin & Services	1,790	1,689	321	105	3,905
Staff & student facilities	27	139	1	-	167
Premises	179	755	229	-	1,163
Residences & catering	-	219	-	-	219
Total per Income and Expenditure Account	8,601	5,095	599	105	14,400

YEAR ENDED 31 JULY 2013

<u>Departments</u>	Staff Costs £000	Other Operating Expenses £000	Depre- ciation £000	Interest Payable £000	Total £000
Teaching	4,005	1,025	4	-	5,034
Teaching Support	1,944	999	43	-	2,986
Central Admin & Services	1,488	1,838	319	93	3,738
Staff & student facilities	40	63	1	-	104
Premises	159	586	227	-	972
Residences & catering	-	227	-	-	227
Total per Income and Expenditure Account	7,636	4,738	594	93	13,061

The depreciation charge has been funded by:

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Deferred Capital Grants released (Note 20)	410	402
General Income	189	192
	599	594

Activities are as defined in the 2014 Finance Statistics Return of the Higher Education Statistics Agency (HESA).

10 Interest and Other Finance Costs

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
On bank loans, overdrafts and other loans repayable wholly or partly in more than five years	40	45
Net interest on pension scheme liabilities (Note 35)	65	48
	<u>105</u>	<u>93</u>

11 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.

12 Tangible Assets

	Group				
	Freehold Land and Buildings £000	Long Leasehold Land £000	Alterations and Improvements £000	Equipment £000	Total £000
Cost and valuation					
At 1 August 2013	17,098	650	3,395	1,455	22,598
Additions	192	-	-	136	328
Disposals	-	-	-	-	-
At 31 July 2014	<u>17,290</u>	<u>650</u>	<u>3,395</u>	<u>1,591</u>	<u>22,926</u>
Depreciation					
At 1 August 2013	4,578	-	1,416	1,204	7,198
Charge for the year	316	-	200	83	599
Disposals	-	-	-	-	-
At 31 July 2014	<u>4,894</u>	<u>-</u>	<u>1,616</u>	<u>1,287</u>	<u>7,797</u>
Net book value					
At 31 July 2014	<u>12,396</u>	<u>650</u>	<u>1,779</u>	<u>304</u>	<u>15,129</u>
At 31 July 2013	<u>12,520</u>	<u>650</u>	<u>1,979</u>	<u>251</u>	<u>15,400</u>

12 Tangible Assets (continued)

	Central				
	Freehold Land and Buildings £000	Long Leasehold Land £000	Alterations and Improvements £000	Equipment £000	Total £000
Cost and valuation					
At 1 August 2013	17,098	650	3,395	1,450	22,593
Additions	192	-	-	134	326
At 31 July 2014	<u>17,290</u>	<u>650</u>	<u>3,395</u>	<u>1,584</u>	<u>22,919</u>
Depreciation					
At 1 August 2013	4,578	-	1,416	1,201	7,195
Charge for the year	316	-	200	81	597
At 31 July 2014	<u>4,894</u>	<u>-</u>	<u>1,616</u>	<u>1,282</u>	<u>7,792</u>
Net book value					
At 31 July 2014	<u>12,396</u>	<u>650</u>	<u>1,779</u>	<u>302</u>	<u>15,127</u>
At 31 July 2013	<u>12,520</u>	<u>650</u>	<u>1,979</u>	<u>250</u>	<u>15,398</u>

Buildings and alterations and improvements with a net book value of £12,501,000 and cost of £18,272,000 have been funded from Treasury sources. Should these buildings be sold, Central would have either to surrender the appropriate proportion of proceeds to the Treasury, or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for England.

In adopting Financial Reporting Standard 15 with effect from 1 August 1999, Central has followed the transitional provisions of the FRS available in the first year of adoption and retained the book values of land and buildings last re-valued on 1 August 1989, and not updated since that date.

Long Leasehold (999 year lease from 1989) and Freehold land is not depreciated as it is considered to have an indefinite useful life.

13 Investments

	Group and Central	
	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Listed investments		
Balance at 1 August	387	344
Increase / (Decrease) on revaluation	4	43
Balance at 31 July	<u>391</u>	<u>387</u>
Listed investments comprise:		
Equities (listed unit trusts)	391	387
Total investments at 31 July	<u>391</u>	<u>387</u>
Equities (listed) at cost at 31 July	<u>281</u>	<u>281</u>
	Central 2014	Central 2013
Investment in subsidiary company at cost	£	£
Subsidiary company	<u>1</u>	<u>1</u>

Central owns 100% of the issued share capital of CSSD Enterprises Limited which is registered in England.

The results of the group consolidate those of CSSD Enterprises Limited.

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
The results of the subsidiary are as follows:		
Turnover	91	61
Cost of sales	(47)	(22)
Gross profit	44	39
Net operating expenses	(72)	(46)
Operating (Loss) / Profit	(28)	(7)
(Loss) / Profit on ordinary activities before taxation	(28)	(7)
Transferred to Parent Undertaking	-	-
(Loss) for the financial year	<u>(28)</u>	<u>(7)</u>

14 Endowment Asset Investments

	<u>Group and Central</u>	
	<u>Year Ended 31 July 2014 £000</u>	<u>Year Ended 31 July 2013 £000</u>
Balance at 1 August	331	173
Increase / (Decrease) on revaluation	6	14
Increase / (Decrease) in cash balances (note 21)	8	144
Balance at 31 July	<u><u>345</u></u>	<u><u>331</u></u>
Endowment asset investments comprise:		
Equities (listed unit trusts)	164	155
Bank balances	181	176
Total endowment asset investments at 31 July	<u><u>345</u></u>	<u><u>331</u></u>
Fixed interest stocks and equities at cost at 31 July	<u><u>142</u></u>	<u><u>142</u></u>

15 Debtors	Group 2014 £000	Central 2014 £000	Group 2013 £000	Central 2013 £000
Amounts falling due within one year:				
Debtors	203	203	225	225
Amounts owed by subsidiary undertaking	-	23	-	30
Prepayments and accrued income	115	115	154	154
	<u>318</u>	<u>341</u>	<u>379</u>	<u>409</u>

16 Current Asset Investments

	Group and Central 2014 £000	2013 £000
Deposits maturing in one year or less	<u>7,099</u>	<u>6,574</u>

17 Creditors: amounts falling due within one year

	Group 2014 £000	Central 2014 £000	Group 2013 £000	Central 2013 £000
Mortgages and loans (Note 18)	90	90	86	86
Creditors	177	114	425	407
Social security and other taxation	198	198	185	185
Accruals and deferred income	1,155	1,155	1,129	1,129
	<u>1,620</u>	<u>1,557</u>	<u>1,825</u>	<u>1,807</u>

18 Creditors: amounts falling due after more than one year

	Group and Central	
	2014	2013
	£000	£000
Secured loans payable by 2020	542	632

Analysis of secured and unsecured loans:

	Group and Central	
	2014	2013
	£000	£000
Due between one and two years	96	90
Due between two and five years	325	421
Due in five years or more	121	121
Total	542	632

The balance due in 5 years or more is the same as the prior year due to a classification error in 2013.

Summary of borrowings at 31 July 2014:

Lender	Type	Date	Term	Interest Rates	Due Within One Year £000	Due in More Than One Year £000
Lloyds TSB	Secured Term Loan	July 2005	15 years	Fixed at 5.87%	90	542
					90	542

Secured Loan - Lloyds TSB Bank plc

The loan, made to Central in July 2005 to part-finance the Phase 4 Building Development at 64 Eton Avenue London NW3, is secured by the Bank holding a first legal charge over freehold property at the same address.

The loan is repayable over fifteen years, subject to annual review by the Bank and the Bank's right to immediate repayment on demand in stated circumstances. Interest is payable on the loan at a fixed rate of 5.87%. The loan is repayable by 2020.

19 Provisions for Liabilities

	Pension Costs £000
At 1 August 2013	349
Recognised in the year	(77)
As at 31 July 2014	272

20 Deferred Capital Grants

	Group and Central		
	HEFCE £000	Other Grants £000	Total £000
At 1 August 2013			
Buildings	10,517	202	10,719
Equipment	7	-	7
Total	10,524	202	10,726
Grants Received			
Buildings	72	-	72
Total	72	-	72
Released to Income and Expenditure			
Buildings	(403)	(6)	(409)
Equipment	(1)	-	(1)
Total	(404)	(6)	(410)
At 31 July 2014			
Buildings	10,186	196	10,382
Equipment	6	-	6
Total	10,192	196	10,388

21 Endowments

	Group and Central			
	Restricted Expendable £000	Restricted Permanent £000	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Balances at 1 August				
Capital	11	282	293	162
Accumulated income	11	27	38	11
	22	309	331	173
New endowment	-	-	-	131
Investment income	-	9	9	14
Expenditure	-	(1)	(1)	(1)
	-	8	8	144
Increase / (decrease) in market value of investments	-	6	6	14
At 31 July	22	323	345	331
Represented by:				
Capital	11	282	293	162
New Endowment	-	-	-	131
Accumulated income	11	41	52	38
	22	323	345	331

21 Endowments (continued)

	Capital value at 31 July 2014 £	Opening accumulated income £	Investment income £	Expenditure £	Closing accumulated income £	Year Received
Nellie Watson	131,280	19,591	7,525	-	27,116	2012
Robert Tunstall Memorial Award	2,500	271	211	-	482	2005
Milner Scholarship	129,870	2,367	560	-	2,927	1998
Gary Bond Memorial Fund	12,475	2,732	566	(600)	2,698	1997
Jane Cowell Memorial Fund	5,136	3,414	33	-	3,447	1989
Clive Brook Prize Fund	1,000	4,484	17	(500)	4,001	1974
	<u>282,261</u>	<u>32,859</u>	<u>8,912</u>	<u>(1,100)</u>	<u>40,671</u>	

Nellie Watson

This restricted permanent endowment is used to fund awards to performing arts students needing financial assistance with living costs, books or equipment.

Robert Tunstall Memorial Award

This restricted permanent endowment is used to fund an annual award for the Second Year BA Acting student judged to be the most promising verse speaker.

Milner Scholarship

This restricted permanent endowment is used to fund awards to Education students needing financial assistance with living costs, books or equipment.

Gary Bond Memorial Fund

This restricted permanent endowment is used to fund an annual award for any Acting student facing exceptional necessity.

Jane Cowell Memorial Fund

This restricted permanent endowment is used to fund an annual prize to a final year Acting student.

Clive Brook Prize Fund

This restricted permanent endowment is used to fund an annual prize to a student.

Due to the historic low level of investment returns, care was taken in the determination of awards to maintain each fund's value.

22 Reserves

	Income and Expenditure Account Reserve £000	Pension Reserve £000	Revaluation Reserve £000	Total £000
Opening reserves at 1 August 2013	11,232	(2,103)	1,266	10,395
Surplus for the year	(21)	-	-	(21)
Transfer between reserves: pension scheme	211	(211)	-	-
Actuarial loss in respect of pension scheme		(514)	-	(514)
Revaluations in the year	-	-	4	4
Closing reserves at 31 July 2014	11,422	(2,828)	1,270	9,864
	Income and Expenditure Account Reserve £000	Pension Reserve £000	Revaluation Reserve £000	Total £000
Opening reserves at 1 August 2012	10,181	(2,931)	1,223	8,473
Surplus retained for the year	1,044	-	-	1,044
Transfer between reserves & creditors ledger*	(128)			(128)
Transfer between reserves: pension scheme	135	(135)	-	-
Actuarial loss in respect of pension scheme		963	-	963
Revaluations in the year	-	-	43	43
Closing reserves at 31 July 2013	11,232	(2,103)	1,266	10,395

* The £128,000 reduction in reserves relates to an understatement of accrued expenditure in 2012/13 that was identified at the 2013/14 financial year end. As the School does not believe the error fundamentally alters the 'true and fair' view of the prior year results the 2012/13 financial statements have not been restated and the adjustment has been accounted for as a reduction in the income and expenditure reserve.'

The revaluation reserve comprises unrealised gains on freehold land at the Swiss Cottage campus and on equity based investments.

23 Reconciliation of surplus before tax to net cash inflow from operating activities

	Note	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
(Defecit)/Surplus after depreciation of tangible fixed assets at valuation		(13)	1,057
Depreciation	12	599	594
Loss on disposal of fixed assets		-	2
Deferred capital grants released to income	20	(410)	(402)
Investment income	6	(78)	(82)
Interest payable		71	93
Pension cost less contributions payable		211	135
(Increase) /decrease in debtors excluding bank interest		-	(65)
Increase /(decrease) in creditors excluding loans and overdrafts		(339)	(127)
Net cash inflow from operating activities		41	1,205

24 Returns on investments and servicing of finance

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Income from endowments	9	14
Income from investments	15	14
Other interest received	59	109
Realised foreign currency translation(losses)	(25)	(1)
Interest paid	(43)	(46)
	15	90

25 Capital expenditure and financial investment

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Payments made to acquire fixed assets	(355)	(36)
Endowment funds invested	-	(131)
Deferred capital grants received	72	30
	(283)	(137)

26 Management of liquid resources

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Transfer (to) / from deposits	(525)	(1,463)

27 Financing

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Repayments of amounts borrowed	(86)	(81)

28 Analysis of changes in net funds

	At 31 July 2013 £000	Cash Flows £000	Other Non-Cash Changes £000	At 31 July 2014 £000
Cash at bank and in hand:				
Endowment assets (Note 14)	176	5	-	181
Other	3,418	(843)	-	2,575
	<u>3,594</u>	<u>(838)</u>	<u>-</u>	<u>2,756</u>
Short term deposits	6,574	525	-	7,099
Debt due within one year (Note 17)	(86)	86	(90)	(90)
Debt due after one year (Note 18)	(632)	-	90	(542)
	<u>9,450</u>	<u>(227)</u>	<u>-</u>	<u>9,223</u>

29 Capital commitments

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Commitments contracted at 31 July 2014	<u>748</u>	-

2014 commitments relate to the Phase 5 building project development contracts which commenced in January 2014. These contracts cover stage A to E of the design to build.

30 Financial commitments

Central has an operating lease with St Peter's Church, Belsize Square London NW3 on which rent is not payable in the year ending 31 July 2014. Rent is payable from 1 August 2014.

31 Contingent liabilities

There were no contingent liabilities at 31 July 2014 (31 July 2013: £Nil).

32 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 are shown below. The details below also include contributions from individual members of the Governing Body. In accordance with FRS8 no disclosure has been made of intra-group transactions and balances eliminated on consolidation.

	Income/ (Expenditure)		Nature of Transaction
	2014 £000	2013 £000	
CSSD Students Union	(15)	(15)	Union grant
Paul Taiano (Director)	1	1	Scholarship
Gavin Henderson (Director)	1	1	Musical and Scenography Scholarships

33 Post balance sheet events

No significant post balance sheet events have arisen since 31 July 2014.

34 Amounts disbursed as agent-access funds

	Group and Central	
	31 July 2014	31 July 2013
	£000	£000
	<u> </u>	<u> </u>
Income:		
Excess of income over expenditure brought forward	4	7
2011-12 HEFCE clawback	-	(4)
Funding Council grants	<u>22</u>	<u>16</u>
	26	19
Expenditure:		
Disbursed to students	(20)	(15)
Excess of income over expenditure carried forward	<u><u>6</u></u>	<u><u>4</u></u>

Funding Council grants are available solely to assist students; Central acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

The following bursaries were received during the year and have been excluded from the Income and Expenditure Account:

	31 July 2014	31 July 2013
	£000	£000
	<u> </u>	<u> </u>
National Scholarship bursaries	-	24
TA training bursaries	-	78
TDA recurrent grants	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>102</u></u>

35 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). Both schemes are defined benefit "final salary" schemes without healthcare benefits. The LPFA scheme is valued every three years by actuaries using the projected unit method, and TPS is valued every four years by actuaries using the aggregate method, the rates of contribution payable being determined on the advice of the actuaries. TPS provides benefits based on final pensionable salary for academic and related employees, and LPFA provides similar benefits for other staff at Central. The pension costs are assessed using the projected unit method.

The total pension cost for Central was:

	Year Ended 31 July 2014 £000	Year Ended 31 July 2013 £000
Teachers' Pension Scheme : contributions paid		
Contributions paid	391	316
Provision for pension costs	(70)	-
London Pensions Fund Authority:		
Current service cost	598	547
Early retirements cost	-	-
	<u>919</u>	<u>863</u>

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. Actuarial valuations are carried out on a notional set of investments.

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

Latest actuarial valuation	31 March 2012
The following assumptions are based on an assessment of the liabilities as at 31 March 2008, with an approximate updating to 31 March 2012 to reflect known changes. The pension increase assumption as at 31 March 2012 is based on the Consumer Price Index (CPI) expectation of inflation.	
Actuarial method	Projected Unit Credit Method (PUCM)
Rate of return (discount rate)	4.85%
Rate of return in excess of pension increases	2.80%
Rate of return in excess of earnings increases	0.60%
Expected return on assets	n/a

35 Pension schemes (continued)

Statement of Financial Position	31 March 2012 £billion	31 March 2011 £billion	31 March 2010 £billion	31 March 2009 £billion	31 March 2008 £billion
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(200.6)	(192.4)	(223.9)	(168.6)	(176.5)
Deficit	(200.6)	(192.4)	(223.9)	(168.6)	(176.5)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

	1 April 2011 to 31 March 2012	22 June 2010 to 31 March 2011	1 April 2009 to 21 June 2010
Contribution rate			
Standard contribution rate	24.7%	29.3%	32.8%
Members' contribution rate	6.4%	6.4%	6.4%
Employers' estimated share of standard contribution rate	18.3%	22.9%	26.4%

Under definitions set out in Financial Reporting Standard 17 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 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

London Pensions Fund Authority (LPFA)

A qualified independent actuary carried out a full actuarial valuation of the fund at 31 March 2013 and estimated whole fund returns for the period to 31 July 2014. The major assumptions used by the actuary were:

	31 July 2014		31 July 2013		31 July 2012	
	%pa	Real	%pa	Real	%pa	Real
RPI increases	3.5%	-	3.4%	-	2.6%	-
CPI Increases	2.7%	(0.8%)	2.6%	(0.8%)	1.8%	(0.8%)
Salary increases	4.5%	1.0%	4.3%	0.9%	3.5%	0.9%
Pension increases	2.7%	(0.8%)	2.6%	(0.8%)	1.8%	(0.8%)
Discount rate	4.3%	0.8%	4.8%	1.4%	3.9%	1.3%

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

	2014	2013
Equities	44.0%	47.0%
Target return portfolio	29.0%	29.0%
Alternative assets	n/a	15.0%
Infrastructure	3.0%	n/a
Commodities	1.0%	n/a
Properties	3.0%	n/a
Cash	14.0%	1.0%
LDI/Cashflow matching	65.0%	8.0%

35 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>2014</u>	<u>2013</u>
Retiring today:		
Males	22.2	21.6
Females	25.3	24.2
Retiring in 20 years:		
Males	24.5	23.5
Females	27.5	26.0

The assets in the LPFA scheme and the expected rate of return were:

	2014		2013		2012	
	Long Term Return %	Fund Value £000	Long Term Return %	Fund Value £000	Long Term Return %	Fund Value £000
Equities	6.7%	3,176	6.4%	3,131	5.6%	3,747
Target return portfolio	6.1%	2,067	4.9%	1,932	4.3%	528
Alternative assets	n/a		5.4%	999	4.6%	845
Infrastructure	6.3%	241	n/a		n/a	
Commodities	6.1%	77	n/a		n/a	
Properties	5.6%	198	n/a		n/a	
Cash	3.2%	1,000	0.5%	67	0.5%	158
LDI/Cashflow matching	3.4%	441	3.4%	533	n/a	0
		<u>7,200</u>		<u>6,662</u>		<u>5,278</u>

The following amounts at 31 July 2014 were measured in accordance with the requirements of FRS 17:

Analysis of the amounts shown in the balance sheet	<u>31 July 2014 £000</u>	<u>31 July 2013 £000</u>	<u>31 July 2012 £000</u>	<u>31 July 2011 £000</u>	<u>31 July 2010 £000</u>
Central's estimated assets share	7,200	6,662	5,278	4,909	3,968
Present value of scheme liabilities	(10,028)	(8,765)	(8,209)	(6,628)	(5,736)
Deficit in the scheme - net pension liability	<u>(2,828)</u>	<u>(2,103)</u>	<u>(2,931)</u>	<u>(1,719)</u>	<u>(1,768)</u>
Analysis of the amount charged to staff costs within operating surplus	<u>31 July 2014 £000</u>	<u>31 July 2013 £000</u>			
Current service cost	577	421			
Total operating charge	<u>577</u>	<u>421</u>			

35 Pension schemes (continued)

Analysis of the amount that is credited to other finance income / charged to interest payable	31 July 2014 £000	31 July 2013 £000
Expected return on pension scheme assets	369	281
Interest on pension scheme liabilities	(434)	(329)
Losses on curtailment and settlements	-	-
Net (charge) / return	<u>(65)</u>	<u>(48)</u>
Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL)	31 July 2014 £000	31 July 2013 £000
Actual return less expected return on pension scheme assets	(254)	746
Experience gains / (losses)	989	-
Changes in assumptions underlying the present value of the scheme liabilities	(1,249)	217
Actuarial (losses) / gains recognised in the STRGL	<u>(514)</u>	<u>963</u>
Movement in deficit in the year		
Deficit in the scheme at the beginning of the year	(2,103)	(2,931)
Movement in the year:		
Current service costs	(577)	(421)
Contributions	431	334
Other finance income	(65)	(48)
Settlements and curtailments	-	-
Actuarial gains / (losses)	(514)	963
Deficit in the scheme at the end of the year	<u>(2,828)</u>	<u>(2,103)</u>
Analysis of the movements in the present value of the scheme liabilities		
At the beginning of the year	8,765	8,209
Current service cost	577	421
Interest costs (net)	434	329
Contributions by scheme participants	191	127
Losses on curtailment	-	-
Actuarial loss	278	(217)
Benefits paid	(217)	(104)
At the end of the year	<u>10,028</u>	<u>8,765</u>
Analysis of movement in the market value of the scheme assets		
At the beginning of the year	6,662	5,278
Expected rate of return on scheme assets	369	281
Actuarial losses	(236)	746
Contribution by the employer	431	334
Contributions by scheme participants	191	127
Benefits paid	(217)	(104)
At the end of the year	<u>7,200</u>	<u>6,662</u>

35 Pension schemes (continued)

History of experience gains and losses	2014 £000	2013 £000	2012 £000	2011 £000	*2010 £000
Experience gains / (losses) on scheme assets	(254)	746	(255)	201	104
Experience gains on scheme liabilities	989	-	-	391	-
Total amount recognised in the Statement of Total Recognised Gains and Losses	(514)	963	(1,135)	97	135

* Central has elected not to restate amounts for 2010 as permitted by the amendment to FRS 17.

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £1,259,000 losses (2012-13: £745,000 losses).

Defined benefit scheme assets do not include any of the institution's own financial instruments, or any property occupied by the institution.

The estimate of the employer contribution for the defined benefit schemes for the year 2014 is £416,000.

The actual return on scheme assets in the year was £115,000 (2013: return £1,026,000).