Central School of Speech and Drama
University of London

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2012

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. 672 6982 88.

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REPORT BY THE PRINCIPAL

The Political Background to the Year Past

A year ago the talk was of 'battening down the hatches' as Higher Education went into the relative unknown landscape being created as a result of the government's review of HE, built upon the recommendations of Lord Browne's Review (initiated by the previous government) combined with the commitment of the Comprehensive Spending Review to drastically reduce public spending. An age of austerity dawned, to usher in a new basis of resource for Higher Education, based upon fees paid by students (enabled by government backed loans) as opposed to grants to institutions. Inherent in this scheme is a determination that student choice within a more competitive market place should sharpen assessment of standards. Numbers of students which institutions might recruit would in turn be shaped by threshold agreements based on the one hand by the A-Level grades (AAB+) and fee margins on the other (a mean of £7,500). Fees would be fixed at a maximum of £9,000, from a base of £6,000. Institutions doing well on the AAB/£7,500 ratio would be allowed to recruit more students, others would suffer reduction in the market place. Capital programmes would be funded out of revenue surplus made from the new fee structure.

All very well if you are a large multi-faculty university, able to shift balance of income and expenditure across a range of different courses, some already benefiting from the higher premiums of additional funding (bands A and B) for subjects such as engineering and medical science – with attendant costs of workshop and laboratory facilities. But the small specialists, and arts subjects in particular, do not fit neatly into this framework. They never have, and have therefore been awarded funding uplift by a variety of 'fringe benefits' over recent years. Every three to five years, another review would come round – as successive ministries sought justification for such 'additional expenditure'. Within the university world there was also scepticism about the special treatment being given to these small colleges, some of which had been mopped up and merged into bigger institutions – with varying degrees of success (but in some cases, real failure). HEFCE's policy had been to keep below the parapet, to discreetly maintain a process of 'exceptional funding' (what had been 'premium funding'), but with the new fee regime it could no longer maintain this stance.

A fee of £9,000 might well be in excess of real costs for many courses in the humanities, but not so for the conservatoires – with their one to one teaching, small staff student ratios in general, needs for sophisticated and state of the art studios and performing spaces, and back up with wardrobe, scenic construction, and increasingly high tech/digital development. At Central, the average cost of a course runs at circa £15,000 to £16,000. A top fee of £9,000 is thus still far short of real cost. So too, an entry based on a mean of £7,500, to encourage a price sensitive market, would simply compound the problem for the institution. Further still, and even though many of our applicants do achieve A Level grades of AAB and above, entry to specialist arts colleges is driven by a process of intense audition and interview for all applicants (with subsequent recalls for those with promise), and portfolio for those seeking places in the visual arts (ie scenography at Central).

It must be said that throughout this period of change, HEFCE and its Chief Executive in particular, have stressed the need for the small specialists to be recognised. Defending this position in a state of seriously reduced government funding has not been easy, but as the year progressed one could see the political attitudes shift as recognition of the real strengths (and indeed economic advantage) of this small specialist sector became more apparent. It was significant that the UUK (Universities UK) annual conference for 2012 was held in one such college (the Royal College of Music), a point well taken, and amplified, by the Minister – David Willetts.

After vigorous lobbying, an opt-out was agreed, for many of the small specialist arts institutions, from the AAB/£7,500 construct. It is largely accepted that the performing arts conservatoires admit fundamentally by audition and interview, and the art design courses by submission of portfolio. This will be sustained for several years, but the intention remains to widen the scope for this system of intensifying the competitive market. We cannot assume that the opt-out will prevail indefinitely. There is an inherent constraint – in that numbers are regulated and fixed; thus it is impossible for an opted out college to increase its numbers and develop courses, as new demand may emerge (only by reducing in other areas). The basis of exceptional funding was also taken forward for another year, with the promise that a new review would be implemented; this would take account of a freeing up of the market which would enable new applicants for this funding to come forward. But the pot of available resources would be unlikely to grow. Thus it is that we enter 2012/13 with renewed uncertainty.

RISTA is under way (Review of Institution-Specific Targeted Allocations – ie premium funding, then exceptional funding, under new title). This in turn will lead to short term, perhaps two year, arrangement prior to the next Comprehensive Spending Review. It would be unwise to predict an outcome; there seems to be real wish to stabilise this sector. Mention has even been made that an ultimate objective could be to establish a basic 'conservatoire funding band'. This is something which Central has been pushing for many years; something which might eventually level the playing field in the historical imbalance of additional resource given to RADA, LAMDA and co in the Conservatoire for Dance and Drama, for delivery of essentially the same programme and ethos.

In a scenario based on a competitive market, it would seem strange that the market choice can be so skewed by this weighting of resource from the national public purse. It is already clear that course prices are being undercut by those in receipt of higher levels of exceptional funding than in certain areas, and one must hope that full transparency will prevail in the course of RISTA.

Damned if you do, damned if you don't …

Central has made great headway in developing its research strategy. Success in the RAE brought some new resource, which has helped to enhance a basis of research informed teaching. Central is at the forefront of practice-based research in this field, but this is still at a modest level if compared to the resourcing available to the long established research based university departments, whose work is largely focussed on historical/academic research. Central has invested from its core budget with building a research profile ahead of the REF (Research Excellence Framework) to be finalised for 2014. Some of the music conservatoires have developed such practice based research over many cycles of the RAE, but Central is alone in its present position as a Drama College in this field.

There is perhaps a danger that RISTA might view resources being deployed in developing research as reducing funds for teaching. This is not so. It is important to appreciate the nature of the integrated work which characterises Central's mission. Research is vital to underpinning a staffing system that is dedicated to research informed teaching. So too, a vital factor in delivery of Central's very special structure is the comprehensive range of theatre practice which the School embraces. Other colleges may describe provision of theatre skills in addition to actor training, but Central is unique in its range and scope for this work – and sees no distinction of priority within this diversity. Here too, it will be important for RISTA to appreciate the considerable resources needed to uphold a degree of design, technical, lighting, sound, wardrobe and stage management skills which set a gold standard for the industry – ensuring that the UK leads in this hugely competitive international market.

The Olympic Factor

Central is, of course, renowned as a premiere school of acting. The litany of names that have achieved stardom is widely appreciated. So too the people who create many of our most innovative companies and productions, and certainly those in leadership of high profile national institutions. The breadth of Central training would seem to reap considerable rewards in this respect. However, behind the scenes Central provides the bedrock upon which this fine tradition of performance excellence depends. This was perhaps no more the case than in the now gloriously hailed Opening Ceremony of the London 2012 Olympics, directed by Danny Boyle. In almost every aspect of this phenomenal production, Central graduates, and indeed current students, and Central staff played a crucial role.

In construction, lighting, sound, stage management, costume making and wardrobe supervision, Central trained crew were to the fore. So too, many Central personnel took part as performers in the spectacle. But Central's Olympic contribution went well beyond the Opening, with sound and light technicians working on many of the events, and overseeing stage management of the medal presentations.

Britain wanted to show the world quite literally what it is made of, and it was a large contingent of 'Central people' who helped realise that!

Awards etc

Whilst on the subject of awards, Central once again held its own in the National Student Survey, and also entered *The Times* league table within the top ten universities – a table in which the other drama schools were not listed at all. This undoubtedly reflects Central's unique position vis-à-vis research.

Central students continue to reap awards and prizes, too numerous to list here, both for acting and for other aspects of theatre practice – notably in lighting and scenography.

Austerity 'at bay'

Bracing the School for what looked like being a year of extreme financial constraint, it had been decided to make allowance for possible deficit, to be underwritten from reserves – with the proviso that a three year plan be agreed to pull back to breakeven and recoup the drawdown. 2011/12 was expected to record a deficit of circa £350,000. All budget holders were asked to instigate major restraint and cut their budgets accordingly. This they did effectively – but also demonstrated that little or no room existed for further reduction without serious detriment to the student experience. All concerned should be thanked and applauded for responding as positively as they did, maintaining standards as far as possible under these circumstances. Remuneration was also kept at standstill, aside from previously agreed marginal uplifts.

In the event, HEFCE delivered support at a higher level than had been expected, recruitment (including from overseas) held well, and a possible 'claw back' by HEFCE was not implemented. These factors helped to achieve a surplus, as opposed to deficit, for the year.

DEA (Development and External Affairs)

During the year, the DEA team got into its stride – exceeding the income generation targets set for the year. It has been a most encouraging initiation, boosted by an unexpected legacy from Nellie Watson – someone who would appear to have had no direct association with Central, but clearly admired the work of the School and what it stands for. We record our gratitude, and will ensure that her name lives long in support of student bursaries and scholarships. It appears that she would like to have studied to be an actor, but this was denied her. We must see to it that those who benefit from her posthumous generosity do all they can to make up for her thwarted ambition. The success of DEA activity contributed significantly to the excellent, if unexpected, year end result. A 3-5 year plan for Development is now in train, and good results are already in place for 2012/13.

Marketing and Website

The new landscape for HE will be a very much more competitive one, with dramatic shift in how student numbers may be determined and recruited. It will be an aggressive market place. For the time being, numbers in specialised institutions will be fixed by the opt-out from AAB/£7,500 thresholds, and by measured granting of exceptional funding.

But the fight for the best students, for the full fee paying overseas students, and for post graduate students in particular, will become ever more intense. Hitherto, with applications for acting places running at 100+ to one, and an overall average of circa 20:1, Central has not had to market itself very vigorously. Acting will probably remain secure – but with a competitive edge in ensuring that the best applicants choose Central. However, the other range of courses will be challenged by a range of opportunities being offered elsewhere. The FE sector, NSA and SkillSet, will be offering what might appear to be similar courses of far lower fees. Central delivers a gold standard, providing real leadership in the technical, design and stage management skills. It will require a heightened degree of marketing and PR to ensure that this message is widely projected and clearly understood.

Progress is being made with the new website. 2012/13 must see this implemented effectively, together with a really worthwhile database. It will require investment, but it is essential that this becomes an absolute priority, before we lose any market edge.

Restructuring

Many HEIs took the advent of austerity as a premise to cut back on staff. Central did not. It was determined that staffing levels should remain constant, aside from those areas of short term project contract. This has been achieved through 2011/12. Nonetheless, the new shape of HE resourcing and management, with its emphasis on student choice and the market place, has meant that inevitable changes have to be made. A period of consultation saw through a reorganisation of the finance support, and further consultation is leading towards the reshaping of student services and learning support. The former School of Professional and Community Development (SPCD) has now been reshaped as Central Connects. Change is not comfortable. People who have given long standing service and dedication to the School are suddenly faced with upheaval as definition of tasks and role responsibilities shift. All in all, a programme of restructuring will lead to an overall increase in staffing. Gratitude must be given to those who have worked through this period of change, and to those who have left the School's employ as a result of this process. We wish them well, and thank them for all they have given in their time at Central.

These are very difficult and challenging times. Central has always been a leader in its field, and must ensure that it retains its spirit of innovation and adventure, but in as caring a way as possible. For several years, the process of rewards and attendant remuneration has been on hold. It is now felt that Central can proceed with a means of rewarding excellent service and in certain areas to achieve promotion and enhancement of remuneration. This will be implemented during 2012/13.

Projects and Partnerships

The London University Centre for Creative Collaboration (C4CC) remains an important partnership for Central, so too the Cultural Camden initiative – which now holds on beyond its time limited period of special funding. The Roundhouse is important in this regard, hosting Central's Accidental Festival, and now initiating a global 'Call to Create' programme, which should greatly stimulate Central's, already very buoyant, commitment to widening participation.

Central is a partner in the AHRC funded creative hub for London – the 'Cultural Capital Exchange', and has also been active in the planning to merge CDS (Conference of Drama

Schools) with the NCDT (National Council for Drama Training) to create Drama UK. The School continues in membership of UUK, and plays a prominent role in their Small Specialist Forum. Central also belongs to UKADIA, and through it to GuildHE. All these groups have been largely focussed on the change to HE resourcing in their work through 2011/12.

Central Connects

It is reported also that SPCD has now been developed into a department known as Central Connects, under the leadership of ML White. She has played a crucial part in securing the future of Central's teacher training, as part of this department. An excellent Ofsted report led to an increased allocation of students to this programme. This must be seen against an overall reduction in numbers, to the sector, across the country.

The department is also building a number of new partnerships, notably replacing the National Theatre and National Youth Theatre within the structure of the nationwide Shakespeare Schools Festival. This, too, should boost the School's impact in terms of widening participation.

Central Connects is responsible for most of the outreach programmes, and also for a number of the School's international partnerships – including relationships in India, for which some interesting developments are planned in 2012/13.

Phase 5/6 – Capital Programme

At the outset of the year, it was deemed sensible to hold plans for major building work (the Phase 5/6 extension) in abeyance, and keep reserves intact to buttress financial uncertainty in a period of radical change to HE resourcing. With the better than expected outturn to the year becoming clearer, it was agreed that the School should reopen the process of recruitment of a design team, and move forward to develop a scheme to outline planning. It was recognised that only the Phase 5 element was likely to be affordable in the current climate (the site of the existing Studio One block), but that a scheme design for Phase 6 (Eton Avenue) could also be explored, especially with regard to height permissible by Camden Planning Department. This will be taken forward through 2012/13.

Graduation, Honorary Fellows

The Royal Festival Hall, on London's South Bank, was once again the venue for Central's annual Graduation ceremony; and a splendid occasion it was. The last to be officiated by the outgoing Vice-Chancellor of the University of London, Professor Geoffrey Crossick. He was warmly thanked for the considerable support he has afforded the School in his, albeit short, period as Vice-Chancellor. We look forward to working with his successor, Sir Adrian Smith. Graduation Day is also an occasion at which the School's President Michael Grandage takes a full part. Central thanks him for his dedicated services to the School, congratulates him upon his recent award of CBE, and on his distinguished ten year period as Artistic Director of the Donmar Theatre.

The School was pleased to award Honorary Fellowship to two alumni – Carrie Fisher (presented by her mother Debbie Reynolds), and Bette Bourne (presented by playwright Mark Ravenhill). The Co-Artistic Directors of London International Mime Festival, Helen Lannaghan and Joseph Seelig, were presented for Honorary Fellowship by the producer William Burdett Coutts.

Coda

As will be seen, Central is in excellent heart academically and artistically. The accounts which follow show the School to be in robust shape financially. Thanks must be given to the Board of Governors for their unstinting voluntary service, and to the staff of Central who deliver such an excellent result. A growing alumni organisation bears witness to the high regard which the students feel for the School once out in the profession. It is pleasing to see such a high level of professional engagement going to Central graduates in what is a very volatile workplace. It is, nonetheless, one of the great British success stories.

Gavin Henderson

Professor Gavin Henderson CBE
Principal

PUBLIC BENEFIT AND OPERATING REVIEW

The 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 charitable trustees of Central.

Context, Objectives and Strategies

Legal Status

Central, herein defined as the parent company, is incorporated as a Company Limited by Guarantee and is an Exempt Charity under the Charities Act 2011. Central was admitted as a Federal College of the University of London on 1 September 2005.

Charity Objects

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.

Specific core public benefit aims include:

- developing the leading practitioners of the performance industries;
- developing leading edge knowledge in performance practice and application;
- promoting the societal value of performance;
- creation of new audiences;
- 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;
- reaching out to under-represented groups to inspire interest in pursuing a career in theatre arts;
- developing a culture that productively uses and enjoys difference;
- continuing to build upon community engagement activity within Central London, nationally and internationally; and
- promoting widening participation and fair access through Central's Access Agreement which provides bursary support and increased investment in outreach work.

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.

Mission

The Board of Governors reviewed Central's mission in November 2008 where the following statement was approved:

> *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.*

Corporate Plan

Central is a Higher Education conservatoire. It draws both of those elements together. In doing so it situates itself at the junction of HE, industry and community interests, enjoying the interplay of those interests, and brokering the relationships between them.

In formulating a revised and updated Corporate Plan for the period 2009-2013, Central expected to face a number of challenges during the strategy period including:

- economic downturn and changed circumstances of public funding for specialist institutions and conservatoires;
- the end of start-up funding for the Centre for Excellence in Training for Theatre
- changing government agendas which may prioritise skills to the exclusion of scholarship and creativity;
- the likelihood of future abrupt, unforeseen and potentially destabilising government policy changes; indeed, a possible change of government;
- demographic trends likely to entail a significant reduction in young full-time students from the UK - but also to an enlarged population in the 25-60 age band**,** and consequent opportunities to reach new markets through more flexible learning modes;
- the need to minimise negative impact on the environment, with attendant costs.

In dealing with these challenges the School recognises the potency and efficiency that stem from its small size, its disciplinary coherence and the culture of commitment and 'can do' attitudes among its students and staff.

The School will develop and diversify its range, while maintaining its disciplinary culture and customary high quality. It will intensify its engagement with specialist knowledge while also developing their application in new and testing contexts. It believes there is not just opportunity, but productive dialogue, in the interrelationship with both specialist professions and diverse user groups.

Values

We are committed to:

- maintaining our 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;
- recognition that enhancement of learning is a project for staff and students alike, and that it takes many forms and relationships;

- active encouragement of diversity as a basis not only for an enriched learning experience but also for an enhanced working environment;
- opening doors to our 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.

Strategic Aims

Strategic Aim 1: Academic profile
To maintain, articulate and further develop the School's unique position in its subject as a "University Conservatoire"; to provide high quality opportunities for students across the full range of higher education awards and through outreach to new participant communities; to build on and gain benefits from a recognised leading role at the interface of professional training, research and scholarship in diverse and current models of theatre.

Key strategic objectives

- secure a sustained role and profile as the UK Centre for Excellence in Training for Theatre, with whole-School ownership and engagement;
- develop the course portfolio, as appropriate, in order to lead developments in industry and community, exploit relevant market opportunities and enable more flexible modes of learning;
- promote work on international modes of theatre art and study to the same high standard as work in the core British theatre tradition;
- support innovative pedagogies and resources to enrich and catalyse the student and teacher experience and extend the flexibility of learning opportunities;
- strengthen School-wide engagement in the mission to reach out to diverse communities and embrace diverse modes of learning and scholarship; to facilitate the movement of knowledge through the communities of the discipline; and
- continue to refine and apply streamlined and enhancement-oriented approaches to quality assurance, from which staff and students derive stimulus, and which incorporate benchmarking against relevant higher education practice.

Strategic Aim 2: Jobs, partners, opportunities
To produce graduates appropriate for a range of employment opportunities; to draw benefit from diverse partnerships; to increase our impact in an always-extending range of communities and businesses; to cultivate an ethos of continual enquiry and improvement.

Key strategic objectives

- extend the scope of engagement with business and the community in subject areas, teaching methods and sharing of knowledge:
- establish a fully integrated marketing and promotional system across the School, backed up by appropriate market research and consolidated database;
- continue to do work of public benefit with an always greater range of the public;
- build international dialogue and academic partnerships in the domain of research, knowledge transfer and pedagogy; and
- develop the roles of alumni both in supporting the career development of recent graduates and in supporting and disseminating the School's mission and profile.

Strategic Aim 3: Culture and identity

To strengthen the School's profile within and beyond its constituencies, both as a leader in specialist education, training and research and as a culturally rich and diverse, innovative, supportive and well managed learning environment; to secure growing recognition as an example of what can be best about the discipline and its study.

Key strategic objectives

- develop brand identity, so that through all its interfaces with external constituencies the School models an identity as a specialist college that is expert, elite, inclusive and innovative;
- develop and implement an integrated, consistent and transparent approach to supporting learners, sensitive to individual need while aiming for learner autonomy;
- achieve a measurable increase in the diversity of the staff and student body, and demonstrable improvement in the inclusivity of curriculum and assessment;
- promote an international perspective in the student and staff culture, through curriculum, research, placements and partnerships;
- develop a culture of cross-course thinking, internal and external, and peer review for the environment of both learning and research;
- produce the material enhancements of a specialist culture through delivering estate plans, engaging the community in income generation and realising the material value and impact of knowledge;
- extend the use of information and communication technologies to improve learning opportunities and the culture of work; and
- strengthen professional and effective administration, which is sustainable and makes optimum use of defined procedures and roles, automated solutions and School-wide liaison.

Sustainability

Attainment of the School's three main strategic aims depends upon continued attention to sustainable development. The plan for 2009-13 therefore also includes enabling goals:

- increase and diversify funding (e.g. though full-cost recruitment, research, knowledge transfer and professional fundraising);
- build a culture of environmental awareness and agree a plan to secure demonstrable reduction in the environmental impact of the School's activities;
- deliver enabling resource and estates plans;
- adopt joined-up, cost-effective and fit-for purpose systems and structures which support the School's strategic goals; and
- attract and retain high-performing staff in all areas.

Performance Review 2011/12

Strategic Performance

The Board of Governors monitors the performance of Central against the strategic aims set out above. Specific objectives from the Corporate Plan are set out in a Corporate Planning Statement each year. A summary of Central's key achievements is presented below:

a) recruited the first cohort to the innovative MA in Creative Producing in response to identified industry need;

b) continued work on the HEFCE funded Leading Transformational Change 'Cultural Camden' project which aims to seek greater collaboration with partners including the Roundhouse and the Hampstead Theatre;

c) established Central Connects (formerly SPCD) to provide consultancy and training to schools, voluntary and commercial organisations, the public and business communities and the drama and performance industries both nationally and internationally;

d) embedded three Research Centres;

e) became the first higher education Associate of Julie's Bicycle, the leading practice providing environmental support to the creative industries;

f) embedded the new Department of Development and External Affairs to integrate Fundraising with Marketing and Alumni activities;

g) exceeded the target for fundraising income; and

h) achieved financial strategy targets.

Public Benefit Performance 2011/12

The Board of Governors monitors the performance of Central against its core public benefit aims set out above. A summary of Central's key achievements during the year under review is presented below:

- delivered a range of higher educational professional training programmes, to 967 students: 615 under-graduate taught full-time students; 246 post-graduate taught full-time students; 21 full-time PGCE students; 21 full-time PHD students; 55 part-time post-graduate taught students and 9 part-time PHD students;
- awarded 406 higher education awards: 166 Bachelor of Arts (35 at First Class); 2 Cert/Dip of Higher Education, 208 Master of Arts (58 at Distinction); 18 Post-Graduate Certificates in Education; 2 Professional Certificates of Higher Education, 9 PGCert/PGDip of Higher Education and 1 Doctor of Philosophy;
- delivered higher educational professional training programmes to 21 full-time PGCE students;
- delivered a range of non-award bearing professional and community programmes to 1,033 students: 382 short-course students (including Diploma); 17 Bespoke and Business clients; 64 clients (one-to-ones); 76 clients (groups); 305 Saturday youth-theatre students and 189 summer school students;
- hosted 10 UK school visits working with 353 participants;

- hosted 2 international school visits working with 54 participants;
- delivered CPD to 12 international teachers;
- delivered 135 Higher Education Audition/Interview Workshops in schools, colleges and youth theatres across London and England (1,365 young people participated in the Workshop programme);
- the 'Audition Voucher Scheme' has run in conjunction with the programme of 'Higher Education Audition/Interview Workshops', so that all participants in these workshops receive a voucher at the end of the workshop that entitles them to a free audition/interview at Central. 120 vouchers were returned in 2011/12 in lieu of the £50 audition fee for BA Acting, and seven vouchers in lieu of the £20 interview fee for BA Theatre Practice. 1,365 vouchers were distributed in 2011/12;
- delivered third year of Lottery funded programme working with 35 young people, 10 actors and 42 older people;
- awarded 83 OFFA access bursaries and 5 bursaries for Gap Year students from low-income groups;
- distributed funding from Fondation Bay to offer outreach opportunities using drama and performance in a range of different London-based social and community settings;
- secured funding from Sir Siegmund Warburg's Voluntary Settlement to support our Academic Programming and the Visiting Lecturers we invite to teach our students;
- obtained funding from the Fidelio Trust in support of the Accidental Festival, a project in partnership with the Roundhouse managed entirely by Central students from the BA Theatre Practice course.
- received funds from the Leche Trust in support of one-day Master Classes with visiting industry professionals;
- secured and distributed Prize Funds & Scholarships from the following: Clive Brook Prize; Milner Awards; Tunstall Award; Gary Bond Award; Professor Henderson Scholarships; Nyman Libson Paul Scholarship; Andrew Lloyd Webber Scholarship; Pivot Club funds; Morris Marks Charitable Trust hardship gift; Jeremy Brett Scholarships; Diana Wade Memorial Scholarships; John Hurt Scholarship;
- staged 18 Public Productions and 90 Public Performances at Central to an audience of 12,752 and 3 Productions at Minack, Cornwall and in Medway, Kent to an audience of 5,320. Ran the Accidental Festival at the Roundhouse with audience figures in excess of 1,000 and mounted an Industry Design Exhibition which was attended by in excess of 10,250 members of the public and community;
- secured and distributed funding from the Leverhulme Trust to offer outreach opportunities using drama and performance in a range of different social and community settings. 12 Masters and 45 under-graduate students benefited directly and it enabled over 4,000 hours of training to be contributed to communities including: Tender a performance/workshop project to explore male identity within the context of violence and intimate relationships; Britannia Village School devising from Shakespeare; MIND Arts residency in Camden; Care and partnership: Applied Theatre and Social Enterprise; St Levan's Primary School Residency (Cornwall); Participative Arts residency at Nancealverne School for children with learning disabilities (Cornwall); Pre-performance Workshop production for the Minack Theatre; Rewrite

Project to raise awareness through drama and performance about issues surrounding refuge and asylum and to challenge prejudice and racism; Drama in Education Tour of The Boy In The Dress by David Walliams; Applied Drama and Puppetry in Devon Community Healthcare; Story Time Dads at Doncaster Prison; Mumbai, India working with young people residing in one of Asia's largest slums – Dharavi; Sibikwa in Benoni, Johannesburg, South Africa working with the community to develop and enrich lives through the creative arts. Our students worked directly with 800 participants, and indirectly with a further 800. Additionally, work was toured to approximately 6,552 people;

- Central alumni were involved in over 22 productions at the 2012 Edinburgh Fringe Festival;
- Dream Arts have been given £10,126 to deliver a week-long musical theatre summer school at Pimlico Academy, for sixteen young people from Westminster, and involving a number of visiting practitioners;
- WAC (Weekend Arts Collage) funded £10,000 to run a BME programme in August 2012; and
- extended use of our facilities to a range of community and professional organisations including the Winchester Project; Swiss Cottage Community Centre; Swiss Cottage Festival; Talawa; Cultural Camden; English National Opera; National Youth Theatre; Into University; Chief Productions; Ambassadors Theatre Group; Leicester Curve; Little Angel Theatre; High Tide Festival Theatre; Michael Rose Ltd; International Centre for Voice; Hampstead Theatre; London Drama; Camden Theatres; University of London; Keynote Educational; 59 Productions; Mousetrap Theatre Projects; Shakespeares Schools Festival and a range of Alumni and Alumni start-up companies.

FINANCIAL REVIEW

The Financial Statements for the Year Ended 31 July 2012 show the group position for Central and include the results of CSSD Enterprises Ltd, a subsidiary company. The principle activity of CSSD Enterprises Ltd was to operate the student bar.

The financial performance in 2011/12 represents another strong year for the School. Against a difficult economic background, the School has adjusted its expenditure plans so that it can continue to deliver against its financial strategy.

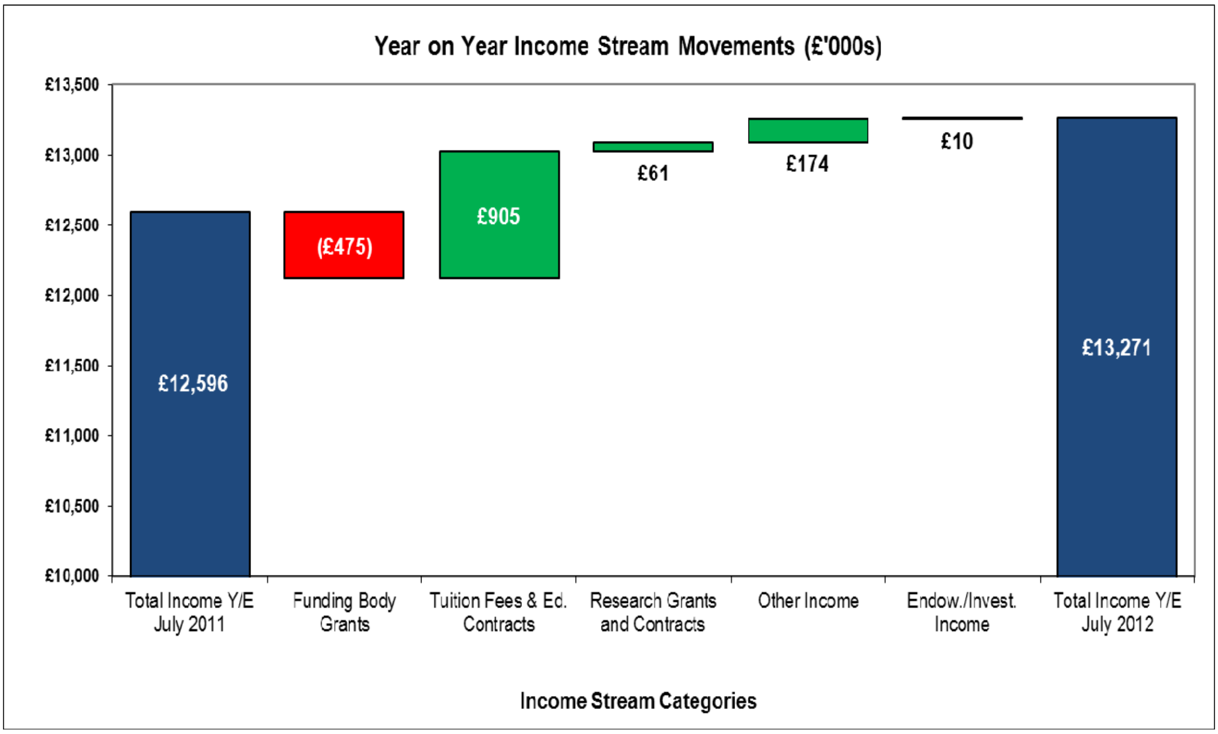
A summary of the Group Income and Expenditure Account is shown below:

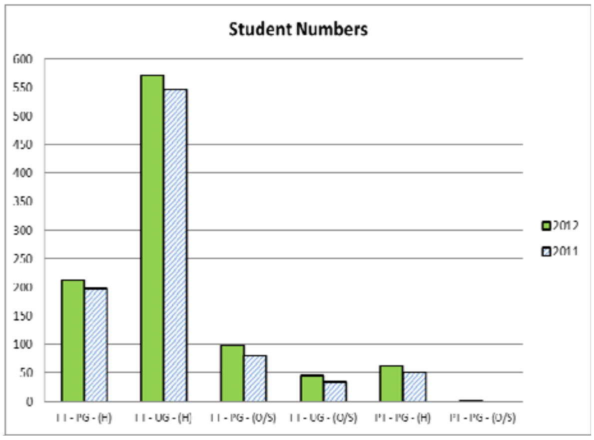
	Year ended 31 July 2012 £m	Year ended 31 July 2011 £m
Income	13.3	12.6
Expenditure	(12.4)	(12.3)
Surplus for the Year	0.9	0.3
Surplus % Income	6.8%	2.3%

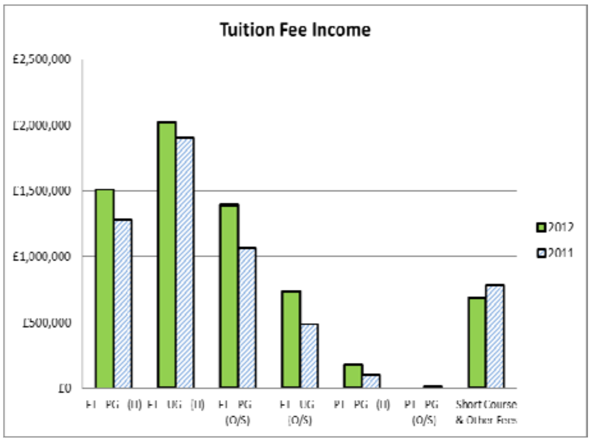
Income

Revenue Summary	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Funding Council Grants	5,406	5,881	6,741	7,127
Tuition Fees	6,532	5,627	4,996	4,587
Research Grants and Contracts	192	131	171	88
Other Income	1,025	851	885	1,113
Endowment and Investment income	116	106	154	398
Total Operating Income	**13,271**	**12,596**	**12,947**	**13,313**

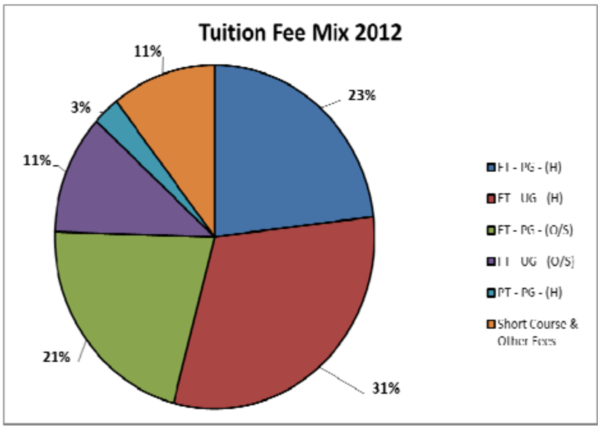
Central's total operating income for the year is up by £0.7m (5.3%) compared to the previous year. As highlighted in the graph below, this increase is driven primarily through increased tuition fee income and fundraising activity reflected within other income. Funding Body Grants, both HEFCE and TDA, have been reduced by £475k year on year, now representing only 41% of total income compared to 47% in the previous year.

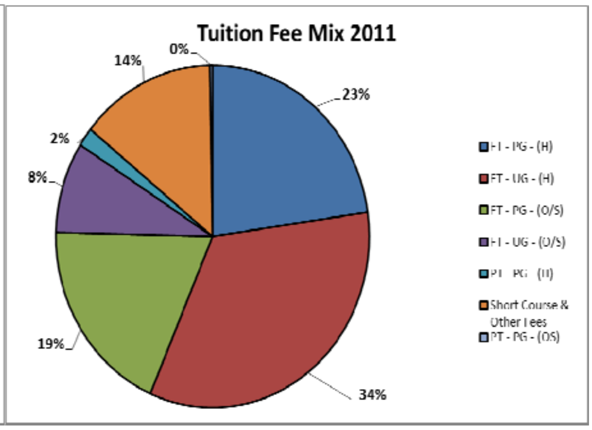






Tuition Fee income including Short Course fees has improved by £905k compared to 2011, representing a healthy increase across all core business revenue streams especially overseas sourced income. As can be seen from the "Tuition Fee Mix" graphs below, full-time postgraduate overseas income increased year on year from 19% to 21% of Total Operating Income, whilst full-time undergraduate overseas income also increased from 8% to 11%.





Other income includes income generated through fundraising activity. Whilst the School has experienced significant early success in this area which has had a positive impact on this year's financial performance, the income has been ring-fenced and is expected to fund increased spend levels in the future as the School spends against strategic initiatives in support of which the funds were originally raised. This diversification of revenue streams does however remain a key component of the School's corporate strategy particularly in light of the future funding model adopted by the sector.

Expenditure

Expenditure Summary	**2012** **£'000**	**2011** **£'000**	**2010** **£'000**	**2009** **£'000**
Staff Costs	7,419	6,955	6,968	6,609
Other Operating Expenses	4,289	4,572	4,362	4,962
Depreciation	608	645	658	721
Interest and Other Finance costs	95	105	138	106
Total Operating Expenditure	**12,411**	**12,277**	**12,126**	**12,398**

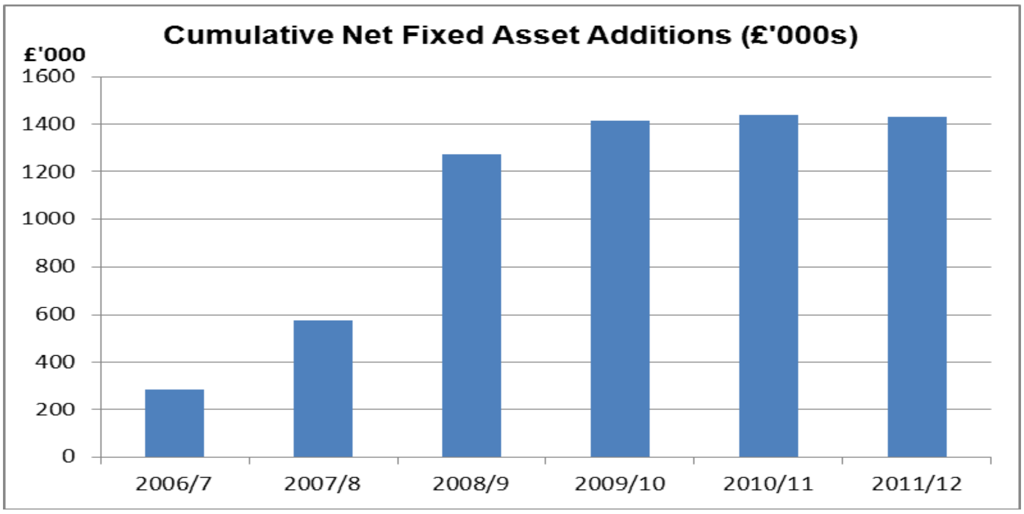
Total Operating Expenditure has necessarily been tightly controlled and managed at a level similar to that of 2009. Whilst staff costs have increased by 12% over the four year period, Other Operating Expenses have declined by 13.5% over the same period of time.

Staff costs for the year 2011/12 have increased by 6.6% year on year. This reflects the 0.5% annual pay award negotiated at a national level for 2011/12. The two key drivers behind the increased spend in this area relate to increased restructuring costs when compared to prior year and an increased pension liability charge to the income and expenditure account.

Other operating expenses for the year 2011/12 have been reduced by 6% when compared to 2010/11. This position has been exaggerated through the inclusion of a one-off provision valued at £235k in the prior year to account for an enhanced pension provision associated with an inherited liability and revised accounting treatment. Allowing for this one-off provision in the prior year results, operating expenses have been held flat year on year. Key factors contributing to this underlying position include savings in travel, annual subscriptions and a reduced bad debt provision in year. In anticipation of a major new build project being undertaken within the next two years, non-essential maintenance and refurbishment spend was curtailed, resulting in a year on year reduction of approximately 40%. Increased bursary support to a value of £310k represents an increase of 17% on the previous year.

Capital Projects

Having delayed the final 2 phases of a 6 phase capital investment plan, the School is now pro-actively reviewing the possibility of embarking on phase 5 of the original 6 phase plan in 2013/14. With this in mind, capital spend has been kept to a minimum this year.



Investment Performance

Cash balances plus short term deposits at the end of the year stood at £8.9m, representing an increase on the previous year of £1.3m. A net cash inflow from operating activities of £1.2m was generated in year. This places the School in a strong position in advance of the revised HEFCE funding model and associated changed cash flow profile associated with funds channelled through the Student Loan Company. 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. This approach secured an average return of 1.3% in the year on cash and bank deposits.

Key Financial Indicators

	Central School of Speech and Drama		Sector Mean*
	2012	2011	2011
Current Ratio	4.74	4.64	N/A
Net Liquidity (Days)	275	238	109
Cash flow from operating activities as % total income	9.3%	8.4%	9.2%
External Borrowing as % of total income	6%	7%	22%

(***** Source: "Financial health of the higher education sector "– HEFCE March 2012/05)

The above financial indicators represent a healthy liquidity position for the School, improving year on year across all four key indicators. Both Net Liquidity (Days) and External Borrowing indicators are significantly better when compared to the sector mean, whilst Cash flow from operating activities as a percentage of total income is in line with the sector mean.

Pensions

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

The latest actuarial valuation of the TPS related to the period 1 April 2001 – 31 March 2004 and showed the fund to be in deficit. The Teachers' Pension Scheme is subject to a valuation by the scheme actuary every four years. The Government Actuary's Department has been working on the current valuation (as at 31 March 2008) but this has been suspended pending the final report by the Independent Public Service Pensions Commission (IPSPC) and full consideration of the Spending Review announcements. The Department for Education, as scheme managers, are engaging with teacher unions and employer representatives to discuss the full implications of potential changes to the scheme. The TPS is unable to identify the School's share of the underlying assets and therefore exempt from detailed reporting in the accounts in accordance with the relevant reporting standard Financial Reporting Standard 17 (FRS 17).

The LPFA scheme currently shows an FRS 17 deficit of £2.9m for the School, representing a significant increase from a deficit of £1.7m reported at the previous year end. This is an actuarial loss reflecting changes in assumptions underlying the present value of the liability and the difference between actual and expected return on pension scheme assets. The present value of the fund's liabilities for the School has increased to £8.2m, up £1.6m on the previous year. The fund's assets in turn have increased by only £0.4m to £5.3m. The School's share of the LPFA scheme deficit is reflected in the balance sheet in accordance with FRS 17.

Future Outlook & Key Risks

The White Paper, 'Higher education: students at the heart of the system', set out the Government's intention to significantly change the ways in which teaching is funded and student numbers controlled, with the overall aim of increasing student choice and supporting greater diversity in higher education. In response to this paper and with effect from 2012/13 Central will charge new regime home/EEC undergraduate students tuition fees of £9k per annum but will suffer a withdrawal of core funding from HEFCE.

HEFCE have protected allocations for post-graduate taught students, widening participation and London Weighting in 2012/13. Central has also been able to opt-out of the AAB+ policy for 2012/13 and, as a consequence, has been able to retain current home/EEC under-graduate controlled student entrant numbers. The existing specialist institution allocation has been carried forward into 2012/13. However, there is still a large degree of uncertainty about the period 2013-2015.

However, the School faces these challenges from a position of strength, noting a healthy Balance Sheet reflecting low debt and a high cash balance position with a good level of reserves and a strong track record of generating surpluses.

	Actual Results (£'000s)					
Annual Surplus on Continuing Operations	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
	£860	£319	£821	£915	£1,005	£1,460

Whilst recognising the uncertain future financial environment yet building on the strong base outlined above, the Governing Board recently approved the following key strategic financial targets:

- the reinstatement of the requirement to deliver a minimum planned surplus of 3% per annum to recommence with effect from 2012/13. This represents a departure from the previous target requiring the delivery of a break-even position (minimum) on a cumulative basis over the three year period 2011/12 to 2013/14;
- that positive net current assets should be maintained;
- that minimum cash balances to cover forward two months expenditure in accordance with the cash flow statement be maintained;
- that the cost of servicing borrowing should not exceed 4% of adjusted total income; and
- overall staff costs should not exceed 60% of annual turnover. This ensures that an appropriate level of turnover is available to provide investment to support the infrastructure including estate maintenance and industry standard equipment to support the academic programmes of study.

The reinstatement of the requirement to deliver a minimum planned surplus of 3% per annum follows a strategic review of financial performance to date and expected financial performance in the future to 2015/16 in light of forecast economic and political circumstances. The focus on delivering an annual surplus throughout the planning period recognises the need to deliver at least this minimum return in order to build up reserves to accommodate the investment ambitions outlined in the strategic plan. These investment priorities include:

- the provision of enhanced scholarships and bursaries;
- investment behind the student experience, especially the specialised, individual and focused training so valued by students;
- investing now to secure the maximum impact for the School's "Research Excellence Framework" (REF) submission;
- to undertake a feasibility study for the further physical development of the Swiss Cottage Campus. The School had to date delayed the final 2 phases of a 6 phase capital investment plan but in light of growing concerns regarding the adequacy of the existing space footprint, the School is re-visiting the plans behind Phase 5 of the original capital investment plan. The School's financial forecasts reflect the following assumptions in this respect:
    - 2012/13 feasibility and planning consent;
    - 2013/14 construction of a new building estimated at £10m. 50% funded through existing reserves and 50% by way of a 15 year bank loan.
- to support the continued development of professional fundraising capacity within Central; and
- to review academic administration services in order to enhance student learning provisions.

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 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.

The three key risks which could have serious financial implications regarding the future financial health and sustainability of the School are:

- the withdrawal or significant reduction of Institution specific "Exceptional Funding";
- the ability to recruit targeted overseas and postgraduate student numbers in light of a "new system" fee level structure and negative press suggesting visa restrictions represent a significant barrier to overseas recruitment; and
- Pension Scheme costs and liabilities.

The School is responding to these risks by:

- lobbying to ensure Government and the Funding Council understand the implications to the sector if 100% funding is withdrawn and more specifically at institutional level, investing a significant amount of management time responding to the "Review of Institutional-Specific Targeted Allocation" (RISTA) review; and

- 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 false reporting, highlight good news stories and promote the School's achievements.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

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

Name	Membership Category	Committees Serviced
Paul Taiano	**Independent**	Chairman of Board of Governors, Remuneration Committee and Nominations Committee; Finance and Employment Committee; Investment Committee
Roger Alexander	Independent	Remuneration Committee; Finance and Employment Committee
Diana Balsdon	Independent	Chairman of Audit Committee Search Committee (Chairman of Governors)
Professor Ross Brown	Staff (Academic Board)	Health and Safety Assurance Committee; Search Committee (Chairman of Governors)
Victoria Dickie	Independent	-
Ben Giddins	Student Union President (24 October 2011 to 31 July 2012)	Health and Safety Assurance Committee; Search Committee (Chairman of Governors)
Pippa Harris	Independent	Nominations Committee
Professor Gavin Henderson CBE	Ex Officio (Principal/CEO)	Finance and Employment Committee; Nominations Committee; Search Committee (Chairman of Governors)
Professor Simon McVeigh	Independent	Academic Board Monitor
Jodi Myers	Independent	Nominations Committee; Search Committee (Chairman of Governors); Equality and Diversity Champion
Charles Perrin CBE	Co-opted, University of London	Chairman of Finance and Employment Committee, Investment Committee and Search Committee (Chairman of Governors); Remuneration Committee; Health and Safety Assurance Committee
Peter Roberts	Independent	Deputy Chairman of Governors; Chairman of Health and Safety Assurance Committee Nominations Committee; Remuneration Committee
Martin Scott	Independent	Audit Committee
Dominic Tulett	Staff	-
Leonora Twynam	Independent	Finance and Employment Committee

Ben Giddins joined the Board of Governors on 24 October 2011 and resigned on 31 July 2012 having completed his term of office as Student Union President. On 1 August 2012, Matthew Withers was co-opted to the Board of Governors as a Student Governor.

Central endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to institutions of higher education from the Committee of University Chairmen (CUC) in its *Guide for Members of HE Governing Bodies in the UK*. In accordance with CUC guidance, the Governors have adopted a Statement of Primary Responsibilities which is incorporated within this statement. The Governors have had regard to the CUC Code of Practice and have complied in full with the seventeen point Code of Practice Provisions in the year ended 31 July 2012.

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 which were approved by the Members on 31 March 2008. The Privy Council approved the current version of the Articles in 2008. The Members and Governors have recently approved amendments to these Articles which are awaiting Privy Council approval.

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

The **Governing Body** is the executive governing body. The Governing Body has a majority of independent members, chosen in accordance with strict criteria contained in the legislation. The Chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the academic staff and the student body. No members of the Governing Body receive any reimbursement for the work they do for that body.
Central maintains a register of interests of Members of the Governing Body and senior staff, which may be consulted by arrangement with the Clerk to the Governors. No conflicts of interest have been revealed by review of returns for the current year. Details of Governing Body Membership on other charities are publicly available on the Governance section of Central's website.

In accordance with the Articles of Association, Deborah Scully, the Deputy Principal (Corporate) and Deputy CEO of the institution, has been appointed as Clerk to the Governing Body. In that capacity, she provides advice on matters of governance to all Members of the Governing Body. In order to eliminate potential conflict of interests, Jon Allen, an independent Secretary to the Audit Committee, was appointed on 1 October 2005. During the year under review, Jon Allen also acted as Minuting Secretary to the Finance and Employment and Health and Safety Assurance Committees.

Statement of the Governing Body's Responsibilities

In accordance with the Committee of University Chairmen (CUC) Voluntary Governance Code of Practice, the Governing Body has adopted a Statement of Primary Responsibilities:

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

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

3 To delegate authority to Committees in accordance with the Articles of Association governed by the Scheme of Approved Delegation subject to annual review.

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

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

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

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

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

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

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

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

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

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

14 To make such provision as it thinks fit for the general welfare of students, in consultation with the academic board.

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

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

Key Individuals and Summary of Delegated Responsibilities

Governing Body

The Governing Body has determined maximum membership numbers of eighteen of whom fourteen are external independent lay members. The Governing Body compromised fourteen members on 31 July 2012 excluding 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 two terms of four years.

The matters specially reserved to the Governors for decision are set out in the Articles of Association and include: the determination of the educational character of the institution; the approval of annual estimates of 'income and expenditure'; ensuring the solvency of the institution and the safeguarding of its assets and for maintaining a sound system of internal control. The Governing Body held five meetings during the academic year 2011/12, including two strategic topic meetings.

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

Governing Body Committees

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

The Finance and Employment Committee meets at least four times a year, and is chaired by Charles Perrin CBE. The committee inter alia recommends to the Governors annual revenue and capital budgets; monitors performance in relation to the approved budgets; reviews the management of significant risks and makes recommendations to the Board on the Framework for the Pay and Conditions of Staff. The Remuneration Committee is a sub-committee of the Finance and Employment Committee and is chaired by Paul Taiano. The Remuneration Committee meets at least once a year to determine the annual remuneration of senior post holders. The Investment Committee is a sub-committee of the Finance and Employment Committee and is chaired by Charles Perrin CBE. The Investment Committee meets three times a year to review investment strategy and policy and to monitor and review investment performance.

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

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

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

The Search Committee (Chairman of Governors) has been re-established to consider arrangements for the identification and selection of the successor Chairman of Governors in May 2014.

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

Principal / Chief Executive Officer

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

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

Articles of Association

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

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

Accountable Officer

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

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

Disclosure of information to auditors

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

KPMG LLP was re-appointed as Central's auditors at the Annual General Meeting of the Members on 14th May 2012.

GOVERNING BODY'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

In accordance with the Articles of Association, the Governors are required to present audited financial statements for each financial year.

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

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

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

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

The Governing Body has taken reasonable steps to:

a) ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
b) ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
c) safeguard the assets of the 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 Central School of Speech and Drama Website

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

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

Summary Review of Controls

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

The Governing Body is of the view that there is an on-going process for identifying, evaluating and managing the institution's significant risks, that it has been in place for the year ended 31 July 2012, and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

A Risk Management Strategy and Policy is in place, which defines the institution's approach to risk management. Risks are identified for each strategic aim and scored as to impact and likelihood using a defined scale. Measures to control each risk have been defined and risk scores are kept regularly under review. Risk management procedures are reviewed annually. The following provides a summary of arrangements in place:

a) the Governing Body meet at regular intervals to consider the plans and strategic direction of the institution;
b) the Governing Body receive periodic reports from the Chair of the Audit Committee concerning internal control, and require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
c) the Finance and Employment Committee reviews the management of risks termly and reports to the full Board on the management of significant risks;
d) the Governing Body undertake an annual review of the significant risks facing the institution;
e) the Audit Committee provides oversight of risk management procedures and receives regular reports from the head of internal audit, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement;
f) a regular programme of facilitated workshops is held to identify and keep up to date the record of risks facing the institution;
g) a programme of risk awareness training is under way;
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; and
k) reports are received from budget holders, department heads and project managers on internal control activities.

The Governing Body review of the effectiveness of the system of internal control is informed by the School appointed internal audit firm "Deloitte", which operates to standards defined in the HEFCE Audit Code of Practice, and was last reviewed for effectiveness by the HEFCE Audit Service in February 2009. It is also informed by the work of executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Conclusion

The Governing Body is of the view that the process for identifying, evaluating and managing significant risks has been in place and operated effectively for the year ended 31 July 2012, and up to the date of approval of the annual report and accounts.

Paul Taiano
Chair of Governors
26 November 2012

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY

We have audited the financial statements of Central School of Speech and Drama for the year ended 31 July 2012 which comprise the Group Income and Expenditure Account, the Group and Central's Balance Sheets, the Group Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with the Charters and Statutes of Central and section 124B of the Education Reform Act 1988 and to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Governing Body and to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body, the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor
As explained more fully in the Statement of Responsibilities set out on page 27 the Governing Body (whose members are also the directors of the company for the purposes of company law) is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and Central as at 31 July 2012 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and Central for specific purposes have been applied to those purposes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

- adequate accounting records have not been kept by Central, or returns adequate for our audit have not been received from branches not visited by us; or
- Central's financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit.

W Southwood

W Southwood (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, Canary Wharf
London E14 5GL

29 November 2012

GROUP INCOME AND EXPENDITURE ACCOUNT

Year ended 31 July 2012

INCOME	Notes	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Funding body grants	2	5,406	5,881
Tuition fees and education contracts	3	6,532	5,627
Research grants and contracts	4	192	131
Other income	5	1,025	851
Endowment and investment income	6	116	106
Total income		13,271	12,596
EXPENDITURE			
Staff costs	7	7,419	6,955
Other operating expenses	8	4,289	4,572
Depreciation	12	608	645
Interest and other finance costs	10	95	105
Total expenditure	9	12,411	12,277
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		860	319
Transfer from / (to) accumulated income in endowment funds	21	4	3
Surplus for the year retained within general reserves		864	322

All items of income and expenditure arise from continuing operations.

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

Pages 40 to 67 form part of these financial statements.

STATEMENT OF GROUP HISTORICAL COST SURPLUSES AND DEFICITS

Year ended 31 July 2012

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Surplus for the year retained within the general reserve	860	322
Valuation gains realised on disposal of fixed asset investments	-	-
Historical cost surplus for the year retained within the general reserve	860	322

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 July 2012

	Notes	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		860	319
Unrealised (losses)/gains on investments	22	(14)	15
(Decrease)/Increase in endowment assets	21	(1)	1
Actuarial (losses)/gains in respect of pension schemes	35	(1,135)	97
Total recognised (losses) / gains relating to the year		(290)	432

Reconciliation

Opening reserves and endowments	8,936	8,504
Total recognised (losses)/gains for the year	(290)	432
Closing reserves and endowments	8,646	8,936

BALANCE SHEET
AS AT 31 JULY

	Notes	2012 Group £000	2012 Central £000	2011 Group £000	2011 Central £000
Fixed assets					
Tangible assets	12	15,944	15,942	16,506	16,503
Investments	13	344	344	358	358
		16,288	16,286	16,864	16,861
Endowment assets	14	173	173	178	178
Current assets					
Stocks		2	-	1	-
Debtors	15	342	377	265	296
Investments	16	5,111	5,111	5,236	5,236
Cash at bank and in hand		3,770	3,740	2,348	2,317
		9,225	9,228	7,850	7,849
Less: creditors - amounts falling due within one year	17	(1,948)	(1,940)	(1,688)	(1,684)
Net current assets		7,277	7,288	6,162	6,165
Total assets less current liabilities		23,738	23,747	23,204	23,204
Less: creditors - amounts falling due after more than one year	18	(718)	(718)	(799)	(799)
Less: provisions for liabilities	19	(345)	(345)	(235)	(235)
Net assets excluding pension liability		22,675	22,684	22,170	22,170
Net pension liability	35	(2,931)	(2,931)	(1,719)	(1,719)
Net assets including pension liability		19,744	19,753	20,451	20,451

BALANCE SHEET AS AT 31 JULY (continued)

	Notes	2012 Group £000	2012 Central £000	2011 Group £000	2011 Central £000
Deferred capital grants	20	11,098	11,098	11,515	11,515
Endowments	21				
Expendable		11	11	15	15
Permanent		162	162	163	163
		173	173	178	178
Reserves	22				
Income and expenditure account excluding pension reserve		10,181	10,190	9,240	9,240
Pension reserve (deficit)		(2,931)	(2,931)	(1,719)	(1,719)
Income and expenditure account including pension reserve		7,250	7,259	7,521	7,521
Revaluation reserve	22	1,223	1,223	1,237	1,237
Total reserves		8,473	8,482	8,758	8,758
Reserves and endowments		8,646	8,655	8,936	8,936
TOTAL FUNDS		19,744	19,753	20,451	20,451

The financial statements were approved by the Governing Body on 26 November 2012, and were signed on its behalf on that date by:

Paul Taiano
Chair of the Board of Governors

Professor Gavin Henderson
Principal / Chief Executive

Deborah Scully
Company Secretary

GROUP CASH FLOW STATEMENT

Year ended 31 July 2012

	Notes	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Net cash inflow from operating activities	23	1,239	1,060
Returns on investments and servicing of finance	24	148	73
Capital expenditure and financial investment	25	1	(249)
Management of liquid resources	26	125	469
Financing	27	(76)	(192)
Increase in cash		1,437	1,161

Reconciliation of net cash flow to movement in net funds

		Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Increase in cash in the year		1,437	1,161
Change in short term deposits		(125)	(469)
Change in debt		76	192
Change in net funds		1,388	884
Net funds at 1 August		6,904	6,020
Net funds at 31 July	28	8,292	6,904

NOTES TO THE ACCOUNTS

1 Statement of Principal Accounting Policies and Estimation Techniques

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards.

Going Concern

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

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

Basis of Consolidation

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

The group financial statements include Central (the parent company, also referred to as the School) and its subsidiary undertaking, CSSD Enterprises Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the students union have not been consolidated because Central does not control these activities.

Recognition of Income and Expenditure

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

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

Income from endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments. Recurrent grants from Funding Councils are recognised in the year in which they are receivable.

Accounting for retirement benefits

Central contributes to the London Pensions Fund Authority Pension Fund (LPFA) and the Teachers Pension Scheme (TPS). Both schemes are defined benefit schemes but the TPS scheme is a multi-employer scheme and it is not possible to identify the assets of the scheme which are attributable to Central. In accordance with FRS17 this scheme is accounted for on a defined contribution basis and contributions to this scheme are included as expenditure in the period in which they are payable. Central is able to identify its share of assets and liabilities of the LPFA scheme and thus Central fully adopts FRS 17 “Retirement Benefits”.

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

The Funds are valued every three years (LPFA) and every four years (TPS) by actuaries using the aggregate method, the rates of contribution payable being determined on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which Central benefits from the employees’ services. Variations from regular costs are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals.

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

Leased Assets

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

Land and Buildings

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

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

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

Equipment

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

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

Computer equipment	- 3 years
Lighting equipment	- 5 years
Management information systems	- 5 years
Telephone equipment	- 7 years
Other equipment	- 10 years

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

Listed Investments

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

Stocks

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

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

Cash Flows and Liquid Resources

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

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

Maintenance of Premises

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

Taxation Status

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

Provisions

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

Accounting for charitable donations

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

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

1. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and Central can convert the donated sum into income.
2. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Donations for fixed assets

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

Gifts in kind, including donated tangible fixed assets

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

Staff costs

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

Foreign currency translation

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

2 Funding Body Grants

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Recurrent Grant		
HEFCE – Teaching	4,400	4,691
HEFCE – Research	314	299
Higher Education Funding Council for England	4,714	4,990
Training and Development Agency for Schools (TDA)	83	180
TOTAL RECURRENT GRANTS	4,797	5,170
Specific Grants (HEFCE)		
Higher Education Innovation Fund	22	157
Inherited Staff Liabilities	22	22
Leading Transformational Change	136	78
Undergraduate Internships	-	18
	180	275
Specific Grants (TDA)	-	9
TOTAL SPECIFIC GRANTS	180	284
Deferred capital grants released in the year:		
HEFCE - Buildings	425	423
HEFCE - Equipment	4	4
TOTAL DEFERRED CAPITAL GRANTS (Note 20)	429	427
TOTAL FUNDING COUNCIL GRANTS	5,406	5,881

3 Tuition Fees and Education Contracts

		Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Full-time Undergraduate	- Home and EU Fees	2,025	1,901
	- International and Island* Fees	737	484
Full-time Postgraduate	- Home and EU Fees	1,511	1,279
	- International and Island* Fees	1,394	1,062
Part-time Postgraduate	- Home and EU Fees	177	100
	- International and Island* Fees	-	16
Short course and other fees		659	744
Other education contracts		1	13
Learning and Teaching grants		28	28
Total fees paid by, or on behalf of, individual students		6,532	5,627

* Island Fees include Channel Islands and the Isle of Man

4 Research Grants and Contracts

Arts and Humanities Research Council	130	122
Other	62	9
	192	131

5 Other Income

Catering and conferences	263	269
Promotions and events	52	45
External services	114	120
Rental income	196	186
Theatre receipts	48	25
Donations	196	20
Shop and photocopy sales	24	23
Released from deferred capital grants (Note 20)	6	5
Other income	126	158
	1,025	851

6 Endowment and Investment Income

Income from permanent endowments	4	6
Income from investments	18	15
Bank interest	105	105
Foreign currency translation (losses) / gains	(11)	(20)
	116	106

7 Staff Costs

	Year Ended 31 July 2012 FTE	Year Ended 31 July 2011 FTE
Average staff numbers, expressed as full-time equivalents (FTE):		
Teaching Departments	114	108
Teaching Support Services	20	22
Administration and Central Services	46	35
Premises	5	5
Catering and Conferences	1	1
	186	171

The 2011 average staff numbers have been corrected

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Staff costs for the above:		
Salaries	5,868	5,765
Social security costs	524	497
Other pension costs (Note 35)	914	688
	7,307	6,950
Restructuring costs	113	5
Total	7,419	6,955

Directors Emoluments	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Aggregate emoluments of the 17 Directors (2011: 17) who served during the year:		
Salaries	290	283
Benefits in kind	1	1
Pension contributions	33	34
Total	324	318

The Directors' emoluments include the Principal's emoluments.
One non-executive director received fees of £300 for mentoring on the MA Creative Producing courses during the year (2011: Nil). During the year one (2011: one) non-executive director received reimbursement of expenses of £158 (2011: £77).

7 Staff Costs (continued)

Emoluments of the Chair of Governors

The Chair of Governors received no emoluments during the years ended 31 July 2012 and 31 July 2011.

Emoluments of the Principal	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Salary	163	163
Benefits in kind	1	1
	164	164
Pension contributions	23	23
Total	187	187

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

Remuneration of other higher paid staff, excluding Employer's National Insurance and pension contributions	Year Ended 31 July 2012 FTE	Year Ended 31 July 2011 FTE
£100,000 - £110,000	1	-
£110,001 - £120,000	1	1
	2	1

8 Other Operating Expenses

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Auditors' remuneration – external audit, parent company, current year	42	36
Auditors' remuneration – external audit, parent company, prior year	4	19
Auditors' remuneration – external audit, subsidiary company	5	4
Auditors' remuneration – taxation and other services	-	10
Bursaries	311	257
Catering and conferences operating expenses	286	216
Cleaning	210	201
Computer and web-site maintenance	238	219
Consumables	135	136
Furniture, fittings and equipment	70	122
Hired or contracted services	418	474
Internal audit – current year	18	11
Internal audit – prior year	6	-
Insurance	89	88
Legal and professional	216	131
Other expenditure	294	573
Postage, printing, stationery and periodicals	176	138
Promotions and events	288	297
Rent and rates	113	117
Repairs and general maintenance	252	414
Self-employed professionals	513	411
Staff and student travel	128	194
Staff development and recruitment	108	118
Subscriptions	186	223
Utilities	183	163
	4,289	4,572

An analysis of expenditure by activity for the year ended 31 July 2012 is shown in Note 9.

9 Analysis of Expenditure by Activity

YEAR ENDED 31 JULY 2012

	Staff Costs £000	Other Operating Expenses £000	Depre-ciation £000	Interest Payable £000	Total £000
Teaching Departments	4,636	1,098	24	-	5,758
Teaching Support Services	296	598	14	-	908
Administration	2,264	1,653	122	45	4,084
Premises and Central Services	190	637	448	50	1,325
Catering and Conferences	33	303	-	-	336
Total per Income and Expenditure Account	7,419	4,289	608	95	12,411

YEAR ENDED 31 JULY 2011

	Staff Costs £000	Other Operating Expenses £000	Depre-ciation £000	Interest Payable £000	Total £000
Teaching Departments	4,591	1,289	25	-	6,199
Teaching Support Services	265	607	15	-	593
Administration	1,910	1,508	129	51	3,598
Premises and Central Services	154	937	476	54	1,621
Catering and Conferences	35	231	-	-	266
Total per Income and Expenditure Account	6,955	4,572	645	105	12,277

2011 Figures reclassified to correspond with transfer of Central Services activities to Premises

The depreciation charge has been funded by:

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Deferred Capital Grants released (Note 20)	435	432
General Income	173	213
	608	645

Activities are as defined in the 2011 Finance Statistics Return of the Higher Education Statistics Agency (HESA).

10 Interest and Other Finance Costs

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
On bank loans, overdrafts and other loans repayable wholly or partly in more than five years	50	54
Net interest on pension scheme liabilities (Note 35)	45	51
	95	105

11 Taxation

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

12 Tangible Assets

	Group				
	Freehold Land and Buildings £000	Long Leasehold Land £000	Alterations and Improvements £000	Equipment £000	Total £000
Cost and valuation					
At 31 July 2011	17,098	650	3,384	1,443	22,575
Additions	-	-	11	40	51
Disposals	-	-	-	(60)	(60)
At 31 July 2012	17,098	650	3,395	1,423	22,566
Depreciation					
At 31 July 2011	3,946	-	993	1,130	6,069
Charge for the year	316	-	218	74	608
Disposals	-	-	-	(55)	(55)
At 31 July 2012	4,262	-	1,211	1,149	6,622
Net book value					
At 31 July 2012	12,836	650	2,184	274	15,944
At 31 July 2011	13,152	650	2,391	313	16,506

12 Tangible Assets (continued)

	Central				
	Freehold Land and Buildings £000	Long Leasehold Land £000	Alterations and Improvements £000	Equipment £000	Total £000
Cost and valuation					
At 31 July 2011	17,098	650	3,384	1,438	22,570
Additions	-	-	11	40	51
Disposals	-	-	-	(60)	(60)
At 31 July 2012	17,098	650	3,395	1,418	22,561
Depreciation					
At 31 July 2011	3,946	-	993	1,128	6,067
Charge for the year	316	-	218	73	607
Disposals	-	-	-	(55)	(55)
At 31 July 2012	4,262	-	1,211	1,146	6,619
Net book value					
At 31 July 2012	12,836	650	2,184	272	15,942
At 31 July 2011	13,152	650	2,391	310	16,503

Buildings and alterations and improvements with a net book value of £13,466,000 and cost of £18,272,000 have been funded from Treasury sources. Should these buildings be sold, Central would have either to surrender the appropriate proportion of proceeds to the Treasury, or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for England.

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

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

13 Investments

	Group and Central	
Listed investments	**Year Ended 31 July 2012 £000**	**Year Ended 31 July 2011 £000**
Balance at 1 August	358	343
(Decrease) / Increase / on revaluation	(14)	15
Balance at 31 July	344	358
Listed investments comprise:		
Equities (listed unit trusts)	344	358
Total investments at 31 July	344	358
Equities (listed) at cost at 31 July	281	281

Investment in subsidiary company at cost	**Central 2012 £**	**Central 2011 £**
Subsidiary company	1	1

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

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

The results of the subsidiary are as follows:	**Year Ended 31 July 2012 £000**	**Year Ended 31 July 2011 £000**
Turnover	60	74
Cost of sales	(22)	(26)
Gross profit	38	48
Net operating expenses	(47)	(44)
Operating (Loss) / Profit	(9)	4
(Loss) / Profit on ordinary activities before taxation	(9)	4
Transferred to Parent Undertaking	-	(4)
(Loss) for the financial year	(9)	-

14 Endowment Asset Investments

	Group and Central	
	Year Ended 31 July 2012 £000	**Year Ended 31 July 2011 £000**
Balance at 1 August	178	180
(Decrease) / Increase on revaluation	(1)	1
Decrease in cash balances (note 21)	(4)	(3)
Balance at 31 July	173	178
Endowment asset investments comprise:		
Equities (listed unit trusts)	11	14
Loans	0	1
Bank balances	162	163
Total endowment asset investments at 31 July	173	178
Fixed interest stocks and equities at cost at 31 July	11	11

15 Debtors

	Group 2012 £000	Central 2012 £000	Group 2011 £000	Central 2011 £000
Amounts falling due within one year:				
Debtors	171	171	144	144
Amounts owed by subsidiary undertaking	-	35	-	31
Prepayments and accrued income	171	171	121	121
	342	377	265	296

16 Current Asset Investments

	Group and Central 2012 £000	Group and Central 2011 £000
Deposits maturing in one year or less	5,111	5,236

17 Creditors: amounts falling due within one year

	Group 2012 £000	Central 2012 £000	Group 2011 £000	Central 2011 £000
Mortgages and loans (Note 18)	81	81	76	76
Creditors	425	417	442	438
Social security and other taxation	189	189	163	163
Accruals and deferred income	1,253	1,253	1,007	1,007
	1,948	1,940	1,688	1,684

18 Creditors: amounts falling due after more than one year

	Group and Central 2012 £000	Group and Central 2011 £000
Secured loans payable by 2020	718	799

Analysis of secured and unsecured loans:

	Group and Central 2012 £000	Group and Central 2011 £000
Due between one and two years	87	81
Due between two and five years	287	272
Due in five years or more	344	446
Total	718	799

Summary of borrowings at 31 July 2012:

Lender	Type	Date	Term	Interest Rates	Due Within One Year £000	Due in More Than One Year £000
Lloyds TSB	Secured Term Loan	July 2005	15 years	Fixed at 5.87%	81	718
					81	718

Secured Loan - Lloyds TSB Bank plc

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

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

19 Provisions for Liabilities

	Pension Costs £000
At 1 August 2011	235
Recognised in the year	110
As at 31 July 2012	345

The pension costs include amounts for enhanced pension payments

20 Deferred Capital Grants

	Group and Central		
	HEFCE £000	**Other Grants £000**	**Total £000**
At 1 August 2011			
Buildings	11,286	214	11,500
Equipment	15	-	15
Total	11,301	214	11,515
Grants Received			
Buildings	18	-	18
Total	18	-	18
Released to Income and Expenditure			
Buildings	(425)	(6)	(431)
Equipment	(4)	-	(4)
Total	(429)	(6)	(435)
At 31 July 2012			
Buildings	10,879	208	11,087
Equipment	11	-	11
Total	10,890	208	11,098

21 Endowments

	Group and Central			
	Restricted Expendable £000	**Restricted Permanent £000**	**Year Ended 31 July 2012 £000**	**Year Ended 31 July 2011 £000**
Balances at 1 August				
Capital	12	151	163	163
Accumulated income	3	12	15	17
	15	163	178	180
Investment income	2	2	4	7
Expenditure	(5)	(3)	(8)	(10)
	(3)	(1)	(4)	(3)
Increase / (decrease) in market value of investments	(1)	-	(1)	1
At 31 July	11	162	173	178
Represented by:				
Capital	11	151	162	163
Accumulated income	-	11	11	15
	11	162	173	178

21 Endowments (continued)

Details of restricted permanent endowments are set out below:

	Capital value at 31 July 2012 £	Opening accumulated income £	Investment income £	Expenditure £	Closing accumulated income £	Year Received
Milner Scholarship	129,870	1,878	1,135	(1,700)	1,313	1998
Gary Bond Memorial Fund	12,475	1,747	51	(738)	1,060	1997
Jane Cowell Memorial Fund	5,136	3,283	68	-	3,351	1989
Robert Tunstall Memorial Award	2,500	329	22	(100)	251	2005
Clive Brook Prize Fund	1,000	4,915	36	-	4,951	1974
	150,981	12,152	1,312	(2,538)	10,926	

Milner Scholarship

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

Gary Bond Memorial Fund

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

Jane Cowell Memorial Fund

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

Robert Tunstall Memorial Award

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

Clive Brook Prize Fund

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

The capital value of the permanent endowments was unchanged during the year. Due to the historic low level of investment returns, care was taken in the determination of awards to maintain each fund’s value.

22 Reserves

	Income and Expenditure Account Reserve £000	Pension Reserve £000	Revaluation Reserve £000	Total £000
Opening reserves at 1 August 2011	9,240	(1,719)	1,237	8,758
Surplus retained for the year	864	-	-	864
Transfer between reserves: pension scheme	77	(77)	-	-
Actuarial loss in respect of pension scheme		(1,135)	-	(1,135)
Revaluations in the year	-	-	(14)	(14)
Closing reserves at 31 July 2012	10,181	(2,931)	1,223	8,473

	Income and Expenditure Account Reserve £000	Pension Reserve £000	Revaluation Reserve £000	Total £000
Opening reserves at 1 August 2010	8,870	(1,768)	1,222	8,324
Surplus retained for the year	322	-	-	322
Transfer between reserves: pension scheme	48	(48)	-	-
Actuarial gain in respect of pension scheme		97	-	97
Revaluations in the year	-	-	15	15
Closing reserves at 31 July 2011	9,240	(1,719)	1,237	8,758

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

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

	Note	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Surplus after depreciation of tangible fixed assets at valuation		860	319
Depreciation	12	608	645
Loss on disposal of fixed assets		5	7
Deferred capital grants released to income	20	(435)	(432)
Investment income	6	(116)	(106)
Interest payable		85	105
Pension cost less contributions payable		77	48
(Increase) /decrease in debtors excluding bank interest		(99)	85
Increase /(decrease) in creditors excluding loans and overdrafts		254	389
Net cash inflow from operating activities		1,239	1,060

24 Returns on investments and servicing of finance

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Income from endowments	4	6
Income from investments	18	15
Other interest received	139	93
Realised foreign currency translation gains	37	13
Interest paid	(50)	(54)
	148	73

25 Capital expenditure and financial investment

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Payments made to acquire fixed assets	(17)	(249)
Deferred capital grants received	18	-
	1	(249)

26 Management of liquid resources

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Transfer (to) / from deposits	125	469

27 Financing

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Repayments of amounts borrowed	(76)	(192)

28 Analysis of changes in net funds

	At 31 July 2011 £000	Cash Flows £000	Other Non-Cash Changes £000	At 31 July 2012 £000
Cash at bank and in hand:				
Endowment assets (Note 14)	163	(1)	-	162
Other	2,380	1,438	-	3,818
	2,543	1,437	-	3,980
Short term deposits	5,236	(125)	-	5,111
Debt due within one year (Note 17)	(76)	76	(81)	(81)
Debt due after one year (Note 18)	(799)	-	81	(718)
	6,904	1,388	-	8,292

29 Capital commitments

There were no capital commitments at 31 July 2012 (31 July 2011 – nil).

30 Financial commitments

Central has an operating lease with St Peter's Church, Belsize Square London NW3 on which rent is not payable.

31 Contingent liabilities

There were no contingent liabilities at 31 July 2012 (31 July 2011: £Nil).

32 Related party transactions

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

	Income/ (Expenditure)		Nature of Transaction
	2012 £000	2011 £000	
CSSD Students Union	(15)	(15)	Union grant
Nyman Lisbon Paul	5	-	Scholarship
Gavin Henderson	10	-	Musical and Scenography Scholarships

33 Post balance sheet events

No significant post balance sheet events have arisen since 31 July 2012.

34 Amounts disbursed as agent-access funds

	Group and Central	
	31 July 2012 £000	31 July 2011 £000
Income:		
Excess of income over expenditure brought forward	4	2
Funding Council grants	15	18
	19	20
Expenditure:		
Disbursed to students	(12)	(16)
Excess of income over expenditure carried forward	7	4

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

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

	31 July 2012 £000	31 July 2011 £000
TDA training bursaries	35	137

35 Pension Schemes

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

The total pension cost for Central was:	**Year Ended 31 July 2012 £000**	**Year Ended 31 July 2011 £000**
Teachers' Pension Scheme : contributions paid		
Contributions paid	336	301
Provision for pension costs	110	-
London Pensions Fund Authority:		
Current service cost	448	366
Early retirements cost	20	21
	914	688

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 An interim valuation was carried out at 31 March 2007 and published in November 2007	31 March 2004
Actuarial method	Prospective benefits
Real rate of return in excess of prices	3.5%
Real rate of return in excess of earnings	2%
Rate of real earnings growth	1.5%
Gross rate of return	6.5%
Value of notional assets at date of last valuation (estimated future contributions together with notional investments held at 31 March 2004)	£163.240m
Total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits)	£166.500m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98%

35 Pension schemes (continued)

As from 1 January 2007, and as part of the cost sharing agreement between employers' and teachers' representatives, the standard contribution rate has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost sharing agreement has also introduced – effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

Under definitions set out in Financial Reporting Standard 17 Retirement Benefits, the TPS is a multi-employer pension scheme. Central is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, Central has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

London Pensions Fund Authority (LPFA)

A qualified independent actuary carried out a full actuarial valuation of the fund at 31 March 2010 and estimated whole fund returns for the period to 31 July 2012. The major assumptions used by the actuary were:

	2012	2011
RPI increases	2.6%	3.5%
CPI Increases	1.8%	2.7%
Salary increases	3.5%	4.5%
Pension increases	1.8%	2.7%
Discount rate	3.9%	5.3%

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

	2012	2011
Equities	71.0%	69.0%
Target return portfolio	10.0%	11.0%
Alternative assets	16.0%	14.0%
Other bonds	3.0%	4.0%
Cash	0.0%	2.0%

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

	2012	2011
Retiring today:		
Males	21.5	20.9
Females	24.1	23.9
Retiring in 20 years:		
Males	23.4	22.9
Females	26.0	25.8

35 Pension schemes (continued)

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

	2012		2011		2010	
	Long Term Return %	Fund Value £000	Long Term Return %	Fund Value £000	Long Term Return %	Fund Value £000
Equities	5.6%	3,747	6.8%	3,388	7.3%	2,739
Target return portfolio	4.3%	528	4.5%	540	4.5%	476
Alternative assets	4.6%	845	5.8%	687	6.3%	595
Other bonds	n/a	158	5.3%	196	5.4%	79
Cash	0.5%	0	3.0%	98	3.0%	79
		5,278		4,909		3,968

The following amounts at 31 July 2012 were measured in accordance with the requirements of FRS 17:

Analysis of the amounts shown in the balance sheet	**31 July 2012 £000**	**31 July 2011 £000**	**31 July 2010 £000**	**31 July 2009 £000**	**31 July 2008 £000**
Central's estimated assets share	5,278	4,909	3,968	3,270	3,087
Present value of scheme liabilities	(8,209)	(6,628)	(5,736)	(5,137)	(4,009)
Deficit in the scheme – net pension liability	(2,931)	(1,719)	(1,768)	(1,867)	(922)

Analysis of the amount charged to staff costs within operating surplus	**31 July 2012 £000**	**31 July 2011 £000**
Current service cost	331	333
Total operating charge	331	333

Analysis of the amount that is credited to other finance income / charged to interest payable	**31 July 2012 £000**	**31 July 2011 £000**
Expected return on pension scheme assets	315	283
Interest on pension scheme liabilities	(360)	(334)
Losses on curtailment and settlements	(36)	-
Net (charge) / return	(81)	(51)

35 Pension Schemes (continued)

Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL)	**31 July 2012 £000**	**31 July 2011 £000**
Actual return less expected return on pension scheme assets	(255)	159
Experience gains/losses	-	433
Changes in assumptions underlying the present value of the scheme liabilities	(880)	(495)
Actuarial (losses) / gains recognised in the STRGL	(1,135)	97

Movement in deficit in the year

Deficit in the scheme at the beginning of the year	(1,719)	(1,768)
Movement in the year:		
Current service costs	(331)	(333)
Contributions	335	336
Other finance income	(45)	(51)
Settlements and curtailments	(36)	-
Actuarial (losses)/ gains	(1,135)	97
Deficit in the scheme at the end of the year	(2,931)	(1,719)

Analysis of the movements in the present value of the scheme liabilities

At the beginning of the year	6,628	5,736
Current service cost	331	333
Interest costs (net)	360	334
Contributions by scheme participants	117	114
Losses on curtailment	36	-
Actuarial loss	880	104
Benefits paid	(143)	7
At the end of the year	8,209	6,628

Analysis of movement in the market value of the scheme assets

At the beginning of the year	4,909	3,968
Expected rate of return on scheme assets	315	283
Actuarial losses	(255)	201
Contribution by the employer	335	336
Contributions by scheme participants	117	114
Benefits paid	(143)	7
At the end of the year	5,278	4,909

35 Pension schemes (continued)

History of experience gains and losses	**2012 £000**	**2011 £000**	**2010 £000**	***2009 £000**	***2008 £000**
Experience (losses) / gains on scheme assets:	(255)	201	104	(447)	(352)
Experience gains on scheme liabilities:	-	391	-	-	201
Total amount recognised in the Statement of Total Recognised Gains and Losses:	(1,135)	97	135	(986)	(155)

* *Central has elected not to restate amounts for 2009 and 2008 as permitted by the amendment to FRS 17.*

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £1,708,000 losses (2010/11: £573,000 losses).

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

The estimate of the employer contribution for the defined benefit schemes for the year 2013 is £315,000.

The actual return on scheme assets in the year was £59,000 (2011: return £444,000).