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

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## FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

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

**Government Policy**

The year under review has been a dramatic time for Higher Education and for our specialist sector in particular. A change in Government brought a very new slant on HE management and support. Greater emphasis is to be placed on assessment of teaching – with a TEF procedure (Teaching Excellence Framework) reflecting the existing system of Research Assessment (REF – Research Excellence Framework). HEFCE will be subsumed, together with OFFA, into an Office for Students. —There has been a period of consultation with the HE sector where the Government noted the support for HEFCE as an arm's length body that represents a substantial accumulated pool of understanding and expertise and also the need for maintenance of a dual funding system (ie for Research and Teaching).

Within government, the ministerial responsibility, for teaching, will be transferred to the DfE, with research remaining at BIS. Some concerns rest with this separation, whilst the eventual passage from school through to university seems sensible, and is largely welcomed.

**RISTA**

The Specialist sector was already primed for RISTA – The Review of Institution Specific Targeted Allocations - Premium Funding as was, and then Enhanced Funding. The Review aimed at establishing a basis for World Leading status. An international panel was convened under the chairmanship of Sir Christopher Frayling (late of RCA and Arts Council) to review the written submissions of the various colleges, and their testimonials. A system of metrics was created to measure resultant funding, based on student numbers and a maximum level of funding of £4m. This exercise afforded, at long last, an opportunity for Central to be funded in parity with other specialist drama Conservatoires. Happily, we were awarded World Leading status – with funding more than doubled to the ceiling of £4m, effective from academic year 2016/17. This is the most profound and beneficial change of circumstances for Central, something we have campaigned for over many years, but not expected in these very straightened economic times.

**Phase 5 / North Block**

The result of RISTA was also helpful in securing the bank loan and financing for the Phase 5 building project. During the year, the design – led by Tim Ronalds Architects, was refined in order to meet a challenging process of tendering – which brought about contractors' estimates significantly above that which had been estimated and budgeted. This reflected the radically changing market at the time. The work has been delayed, but should start on site within the early part of academic year 2016/17.

Student feedback emphasises the extreme need for these enhanced facilities, especially in a competitive market place where many other Conservatoires have pressed ahead with significant developments of studio and performance spaces.

**NSS**

This student concern is made all the more apparent in the most recent NSS (National Student Survey). The period reflected in this survey is the year under review in this report. Overall the results are very encouraging – with the acting courses achieving 100% satisfaction and Overall Satisfaction takes Central into the top of the range – after several years below par. Nonetheless, dissatisfaction with availability of specialist studio space will persist until the Phase 5 development is open. Whilst building work is in progress, there may well be cause for further disquiet through noise on site.

**Brexit**

The two years of building work will coincide with the implementation of Brexit. Assurances have been given that EU (or non UK) student offers (ie @ £9000 with loan) will be honoured for 2016/17, and hopefully – though not confirmed - for 2017/18. Research funding will be hit just at a time when Central is taking forward its very strong REF result to build fresh partnerships in Europe.

Central will need to intensify marketing and recruitment within and from other international sources. Latin America has been targeted, and has brought some encouraging results. The North American/US market is the most significant, but cannot be taken for granted. Other colleges in our sector will be stepping up promotional activity throughout the USA and Canada. Diversification of the market should embrace recent initiatives in Australia, Singapore, Hong Kong and South Korea. We will need to invest in a strategic plan for overseas recruitment.

This said, recruitment in general terms remains buoyant. But a further worry for the UK market is the proposed introduction of EBacc, which will take arts subjects – i.e. music, drama and dance out of the core curriculum.

**Royal Schools of Drama**

Music is well promoted through the Grade Examinations and Diploma programme of the ABRSM (Associated Board of the Royal Schools of Music). Dance is also represented by several external examination boards – notably the Royal Academy of Dance. There is no equivalent for Drama, other than LAMDA's medal scheme. On gaining Royal Title, Central has engaged in discussions with the Royal Welsh College and the Royal Scottish Conservatoire to explore the feasibility of creating an examination board of the Royal Schools of Drama. If EBacc takes root, then a formal structure for the assessment of drama in schools could prove advantageous.

**Outreach and Short Courses**

Central continues to lead the field in its outreach work, notably overseas through the support of the Leverhulme Trust. We are grateful to many partners – schools, prisons, healthcare institutions, community centres, arts centres and indeed theatres, for hosting placements of Central students. The annual invasion of Cornwall – to schools and special needs centres around Penzance, together with large scale productions at the Minack

Theatre – remains a high point in the calendar. Other locations (the Medway towns have come on stream) could well be beneficial for this area of work.

The partnership with Access All Areas has been notably successful – but a three-year funding agreement has now come to an end. It is a salutary programme which deserves to continue.

Short Courses, Summer Schools and Youth Theatre Work all work to capacity, using all available space. These strands could be increased, but shortage of facilities holds back such development. Phase 5 should provide a boost in this regard, with potential for increasing earned income.

**Alumni**

The RISTA exercise leant heavily on alumni achievements. Graduate employment statistics will be ever more crucial in establishing the case for funding and fee levels, especially with the onset of TEF. We have every reason to be pleased with the notable prizes and awards being won by our alumni across the globe. During the year it was pleasing to see a number of major West End productions written by Central alumni – Jessica Swale, Nick Payne and Duncan Macmillan and if one adds Harold Pinter as well, we had four highly acclaimed plays running at the same time. But just as important is the general level of employment and the contact maintained with our graduates. Alumni reunions are important, so too are gatherings such as the annual reception at the Edinburgh Festival.

Our graduates are also a crucial means of publicising the School. Too often alumni relations are viewed exclusively in terms of fundraising. This is important, but it is only a part of the story. The DEA does sterling work in maintaining contact with alumni, but we may need to consider further investment in the notion of 'after sales service'.

**Philanthropy**

From a cold start less than ten years ago, Central has built a strong base of fundraising and support from private and philanthropic sources. The revival of the Pivot Club goes from strength to strength – creating a pool of advocacy and critical interest in our work, as well as being a vital source of unrestricted income.

Targets have been exceeded year on year. The main challenge for the next two years will be the capital appeal for Phase 5. This is going well, but the last lap is usually the hardest. A number of Foundations have pledged support, and this in turn should encourage other Trusts to give support.

**Honorary Awards**

The annual Graduation Ceremony at the Royal Festival Hall / Southbank Centre is a major highpoint in the School's calendar. We are grateful to the University's Vice-Chancellor, Sir Adrian Smith for presenting the awards, and to our President Michael Grandage CBE for Presiding over the Ceremony and the presentation of Honorary Fellowships of the School.

We were delighted to welcome Dame Barbara Windsor into our Fellowship – truly an iconic figure of British film and television. So too David Jubb, an alumnus of Central and Director of BAC (Battersea Arts Centre), who has led a remarkable campaign for the rebuilding of BAC following a disastrous fire. Alumna Rebecca Lenkiewicz, now a distinguished playwright and film script author also accepted Hon. Fellowship. It was a very heart-warming occasion.

**The Future**

We have built a solid foundation, as the report which follows in this annual review clearly underlines. But the challenges are great. A new Government steering us through Brexit will determine uncharted territory. We have been fortunate in gaining a significant uplift in specialist funding following RISTA, but further Reviews will lie ahead. Public funding will continue to shrink, leaving greater dependency on privately raised resources. Graduates of a Drama School do not build personal fortunes in the way that so many captains of industry do, often donating and endowing to their respective alma mater.

The establishment of CIF (Creative Industries Federation) is greatly helping to make the case for our sector as a hugely important element of economic success. So too, and just as importantly, we provide a major focus for social wellbeing. In a world increasingly concerned with issues of terrorism and racist unrest, theatre and the arts in the widest sense provides a basis for achieving better understanding.

Finally, I pay tribute and give thanks to all who work for the wellbeing of Central, and to the Board of Governors who give generously of their time to bring about the positive results manifest in this annual report.

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

# STRATEGIC REPORT INCLUDING OPERATING AND FINANCIAL REVIEW

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

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

## 1 CONTEXT, OBJECTIVES AND STRATEGIES

### 1.1 Legal Status

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

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

### 1.2 Charity Objects

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

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

### 1.3 Vision and Mission

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

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

This Mission statement forms the cornerstone of the existing Corporate Plan which covers the planning period 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 Corporate Plan identifies a number of opportunities and challenges that are expected to be prominent over the period to 2018.

Opportunities during the strategy period are expected to include:

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

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

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

e) a move to training teachers within school settings;
f) attracting and retaining high calibre staff, including suitably qualified academic staff to sustain disciplinary specialist expertise in a climate of pay restraint;
g) the need to optimise environmental performance to enhance economic sustainability;
h) maintaining and developing research quality in an increasingly selective funding environment;
i) maintaining the quality of student experience during a downturn and through a period of construction; and matching student satisfaction with student expectation;
j) sustainability of Postgraduate taught provision in a competitive and changing environment;
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 in 2018/19.
3. Securing appropriate accommodation for areas affected by Phase 5 build.

*Human Resource Development*

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

## 2 PERFORMANCE REVIEW 2015/16

### 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) on the recommendation of the Academic Board, the Academic Strategy for the period 2016-2021 was approved by the Governing Body on 18 July 2016. The Academic Strategy will be implemented from August 2016 and sets out the aims for Learning, Teaching and Student Experience and Research. The revised Academic Strategy will inform the update of the Corporate Plan for the period 2017-2022
b) 6 members of staff successfully completed the Higher Education Academy (HEA) accredited course PG Certificate in Teaching and Learning in Higher Education. The programme will be open to visiting hourly paid staff in 2016/17 and to external applicants in future years
c) Central's staff Fellowship of the HEA increased by 13 (87%) from 15 to 28 in year
d) teaching at Central was recognised as 'World Leading' in the 2015 Review of Institution-Specific Targeted Allocations (RISTA) leading to enhanced HEFCE funding
e) Detailed Planning Consent for the Phase 5 Development was achieved in March 2015. John Graham Construction was confirmed as the preferred bidder on 9 May 2016. A Pre-Construction Services Agreement for early works was agreed on 1 August 2016 to cover preliminary works until 31 October 2016. Works are scheduled to start on site on 28 November 2016 for completion on 3 September 2018. Pledges of £800k towards the capital fundraising appeal have been secured
f) additional teaching accommodation at Emerson Studios, Bankside was secured until June 2021 to provide decant and enhanced accommodation during the Phase 5 Development and to facilitate a growth in short course and summer school activity

g) in addition to capital campaign pledges, recurrent fundraising targets were exceeded.

h) in challenging circumstances, achieved an excellent year-end financial result to fund future investment and to ensure on-going sustainability. This was achieved through increased Research grant funding following the Research Excellence Framework (REF), increased tuition fees due to increased student numbers, a programme of targeted cost savings and efficiencies in management.

## 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 2016 |
|---|---|
| Payroll costs to remain within 60% of total income (excluding capital donations | 55% |
| Continue to invest up to 1% of staff payroll cost on staff development activity | 0.5% |
| Condition of estates in condition A and B to be above sector benchmark of 80% | 98% |
| Energy costs to remain below sector benchmark of £20 per $m^2$ | £16.0 per $m^2$ |
| External borrowing to remain below 50% of income | 0% |
| Student non-completions below 5% | 4% |
| Meet Student recruitment numbers | |
| Undergraduate | Down 2% (4 students) |
| Postgraduate Taught | Up 4% (10 students) |

## 3 FINANCIAL REVIEW

The Financial Statements for the Year Ended 31 July 2016 show the group position for Central and include the results of CSSD Enterprises Limited, a subsidiary company. The principal activity of CSSD Enterprises Limited is to operate the student bar.

These are the first financial statements prepared in accordance with FRS 102 and the SORP which came into force on 1 August 2015. The comparative information presented for the prior year, 2015 have been restated.

The School is reporting current year surplus of £1.7m, where income has grown by 3.7% to £15.9m and expenditure has increased by 0.4% to £14.2m when compared to prior year. The planned surplus is necessary for investment in equipment, facilities, and to part-fund the Phase 5 North Block Development and to provide a margin to cover any unforeseen events that might put Central at financial risk. However, although the surplus of £1.7m (before actuarial losses) represents one of our strongest outturns, the valuation of pension liabilities as at 31 July 2016 worsened by £2.5m (£2.1m actuarial losses and £0.4m additional pension liabilities) to £6.9m, partially due to the fall in AA bond yields from 3.5% to 2.3% over the year to 31 July 2016. Therefore, actuarial losses of £2.1m allocated to the comprehensive statement of income and expenditure results in a comprehensive income shortfall of £0.414m in the year. See page 42 and 43 for further details.

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

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

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

| | **Year Ended 31 July 2016 £000** | **Year Ended 31 July 2015 £000** |
|---|---|---|
| Income | 15,913 | 15,339 |
| Expenditure | (14,218) | (14,165) |
| Surplus for the Year | 1,695 | 1,174 |
| Surplus % Income | 10.7% | 7.7% |

## Income

| Revenue Summary | 2016 £000 | 2015 £000 | 2014 £000 | 2013 £000 | 2012 £000 |
|---|---|---|---|---|---|
| Tuition Fees & Support Grants | 10,676 | 10,145 | 8,721 | 7,936 | 6,532 |
| Funding Council Grants | 3,968 | 3,637 | 4,276 | 4,690 | 5,406 |
| Research Grants and Contracts | 52 | 79 | 270 | 190 | 192 |
| Other Income | 759 | 808 | 809 | 971 | 829 |
| Donations | 360 | 602 | 257 | 239 | 196 |
| Endowment and Investment Income | 98 | 68 | 54 | 82 | 116 |
| **Total Operating Income** | **15,913** | **15,339** | **14,387** | **14,108** | **13,271** |

Central's total operating income for the year is up by £0.6m compared to the previous year. This increase is driven primarily through increased tuition fee income and Funding Body Grants. Funding Body Grants from HEFCE have been increased by £0.3m from 2014/15 to 2016/17. This increase is due to the last REF outcome which confirmed that Central's research is world-leading and led to a doubling of HEFCE Research Grant income from August 2015. Funding Body Grants as a proportion of total income, was relatively stable at 25% of total income, a slight increase on the 24% in prior year.

Tuition Fee income including Short Course and other fees has increased by £0.5m compared to 2015.

| Tuition Fees & Education Contracts Income | | 2016 | | | 2015 | | | Variances | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | £000 | No.s | % | £000 | No.s | % | £000 | No.s | % |
| **Full -time** | - Home/EU | 5,330 | 593 | 50% | 5,274 | 584 | 52% | 56 | 9 | 1% |
| **Undergraduate** | - Non EU | 734 | 49 | 7% | 893 | 48 | 9% | (159) | 1 | (18%) |
| **Full-time** | - Home/EU | 1,883 | 181 | 18% | 1,548 | 173 | 15% | 335 | 8 | 22% |
| **Postgraduate** | - Non EU | 1,616 | 106 | 15% | 1,426 | 104 | 14% | 190 | 2 | 13% |
| **Part-time** | - Home/EU | 259 | 77 | 2% | 223 | 64 | 2% | 36 | 13 | 16% |
| **Postgraduate** | - Non EU | | | 0% | 7 | 1 | 0% | (7) | (1) | (100%) |
| Total Tuition Fees | | **9,822** | **1,006** | **92%** | **9,371** | **974** | **92%** | **451** | **32** | 5% |
| Short Course & Other Fees | | 854 | | 8% | 774 | | 8% | 80 | | 10% |
| **Total** | | **10,676** | | 100% | **10,145** | | 100% | **531** | | 5% |

The preceding table highlights the fact that the increase of £0.5m sits primarily within Tuition fee income. More specifically, an additional £0.3m (22% increase) compared to prior year was generated within the "Full-Time, Postgraduate, Home/EU" student classification.
In addition, Full-time Non EU Postgraduate student income increased by £0.19m (13%) when compared to 2015.

| **Expenditure Summary** | **2016 £000** | **2015 £000** | **2014 £000** | **2013 £000** | **2012 £000** |
|---|---|---|---|---|---|
| Staff Costs | 8,827 | 8,707 | 8,601 | 7,636 | 7,419 |
| Other Operating Expenses | 4,523 | 4,697 | 5,095 | 4,735 | 4,284 |
| Depreciation | 619 | 606 | 599 | 594 | 608 |
| Interests and Other Finance Costs | 236 | 146 | 105 | 93 | 95 |
| Loss on investments and disposal of Fixed Assets | (2) | 7 | - | 2 | 5 |
| Transfer to endowment fund | 15 | 2 | 8 | 14 | (4) |
| **Total Operating Expenditure** | **14,218** | **14,165** | **14,408** | **13,074** | **12,407** |

Total Operating Expenditure has increased by 0.5% from 2014/15, driven predominately through increased interest charges resulting from paying off the secured loan early and LPFA pension interest charges. The total interest charge has increased by 61.6% when compared to the previous year. The remaining balance of £0.5m on the longstanding secured loan (fixed rate of 5.87% repayable by 2020) was paid off early in July 2016.

Expenditure on staff costs is the highest cost item, representing 55% (2014/15 – 57%) of total income. Staff costs are up 1.4% (£0.120m) on the prior year, this small increase masks significant savings achieved where operational circumstances allowed against a background of a 1% national pay award, incremental progression of 1.5% to eligible staff, increased National Insurance contributions and employer pension costs. Savings were achieved by holding vacancies open and postponing recruiting to certain non-student facing posts in year without detriment to the student experience.

Other operating expenses for the year 2015/16 have decreased by £0.174m when compared to 2014/15. This is primarily due to reduced expenditure within bursaries (£0.09m) as a result of the withdrawal of National Scholarship funding, a reduction in payments as a result of restructuring (prior year £0.08m) and web site costs (£0.03m) as the project is now solely in the maintenance stage.

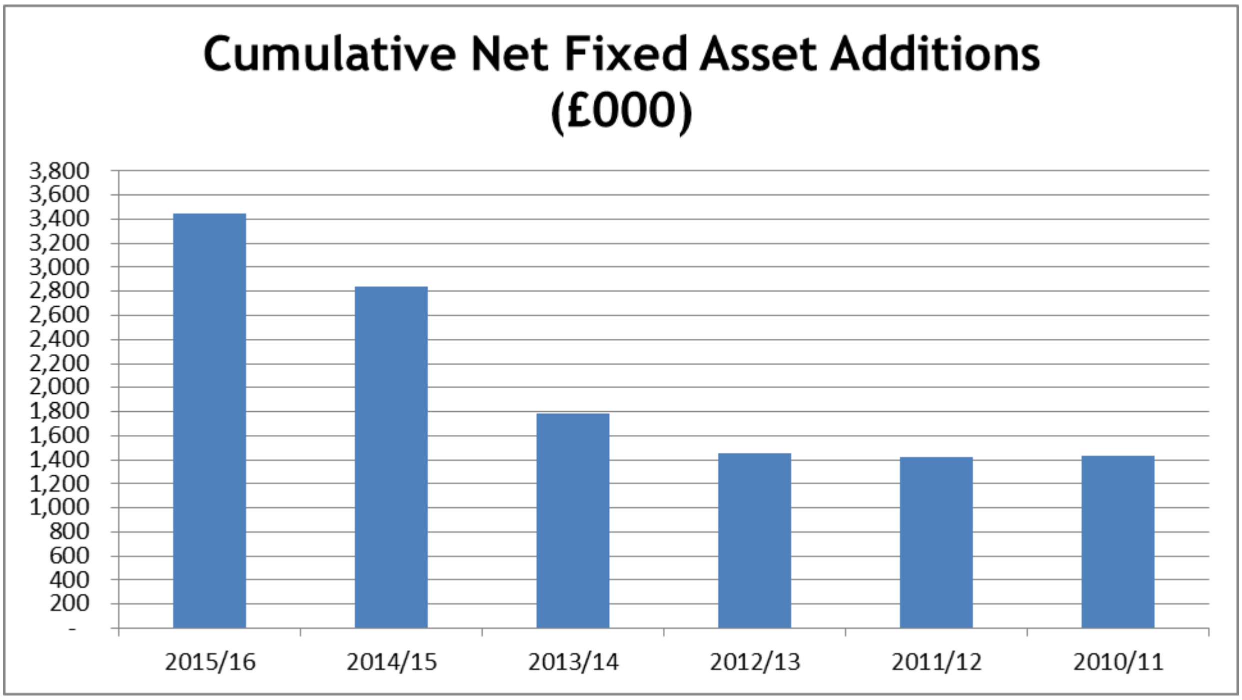
Planned efficiency savings were achieved across most operational departments in-year. Notable contributors include lower building maintenance costs (£0.06m) due to a deferral of some works to 2016/17 in light of the development of a new maintenance plan, cleaning costs (£0.02m) achieved with prior year credits and value for money savings on cleaning materials and utility costs (£0.02m) achieved by efficiency savings from the installation of energy saving bulbs and supplier change.

**Capital Projects**

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

Capitalised costs of £0.5m incurred during the year comprised of consultancy costs associated with taking the project to a detailed design stage "Royal Institute of British Architects (RIBA) stage F". A Pre-Construction Agreement with John Graham Construction, Contractor, for pre-contract works for a maximum value of £0.11m was agreed in August 2016.

It is anticipated that the construction of the new building outlined under "Phase 5" will commence in November 2016 with expected occupancy in autumn 2018.




**Investment Performance**

Cash balances plus short term deposits at the end of the year stood at £12.2m, up £1.9m when compared with prior year, and represents the equivalent of 327 days of expenditure. A net cash inflow from operating activities of £3.1m 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**

| | **The Royal Central School of Speech and Drama** | | **Sector Mean*** |
|---|---|---|---|
| | **2015/16** | **2014/15** | **2014/15** |
| Current Ratio | 3.6 | 4.0 | N/A |
| Net Liquidity (Days) | 327 | 278 | 126 |
| Cash flow from operating activities as % total income | 19.8% | 12.5% | 8.4% |
| External Borrowing as % of total income | 0% | 3.5% | 28.1% |

(***** Source: “Financial health of the higher education sector” – Financial Results and TRAC Outcomes HEFCE March 2016/04)

The preceding financial indicators represent a healthy liquidity position for the School, the Current Ratio has marginally decreased and External Borrowing is zero after the secured loan was paid off in July 2016. However, Central entered into a new bank loan facility of £8.7m in May 2017 which will not be drawn until 2016/17 when the Phase 5 construction commences on site. The £8.7m loan is for 20 year period on a mixture of 57.47% fixed rate of 3.155% and the balance of £3.7m at floating LIBOR (3 Months) plus 1.35% margin. External borrowing is expected to increase to 39.5% of total income in 2016/17. Net Liquidity (Days) of 327 for the School, is an improvement on the prior year and remains significantly better when compared to the sector mean of 126 days. Cash flow from operating activities is substantially up both in absolute terms and as a percentage of total income when compared against prior year (2015/16 £3.1m / 2014/15 £1.9m), driven predominantly through the delivery of a surplus after depreciation of £1.7m in year compared to a prior year surplus after depreciation of £1.2m.

**Pensions**

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

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

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

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

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

The LPFA scheme currently shows an FRS 102 deficit of £6.9m for the School, representing a significant deterioration from a deficit of £4.4m reported at the previous year end. The £6.9m liability reflects changes in assumptions underlying the present value of the fund's obligations compared to the fair value of scheme assets as at 31 July 2016. The present value of the fund's obligations for the School has increased to £15.99m, up £3.48m on the previous year. The fund's assets in turn have only increased by £0.9m to £9.1m. 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 2014 LPFA covenant review, the School paid an employer contribution rate of 14%. This rate is set for a 3 year period from 1 April 2014 to 31 March 2017 after confirmation of the School's "Funding Strategy Statement" (FSS) category. The School's share of the LPFA scheme deficit is reflected in the balance sheet in accordance with FRS 102.

**Future Outlook and Key Risks**

In July 2016 the School submitted its 3 year forecast to the Higher Education Funding Council for England (HEFCE) for the period up to 2018/19. These forecasts acknowledge on-going uncertainties across the sector such as:

- Regulated undergraduate tuition fees remaining flat at a maximum of £9k until 2016/17. From 2017/18, institutions that meet TEF requirements will be able to raise tuition fees in line with inflation.
- Student maintenance grants will be replaced by loans from 2016/17 onwards for new students only.
- Higher staff costs and the sustainability of current pension schemes.

- The level of public funding, in particular, cuts to Teaching grants including exceptional funding and student opportunity grants and the lack of capital grants for specialist HEIs presenting real challenge in the financing of major capital building projects.
- The impact of Brexit and the funding status of students entering higher education in the UK from 2017/18.
- The impact from the HE Bill, TEF and the Stern Review.

Against this background, the School's key Corporate Plan priorities, detailed in the Corporate Plan for the period 2013 to 2018, focus on placing students at the centre of its work through:

- 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 investment in staffing costs and ambitious plans with regard to the estate investment plan (Phase 5), all aimed at enhancing the teaching, learning environment and ultimately the student experience. The emphasis on surplus generation and the accumulation of surpluses to date enables the School to invest strategically in support of the corporate plan. As evidenced above, investment will take the form of both capital investment and additional recurrent spend. The £16.7m Phase 5 capital element of the investment plan will be funded through a combination of an external loan facility, a Capital fundraising campaign and by drawing on internal reserves. The School entered into a new bank loan in May 2016 to the value of £8.7m. This will not be drawn down until Q2 2017 when it is anticipated the Phase 5 building project will proceed to the Build stage.

Financial sustainability underpinning the investment behind the School's Corporate Plan has been fully tested and reflected in the five year financial forecasts to 2018/19 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 2014-15** | **Actual 2015-16** | **Forecast 2016-17** | **Forecast 2017-18** | **Forecast 2018/19** |
|---|---|---|---|---|---|
| Surplus/(deficit) as a % of total income | 7.7 | 10.6 | 9.3 | 10.6 | 5.3 |
| Discretionary reserves exc. pension asset/(liability) as a % of total income | 134.1 | 141.9 | 80.8 | 81.9 | 88.4 |
| External borrowing as a % of total income | 3.5 | 0.0 | 39.5 | 44.1 | 44.9 |
| Net cash flow as a % of total income | 12.5 | 19.8 | 9.7 | 11.6 | 7.6 |
| Net liquidity days | 278 | 327 | 250 | 162 | 190 |
| Staff costs as a % of total income | 56.8 | 55.5 | 54.0 | 53.3 | 55.9 |
| EBITDA | 1,698 | 2,397 | 2,224 | 2,797 | 1,989 |
| EBITDA % | 11.1 | 15.1 | 11.9 | 14.2 | 10.3 |

Throughout this period, discretionary reserves excluding pension liability as a percentage of total income range between 80.8% and 88.4% which is significantly above the sector average of 49.2% for 2014/15 reported within "Financial Health of the higher education sector" (HEFCE 2016/04). The focus on discretionary reserves is due to the fact that they can act as a buffer against large, unexpected financial pressures.

The measure "Net Liquidity (Days)", indicates the School's ability to respond to short term financial pressures. Whilst dipping to 162 days in 2017/18, this is higher than the predicted forecast sector average of 126 days for 2014/15 (HEFCE 2016/04). Detailed cash-flow analysis also highlights a healthy liquidity position throughout the planning period.

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

**Risk Management**

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

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

a) reduction in the number of overseas student applications/acceptances resulting in loss of forecast income;
b) reduction in the number of home postgraduate taught student applications/ acceptances resulting in loss of forecast tuition fee income and possible under-performance against the HEFCE contract; and
c) the impact on Brexit on EU student funding support.

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.

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

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

**PUBLIC BENEFIT**

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

Specific core public benefit aims include:

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

## PUBLIC BENEFIT PERFORMANCE

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

### Teaching, learning and the student experience

1,044 students studied at the School during the year, comprising 653 full-time undergraduate students; 291 full-time postgraduate students; 8 full-time PHD students; 80 part-time postgraduate students and 12 part-time PHD students. The School awarded 199 Bachelor of Arts degrees (52 at First Class and 125 at Upper Second), 248 Masters of Arts degrees, 24 Postgraduate/Diplomas and 3 PhDs.

Projects and placements are essential parts of the curriculum on many courses. This year approximately 350 students were placed with companies including the Almeida, Clean Break, National Theatre, Shakespeare's Globe, Stratford Circus Arts Centre, Tricycle Theatre and Young Vic, undertaking activities that contributed to learning outcomes and to the work of the organisations. Student performances and work were also showcased at the Wanamaker Festival at Shakespeare's Globe, the We Are Now Festival at the Roundhouse, Tate Modern and the Festival of Theatre and Performance at the V&A Museum.

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

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

Teaching staff achieved several notable external successes during the year. Dr Catherine McNamara, Director of Learning, Teaching and Student Experience attained Principal Fellowship of the Higher Education Academy in recognition of her work to enhance student learning; Dr Simon Donger was awarded Russia's Golden Mask National Theatre Award for Best Light Designer for Musical Theatre for work with the Bolshoi Theatre; Principal Lecturer Amanda Brennan's film Birthcloud, with a cast of Central students, won four awards at the Monaco International Film Festival. There were new books from Head of Acting Geoffrey Colman and Principal Lecturers Nick Moseley and Amanda Brennan. Head of Acting Geoffrey Colman also conducted a series of 'In Conversations' with high profile members of the industry including Bradley Cooper, Rebecca Lenkiewicz, Ann Mitchell, Alessandro Nivola, Dame Sian Philips, Stephen Poliakoff, Willy Russell and Fiona Shaw.

### Research (outputs and sustainability)

The School welcomed Professor Maria Delgado to the role of Director of Research in October 2015. Under her leadership, Central is building on its strong performance in the

2014 Research Excellence Framework with a programme that will continue to grow in future years.

In a particular highlight of the year, the School was delighted that Professor Sally Mackey was awarded The David Bradby TaPRA Award for Research in International Theatre and Performance by the Theatre and Performance Research Association for her leadership and work on the project Challenging Concepts of Liquid Place.

Guests invited to give lectures and presentations through the research programme included writer, theatre director, and performer Lola Arias who gave the 2016 Edward Gordon Craig lecture, playwrights Lee Hall and Mark Ravenhill and theatre company Fevered Sleep's Artistic Director David Harradine. These talks featured in a programme of events open to the industry and to the public as well as to Central's students and staff. Professor Delgado also curated well received film seasons for the Institute of Contemporary Arts and the British Film Institute.

**Fundraising**

Working with corporate organisations is a growing area for Central and the School attracted support from Sky and The Hall School amongst others. Under an arrangement developed this year, Sky will contribute to a dedicated fund to support students with disabilities, helping to promote equal access to postgraduate training at Central. Approximately 24 percent of Central's student population has one or more declared disabilities. Sky's support will enable two postgraduate students with disabilities to undertake training at Central while receiving the best possible support.

Legacy pledges also increased with a growing number of alumni and others choosing to remember the School in their Will.

The School continued its relationships with a number of Trusts and Foundations including many long-standing supporters. Trusts and foundations supporting scholarships and bursaries in 2015/16 included The Andy Stewart Charitable Trust, The Ashley Family Foundation, The Coln Trust, The Harold Hyam Wingate Foundation, Neaveth Fund (University of London), Shoresh Charitable Trust, The Stanley Picker Trust, The Roger and Ingrid Pilkington Trust and The William Walton Trust. Funds from the Behrens Foundation continued to support delivery of the academic programme.

The Andrew Lloyd Webber Foundation and The Beatrice Lillie International College of Comedy and Musical Theatre again supported the role of Associate Musical Director. The Commercial Education Trust continued its support of the Entrepreneurs' Award and the Savile Club Scholarship was awarded for a second year.

Prize funds and Scholarships awarded through endowed funds included the Clive Brook Prize, Gary Bond Award, and the Tunstall Award.
£74,000 of prize funds and Scholarships were awarded through endowed funds and other donations. £155,000 worth of Scholarships were awarded via fee waivers.

The Big Lottery Fund's three-year grant to support the Outbox intergenerational project continued.

The HEFCE Postgraduate Support Scheme which ran during 2015/16 was seen to have encouraged new funds from individuals and from trusts and foundations.

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

The School conducts its fundraising in line with the Charity Commission's principles at all times.

**Industry Impact**

Each year, Central awards Honorary Fellowships to members of the industry who are considered to have made extraordinary contributions to drama and the performing arts. This year, Honorary Fellowships were awarded to David Jubb, alumnus and Artistic Director of Battersea Arts Centre, Rebecca Lenkiewicz, alumna and playwright, and actor Dame Barbara Windsor. A fellowship was also awarded to William Gaskill, theatre director and former Artistic Director of the Royal Court, during the year.

Central's graduates are entrepreneurial, often forming companies with others from their cohort and entering the theatre industry by creating their own products and services. This year was no exception, with the Edinburgh Festival Fringe as usual forming an important early focus. Alumni and current students were involved in over sixty productions in the 2016 Edinburgh Festivals with Central giving marketing support and the chance to network in Edinburgh. Central also supported - via an MA/ MFA Creative Producing placement - the prestigious Total Theatre Awards, which celebrate innovative work beyond the classical canon taking place each year at the Edinburgh Festival Fringe.

The School continued to collaborate with companies on projects to influence the industry, with examples ranging from the continuing relationship with world-renowned international touring company Complicite through the Acting (Collaborative and Devised Theatre) course to this year's Transgender Acting project with companies Gendered Intelligence and My Generation. Members of the first cohort of the Performance Making Diploma for Learning Disabled Adults delivered in partnership with theatre company Access All Areas achieved some notable successes in theatre and on television during the year.

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

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

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

This year, 95 public performances of 17 productions were staged at the School, attracting a total audience of 8,242. The annual Craft and Design exhibition by third year BA Theatre Practice students attracted approximately 450 visitors. Students again staged a number of public festivals and exhibitions on and off-site including the annual Brink and Collisions festivals.

The School's longstanding relationship with Cornwall's Minack Theatre continued, students returned to Derby Live for a third year and again toured to venues in Oldham. Alongside performances, workshops enabled targeted audiences to find out more about studying drama and professional careers in the performing arts.

Although space at the School is often in short supply, Central continued to offer its facilities as widely as possible, this year welcoming audiences to events ranging from The Guardian's evening with Antony Sher to a seminar on the Fun Palaces movement. Students presented a programme to mark International Women's Day and the Students' Union hosted a debate on the role of black students at Central and in the wider performing arts.

In March 2016, Central hosted Women Living with HIV: Our Needs, Our Care, Our Ambitions with London-based HIV charity Positively UK. Tulip Siddiq, MP for Hampstead and Kilburn, spoke for many who attended the event when she said: "It was a fantastic evening and so wonderful to hear such brave women telling their diverse stories. I learnt so much."

The School continues to collaborate with the Cultural Camden Initiative in partnership with Camden Council and hosted a creative showcase for Camden Carers Week. It also worked again with the black-led touring company Talawa, hosting the Talawa Young People's Theatre project in September 2015. Organisations hiring or offered use of the School's facilities in addition to those mentioned elsewhere included the Association of Dyslexia Specialists in HE (aDshe), Association of British Theatre Technicians (ABTT), Clean Break, Curve Theatre, Leicester, Engineer Theatre Collective, English National Opera's Baylis programme, Generation Arts, Incorporated Society of Musicians, Bill Kenwright Ltd, the Society for Theatre Research and the Tavistock and Portman NHS Trust.

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

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

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

Participants included over 1,000 learners undertaking short courses ranging from diplomas in acting and musical theatre to evening courses in drama to Saturday Youth Theatre. Business training was delivered to groups from organisations including the BBC, Channel 4, Cystic Fibrosis Trust, Imperial College London, National Health Service, The Open University, Santander, Teach First and The Volkswagen Group. Over 2,000 employees received training as members of these groups while 250 individuals took part in courses and one-to-one training to enhance their business skills.

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

The outreach team delivered over one hundred higher education workshops and masterclasses to over 900 participants from schools, colleges and community groups in London and across England. The School continued to offer free acting auditions to participants in these workshops, distributing over 260 vouchers of which approximately 75 were returned by participants wishing to audition.

Three awards totalling £9,000 were made to third year students from low-income backgrounds in the final year of the National Scholarship Programme. Over £35,000 in bursaries, comprising hardship funding and awards to learners meeting Office for Fair Access criteria, was distributed to participants on six diploma courses and two short courses.

Central's access funding enabled three outreach projects which provided information on all aspects of the undergraduate curriculum. Over 450 students in Derby, Oldham and London attended performances, workshops and question-and-answer sessions to learn more about studying and working in the fields of acting, applied theatre and theatre practice.

The School continues to collaborate closely with local schools, colleges and community groups. This year over 570 free tickets to public performances were given to targeted students through this route.

Student Ambassadors are widely acknowledged to be key to success in widening participation, providing a source of information that is particularly valued by prospective students. They are drawn from across the student body, with new ambassadors needed every year to replace those who have graduated. This year training was delivered to fifty new ambassadors to make a total of 105 at undergraduate and postgraduate level.

The School entered the third year of its partnership with Access All Areas, a theatre company for people with learning disabilities, to provide a one-year performance making diploma for adults with learning disabilities. A grant from The Leverhulme Trust again allowed places to be heavily subsidized. The year-long project brought participants into the School on a regular basis and culminated in a three week devising project and performance at Central. Previous participants had notable successes during the year, with one featuring as a long-running character in a television series while another performed at the Edinburgh Festival Fringe and other venues to critical acclaim.

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

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

# STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

## Governance and Legal Structure

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

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

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

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

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

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

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

## Governing Body Membership

The Governors serving during the year are as shown below:

| Name | Category of Membership | Committees Serviced |
|---|---|---|
| Paul Taiano<br>*(Chairman of Governors)* | Independent | Remuneration Committee (Chair)<br>Nominations Committee (Chair)<br>Finance and Employment Committee<br>Investment Committee |

| **Name** | **Category of Membership** | **Committees Serviced** |
|---|---|---|
| Anthony Blackstock | Independent | Audit Committee (Chair)<br>Search Committee – Chairman of Governors |
| Professor Ross Brown | Staff<br>(Academic Board)<br>*(Retired on 18/07/2016)* | Search Committee - Chairman of Governors<br>*(Professor Brown continues as a seconded member of the Search Committee – Chairman of Governors)* |
| Victoria Dickie | Independent | - |
| Eleni Gill | Independent | Audit Committee |
| Alan Haigh | Independent | Audit Committee |
| Dame Pippa Harris DBE | Independent | Nominations Committee |
| Professor Gavin Henderson CBE | Ex Officio<br>(Principal/CEO) | Finance and Employment Committee<br>Nominations Committee<br>Search Committee - Chairman of Governors |
| Phoebe Hitt | Postgraduate Student<br>*(Retired on 23/09/2016)* | |
| Ella Howe | Ex Officio - Student Union President<br>(Appointed 1 August 2016) | Search Committee - Chairman of Governors |
| Menna McGregor<br>(Deputy Chair of Governors wef 9 May 2016) | Independent | Audit Committee (to September 2015)<br>Finance and Employment Committee (wef October 2015)<br>Remuneration Committee (wef October 2015) |
| Professor Simon McVeigh | Independent | Academic Board (*Link Governor*) |
| Anne Mensah | Independent | Finance and Employment Committee |
| Jodi Myers | Independent | Nominations Committee<br>Search Committee - Chairman of Governors<br>Equality and Diversity (*Governor Champion*) |
| Charles Perrin CBE | Co-opted<br>(University of London) | Finance and Employment Committee (Chair)<br>Investment Committee (Chair)<br>Search Committee - Chairman of Governors (Chair)<br>Remuneration Committee |
| Natalie Poernig | Student Union President<br><br>*(Retired on 31 July 2016)* | Search Committee -Chairman of Governors |
| Peter Roberts<br>*(Deputy Chairman of Governors to 8 May 2016)* | Independent | Nominations Committee<br>Remuneration Committee<br>Health and Safety (Governor Champion) |
| Geoffrey Rowe | Independent | Finance and Employment Committee |
| Dominic Tulett | Staff | - |

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

- Phoebe Hitt, Postgraduate Student Governor, retired from the Board of Governors on 23 September 2016;
- Professor Maria Delgado, Academic Board Governor co-opted to Board of Governors on 17 October 2016;
- Laura Pirret, Postgraduate Student Governor, co-opted to the Board of Governors on 21 November 2016.

**Governing Body Diversity**

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

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

Central is currently using the services of external consultants to actively seek out a new Chair of Governors when Paul Taiano retires in July 2017 after a period of distinguished service.

**Governing Body Conduct and Code of Governance**

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

Central endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and to apply the guidance to institutions of higher education from the Committee of University Chairmen (CUC) in its *Higher Education Code of Governance published in December 2014.*

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

1. to be unambiguously and collectively accountable for institutional activities

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

The Governors have applied in full six of the seven elements of the Code in the year ended 31 July 2016 and partially applied one of the elements. The following action is in progress in order to fully apply all elements from 2016/17:

ACTION plan:

- Complete the roll out and training of Central's institution-wide Ethical Policy Framework.

With the exception of this action, Central has applied the provisions of the new Code of Governance published in December 2014.

**Statement Of Governing Body's Responsibilities**

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

1 To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.

2 To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.

3 To delegate authority to the Principal, as chief executive, for the academic, corporate, financial, estate and human resource management of the institution. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.

4 To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.

5 To establish processes to monitor and evaluate the performance and effectiveness of the Governing Body itself.

6 To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

7 To safeguard the good name and values of the institution.

8 To appoint the Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.

9 To appoint a Clerk to the Governing Body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

10 To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.

11 To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.

12 To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.

13 To receive assurance that adequate provision has been made for the general welfare of students.

14 To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.

15 To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

## Summary Of Delegated Authority

### Governing Body

The Governing Body has determined maximum membership numbers of nineteen of whom fourteen are external independent lay members. The Governing Body comprised seventeen members on 31 July 2016 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 seven meetings during the academic year 2015/16, including four strategic topic meetings.

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

A skills audit has been undertaken to inform the priorities for appointment to vacant positions on the Board and the search for a Chair of Governors in advance of the planned retirement of the current Chairman in July 2017.

**Governing Body Committees**

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

All Governing Body committees are formally constituted with terms of reference and comprise mainly independent members of the Governors, one of whom is Chair. In addition, the Governing Body has 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. A Project Board including independent governor members has also been convened to oversee the Phase 5 Development.

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

**The Investment Committee** is a sub-committee of the Finance and Employment Committee and is chaired by 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.

**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 review the performance, and determine the annual remuneration, of senior post holders; and to review the remuneration policy of executive staff.

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

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

**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 is being monitored by the Nominations Committee. Lee Menzies served as a co-opted member on the Nominations Committee throughout the year under review.

**The Search Committee (Chair of Governors)** meets as required and is chaired by Charles Perrin CBE. The Committee prepares written descriptions of the role and capabilities required for the Chair of Governors based on identified needs and considers arrangements for the identification and selection of the successor.

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

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

Professor Gavin Henderson CBE holds the offices of Principal and Chief Executive Officer and did so throughout 2015/16.

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

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

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

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

**Disclosure of information to auditors**

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

KPMG LLP was re-appointed as Central's auditors at the Annual General Meeting of the Members on 18 July 2016.

## STATEMENT OF 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 is 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 Memorandum of Assurance and Accountability (MAA) 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 Memorandum of Assurance and Accountability 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 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.

**Statement of Internal Controls**

The institution's Governing Body is responsible for the institution's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

***Risk Management***

The Governing Body is of the view that there is an effective on-going process for identifying, evaluating and managing the institution's significant risks, that it has been in place throughout the year ended 31 July 2016, and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

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

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

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

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

**Conclusion**

The Governing Body is of the view that the process for identifying, evaluating and managing significant risks has been in place and operated effectively for the year ended 31 July 2016 and up to the date of approval of the annual report and financial statements.

**Paul Taiano**
**Chair of Governors**
21 November 2016

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

We have audited the financial statements of The Royal Central School of Speech and Drama for the year ended 31 July 2016 which comprise the Group and School Statement of Comprehensive Income, the Group and School Statement of Changes in Reserves, the Group and School Balance Sheets, the Group Cash Flow Statement, and 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) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Governing Body, in accordance with the Charters and Statutes of the institution and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Governing Body 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 Governing Body 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 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 School'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 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 Group's and the School's affairs as at 31 July 2016 and of the Group's and School's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements.

**Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) 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 the School for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements have been met.

Fleur Nieboer (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
21 November 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

**Year Ended 31 July 2016**

| | Notes | **Year ended 31 July 2016** | | Year ended 31 July 2015 | |
|---|---|---|---|---|---|
| | | **Group** | **Central** | Group | Central |
| | | £'000 | £'000 | £'000 | £'000 |
| **Income** | | | | | |
| Tuition fees and education contracts | 1 | **10,676** | **10,676** | 10,145 | 10,145 |
| Funding body grants | 2 | **3,968** | **3,968** | 3,637 | 3,637 |
| Research grants and contracts | 3 | **52** | **52** | 79 | 79 |
| Other income | 4 | **759** | **673** | 808 | 718 |
| Investment income | 5 | **98** | **98** | 68 | 68 |
| **Total income before endowments and donations** | | **15,553** | **15,467** | 14,737 | 14,647 |
| Donations and endowments | 6 | **360** | **360** | 602 | 602 |
| **Total income** | | **15,913** | **15,827** | 15,339 | 15,249 |
| **Expenditure** | | | | | |
| Staff costs | 7 | **8,827** | **8,785** | 8,707 | 8,665 |
| Other operating expenses | | **4,523** | **4,482** | 4,697 | 4,648 |
| Depreciation | 11 | **619** | **618** | 606 | 606 |
| Interest and other finance costs | 8 | **236** | **236** | 146 | 146 |
| **Total expenditure** | 9 | **14,205** | **14,121** | 14,156 | 14,065 |
| **Surplus/(deficit) before other gains/(losses)** | | **1,708** | **1,706** | **1,183** | **1,184** |
| (Loss) / Gain on disposal of fixed assets | 11 | **(9)** | **(9)** | - | - |
| Gain / (Loss) on investments | 12 | **11** | **11** | **(7)** | (7) |
| **Surplus / (Deficit) before tax** | | **1,710** | **1,708** | 1,176 | 1,177 |
| Transfer to accumulated income in endowment funds | | (15) | (15) | (2) | (2) |
| **Surplus / (Deficit) for the year** | | **1,695** | **1,693** | 1,174 | 1,175 |
| Actuarial (loss)/gain in respect of pension schemes | 27 | **(2,109)** | (2,109) | (1,245) | (1,245) |
| **Total comprehensive (expenditure) / income for the year** | | **(414)** | **(416)** | **(71)** | **(70)** |

*(Continued on the next page)*

**Consolidated Statement of Comprehensive Income and Expenditure**
**Year Ended 31 July 2016 (continued)**

| | Notes | **Year ended 31 July 2016** | | Year ended 31 July 2015 | |
|---|---|---|---|---|---|
| | | **Group** | **Central** | Group | Central |
| | | £'000 | £'000 | £'000 | £'000 |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | | 18 | 18 | 29 | 29 |
| Restricted comprehensive income for the year | | 126 | 126 | 60 | 60 |
| Unrestricted comprehensive (expenditure) / income for the year | | (558) | (560) | (160) | (159) |
| Attributable to Group and Central | | **(414)** | **(416)** | (71) | (70) |
| **Surplus for the year attributable to:** | | | | | |
| Group and Central | | 1,695 | 1,693 | 1,174 | 1,175 |

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

**Group and Central**
**£'000**

| | **Year Ended 31 July 2016** | Year Ended 31 July 2015 |
|---|---|---|
| Actuarial Losses in respect of LPFA pension scheme | (2,109) | (1,245) |
| Gain / (Loss) on investments | 11 | (7) |
| **Total Losses** | **(2,098)** | **(1,252)** |

**Consolidated Statement of Changes in Reserves**
**Year ended 31 July 2016**

| **Group** | **Income and expenditure account** | | | **Revaluation reserve** | **Total** |
|---|---|---|---|---|---|
| | *Endowment* | *Restricted* | *Unrestricted* | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 1 August 2014** | **345** | **315** | **16,337** | **1,270** | **18,267** |
| Surplus from the income and expenditure statement | 36 | 210 | 928 | - | 1,174 |
| Other comprehensive income | 0 | 0 | (1,245) | - | (1,245) |
| Release of restricted funds spent in year | (7) | (150) | 157 | - | 0 |
| **Total comprehensive income / (expenditure) for the year** | 29 | 60 | (160) | 0 | (71) |
| Endowment Transfer | | | | | 15 |
| **Balance at 1 August 2015** | **374** | **375** | **16,177** | **1,270** | **18,211** |
| Surplus from the income and expenditure statement | 22 | 266 | 1,407 | - | 1,695 |
| Other comprehensive income | - | - | (2,109) | - | (2,109) |
| Release of restricted funds spent in year | (4) | (140) | 144 | - | - |
| **Total comprehensive income / (expenditure) for the year** | 18 | 126 | (558) | 0 | (414) |
| Endowment Transfer | | | | | 19 |
| **Balance at 31 July 2016** | **392** | **501** | **15,619** | **1,270** | **17,816** |

## Consolidated Statement of Changes in Reserves
## Year ended 31 July 2016 (continued)

| **Central** | **Income and expenditure account** | | | **Revaluation reserve** | **Total** |
|---|---|---|---|---|---|
| | *Endowment* | *Restricted* | *Unrestricted* | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 1 August 2014** | **345** | **315** | **16,381** | **1,270** | **18,311** |
| Surplus/(deficit) from the income and expenditure statement | 36 | 210 | 929 | - | 1,175 |
| Other comprehensive income | 0 | - | (1,245) | - | (1,245) |
| Release of restricted funds spent in year | (7) | (150) | 157 | - | 0 |
| **Total comprehensive income / (expenditure) for the year** | 29 | 60 | (159) | 0 | (70) |
| Endowment Transfer | | | | | 15 |
| **Balance at 1 August 2015** | **374** | **375** | **16,222** | **1,270** | **18,256** |
| Surplus/(deficit) from the income and expenditure statement | 22 | 266 | 1,405 | - | 1,693 |
| Other comprehensive income | 0 | - | (2,109) | - | (2,109) |
| Release of restricted funds spent in year | (4) | (140) | 144 | - | - |
| **Total comprehensive income / (expenditure) for the year** | 18 | 126 | (560) | 0 | (416) |
| Endowment Transfer | | | | | 19 |
| **Balance at 31 July 2016** | **392** | **501** | **15,662** | **1,270** | **17,859** |

## Consolidated Balance Sheet

| | Notes | As at 31 July 2016 Group £'000 | As at 31 July 2016 Central £'000 | As at 31 July 2015 Group £'000 | As at 31 July 2015 Central £'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Fixed assets | 11 | **24,135** | **24,134** | 23,887 | 23,885 |
| Investments | 12 | **1,014** | **1,014** | 985 | 985 |
| | | **25,149** | **25,148** | 24,872 | 24,870 |
| **Current assets** | | | | | |
| Stock | | **4** | **0** | 1 | - |
| Trade and other receivables | 13 | **344** | **399** | 261 | 309 |
| Investments | 14 | **1,500** | **1,500** | 0 | - |
| Cash and cash equivalents | 20 | **10,683** | **10,653** | 10,306 | 10,276 |
| | | **12,531** | **12,552** | 10,568 | 10,585 |
| Less: Creditors: amounts falling due within one year | 15 | **(3,489)** | **(3,466)** | (2,638) | (2,608) |
| **Net current assets** | | **9,042** | **9,086** | 7,930 | 7,977 |
| **Total assets less current liabilities** | | **34,191** | **34,234** | 32,802 | 32,847 |
| Creditors: amounts falling due after more than one year | 16 | **(9,201)** | **(9,201)** | (9,950) | (9,950) |
| **Provisions** | | | | | |
| Pension provisions | 17 | **(6,922)** | **(6,922)** | (4,376) | (4,376) |
| Other provisions | 17 | **(252)** | **(252)** | (265) | (265) |
| **Total net assets** | | **17,816** | **17,859** | 18,211 | 18,256 |
| **Restricted Reserves** | | | | | |
| Income and expenditure reserve - endowment reserve | 18 | **392** | **392** | 374 | 374 |
| Income and expenditure reserve - restricted reserve | 19 | **501** | **501** | 375 | 375 |
| **Unrestricted Reserves** | | | | | |
| Income and expenditure reserve - unrestricted | | **15,653** | **15,696** | 16,192 | 16,237 |
| Revaluation reserve | | **1,270** | **1,270** | 1,270 | 1,270 |
| | | **17,816** | **17,859** | 18,211 | 18,256 |
| **Total Reserves** | | **17,816** | **17,859** | 18,211 | 18,256 |

The financial statements were approved by the Governing Body on 21 November 2016 and were signed on its behalf on that date by:

| | | |
|---|---|---|
| **Paul Taiano** | **Professor Gavin Henderson** | **Deborah Scully** |
| **Chairman of Governors** | **Principal / Chief Executive** | **Company Secretary** |

# CONSOLIDATED CASH FLOW

## Consolidated Cash Flow
## Year ended 31 July 2016

| | Notes | Year ended 31 July 2016 £'000 | Year ended 31 July 2015 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Surplus for the year | | **1,695** | **1,174** |
| **Adjustment for non-cash items** | | | |
| Depreciation | 11 | **619** | 606 |
| Gain / (Loss) on investments | 12 | **11** | (7) |
| Decrease/(increase) in stock | | **(3)** | 1 |
| Decrease/(increase) in debtors | 13 | **(83)** | 58 |
| Increase/(decrease) in creditors | 15 | **891** | 365 |
| Increase/(decrease) in pension provision | 17 | **437** | 361 |
| Increase/(decrease) in other provisions | 17 | **(13)** | (7) |
| **Adjustment for investing or financing activities** | | | |
| Investment income | 5 | **(98)** | (68) |
| Interest payable | 8 | **78** | 34 |
| Endowment income | 18 | **(19)** | (8) |
| Loss on disposal of fixed assets | 11 | **9** | - |
| Capital grant income | | **(417)** | (602) |
| **Net cash inflow from operating activities** | | **3,107** | 1,907 |
| | | | |
| **Cash flows from investing activities** | | | |
| Capital grants receipts | | **114** | 135 |
| Investment income | | **87** | 68 |
| Payments made to acquire fixed assets | | **(901)** | (1,018) |
| New non-current asset investments | | **-** | (255) |
| New current asset investment | | **(1,500)** | **-** |
| | | **(2,200)** | (1,070) |
| | | | |
| **Cash flows from financing activities** | | | |
| Interest paid | | **(78)** | **(34)** |
| Endowment cash received | | **19** | 8 |
| Repayments of amounts borrowed | | **(471)** | (90) |
| | | **(530)** | (116) |
| | | | |
| **Increase in cash and cash equivalents in the year** | | **377** | 721 |
| | | | |
| Cash and cash equivalents at beginning of the year | 27 | **10,306** | 9,585 |
| Cash and cash equivalents at end of the year | 27 | **10,683** | 10,306 |

# NOTES TO THE ACCOUNTS

## Statement of Principal Accounting Policies and Estimation Techniques

### Basis of Preparation

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

### Going Concern

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

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

### Basis of Consolidation

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

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

### Income Recognition

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

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

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

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

**Grant Funding**

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

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

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

**Donations and Endowments**

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

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

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

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

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the School is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the School is entitled to the funds.
There is no longer a difference in the basis of recognition for revenue and capital donations. Capital donations have performance related conditions specific to the construction or purchase of an asset.

Once the conditions have been met the donation income is released. However, the depreciation of these costs are charged over the assets' useful life. This results in an imbalance between the benefit and costs within the consolidated statement of comprehensive income and expenditure.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

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

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

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

The Funds are valued every three years (LPFA) and every four years (TPS) by actuaries using the aggregate method, the rates of contribution payable being determined on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which Central benefits from the employees' services. Variations from regular costs are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals.
Service costs are spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The cost of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The differences between actual and expected returns during the year, including changes in actuarial assumptions are recognised in the Statement of Comprehensive Income and Expenditure.

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

**Staff costs and Employment Benefits**

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

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

**Leased Assets**

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

**Land and Buildings**

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

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

**Equipment**

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

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

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

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

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

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

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

**Cash and Cash Equivalents**
Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

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

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

**Taxation Status**
Central is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, Central is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied exclusively to charitable purposes. Central generally suffers the cost of irrecoverable VAT, as the supply of education and of research by eligible bodies is exempt from VAT under Group 8, Schedule 9, Value Added Tax Act, 1994. As an exempt charity, Central does benefit from some zero rating reliefs. Central's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

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

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

**Reserves**

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

**Transition to 2015 SORP**

The School is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to FRS 102 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the School is provided in note 28.

Application of first time adoption grants certain exemption from the full requirement of FRS 102 SORP in the transition period. The following exemption has been taken into these financial statements:

Revaluation as at 31 July 2014 has been used as the deemed cost for land. Buildings remain at historic costs.

# Notes to the Accounts
# for the year ended 31 July 2016

| | **Year Ended 31 July 2016** | | Year Ended 31 July 2015 | |
|---|---|---|---|---|
| | **Group** | **Central** | Group | Central |
| **1 Tuition fees and education contracts** | **£'000** | **£'000** | £'000 | £'000 |
| Full-time Undergraduate - home and EU students | **5,330** | **5,330** | 5,274 | 5,274 |
| - international students | **734** | **734** | 893 | 893 |
| Full-time Postgraduate - home and EU students | **1,883** | **1,883** | 1,548 | 1,548 |
| - international students | **1,616** | **1,616** | 1,426 | 1,426 |
| Part-time Postgraduate - home and EU students | **259** | **259** | 223 | 223 |
| - international students | **-** | **-** | 7 | 7 |
| | 9,822 | 9,822 | 9,371 | 9,371 |
| Short courses and other fees | 854 | 854 | 774 | 774 |
| | 10,676 | 10,676 | 10,145 | 10,145 |

**2 Funding body grants**

| | | | | |
|---|---|---|---|---|
| **HEFCE Recurrent grant** | | | | |
| Teaching | **2,855** | **2,855** | 2,838 | 2,838 |
| Research | **673** | **673** | 337 | 337 |
| Capital grant | **417** | **417** | 412 | 412 |
| **HEFCE Specific grants** | | | | |
| Inherited staff liabilities | **23** | **23** | 24 | 24 |
| National Scholarship Programme | **-** | **-** | 26 | 26 |
| | **3,968** | **3,968** | 3,637 | 3,637 |

# Notes to the Accounts
# for the year ended 31 July 2016

| | | Year Ended 31 July 2016 | | Year Ended 31 July 2015 | |
|---|---|---|---|---|---|
| | | **Group** | **Central** | Group | Central |
| | | **£'000** | **£'000** | £'000 | £'000 |
| **3** | **Research grants and contracts** | | | | |
| | Research councils | **20** | **20** | 62 | **62** |
| | Research charities | **-** | | - | |
| | Government (UK and overseas) | **29** | **29** | 9 | **9** |
| | Industry and commerce | **3** | **3** | 8 | 8 |
| | Other | **-** | | - | |
| | | **52** | **52** | 79 | 79 |
| **4** | **Other income** | | | | |
| | Rent | **44** | **44** | 45 | 45 |
| | Ticket sales | **30** | **30** | 39 | 39 |
| | Shop sales | **21** | **21** | 21 | 21 |
| | Bar sales | **86** | **-** | 90 | - |
| | Catering and conferences | **179** | **179** | 186 | 186 |
| | External services | **112** | **112** | 116 | 116 |
| | Training | **231** | **231** | 190 | 190 |
| | Other Income | **56** | **56** | 121 | 121 |
| | | **759** | **673** | 808 | 718 |
| **5** | **Investment income** | | | | |
| | Investment income on endowments | **19** | **19** | 8 | 8 |
| | Investment income on restricted reserves | **11** | **11** | - | - |
| | Other investment income | **68** | **68** | 60 | 60 |
| | | **98** | **98** | 68 | 68 |
| **6** | **Donations and endowments** | | | | |
| | Donations with restrictions | **255** | **255** | 298 | 298 |
| | Unrestricted donations | **105** | **105** | 304 | 304 |
| | | **360** | **360** | 602 | 602 |

# Notes to the Accounts
# for the year ended 31 July 2016

| | Year Ended 31 July 2016 | | Year Ended 31 July 2015 | |
|---|---|---|---|---|
| | **Group** | **Central** | Group | Central |
| | **£'000** | **£'000** | £'000 | £'000 |
| **7 Staff costs** | | | | |
| Staff Costs : | **£'000** | **£'000** | £'000 | £'000 |
| Salaries | **6,972** | **6,937** | 7,086 | 7,051 |
| Social security costs | **591** | **587** | 580 | 577 |
| Other pension costs | **1,264** | **1,261** | 1,041 | 1,037 |
| Total | **8,827** | **8,785** | 8,707 | 8,665 |

| Emoluments of the Principal: | **£** | £ |
|---|---|---|
| Salary | **174,805** | 173,074 |
| Benefits | **1,925** | 1,610 |
| Pension contributions to TPA | **28,465** | 26,437 |
| | **205,195** | 201,121 |

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

| | **No.** | No. |
|---|---|---|
| £100,000 to £109,999 | **1** | - |
| £110,000 to £119,999 | **-** | - |
| £120,000 to £129,999 | **1** | 1 |
| | **2** | 1 |

| Average staff numbers by major category : | **No.** | No. |
|---|---|---|
| Teaching | **104** | 111 |
| Teaching Support | **54** | 60 |
| Central Admin & Services | **29** | 34 |
| Staff and student facilities | **4** | 5 |
| Premises | **6** | 5 |
| | **197** | 215 |

**Key management personnel**

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

| | **Year ended 31 July 2016** | Year ended 31 July 2015 |
|---|---|---|
| | **£'000** | £'000 |
| **Key management personnel staff costs and benefits (included in staff costs above)** | **709** | 605 |

# Notes to the Accounts
# for the year ended 31 July 2016

## 7 Staff costs (continued)

### Governing Body Members

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

No director has received any remuneration/waived payments from the group during the year (2015 - none). However, during the year two (2015:one) non-executive directors received reimbursement of expenses of £1,422 This represents travel and subsistence expenses incurred in attending Governing Body and Committee meetings in their official capacity.

# Notes to the Accounts
# for the year ended 31 July 2016

| | Notes | Year Ended 31 July 2016 Group £'000 | Year Ended 31 July 2016 Central £'000 | Year Ended 31 July 2015 Group £'000 | Year Ended 31 July 2015 Central £'000 |
|---|---|---|---|---|---|
| **8 Interest and other finance costs** | | | | | |
| Loan interest | | **78** | **78** | 34 | 34 |
| Net charge on pension scheme | 28 | **158** | **158** | 112 | 112 |
| | | **236** | **236** | 146 | 146 |

**9 Analysis of total expenditure by activity**

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

| | |
|---|---|
| Other operating expenses include: | |
| External auditors remuneration in respect of audit services | **49** |
| External auditors remuneration in respect of non-audit services | **3** |
| Operating lease rentals - Other | **98** |

| Year Ended 31 JULY 2015 | Staff Costs £000 | Other Operating Expenses £000 | Depn £000 | Interest Payable £000 | Total £000 |
|---|---|---|---|---|---|
| Teaching | 4,399 | 1,190 | 4 | | 5,593 |
| Teaching Support | 2,299 | 1,075 | 58 | | 3,432 |
| Central Admin & Services | 1,713 | 1,403 | 314 | 146 | 3,576 |
| Staff and student facilities | 45 | 76 | - | | 121 |
| Premises | 251 | 683 | 230 | | 1,164 |
| Catering | - | 270 | - | | 270 |
| | 8,707 | 4,697 | 606 | 146 | 14,156 |

| | |
|---|---|
| Other operating expenses include: | |
| External auditors remuneration in respect of audit services | 39 |
| External auditors remuneration in respect of non-audit services | 2 |
| Operating lease rentals - Other | 99 |

**10 Taxation**

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

# Notes to the Accounts
# for the year ended 31 July 2016

## 11 Fixed Assets

| | Freehold Land and Buildings | Leasehold Land and Buildings | Alterations and Improvements | Fixtures, Fittings and Equipment | Assets in the Course of Construction | Total |
|---|---|---|---|---|---|---|
| **Group** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Cost or valuation** | | | | | | |
| At 1 August 2015 | 24,866 | 1,186 | 3,460 | 1,714 | 1,064 | 32,290 |
| Additions | - | - | 82 | 251 | 543 | 876 |
| Transfers | | - | - | | 0 | 0 |
| Surplus on revaluation | | - | - | - | - | 0 |
| Disposals | - | - | - | (190) | - | (190) |
| **At 31 July 2016** | **24,866** | **1,186** | **3,542** | **1,775** | **1,607** | **32,976** |
| **Consisting of revaluation (Land only) as at:** | | | | | | |
| 31 July 2014 | 7,767 | 536 | - | - | - | 8,303 |
| Land cost | 1,047 | 650 | | | | 1,697 |
| Building cost | 16,052 | - | - | - | - | 16,052 |
| | **24,866** | **1,186** | **-** | **-** | **-** | **26,052** |
| **Depreciation** | | | | | | |
| At 1 August 2015 | 5,210 | - | 1,816 | 1,377 | - | 8,403 |
| Charge for the year | 316 | - | 205 | 98 | - | 619 |
| Disposals | - | - | - | (181) | - | (181) |
| **At 31 July 2016** | **5,526** | **-** | **2,021** | **1,294** | - | **8,841** |
| **Net book value** | | | | | | |
| **At 31 July 2016** | **19,340** | **1,186** | **1,521** | **481** | **1,607** | **24,135** |
| At 31 July 2015 | 19,656 | 1,186 | 1,644 | 337 | 1,064 | 23,887 |

# Notes to the Accounts
# for the year ended 31 July 2016

**11 Fixed Assets (Contd)**

| Central | Freehold Land and Buildings £'000 | Leasehold Land and Buildings £'000 | Alterations and Improvements £'000 | Fixtures, Fittings and Equipment £'000 | Assets in the Course of Construction £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost and valuation** | | | | | | |
| At 1 August 2015 | 24,866 | 1,186 | 3,460 | 1,708 | 1,064 | 32,284 |
| Additions | - | - | 82 | 251 | 543 | 876 |
| Disposals | - | - | - | (190) | - | (190) |
| **At 31 July 2016** | **24,866** | **1,186** | **3,542** | **1,769** | **1,607** | **32,970** |
| **Consisting of revaluation (land only) as at:** | | | | | | |
| 31 July 2014 | 7,767 | 536 | - | - | - | 8,303 |
| Land cost | 1,047 | 650 | | | | 1,697 |
| Building cost | 16,052 | - | - | - | - | 16,052 |
| | **24,866** | **1,186** | - | - | - | **26,052** |
| **Depreciation** | | | | | | |
| At 1 August 2015 | 5,210 | - | 1,816 | 1,373 | - | 8,399 |
| Charge for the year | 316 | - | 205 | 97 | - | 618 |
| Written back on revaluation | - | - | - | - | - | - |
| Disposals | - | - | - | (181) | - | (181) |
| **At 31 July 2016** | **5,526** | **-** | **2,021** | **1,289** | **-** | **8,836** |
| **Net book value** | | | | | | |
| **At 31 July 2016** | **19,340** | **1,186** | **1,521** | **480** | **1,607** | **24,134** |
| At 31 July 2015 | 19,656 | 1,186 | 1,644 | 335 | 1,064 | 23,885 |

At 31 July 2016, freehold land and buildings included £8.8m (2015 - £8.8m) in respect of freehold land and is not depreciated.

A full valuation of the School's land was carried as at 31 July 2014 by the Bilfinger GVA.

The additions figure includes £28k of borrowing costs capitalised in year.

# Notes to the Accounts
# for the year ended 31 July 2016

## 12 Non-Current Investments

| Group and Central | Endowment Investment | Other investments | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **At 1 August 2015** | 374 | 611 | **985** |
| Additions | - | - | - |
| Disposals | - | - | - |
| Impairment | 18 | 11 | **29** |
| **At 31 July 2016** | **392** | **622** | **1,014** |

| Group and Central | £'000 | £'000 | £'000 |
|---|---|---|---|
| **At 1 August 2014** | 345 | 391 | 736 |
| Additions | 28 | 227 | 255 |
| Disposals | - | - | - |
| Impairment | 1 | (7) | (6) |
| **At 31 July 2015** | **374** | **611** | **985** |

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

| | Central 2016 | Central 2015 |
|---|---|---|
| Investment in Subsidiary company at cost | £ | £ |
| Subsidiary Company | 1 | 1 |

The results of the group consolidate those of CSSD Enterprises Limited

| | Year Ended | Year Ended |
|---|---|---|
| The result of the subsidiary are as follows: | £'000 | £'000 |
| Turnover | **86** | 90 |
| Cost of sales | **(32)** | (34) |
| Gross Profit | **54** | 56 |
| Net operating expenses | **(52)** | (57) |
| Operating Profit / (Loss) | **2** | (1) |
| Profit / (Loss) on ordinary activities before taxation | **2** | (1) |
| Transferred to Parent Company | **-** | - |
| Profit / (Loss) for the financial year | **2** | (1) |

# Notes to the Accounts
# for the year ended 31 July 2016

**13 Trade and other receivables**

| | **Year ended 31 July 2016** | | Year ended 31 July 2015 | |
|---|---|---|---|---|
| | **Group** | **Central** | Group | Central |
| | **£'000** | **£'000** | £'000 | £'000 |
| Amounts falling due within one year: | | | | |
| Trade receivables | **300** | **300** | 195 | 195 |
| Prepayments and accrued income | **44** | **44** | 66 | 66 |
| Amounts due from subsidiary companies | **-** | **55** | - | 48 |
| | **344** | **399** | 261 | 309 |

**14 Current Investments**

| | **Year ended 31 July 2016** | | Year ended 31 July 2015 | |
|---|---|---|---|---|
| | **Group** | **Central** | Group | Central |
| | **£'000** | **£'000** | £'000 | £'000 |
| Short term deposits | **1,500** | **1,500** | - | - |
| | **1,500** | **1,500** | **-** | **-** |

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

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 1.0% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 167 days. The fair value of these deposits was not materially different from the book value.

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

| | **Year ended 31 July 2016** | | Year ended 31 July 2015 | |
|---|---|---|---|---|
| | **Group** | **Central** | Group | Central |
| | **£'000** | **£'000** | £'000 | £'000 |
| Secured loans | **-** | **-** | 96 | 96 |
| Trade payables | **358** | **335** | 121 | 91 |
| Social security and other taxation payable | **198** | **198** | 180 | 180 |
| Accruals and deferred income | **2,523** | **2,523** | 1,831 | 1,831 |
| Capital Grants | **410** | **410** | 410 | 410 |
| | **3,489** | **3,466** | 2,638 | 2,608 |

## Notes to the Accounts
## for the year ended 31 July 2016

### 16 Creditors : amounts falling due after more than one year

| | **Year ended 31 July 2016** | | Year ended 31 July 2015 | |
|---|---|---|---|---|
| | **Group** | **Central** | Group | Central |
| | **£'000** | **£'000** | £'000 | £'000 |
| Deferred income | **9,201** | **9,201** | 9,504 | 9,504 |
| Secured loans | | | 446 | 446 |
| | **9,201** | **9,201** | **9,950** | **9,950** |
| Analysis of secured loans: | | | | |
| **Due within one year or on demand (I** | - | - | **96** | **96** |
| Due between one and two years | - | - | 101 | 101 |
| Due between two and five years | - | - | 345 | 345 |
| Due in five years or more | - | - | - | - |
| **Due after more than one year** | - | - | **446** | **446** |
| **Total secured loans** | - | - | **542** | **542** |
| Secured loans repayable by 2020 | - | - | 446 | 446 |
| | - | - | 446 | 446 |

### 17 Provisions for liabilities

| **Group** | **Enhanced Pension Provision £'000** | **LPFA Obligations (Note 27) £'000** | **Other Obligation £'000** | **Total Pensions Provisions £'000** |
|---|---|---|---|---|
| At 1 August 2015 | 225 | 4,376 | 40 | **4,641** |
| Utilised in year | (13) | - | - | **(13)** |
| Additions | - | 2,546 | - | **2,546** |
| **At 31 July 2016** | **212** | **6,922** | **40** | **7,174** |

| **Central** | **Enhanced Pension Provision £'000** | **LPFA Obligations FRS102 £'000** | **Other Obligation £'000** | **Total Pensions Provisions £'000** |
|---|---|---|---|---|
| At 1 August 2015 | 225 | 4,376 | 40 | **4,641** |
| Utilised in year | (13) | - | - | **(13)** |
| Addition | - | 2,546 | - | **2,546** |
| **At 31 July 2016** | **212** | **6,922** | **40** | **7,174** |

# Notes to the Accounts
# for the year ended 31 July 2016

## 18 Endowment Reserves

Restricted net assets relating to endowments are as follows:

| | Restricted Expendable Endowments | Restricted Permanent Endowments | 2016 Total | 2015 Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Balances at 1 August 2015** | | | | |
| Capital | 11 | 310 | **321** | 293 |
| Accumulated income | 11 | 42 | **53** | 52 |
| | 22 | 352 | **374** | 345 |
| New endowments | 8 | - | **8** | 28 |
| Investment income | - | 11 | **11** | 7 |
| Expenditure | - | (4) | **(4)** | (7) |
| Increase in market value of investments | - | 3 | **3** | 1 |
| **Total endowment comprehensive income for the year** | 8 | 10 | **18** | 29 |
| **At 31 July 2016** | 30 | 362 | **392** | 374 |
| **Represented by:** | | | | |
| Capital | 19 | 313 | **332** | 321 |
| Accumulated income | 11 | 49 | **60** | 53 |
| | 30 | 362 | **392** | 374 |
| **Analysis by type of purpose:** | | | | |
| Scholarships and bursaries | - | 329 | **329** | 320 |
| Prize funds | - | 33 | **33** | 32 |
| General | 30 | - | **30** | 22 |
| | 30 | 362 | **392** | 374 |
| Analysis by asset | | | | |
| Fixed assets | - | 187 | 187 | 183 |
| Current and non-current asset investments | - | - | - | - |
| Cash & cash equivalents | 30 | 175 | 205 | 191 |
| | **30** | **362** | **392** | **374** |

# Notes to the Accounts
# for the year ended 31 July 2016

## 19 Restricted Reserves

Reserves with restrictions are as follows:

| | Unspent capital grants | Donations | 2016 Total | 2015 Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Balances at 1 August 2015** | 190 | 185 | **375** | 315 |
| New grants | - | - | **-** | - |
| New donations | - | 255 | **255** | 210 |
| Investment income | - | 11 | **11** | - |
| Capital grants utilised | (6) | - | **(6)** | (6) |
| Expenditure | - | (134) | **(134)** | (144) |
| (Decrease) / increase in market value of investments | - | - | **-** | - |
| **Total restricted comprehensive income for the year** | (6) | 132 | **126** | 60 |
| **At 31 July 2016** | 184 | 317 | 501 | 375 |

| | 2016 Total | 2015 Total |
|---|---|---|
| **Analysis of other restricted funds /donations by type of purpose:** | **£'000** | **£'000** |
| Lectureships | **22** | 15 |
| Scholarships and bursaries | **221** | 170 |
| Prize funds | **12** | 25 |
| | **255** | 210 |

## 20 Cash and cash equivalents

| | At 1-Aug-15 | Cash Flows | At 31-Jul-16 |
|---|---|---|---|
| Consolidated | £'000 | £'000 | £'000 |
| Cash in hand | 12 | 8 | **20** |
| Cash at bank | 7,706 | 364 | **8,070** |
| Term deposits with less than 3 months at 31/07/2016 | 2,588 | 5 | **2,593** |
| | **10,306** | **377** | **10,683** |

# Notes to the Accounts
# for the year ended 31 July 2016

## 21 Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2016:

| | **31 July 2016** | | 31 July 2015 | |
|---|---|---|---|---|
| | **Group** | **Central** | Group | Central |
| | **£'000** | **£'000** | £'000 | £'000 |
| Commitments contracted for | **114** | **114** | 517 | 517 |
| | **114** | **114** | 517 | 517 |

## 22 Financial Commitments

Central has an operating lease with St Peter's Church, Belsize Square London NW3 on which rent is payable from 1 August 2015 onwards. The lease expires on 1 August 2023.

## 23 Contingent liabilities

There are no contingent liabilities as 31 July 2016 (31 July 2015: nil).

## 24 Events after the reporting period

Since 31 July 2016, Central has signed 2 contracts, a 5 year lease for Emerson Studios 4-8 Emerson Street, London SE1 9DU (1 November 2016 to 31 October 2021) £286k per annum and Bolt and Heeks refurbishment works for £360k. The two contracts relate to the provision of decant accommodation during the Phase 5 Building project.

## 25 Related Party Transactions

Central has transactions with a number of organisations which fall within the definition of Related Parties under FRS102 'Related Party Disclosures'. Details of transactions, where material are shown below. In accordance with FRS102 no disclosure has been made of intra-group transactions and balances eliminated on consolidation.

| **Transaction** | **Income/ (Expenditure)** | | **Nature of Transaction** |
|---|---|---|---|
| | **2016 £000** | **2015 £000** | |
| CSSD Students Union | (15) | (15) | Union grant |
| Interim Digital Development Manager | (10) | - | 3 month fixed term employment contract – conducted at arm's length |

# Notes to the Accounts
## for the year ended 31 July 2016

### 26 Subsidiary undertakings

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

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

## 27 Pension Schemes

The two principal pension schemes for Central's staff are the Teachers' Pension Scheme (TPS) and the London Pensions Fund Authority Pension Fund (LPFA). 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 defined benefits 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 2016 £000** | **Year Ended 31 July 2015 £000** |
|---|---|---|
| Teachers' Pension Scheme : contributions paid | | |
| Contributions paid | 509 | 425 |
| Provision for pension costs | (13) | (7) |
| | | |
| London Pensions Fund Authority: | | |
| Current service cost | 768 | 623 |
| | 1,264 | 1,041 |

**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 |

## 27 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 |

| **Contribution rate** | **1 April 2011 to 31 March 2012** | **22 June 2010 to 31 March 2011** | **1 April 2009 to 21 June 2010** |
|---|---|---|---|
| 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 102 section 28 Retirement Benefits, the TPS is a multi-employer pension scheme. Central is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, Central has taken advantage of the exemption in FRS 102 section 28 and has accounted for its contributions to the scheme as a defined contribution scheme.

27 Pension schemes (continued)

**London Pensions Fund Authority (LPFA)**

The LPFA is a defined benefit statutory scheme administered in accordance with the London Pension Scheme Regulation 2013 and currently provides benefits on career average earnings. Contributions are set every three years as a result of actuarial valuation of the fund required by regulation. The next actuarial valuation of the fund will be carried out as at 31 March 2016 and will set the contributions for the period from 1 April 2017 to 31 March 2020.

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

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short term volatility can cause additional funding to be required if a deficit emerges;

- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;

- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and

- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

27 Pension schemes (continued)

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

A qualified independent actuary carried out a full actuarial valuation of the fund at 31 March 2013 and estimated whole fund returns for the period to 31 July 2016. The major assumptions used by the actuary were:

| | 31 July 2016 | 31 July 2015 | | 31 July 2014 | |
|---|---|---|---|---|---|
| | %pa | %pa | Real | %pa | Real |
| RPI increases | 3.1% | 3.6% | - | 3.5% | - |
| CPI Increases | 2.2% | 2.7% | (0.9%) | 2.7% | (0.8%) |
| Salary increases | 4.0% | 4.5% | 0.9% | 4.5% | 1.0% |
| Pension increases | 2.2% | 2.7% | (0.9%) | 2.7% | (0.8%) |
| Discount rate | 2.6% | 3.8% | 0.2% | 4.3% | 0.8% |

These assumptions are set with reference to market conditions at 31 July 2016. The actuary's estimate of the duration of the Employer's liabilities is 22 years.

The discount rate is the annualised yield at the 22 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of FRS102 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 22 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.1% p.a. This is consistent with the approach used at the last accounting date. As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuary has made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.2% p.a. The actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. Salaries are assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale.

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

| | 2016 | 2015 |
|---|---|---|
| Equities | 51.0% | 44.0% |
| Target return portfolio | 24.0% | 19.0% |
| Infrastructure | 7.0% | 5.0% |
| Commodities | 1.0% | 0.0% |
| Properties | 4.0% | 3.0% |
| Cash | 4.0% | 13.0% |
| LDI/Cash flow matching | 9.0% | 14.0% |

## Notes to the Accounts
## for the year ended 31 July 2016

### 27 Pension Schemes (continued)

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

| | 2016 | 2015 |
|---|---|---|
| Retiring today: | | |
| Males | 22.4 | 22.3 |
| Females | 25.5 | 25.4 |
| Retiring in 20 years: | | |
| Males | 24.8 | 24.7 |
| Females | 27.8 | 27.6 |

**The estimated asset allocation for Central as at 31 July 2016 is as follows:**

| | 2016 Fund Value £000 | 2015 Fund Value £000 | 2014 Fund Value £000 |
|---|---|---|---|
| Equities | 4,665 | 3,597 | 3,176 |
| Target return portfolio | 2,204 | 1,580 | 2,067 |
| Infrastructure | 641 | 437 | 241 |
| Commodities | 48 | 37 | 77 |
| Properties | 339 | 255 | 198 |
| Cash | 377 | 1,050 | 1,000 |
| LDI/Cashflow matching | 792 | 1176 | 441 |
| | 9,066 | 8,132 | 7,200 |

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

The following amounts at 31 July 2016 were measured in accordance with the requirements of FRS 102:

| **Analysis of the amounts shown in the balance sheet** | **31-Jul-16 £'000** | **31-Jul-15 £'000** | **31-Jul-14 £'000** | **31-Jul-13 £'000** | **31-Jul-12 £'000** | **31-Jul-11 £'000** |
|---|---|---|---|---|---|---|
| Central's estimated assets share | 9,066 | 8,132 | 7,200 | 6,662 | 5,278 | 4,909 |
| Present value of scheme liabilities | (15,988) | (12,508) | (10,028) | (8,765) | (8,209) | (6,628) |
| **Deficit in the scheme - net pension liability** | **(6,922)** | **(4,376)** | **(2,828)** | **(2,103)** | **(2,931)** | **(1,719)** |

# Notes to the Accounts
# for the year ended 31 July 2016

## 27 Pension Schemes (continued)

| **Analysis of the amount charged to staff costs within operating surplus** | **31-Jul-16 £'000** | **31-Jul-15 £'000** |
|---|---|---|
| Current service cost | 711 | 599 |
| Net interest on the defined liability (asset) | 158 | 126 |
| Administrative expenses | 12 | 11 |
| **Total operating charge** | **881** | **736** |

| | **At 31-Jul-16 £000s** | **At 31-Jul-15 £000s** |
|---|---|---|
| **Cumulative actuarial loss recognised as other comprehensive income** | | |
| Cumulative actuarial losses recognised at the start of the year | (1,245) | 0 |
| Cumulative actuarial losses recognised at the end of the year | (3,354) | (1,245) |
| **Analysis of movement in surplus/(deficit) for LPFA** | | |
| **Deficit at beginning of year** | **(4,376)** | **(2,828)** |
| Contributions or benefits paid | 444 | 433 |
| Current service cost | (723) | (610) |
| Other finance charge | (158) | (126) |
| Loss recognised in other comprehensive income | (2,109) | (1,245) |
| **Deficit at end of year** | **(6,922)** | **(4,376)** |

| | **Year to 31-Jul-16 £000s** | **Year to 31-Jul-15 £000s** |
|---|---|---|
| **Analysis of movement in the present value** | | |
| **Present value at the start of the year** | **12,508** | **10,028** |
| Current service cost (net of member contributions) | 711 | 599 |
| recorded within other Comprehensive Income. | 476 | 448 |
| Actual member contributions (including notional contributions) | 206 | 206 |
| Actuarial loss/(gain) | 2,238 | 1,260 |
| Actual benefit payments | (151) | (33) |
| **Present value at the end of the year** | **15,988** | **12,508** |

# Notes to the Accounts
# for the year ended 31 July 2016

## 27 Pension Schemes (continued)

| | Year to 31-Jul-16 £000s | Year to 31-Jul-15 £000s |
|---|---|---|
| **Analysis of movement in the fair value of scheme assets** | | |
| **Fair value of assets at the start of the year** | **8,132** | **7,200** |
| Interest on assets | 318 | 322 |
| Return on assets less interest | 129 | 15 |
| Admin Expenses | (12) | (11) |
| Actual contributions paid | 444 | 433 |
| Actual member contributions (including notional contributions) | 206 | 206 |
| Actual benefit payments | (151) | (33) |
| **Fair value of scheme assets at the end of the year** | **9,066** | **8,132** |

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

| | Year to 31-Jul-16 £000s | Year to 31-Jul-15 £000s |
|---|---|---|
| **Actual return on Scheme assets** | | |
| Expected return on Scheme assets | 129 | 15 |
| Asset gain/(loss) | (2,238) | (1,260) |
| | **(2,109)** | **(1,245)** |

Estimated contributions to the LPFA in the Financial Year 2016–2017 is £430k assuming Employer contributions of 14%.

### Accounting estimates and judgements

To assess the value of the Employer's liabilities at 31 July 2016, the actuary has rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with FRS102.

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

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 July 2016 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 July 2016 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information the actuary has received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share the actuary has rolled forward the assets allocated to the Employer at 31 March 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

**Expected return on assets**

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost have been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

**Past service costs/gains**

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

The actuary is not aware of any additional benefits which were granted over the year ended 31 July 2016.

**Curtailments**

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

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

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

**Settlements**

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

## Notes to the Accounts
## for the year ended 31 July 2016

### 28 Transition to FRS102 and the 2015 SORP - Group

As explained in the accounting policies, these are the School's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in the Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the School has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected Central's financial position, financial performance and cash flows is set out in the following tables.

| | | 01-Aug-14 | | | 31-Jul-15 | | |
|---|---|---|---|---|---|---|---|
| | Notes | 2007 SORP | Effect of transition to 2015 SORP | 2015 SORP | 2007 SORP | Effect of transition to 2015 SORP | 2015 SORP |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Non-current assets** | | | | | | | |
| Fixed Assets | a | 15,129 | 8,303 | 23,432 | 15,584 | 8,303 | 23,887 |
| Investments | | 391 | - | 391 | 611 | - | 611 |
| | | 15,520 | 8,303 | 23,823 | 16,195 | 8,303 | 24,498 |
| **Endowment assets** | | 345 | - | 345 | 374 | - | 374 |
| **Current assets** | | | | | | | |
| Stock | | 2 | - | 2 | 1 | - | 1 |
| Trade and other receivables | | 318 | - | 318 | 261 | - | 261 |
| Investments | b | 7,099 | (7,099) | - | 6,124 | (6,124) | - |
| Cash and cash equivalents | b | 2,575 | 7,099 | 9,674 | 4,182 | 6,124 | 10,306 |
| | | 9,994 | - | 9,994 | 10,568 | - | 10,568 |
| Less: Creditors: amounts falling due within one year | c | (1,620) | (657) | (2,277) | (1,978) | (660) | (2,638) |
| **Net current assets** | | 8,374 | (657) | 7,717 | 8,590 | (660) | 7,930 |
| **Total assets less current liabilities** | | 24,239 | 7,646 | 31,885 | 25,159 | 7,643 | 32,802 |
| Creditors: amounts falling due after more than one year | **d** | (542) | (9,976) | (10,518) | (446) | (9,504) | (9,950) |
| **Provisions** | | | | | | | |
| Other pension liability | | (2,828) | - | (2,828) | (4,376) | - | (4,376) |
| Other provision | | (272) | - | (272) | (265) | - | (265) |
| **Total net assets** | | 20,597 | (2,330) | 18,267 | 20,072 | (1,861) | 18,211 |

## Notes to the Accounts
## for the year ended 31 July 2016

**28 Transition to FRS102 and the 2015 SORP - Group (Contd)**

| | | 01-Aug-14 | | | 31-Jul-15 | | |
|---|---|---|---|---|---|---|---|
| | Notes | 2007 SORP | Effect of transition to 2015 SORP | 2015 SORP | 2007 SORP | Effect of transition to 2015 SORP | 2015 SORP |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Deferred capital grants** | **e** | **10,388** | **(10,388)** | **-** | **10,103** | **(10,103)** | **-** |
| **Restricted Reserves** | | | | | | | |
| Income and expenditure reserve - endowment reserve | | 345 | - | 345 | 374 | - | 374 |
| Income and expenditure reserve - restricted reserve | | 315 | - | 315 | 375 | - | 375 |
| **Unrestricted Reserves** | | | | | | | |
| Income and expenditure reserve - unrestricted | f | 8,279 | 8,058 | 16,337 | 7,957 | 8,235 | 16,192 |
| Revaluation reserve | g | 1,270 | - | 1,270 | 1,263 | 7 | 1,270 |
| | | 10,209 | 8,058 | 18,267 | 9,969 | 8,242 | 18,211 |
| **Total Reserves** | | 20,597 | (2,330) | 18,267 | 20,072 | (1,861) | 18,211 |

*Notes to the reconciliation of reserves*

a) Freehold and leasehold land revaluation
b) Reclassification of cash deposits with less than 3 months maturity at 31 July as cash and cash equivalents
c) Holiday accrual (£245k) and capital grants to be released within one year (£412k)
d) Capital grants to be released after 1 year
e) Transferred to creditors
f) Freehold and leasehold land revaluation and holiday accrual
g) Removal of loss on revaluation of investments to I&E

## Notes to the Accounts
## for the year ended 31 July 2016

**28 Transition to FRS102 and the 2015 SORP - Central**

| | | 01-Aug-14 | | | 31-Jul-15 | | |
|---|---|---|---|---|---|---|---|
| | Notes | 2007 SORP | Effect of transition to 2015 SORP | 2015 SORP | 2007 SORP | Effect of transition to 2015 SORP | 2015 SORP |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Non-current assets** | | | | | | | |
| Fixed Assets | a | 15,127 | 8,303 | 23,430 | 15,582 | 8,303 | 23,885 |
| Investments | | 391 | - | 391 | 611 | - | 611 |
| | | 15,518 | 8,303 | 23,821 | 16,193 | 8,303 | 24,496 |
| **Endowment assets** | | 345 | - | 345 | 374 | - | 374 |
| **Current assets** | | | | | | | |
| Stock | | - | - | - | - | - | - |
| Trade and other receivables | | 341 | - | 341 | 309 | - | 309 |
| Investments | b | 7,099 | (7,099) | - | 6,124 | (6,124) | - |
| Cash and cash equivalents | b | 2,537 | 7,099 | 9,636 | 4,152 | 6,124 | 10,276 |
| | | 9,977 | - | 9,977 | 10,585 | - | 10,585 |
| Less: Creditors: amounts falling due within one year | c | (1,557) | (657) | (2,214) | (1,948) | (660) | (2,608) |
| **Net current (liabilities)/assets** | | 8,420 | (657) | 7,763 | 8,637 | (660) | 7,977 |
| **Total assets less current liabilities** | | 24,283 | 7,646 | 31,929 | 25,204 | 7,643 | 32,847 |
| Creditors: amounts falling due after more than one year | d | (542) | (9,976) | (10,518) | (446) | (9,504) | (9,950) |
| **Provisions** | | | | | | | |
| Other pension liability | | (2,828) | - | (2,828) | (4,376) | - | (4,376) |
| Other provision | | (272) | - | (272) | (265) | - | (265) |
| **Total net assets** | | 20,641 | (2,330) | 18,311 | 20,117 | (1,861) | 18,256 |

## Notes to the Accounts
## for the year ended 31 July 2016

**28 Transition to FRS102 and the 2015 SORP - Central (Contd)**

| | | 01-Aug-14 | | | 31-Jul-15 | | |
|---|---|---|---|---|---|---|---|
| | Notes | 2007 SORP | Effect of transition to 2015 SORP | 2015 SORP | 2007 SORP | Effect of transition to 2015 SORP | 2015 SORP |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Deferred capital grants** | **e** | **10,388** | **(10,388)** | **-** | **10,103** | **(10,103)** | **-** |
| **Restricted Reserves** | | | | | | | |
| Income and expenditure reserve - endowment reserve | | 345 | - | 345 | 374 | - | 374 |
| Income and expenditure reserve - restricted reserve | | 315 | - | 315 | 375 | - | 375 |
| **Unrestricted Reserves** | | | | | | | |
| Income and expenditure reserve - unrestricted | f | 8,323 | 8,058 | 16,381 | 8,002 | 8,235 | 16,237 |
| Revaluation reserve | g | 1,270 | - | 1,270 | 1,263 | 7 | 1,270 |
| | | 10,253 | 8,058 | 18,311 | 10,014 | 8,242 | 18,256 |
| **Total Reserves** | | 20,641 | (2,330) | 18,311 | 20,117 | (1,861) | 18,256 |

*Notes to the reconciliation of reserves*

a) Freehold and leasehold land revaluation
b) Reclassification of cash deposits with less than 3 months maturity at 31 July as cash and cash equivalents
c) Holiday accrual (£245k) and capital grants to be released within one year (£412k)
d) Capital grants to be released after 1 year
e) Transferred to creditors
f) Freehold and leasehold land revaluation and holiday accrual
g) Removal of loss on revaluation of investments to I&E

# Notes to the Accounts
# for the year ended 31 July 2016

## 28 Transition to FRS102 and the 2015 SORP - Group

| | Notes | **2007 SORP** | STRGL Items* | Effect of transition to 2015 SORP | **2015 SORP** |
|---|---|---|---|---|---|
| | | **£'000** | £'000 | £'000 | **£'000** |
| **Income** | | | | | |
| Tuition fees and education contracts | | 10,145 | - | - | 10,145 |
| Funding body grants | | 3,637 | - | - | 3,637 |
| Research grants and contracts | | 79 | - | - | 79 |
| Other income | | 808 | - | - | 808 |
| Investment income | | 68 | - | - | 68 |
| **Total income before donations and endowments** | | 14,737 | - | - | 14,737 |
| Donations | a | 412 | - | 190 | 602 |
| **Total income** | | 15,149 | - | 190 | 15,339 |
| **Expenditure** | | | | | |
| Staff costs | b | 8,690 | - | 17 | 8,707 |
| Other operating expenses | | 4,697 | - | - | 4,697 |
| Depreciation | | 606 | - | - | 606 |
| Interest and other finance costs | c | 48 | - | 98 | 146 |
| **Total expenditure** | | 14,041 | - | 115 | 14,156 |
| Gain/(loss) on disposal of fixed assets | | - | - | - | - |
| Gain/(loss) on investments | d | - | (7) | - | (7) |
| **Surplus before tax** | | 1,108 | (7) | 75 | 1,176 |
| Taxation | | - | - | - | - |
| Transfer (to) accumulated income in endowment funds | | (2) | - | - | (2) |
| **Surplus after tax** | | 1,106 | (7) | 75 | 1,174 |
| **Surplus for the year** | | 1,106 | (7) | 75 | 1,174 |
| Actuarial (loss)/gain in respect of pension schemes | e | - | (1,245) | - | (1,245) |
| **Total comprehensive income for the year** | | 1,106 | (1,252) | 75 | (71) |

* Statement of Recognised Gains and Losses

*Notes to the reconciliation of surplus/(deficit)*

a) Release of capital donations previously deferred to match depreciation
b) Holiday pay accrual (£6k) and LPFA pension liabilities (£11k)
c) LPFA net interest
d) Loss on fixed investments now taken through consilidated statement on comprehensive I&E
e) LPFA pension actuarial losses

# Notes to the Accounts
# for the year ended 31 July 2016

### 28 Transition to FRS102 and the 2015 SORP - Central

| | Notes | **2007 SORP £'000** | STRGL Items* £'000 | Effect of transition to 2015 SORP £'000 | **2015 SORP £'000** |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Tuition fees and education contracts | | 10,145 | - | - | 10,145 |
| Funding body grants | | 3,637 | - | - | 3,637 |
| Research grants and contracts | | 79 | - | - | 79 |
| Other income | | 718 | - | - | 718 |
| Investment income | | 68 | - | - | 68 |
| **Total income before donations and endowments** | | 14,647 | - | - | 14,647 |
| Donations | | 412 | - | 190 | 602 |
| **Total income** | | 15,059 | - | 190 | 15,249 |
| **Expenditure** | | | | | |
| Staff costs | | 8,648 | - | 17 | 8,665 |
| Other operating expenses | | 4,648 | - | - | 4,648 |
| Depreciation | | 606 | - | - | 606 |
| Interest and other finance costs | | 48 | - | 98 | 146 |
| **Total expenditure** | | 13,950 | - | 115 | 14,065 |
| Gain/(loss) on disposal of fixed assets | | - | - | - | - |
| Gain/(loss) on investments | | - | (7) | - | (7) |
| **Surplus before tax** | | 1,109 | (7) | 75 | 1,177 |
| Taxation | | - | - | - | - |
| Transfer (to) accumulated income in endowment funds | | (2) | - | - | (2) |
| **Surplus after tax** | | 1,107 | (7) | 75 | 1,175 |
| Non controlling interest | | - | - | - | - |
| **Surplus for the year** | | 1,107 | (7) | 75 | 1,175 |
| Actuarial (loss)/gain in respect of pension schemes | | - | (1,245) | - | (1,245) |
| **Total comprehensive income for the year** | | 1,107 | (1,252) | 75 | (70) |

* Statement of Recognised Gains and Losses

*Notes to the reconciliation of surplus/(deficit)*

a) Release of capital donations previously deferred to match depreciation
b) Holiday pay accrual (£6k) and LPFA pension liabilities (£11k)
c) LPFA net interest
d) Loss on fixed investments now taken through consilidated statement on comprehensive I&E
e) LPFA pension actuarial losses