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

##### Patron

HRH Princess Alexandra, The Hon Lady Ogilvy KG GCVO

##### President

Michael Grandage CBE

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2019**

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



TABLE OF CONTENTS

[REPORT OF THE BOARD AND EXECUTIVE 4](#_TOC_250009)

[PUBLIC BENEFIT 23](#_TOC_250008)

[STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL 26](#_TOC_250007)

[INDEPENDENT AUDITOR'S REPORT TO GOVERNING BODY OF THE ROYAL CENTRAL SCHOOL OF SPEECH AND DRAMA 35](#_TOC_250006)

[CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE 38](#_TOC_250005)

[CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE 39](#_TOC_250004)

[CONSOLIDATED STATEMENT OF CHANGES IN RESERVES 40](#_TOC_250003)

[CONSOLIDATED BALANCE SHEET AS AT 31 JULY 42](#_TOC_250002)

[CONSOLIDATED CASH FLOW 44](#_TOC_250001)

[NOTES TO THE ACCOUNTS 45](#_TOC_250000)

3

### REPORT OF THE BOARD AND EXECUTIVE

Central continues to evolve and adapt to considerable change and development within the HE Sector and the requirements of the profession for which our students are studying.

**Student Experience**

Central's students consistently achieve and excel within the profession and lead innovation and creativity within the performing arts. This reflects the specialist nature of Central's teaching staff and provision, and the industry standard facilities.

The student experience remains at the centre of all we do and the highly qualified teaching staff provide excellent teaching provision, as demonstrated by Central's continuing Teaching Excellence Framework (TEF) Gold status and the many accolades earned by both staff and students in the wide-ranging activities outlined in the following pages.

The buildings and facilities are also a key component of this experience and the newly completed North Block development is now being fully utilised, with its five large, double­ height studios including:

* performance studio with flexible capacity for use as a galleried theatre
* sound studio with facilities that prepare students to work at the highest standards in broadcast, film, and digital media
* movement studio with sprung floors
* two fully equipped rehearsal studios
* full range of ancillary spaces including new dressing rooms and teaching rooms
* new, larger workshop that will join with the existing scenic painting studio in the West Block, linking the two buildings.

Increasingly important to our students is the high level of welfare support provided through the student advice and counselling services, alongside the mechanisms and processes in place to listen to and promote the student voice, through student fora and representation, and the Student Union which goes from strength to strength.

**lnclusivity and support**

Central has inclusivity at its heart and is working hard, alongside the Student Union, to deliver to ambitious targets in order to embrace difference and diversity and provide genuine equality of opportunity for all.

Central is committed to equality, diversity and inclusion, and its mission to shape the future of theatre and performance in the UK and beyond is contingent on a diverse and inclusive student and staff body. A recent external independent governance review of the principles, practices and processes of diversity and inclusion within Central recognised the work being undertaken in this respect but identified that there remained much to be done. A programme for change has been developed and is led by the Inclusion Committee and overseen by the Governors' newly constituted Diversity and Inclusion Committee which membership includes staff and student governors.

The Governing Body welcomes the current diverse mix within its membership, consisting as it does of a majority female gender balance during 2018/19, a range of ages and backgrounds and reflecting a variety of differing protected characteristics, experience and skills.

**Funding and regulation**

The Office for Students (OfS) is the regulatory body for Higher Education, with Research England having oversight of all research activity.

The sector awaits response to the outcome of the Government's Review of Post 18 Education and Funding in order to progress strategic planning for future development. Cultivation of new avenues for funding and income generation continues apace to ensure sustainability for the School and accessibility for students.

**Impact**

Central is proud of its successes and student and alumni achievements evidenced through recognition in festivals, theatres, award ceremonies and more widely through enterprise and activity in the profession and the community.

Key to Central's impact nationally and internationally is the widely recognised research profile and the continued growth in outreach and collaborative activity.

Central's level of student applications remains strong and the Access and Participation programme and Outreach activity remain crucial to widening access.

**Thanks**

As always, we wish to thank all those who contribute so much to Central's sustainability and wellbeing. We believe Central is a community of hard working staff, governors and students, all working together to ensure continued success and achievement, and for the Public Benefit as set out in these statements.

In late October 2019, Professor Gavin Henderson CBE announced his intention to step down as Principal at the end of August 2020. The Board will commence a wide Search to appoint a successor Principal over the coming months.

\ \ '

b \"---

John Willis

\ --.J\ \,\\_,'-- .S.

7

**Professor Gavin Henderson CBE**

**Chair of Governors Principal and Chief Executive**

#### STRATEGIC REPORT INCLUDING OPERATING AND FINANCIAL REVIEW

1. 1 Structure

***Patron and Presidents***

Patron President

Vice President

***Board of Governors***

HRH Princess Alexandra, The Hon Lady Ogilvy KG GCVO Michael Grandage CBE

Zoe Wanamaker

All Governors of Central are Directors of the Company and Trustees of the Exempt Charity. The role of Governor is unpaid and no Governor receives any reimbursement for their work as a Governor; however, out of pocket expenses are available, and those paid during the year are recorded within Note 7 to the Accounts.

Independent Governors:

Committee)

Co-opted Governor Ex Officio Governors

Staff Governors Student Governor

Company Secretary

John Willis (Chair of Governors)

Menna McGregor (Deputy Chair of Governors)

Anthony Blackstock (Chair of Audit Committee) Christina Coker OBE *(appointed 1 January 2019)* Eleni Gill

Alan Haigh

Clare Hennings (Chair of Finance and Estates

Professor Simon McVeigh Anne Mensah

Emily Thommes Mark White

Abdul Bhanji (University of London co-option)

Holly Barraclough (Student Union President) Professor Gavin Henderson CBE (Principal)

Professor Maria Delgado (Academic Board nominated) Dr Stephen Farrier (staff nominated)

Shreya Chatterjee

*(appointed* 26 *November 2018,*

*retired 25 November 2019*

Debbie Scully (Deputy Principal)

***Clerk to Governors***

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

as Deputy Clerk to Governors acting as Minuting Secretary to Governing Body Committees and Clerk to the Audit and Nominations Committees. The Director of Operations who has oversight of the Human Resources function is Clerk to the Remuneration Committee.

* 1. Constitution

The Royal Central School of Speech and Drama (hereafter referred to as 'Central' or the 'School' and defined as 'the parent company') is an independent Company Limited by Guarantee, with a subsidiary Company, CSSD Enterprises Ltd. Central is also an Exempt Charity under the terms of the Charities Act 2011. Central has no linked charities.

On **1** April 2018 the Office for Students (OfS) became the principal regulator of Central, both as a Higher Education Institution and as an exempt Charity. The members of the Governing Body (Governors) of Central are both Directors and charitable Trustees.

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

* 1. Charity Objects

Central's objects, powers and framework of governance are set out in its Articles of Association. The current version was approved by Privy Council on

25 February 2014. 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.

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

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

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.

* 1. Corporate Plan

Central is a Higher Education conservatoire, drawing both of those elements together and situating itself at the junction of HE, industry and community interests, contributing to the interplay of these interests, and brokering the relationships between them.

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

Opportunities during the plan period are expected to include:

* + 1. conditions which favour Central's taking up an acknowledged premier position among UK specialist theatre institutions;
    2. optimisation of the student experience through further developed partnerships with companies and professional practitioners;
    3. income generation through fundraising, sponsorship, consultancy and research;
    4. efficiencies and effectiveness through shared services and building on good practice;
    5. development of Central's outreach and business training and establishing a new role as the specialist college with partnership schools;
    6. maximising the value of the University of London brand;
    7. providing leadership and advocacy for the creative industries in Central's areas of specialism;
    8. development of external examinations in speech and drama;
    9. development of an advocacy role through an increased ability to inform government policy and to represent the HE perspective;
    10. capitalising on additional space gains through completion of the North Block development.

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

1. need for estate development with limited capital funding and the need to utilise alternative accommodation during construction work;
2. continued public-sector austerity throughout the planning period including:
   * likely adjustments to government funding that may strip money out of the HE sector in general
   * competition from new providers entering the public-funded sector
   * impact of increased student debt burden
   * ability to maintain high student employability including self-employed/ freelance
   * assessed need to deliver an annual "Earnings Before Interest, Tax, Depreciation and Amortisation" (EBITDA) surplus in the range of 7-11% to remain sustainable;
3. changed circumstances, and further review, of public funding for specialist institutions and conservatoires;
4. changing school syllabus and possible resultant challenge to widening participation and student diversity;
5. attracting and retaining high calibre staff, including suitably qualified academic staff to sustain disciplinary specialist expertise in a climate of pay restraint;
6. the need to optimise environmental performance to enhance economic sustainability;
7. maintaining and developing research quality in an increasingly selective funding environment;
8. maintaining the quality of student experience during a downturn and through a period of construction; and matching student satisfaction with student expectation;
9. sustainability of Postgraduate taught provision in a competitive and changing environment;
10. effective profile and data management in a world soaked with information;
11. sustaining appropriate leadership and governance succession arrangements throughout the period;
12. generating sufficient income to continue outreach activity and to support scholarship and inclusion;
13. supporting staff and students in issues of diversity and gender equality.

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

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

##### Values

Central remains committed to:

* + 1. maintaining the distinctive ethos as an **HE** conservatoire at the crossing-point of **HE,** industry and community. This consists of a fluid combination of scholarship and research, industry-related vocational training and research-informed teaching;
    2. recognition that enhancement of learning is a project for staff and students alike, and that it takes many forms and relationships;
    3. active encouragement of diversity as a basis not only for an enriched learning experience but also for an enhanced working environment;
    4. opening doors to disciplines for new thinkers, makers and practitioners in dispersed and diverse communities and seeking to lead participation in varied but interrelated communities of interest and study;
    5. promoting ethical awareness and a culture of fairness and transparency.

##### Strategic Aims and Objectives

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

Alongside these, there are objectives relating to the continued development of the School's estate and its organisational resilience and sustainability. A summary of aims and objectives is given below:

***TeacMng, learn;ng and the student expedence***

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

***Research (outputs and sustajnabWty)***

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

***Fjnandal performance for sustajnabWty and finandal health:***

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

***Industry Impact***

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

***Estate Development***

1. Modelling estate masterplan to 2025 and establish phasing.
2. Delivering Phase 5 by Autumn 2018/19.
3. Securing appropriate accommodation for areas affected by Phase 5 build.
4. Commence feasibility of the final Phase 6 of the estate masterplan.

***Human Resource Development***

1. Developing and maintaining a comprehensive learning and development strategy that prepares and equips staff to fulfil the changing requirements of roles in accordance with institutional needs.
2. Maintaining and enhancing career progression routes to retain an appropriate balance of staff.
3. Maintaining and enhancing quality and diversity of staff.
4. Maintaining the integrated contribution of visiting and professional staff.
5. **PERFORMANCE REVIEW 2018/19**
   1. Strategic Performance against the current Corporate Plan:

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

* + 1. Central's staff Fellowship of the Higher Education Academy (HEA) increased by 4 (9%) from 47 to 51 in the year
    2. Expansion of regional auditions and a fee waiver scheme to support widening participation and access
    3. The Phase 5 North Block Development construction was completed in January 2019. Total fundraising of £1.3m was received towards the capital fundraising appeal
    4. In addition to capital campaign donations, recurrent fundraising targets were exceeded. Notable successes included bursaries for students and to fund applied theatre placements
    5. Central achieved a good year-end financial result marginally above the approved Budget for the year contributing to future investment and to ensure on-going sustainability
    6. Listed in top 10 of the Times and Sunday Times Good University Guide League Table for Drama/Dance and Cinematics.
    7. Continuation of start-up and enterprise scheme to fund graduate start-ups and track impact
    8. Development and expansion of placement opportunities with new providers
    9. Research successes towards further diversification of funding
    10. Gender pay gap expressed as a percentage of men's earnings at 1.1% Mean and 3.2% Median.
  1. Key Performance Indicators

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

|  |  |
| --- | --- |
| **Key Performance Indicator** - **Sustainability** | **Year ended**  **31 July 2019** |
| Payroll costs to remain within 60%of total income: |  |
| Payroll costs as a percentage of total income  Payroll costs as a percentage of total income excl. capital donations | Achieved Achieved |
| Continue to invest up to 1% of staff payroll cost on staff development activity | Achieved |
| Condition of estates in condition A and B to be above sector benchmark of 80%  Energy costs to remain below sector benchmark of £20 per m2 External borrowing to remain below 50%of income | Achieved  Achieved Achieved |
| Student non-completions below 5%  Maintain Student recruitment numbers to annual targets  Undergraduate Postgraduate Taught | Achieved  Marginally Not achieved Marginally Not achieved |

1. FINANCIAL REVIEW

The Financial Statements for the Year Ended 31 July 2019 show the group position for Central and include the results of CSSD Enterprises Limited, a subsidiary company. The principal activity of CSSD Enterprises Limited was to operate the student bar during the year.

The School is reporting a current year surplus of £0.81m, where income has increased by 3.1% to £19.?m and expenditure has increased by 7.3%to £18.9m when compared to prior year. The increase in income resulted from a combination of increases in tuition fees, Research Grant Contracts, donations and investment income. Conversely there was a decline in income from funding grants and other operating income. The surplus of £0.81m (before actuarial gains) represents a good outturn when compared to the approved Budget for the year, however this position is worsened by the valuation of pension as at 31 July 2019 which reflects £0.18m actuarial losses.

The actuarial losses are mainly due to an adverse change in financial assumptions underpinning the valuation of the net pension assets. Therefore, actuarial losses of

£0.18m are allocated to the comprehensive statement of income and expenditure resulting in a total comprehensive income of £0.63m in the year. See page 45 and 46 for further details.

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

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

|  |  |  |
| --- | --- | --- |
|  | **Year**  **Ended 31** | **Year**  **Ended 31** |
| July  **2019** | July  **2018** |
| **£000** | **£000** |
| Income | 19,742 | 19,141 |
| Expenditure | (18,934) | (17,622) |
| Surplus for the Year | 808 | 1,519 |
| Surplus% Income | 4.1% | 7.9% |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Income** |  | | | | |
| **Revenue Summary** | **2019** | **2018** | **2017** | **2016** | **2015** |
|  | **£000** | **£000** | **£000** | **£000** | **£000** |
| Tuition Fees & |  |  |  |  |  |
| Support Grants | 11,795 | **11,686** | 11,269 | 10,676 | 10,145 |
| Funding Grants | 5,971 | 6,161 | 6,240 | 3,968 | 3,637 |
| Research Grant |  |  |  |  |  |
| Contracts | 380 | 133 | 126 | 52 | **79** |
| Other Income | 538 | 633 | **648** | 759 | 808 |
| Capital Donations | **469** | 26 | **766** |  |  |
| Other Donations | **372** | **446** | **236** | **360** | 602 |
| Endowment and |  |  |  |  |  |
| Investment Income | 217 | 56 | 87 | **98** | 68 |
| **Total Operating Income** | **19,742** | **19,141** | **19,372** | **15,913** | **15,339** |

Tuition Fee income including Short Course and other fees has increased by £0.11m compared to 2018.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Tuition Fees Ei: Education Contracts Income**   * Home **Full -time Undergraduate** - EU * Non EU   Full-time - Home   * EU   **Postgraduate**   * Non EU   **Part-time** - Home  **Postgraduate** - EU   * Non EU | | **2019**  **£000 No.s\*** %  4,835 521 41%  634 68 5%  1,336 75 11%  1,339 142 11%  502 54 4%  2,015 148 17%  197 62 2%  19 5 0%  9 1 0% | | **2018**  **£000 No.s\*** %  5,130 567 44%  573 62 5%  1,175 68 10%  1,401 155 12%  402 43 3%  1,798 126 15%  214 64 2%  13 4 0%  18 2 0% | | **Variances**  **£000 No.s** %  (295) (46) (6%)  61 6 11%  161 7 14%  (62) (13) (4%)  100 11 25%  217 22 12%  (17) (2) (8%)  6 1 46%  (9) (1) | |
| Total Tuition Fees | | **10,886 1,076 92%** | | **10,724 1,091 92%** | | **162 (15)** 2% | |
| Short Course & Other Fees | | 909 8%  - | | 962 9%  - | | (53) | (6%)  1% |
| Total |  | **11,795** | 100% | **11,686** | 100% | **109** |

\* *Numbers excludes students with fully waived fees (2019: 4, 2018: 7)*

The table above highlights the fact that the increase sits within Tuition fee income. Significantly, the highest increase is within the overseas student classification generating an increase of £0.38m year on year. EU students accounted for an increase of £0.16m income compared to prior year.

Short course fees are down £0.05m when compared to 2018, this was due to marginal under recruitment on several courses.

Funding Grants decreased by £0.19m from 2017/18 to 2018/19. This decrease is primarily due to a reduction in the recurrent Teaching Grants from the OfS. Funding Body Grants as a proportion of total income is 30%of total income which is 2%down on the prior year.

Research Grant Contracts income is up £0.25m on the prior year as there were an additional 7 active projects in 2018/ 19. These include Dunham and Digital Methods for Dance Historical Inquiry and Performing Places Bexley funded by the Arts and Humanities Research Council, Underskirts of Shakespeare, Bogart and Making Waves funded by Leverhulme and Home-makers: urban expertise in the Philippine diaspora funded by the British Academy.

Other Operating income is down £0.09m on the prior year as result of lower income within Training Services.

Donations have increased by £0.37m from 2017/18 mainly due to an increase in the North Block capital fundraising income of £0.44m. Capital fundraising income is non-recurring and restricted to fund the North Block development. However, there was a compensating decrease in other donations of 0.07m.

Endowment and investment income is £0.16m up on the prior year due to favourable interest earnings on short term deposits.

Total Operating Expenditure has increased by 7.3%from 2017 /18, driven through increased staff costs, interest and depreciation.

Expenditure on staff costs is the highest cost item, representing 56.7%(2017 / 18 - 54.2%) of total income. Although staff costs are up 8.0%(£0.83m) on the prior year, this increase masks savings achieved from the deferral of recruitment on vacant positions previously expected to be filled at the beginning of the year.

Other operating expenses for the year 2018/ 19 have decreased by £0.05m when compared to 2017 / 18. This is primarily due to reduced expenditure within employment agency staff (£0.10m), cleaning (£0.06m) and computer projects (£0.09m). In addition there were compensating increases within consumables (£0.10m), visiting professionals (£0.0Sm) and promotional advertising (£0.0Sm).

Although the surplus for the year is down significantly (£0.71m, 47%) when compared to the prior year, this decline is in line with forward planning assumptions and anticipated £1.3m of increased costs year on year.

Staff costs increases were influenced by planned appointments to vacant positions, 4%pay increases and additional pension costs.

Non-staffing additional costs were associated with the completion of the Phase 5 Development project including bank interest loan payments, additional

depreciation and additional hire of external facilities due to the overrun of the project.

**Capital Projects**

The construction of the new Phase 5 building was completed in January 2019 with full occupancy of the North Block taking place in April 2019.

Capitalised costs of £4.0m incurred during the year comprised construction costs, plant, computer and media equipment.



**Cumulative Net Fixed Asset Additions**

**(£000)**

20,000

18,000

16,000

14,000

r:::

12,000

10,000

**4,000** ...

2,000

-

2018/19

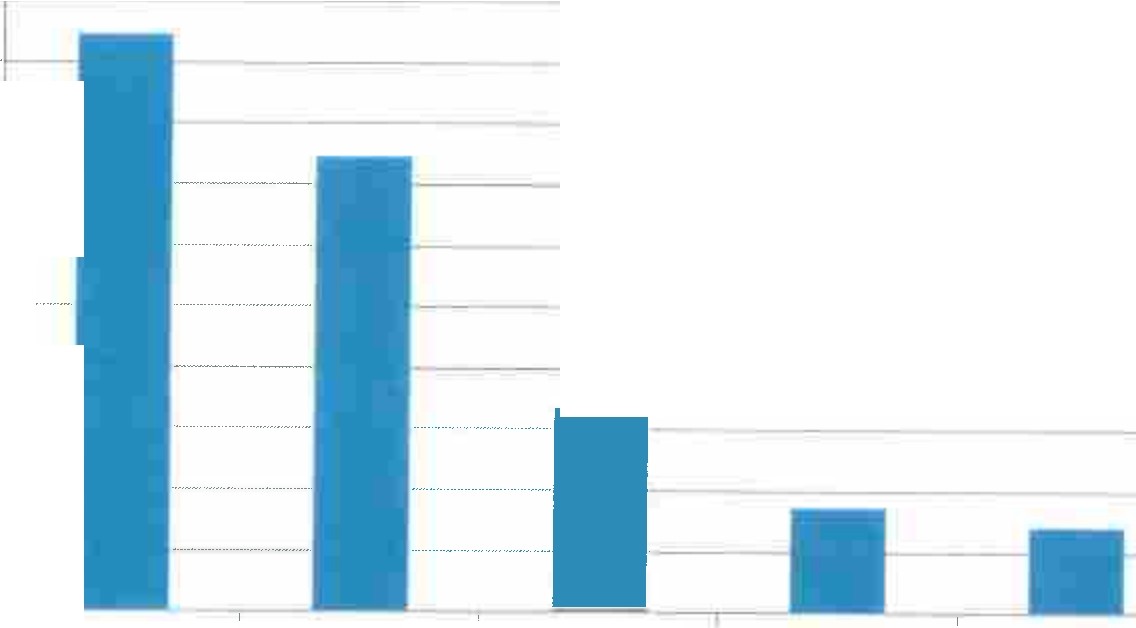
2017/18

2016/17

2015/16

2014/15

2013/14



**Cash Management**

Cash and cash equivalents (note 20) plus short term deposit balances (note 14) at the end of the year stood at £15.2m, down £1.9m when compared with prior year, and represents the equivalent of 308 days of expenditure. A net cash inflow from operating activities of £2.1m was generated in year.

The Treasury Management Policy of the School reflects a low appetite for risk, where liquidity and capital preservation represent the two essential criteria guiding cash management. Diversification of funds across a range of highly rated banking institutions was also employed to reduce exposure to counter-party risk. Following the recent completion of the major Phase 5 development, the Treasury Management Policy is currently under review to ensure it reflects a best value strategy. The policy will be confirmed when the outcome of the review of HE funding is known.

**Key Financial Indicators**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Royal Central School of**  **Speech and Drama** | | **Sector** |
|  | **2018/19** | **2017/18** | **2017/18** |
| Current Ratio | **3.8** | **3.8** | n/a |
| Net Liquidity (Days) | **308** | 366 | **138** |
| Cash flow from operating activities as % total income | 10.5% | **12.1%** | **8.6%** |
| External Borrowing as% of total income | 44.1% | 45% | 36.8% |

(Source: "Financial sustainability of higher education providers in England" - OfS 2019.14 published 4 April 2019)

The preceding financial indicators represent a healthy liquidity position for the School, the Current Ratio has decreased and External Borrowing is 44.1% of total income. The bank loan facility of £8.7m was fully drawn down in May 2018.

Central entered into a new bank loan facility of £8.7m in May 2016 to part-finance the £16.7m Phase 5 Development after obtaining consent from the Higher Education Funding Council for England (HEFCE) the funding body in force at that time for an increased financial commitment threshold. The £8.7m loan is for a 20 year period at an average fixed rate of just above 3%. Net Liquidity (Days) of 308 for the School, is a decrease on the prior year but remains significantly better when compared to the sector mean of 138 days. Cash flow from operating activities is down slightly and as a percentage of total income when compared against prior year (2018/19 £2.1m / 2017/18 £2.3m), driven predominantly through increase in the bank loan interest payable. In addition, the surplus delivered after depreciation is £0.81m in year compared to a prior year surplus after depreciation of £1.52m.

**Pensions**

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

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

The Department for Education published the latest TPS valuation report as at 31 March 2016 on the 5 March 2019. Following the recommendations of Lord Hutton on

public sector pensions, the valuation has been undertaken by the Government Actuary's Department in line with the revised valuation directions determined by Her Majesty's Treasury. The directions require the existing TPS and the new scheme introduced for the teachers' workforce on 1 April 2015 under section 1 of The Public Service Pensions Act 2013 to be taken into account in aggregate for the purposes of the current valuation.

The revised contribution was announced as 23.68% (up from 16.48%) and took effect in September 2019.

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

The LPFA scheme currently shows an FRS 102 deficit of £7.4m for the School, representing an increase from a deficit of £6.3m reported at the previous year end. The £7.4m liability reflects changes in assumptions underlying the present value of the fund's obligations compared to the fair value of scheme assets as at 31 July 2019. The present value of the fund's obligations for the School has increased to £20.9m, up £2.5m on the previous year. The fund's assets in turn have increased by £1.3m to

£13.4m.

An allowance has been made for the recent Court of Appeal judgement in relation to the McCloud Et Sargeant cases (Mccloud) which relate to age discrimination within the Judicial Et Fire Pensions Pension schemes respectively. On 27 June 2019 the Supreme Court denied the Government's request for an appeal, and on 15 July 2019

the Government released a statement to confirm that it expects to have to amend all public service schemes including the LGPS. The estimated impact of McCloud on the defined benefit obligation has been included as a past service cost. The impact on the total liabilities as at 31 July 2019 is £0.14m.

The current employer rate of 14% is set for a 3 year period from 1 April 2017 to 31 March 2020. The next actuarial valuation of the fund will be carried out as at 31 March 2019 and will set the contributions for the period from 1 April 2020 to 31 March 2023.

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

**Future Outlook and Key Risks**

In December 2019 the School will submit its 5 year forecast to the Office for Students (OfS) for the period up to 2023/24. These forecasts acknowledge on-going uncertainties across the sector such as:

* The outcome of the Independent Review of Post 18 Education and Funding and the possibility of significant changes to higher education funding arrangements.
* OfS Review of Specialist Institution Funding and Teaching Funds.
* Economic uncertainty remains particularly with Brexit, the funding position of new EU students entering UK HE from 2021122 is still unknown.
* The outcome and impact of a General Election and Comprehensive Funding Review on higher education during the forecast period.
* Regulated Under-Graduate Taught (UGT) tuition fees are currently the subject of much debate. Regulated fee levels have been frozen at 2017 levels in 2019/20 and 2020/21. The resumption of inflationary increases from 2021122 may be under threat alongside the possible introduction of differential regulated fee levels.
* Sustainability of specialist Post-Graduate Courses following the withdrawal of the PGT supplement combined with Brexit risks.
* The immediate in-year financial impact on the income and expenditure statement resulting from new regime student recruitment and withdrawals.
* Higher staff costs including higher inflation leading to higher average pay levels beyond income uplift, pressure on the public sector pay cap, increases to employer NI rates, the apprenticeship levy and issues related to the long-term cost liabilities and the sustainability of current pension schemes outside of the control of Central.
* The proposed review on how Research Excellence Framework (REF) monies will be allocated in future years with possible increased selectivity and a possible return to the protection of STEM subjects.
* The outcome of the next REF and Teaching Excellence Framework (TEF) and the introduction of the Knowledge Exchange Framework (KEF).
* Concern about the withdrawal of the Student Disability Allowance (DSA) for certain categories with the expectation that institutions have a duty to make appropriate adjustments out of core funds. This may be a reasonable assumption for the average institution that may have an average of 11%of students in receipt of DSA. For arts institutions there is evidence that the number in receipt of DSA is much higher. For Central, this is usually around 25%of the student body.
* The lack of capital grants for specialist HEls presenting real challenge in the financing of major capital builds.

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

* Attracting and retaining high calibre staff and students
* Teaching and Research excellence
* Enhancing Equality and Inclusion
* Estate development
* Constantly testing relevance of the School syllabus and skills provision
* Enhancing environmental performance
* Ensuring on-going sustainability

Investment in the on-going sustainability of the School is clearly evident through the School's investment in staffing costs and ambitious plans with regard to the estate investment plan evidenced through the completion of Phase 5 (North Block), all

aimed at enhancing the teaching and learning environment and ultimately the student experience. The emphasis on surplus generation and the accumulation of surpluses to date enables the School to invest strategically in support of the Corporate Plan. As evidenced above, investment will take the form of both capital investment and additional recurrent spend. The £16.7m North Block investment is funded through a combination of an external loan facility, a Capital fundraising campaign and by drawing on internal reserves. The School entered into a new bank loan in May 2016 to the value of £8.7m. The loan was drawn down in May 2018.

Financial sustainability underpinning the investment behind the School's Corporate Plan has been fully tested and reflected in the seven year financial forecasts [2 years' actual results plus 5 years of forecast] to 2023/24 as submitted to the OfS. The following table summarises key financial ratios closely associated with the assessment of an institution's long term financial sustainability:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Forecast  **2023/24** | Forecast  **2022/23** | Forecast  **2021/22** | Forecast  **2020/21** | Forecast  **2019/20** | Actual  **2018/19** | **Actual**  **2017-18** |
| Surplus/(deficit) before gains and losses as a%of  total income | 3.1 | 2.8 | 4.1 | 3.5 | 1.9 | 4.1 | 7.9 |
| Discretionary reserves exc. pension asset/(liability)  as a% of total income | 124.9 | 123.6 | 121.6 | 118.7 | 114.2 | 114.3 | 117.4 |
| External borrowing as a% of total income | 32.7 | 35.4 | 37.8 | 40.3 | 42.0 | 44.1 | 45.5 |
| Net cash flow as a% of total income | 6.5 | 6.0 | 7.2 | 7.3 | 3.4 | 10.5 | 12.1 |
| Net liquidity days | 347 | 337 | 330 | 315 | 289 | 308 | 366 |
| Staff costs as a % of total income | 60.0 | 60.0 | 60.0 | 59.7 | 57.7 | 56.7 | 54.2 |
| Staff costs as a % of total income (excluding capital  donations) | 60.0 | 60.0 | 60.0 | 59.7 | 57.7 | 57.7 | 54.2 |
| Adjusted net operating cash flow (£) | 2,329 | 1,137 | 1,342 | 1,347 | 574 | 2,092 | 2,354 |
| EBITDA (£) | 1,513 | 1,463 | 1,735 | 1,686 | 1,361 | 2,076 | 2,818 |
| EBITDA % | 7.4 | 7.3 | 8.8 | 8.6 | 7.0 | 10.4 | 14.7 |
| EBITDA excluding capital donations (£) | 1,513 | 1,463 | 1,735 | 1,686 | 1,361 | 1,545 | 2,792 |
| EBITDA % | **7.4** | 7.3 | **8.8** | **8.6** | **7.0** | 7.7 | **14.6** |

Throughout the forecast period, discretionary reserves excluding pension liability as a percentage of total income range between 114. 2%and 124.9% which is slightly below the sector average of 126.6%for 2017/18 reported within "Financial sustainability of higher education providers in England" - OfS 2019.14 published 4 April 2019. The focus on discretionary reserves is due to the fact that they can act as a buffer against large, unexpected financial pressures. In very broad terms, they are a proxy for the financial strength of the institution, showing its underlying financial strength, and therefore the ability to absorb unexpected financial shocks and challenges.

The measure "Net Liquidity (Days)", indicates the School's ability to respond to short term financial pressures. The measure is consistently higher than the predicted forecast sector average of 138 days for 2017/18 (OfS 2019.14). Detailed cash-flow analysis also highlights a healthy liquidity position throughout the planning period.

The School is moving forward from a position of cumulative strength and a strong focus on long term financial sustainability, a healthy Balance Sheet despite increased debt and a high cash balance position with a good level of reserves and a good track

record of generating surpluses. The School has therefore a reasonable expectation that adequate resources exist to continue operations for the foreseeable future and the going concern basis continues to be appropriate for preparing the annual financial statements.

**Risk Management**

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

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

1. reduction in the number of overseas student applications/acceptances resulting in loss of forecast income;
2. higher than forecast level of withdrawals resulting in loss of tuition fee income and possible under-performance against the OfS contract; and
3. reduction in number of students from the EU area resulting from Brexit.
4. the marginalization of creative arts within the school curriculum and the introduction of paid technical apprenticeships will reduce the supply of suitable applicants to some of Central's specialist technical pathways.
5. outcome of the Government review of higher education funding leading to a lower allocation as part of the next review into institution-specific targeted allocations (RISTA), a lower unit of resource or the reintroduction of student number controls impacting adversely on the current business model and ongoing sustainability.

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

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

1. further development of a proactive marketing strategy.
2. regular monitoring of student withdrawals, and reasons thereof and optimising recruitment numbers to provide a cushion against future withdrawal.
3. continued investment in infrastructure including the Phase 5 Development and capital equipment.
4. reallocated duties to maximise effectiveness of the marketing strategy.
5. investing in website, press and social media enhancements to seek a competitive edge to attract students worldwide and facilitate a more proactive press and social media campaign to correct any false reporting, highlight good news stories and promote the School's achievements.
6. development of Scholarships to attract high quality applicants.
7. maintaining quality teaching.
8. reviewing curricular offer and student mix.
9. investment in student support and advisory services.
10. continued focus on environmental issues.

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

1. unsustainable pension schemes resulting in significant pension scheme liabilities.
2. insufficient on-site or off-site physical space of good quality to meet operational requirements.
3. effects of continued austerity within the Higher Education sector.
4. inherent inflexibility of the business model and the very long lead time for change to take effect.

#### PUBLIC BENEFIT

Central is an exempt charity under the terms of the Charities Act 2011. In setting and reviewing the School's objectives and activities the Board of Governors has due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary guidance on the advancement of education.

In pursuit of its vision and mission (as stated above), the School delivers its annual objectives through a range of activities that deliver substantial public benefit primarily education and training, research, widening participation and access, and public and community engagement.

**Education and training**

As a small, specialist higher education institution and a conservatoire for training in the theatrical and performing arts, Central's wide portfolio offers evening courses, diplomas and summer schools in addition to our extensive programme of undergraduate degrees, MA/MFAs, and research programmes. The School has internationally recognised expertise in the areas of drama education and pedagogy; acting and actor-training; technical theatre and technical production management; applied and social theatre; directing, directors, stage management, scenography and design; voice; movement; drama therapy; and cultural histories of performance.

There are approximately 75 members of permanent academic staff at Central who lead and work on the 33 BA, MA/MFA and Research courses, involving around 1,000 students each year. Crucially, much of Central's teaching operates at the intersection with industry and is realised with partners from a range of sectors, including theatres, local authorities, non-governmental organisations, charities, educational institutions, cultural festivals, and the museum sector. These partners are based in the UK and in many other countries around the world.

Industry connections for all students are at the heart of Central's mission, and the one-to-one, bespoke approach sets the School apart from other higher education or theatre training establishments. There are a wide variety of placements undertaken by students at Central with a constantly expanding number of partnership organisations. Over 400 students received individual or group-based work experience in the 2018-19 academic year. For example, 65 BA Theatre Practice students completed placements at either the National Opera House, the National Theatre, or the Royal Court Theatre. An added benefit of placements such as these is that students graduate from Central with a broad network of industry contacts, making them better placed to advance their careers.

Courses not involving placements benefit from an extensive roster of visiting professionals, who teach specialist skills and lead or work alongside students on creative projects. Where appropriate, leading agents and casting directors attend student productions and showcase events.

**Research**

The School's research explores contemporary practices of theatre-making and performance as well as their cultural histories and lineages. It interrogates theatre and performance both in themselves and in interplay with other disciplines, as well as their wider socio-cultural, institutional, political, and socio-economic contexts and conditions.

The School places the communities and audiences that performance serves at the forefront of its research, advocating for theatre's impact and ongoing cultural, political and social significance. Produced by a diverse team of researchers working across **11** languages, it celebrates theatre and performance's transnational and trans­ historical contexts. The School is committed to the highest ethical standards and to proactively embracing diversity in its research, believing that recognising, understanding, respecting and valuing differences leads to excellence in research and knowledge exchange.

As part of its efforts towards research dissemination and knowledge exchange to produce benefit within and beyond the academy, the School offered a series of research events over the course of the past year, including lectures, seminars, workshops, panel and roundtable discussions, book launches, festivals, performances, and a conference. These were attended by approximately 1,800 people.

**Widening participation and access**

Central is committed to attracting and training a diversity of students in all of its courses. Through outreach work, the School creates opportunities for young people to experience drama training and develop the skills, knowledge and understanding to access higher education. It offers targeted support to remove barriers that might prevent interested young people from learning about, accessing or affording training at Central. This includes:

* workshops for Year 12 and 13 students studying drama and/or art and design courses;
* visits to primary and secondary schools to present projects, productions, workshops and activities;
* collaborative outreach projects with a range of partners, including Clean Break, Generation Arts, Open Door, Talawa Theatre Company, Theatre Peckham, and The Advocacy Academy, which involve working with young people in the margins of London, young people in London and the East Midlands who are serious about pursuing a career in acting, backstage or production arts but need help getting there, former prisoners and LGBTQ+ communities;
* giving out over 1,000 free audition vouchers each year to prospective students applying for the BA Acting programmes who may otherwise be put off applying because of the cost of auditions;
* regional auditions for applicants who are unable to travel to London;
* scholarships and bursaries to the almost one-third of Central's students struggling with financial hardship, to help them cover tuition fees and living expenses; and,
* targeted efforts to increase the number of care leavers accessing higher education, with Central being the only drama school to offer bespoke support for care leavers, in the form of bursaries, mentoring and a designated member of staff to offer guidance and support throughout their time at Central.

**Public and community engagement**

For the wider community the School provides a broad range of public lectures, seminars, workshops, public productions and performances, with public productions alone being attended by almost eight thousand (8k) people during the year. Seminars engaged audiences with key topics such as the crisis in theatre in Greece, raising awareness about opioid addiction through therapeutic theatre, and decolonising human exhibits.

Lifelong learning opportunities were offered to individuals of all ages, from children and young people to adult learners and continuing professionals, through the School's short courses programme. Over 1,200 people participated in these courses during the year, including almost 500 in the Saturday Youth Theatre programme, about 400 in evening courses, over 260 in summer short courses, and 86 in the diploma programme.

The School is also a sought-after partner by public, private and third-sector organisations at local, regional, national and international levels. Examples of Central's diverse partners during the 2018-19 year were the London Borough of Bexley, the Little Fish Theatre Company, the Andrew Lloyd Webber Foundation, the Goethe Institute, the Proscenio Centre and MISI Productions in Bogota, and the Central Academy of Drama in Beijing.

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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** has overall responsibility for the management of the affairs of the School and is unambiguously and collectively accountable for institutional activities.

The Governing Body held five meetings during the academic year 2018/19, including two strategic topic meetings.

The **Academic Board** has responsibility for research, scholarship, teaching, and development of academic activity. In accordance with the Articles of Association it is chaired by the Principal and comprises staff and student members. An independent Governor attends meetings as an observer in the capacity of academic link Governor.

**Governing Body Recruitment and Development**

The Governing Body has determined maximum membership numbers of nineteen, of whom fourteen will be external independent lay members. The Governing Body comprised seventeen members on 31 July 2019 including the Principal/CEO. The Chair is elected from among the independent members and was chaired by John Willis throughout the year. Members of the Governing Body, excluding the Chair, may serve for a maximum of three terms of three years. Exceptionally, a Governor may serve for a fourth term on a resolution of the majority of Governors. Currently the Chair of Governors may serve for a maximum of three terms of four years.

There is also provision for the appointment of co-opted members, and members from the staff and the student bodies.

Central values the diversity of its workforce and student population and it is the Governing Body's ambition to reflect greater diversity across Central's staff and student bodies and also within its own membership. The current Governing Body membership has a 53%ratio of women to men, and a 21%ethnic diversity - unusual within the HE sector; however, the Board continues to face the challenge of addressing all aspects of diversity and various external platforms and mechanisms are being utilised to widen the search for members.

The Nominations Committee regularly reviews the mix and skills of the Governing Body in order to identify gaps and consider ways of attracting appropriate candidates and maintaining a diverse and effective membership. Central has had some success in diversification to include Governors from black, Asian and minority ethnic (BAME) backgrounds, but this remains an area of challenge, as does attracting suitably qualified candidates with disabilities, and those from a younger age group. Central has utilised external search platforms to attract qualified candidates from more diverse communities and underrepresented groups.

All Governors complete a 'fit and proper person' declaration and register of interests. The Governors' register of interests is publicly available on the Governance section of Central's website. No conflicts of interest have been revealed by review of returns for the current year.

All Governors receive induction to address particular needs to meet their existing knowledge and experience and Central provides continuous development to meet Governors' individual requirements, recognising the wide range of backgrounds and skills held. Alongside the various opportunities to attend events and conferences relating to Central's specialist provision and the HE sector more generally, recent Governor development has also included Unconscious Bias training and a sexual harassment awareness workshop.

**Governing Body Conduct and Code of Governance**

The Board of Governors of Central is committed to exhibiting good practice in all aspects of corporate governance. To this end, Central endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and to apply the guidance to institutions of higher education from the Committee of University Chairmen (CUC) in its *Higher Education Code of Governance published in December 2014 and Revised in June 2018.*

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

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

The Governors have applied all seven elements of the Code in full in the year ended 31 July 2019.

The Governors have also applied the majority of *The Higher Education Senior Staff Remuneration Code* published by the CUC in June 2018. The Governors have adopted the three elements of fair and appropriate remuneration and the supporting principles. Modifications were made to Central's Remuneration Committee processes in October 2018 to reflect good practice. Progress in the full application of the Code

continued in year where an equal pay audit for senior staff paid outside of the national pay scale was undertaken. Overall the gender balance between those identifying as male and female is equal. The pay gap is currently -0.37% in favour of female workers. The development of a revised policy on external income is in progress in order to enable a statement of full application of all three elements of the Remuneration Code to be applied in time for the year ending 31 July 2020.

**Review of Effectiveness**

The Governing Body undertakes periodic Effectiveness Reviews. An external review was conducted in 2017 *I* 18, specifically focussing on governance of diversity and inclusion, and which led to a review of the Governance committee structure and an action plan for diversity and inclusion. In 2014/15 an effectiveness review formed part of the review of application of the new Higher Education Code of Governance. The Effectiveness review resulted in the production of an Action Plan to enhance governance arrangements and demonstrate evidence in the application of the Code. Meeting effectiveness reviews have also been undertaken in respect of the Governing Body and its key committees.

The implementation of Actions arising from such effectiveness reviews are monitored by the Nominations Committee, the Audit Committee and the Internal Auditors as appropriate.

The Academic Board also undertakes periodic effectiveness reviews and the last review was undertaken in 2018.

**Summary of Delegated Authority**

***Governing Body***

The matters specifically 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.

Much of the detailed work of the Governing Body is initially scrutinised by Committees established for this purpose in accordance with specific delegated authority incorporated within each committee's terms of reference.

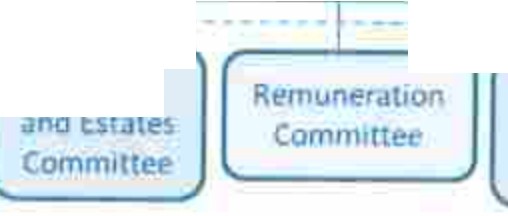
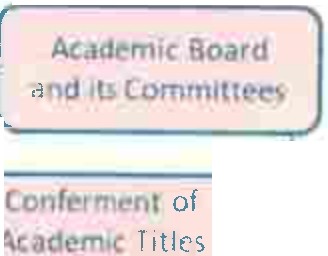
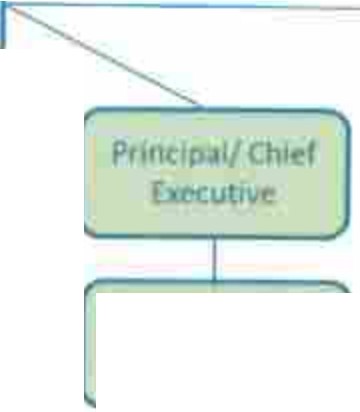
The Schedule of Delegation incorporated within the Corporate Governance Framework defines the approved level of authority.

***Governing Body Committees***

Following recent review, the Governing Body has revised its Committee structure to widen discussion and better utilise Governor skills and experience and to further invest in Central's commitment to diversity and inclusion. This included segregation of matters relating to employment and senior staff remuneration from those of finance and estates; widening of the Nominations Committee membership to include staff and student governors; incorporation of a new Diversity and Inclusion

Committee with staff and student representation, and also a new Strategic Development Committee for strategic discussion on innovation and income generation.

The new Committee structure, approved by the Governing Body on 26 November 2018 for implementation in 2019 is shown below:



**Governing**

**Body**

,-iagement

**11,:>U[**

'iono,,iry

Df'grf-'f•'> and

**'t>llow h•n**

Audit

Committee

**Frn.incc**

**Human Re5ource. C.Ommrttee**

**.incl Inclusion Committee**

**0111!.'f)ity** ,---'---:====-/\_..

**Strateg1c** Nom1nat1ons

**Development** Cornm1:tee

**Committee**

:><:'a, ch Cornrn,ttt'es (ad hoc)

Evaluation (ornrn1ttef' lad hoc)

Cor,. m;ttPP

**csso**

**Enterprises**

Ltd

Annual General Meetir,g of Members

The **Finance and Estates Committee** monitors finance and estates matters and, inter alia, recommends to the Governing Body the annual revenue and capital budgets; monitors performance in relation to the approved budgets; reviews the management of significant risks and reviews investment strategy and performance.

The **Remuneration Committee** reviews the performance, and determines the annual remuneration, of senior post-holders; and reviews the remuneration policy of executive staff. The Chair of Governors chairs the Committee with the exception of business in relation to the Principal's remuneration when the Deputy Chair of Governors/Chair of Human Resources Committee chairs proceedings.

The **Human Resources Committee** reviews and makes recommendations to the Governing Body on the Framework for Pay and Conditions of staff.

The **Nominations Committee** reviews the balance of skills and experience needs of the Governing Body; considers arrangements for the identification and selection of new members and makes recommendations for new appointments.

The **Audit Committee** meets with external and internal auditors to review audit findings; review the financial statements and accounting policies; monitor regulatory

adherence; review effectiveness of health, safety and wellbeing arrangements; review risk management control; review value for money arrangements; and monitor quality assurance of data.

The **Diversity and Inclusion Committee** provides assurance to the Governing Body in relation to the effective promotion and progression of equality, diversity, participation and inclusion across the institution and compliance with relevant legislation.

All Governing Body committees are formally constituted with set memberships and terms of reference and comprise mainly independent members of the Governing Body, one of whom is nominated as Chair.

###### *Principal and Accountable Officer*

Professor Gavin Henderson CBE holds the office of Principal, Chief Executive and Accountable Officer and did so throughout 2018/ 19. The Principal has authority for the general organisation, direction and management of the institution and leadership of staff and is authorised to delegate powers to Senior Staff members subject to the limits of his own delegated authority.

**Statement of the Governing Body's Responsibilities**

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

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

**Statement of Internal Controls**

The Governing Body is responsible for the institution's system of internal controls and for reviewing its effectiveness. The system is based on identification and evaluation of risk and the monitoring of policies and processes to ensure effective management which enables objectives to be achieved effectively, efficiently, economically and ethically.

***Risk Management***

The following provides a summary of arrangements in place:

* 1. reports are received from budget holders, department heads and project managers on internal control activities within their areas of responsibility, including progress on key projects;
  2. a Risk Management Strategy and Policy is in place, which defines the institution's approach to risk management and provides a framework for risk assurance. This is informed by best practice guidance received through the British Universities Finance Directors Group (BUFDG), OfS Guidance and the HM Treasury Assurance Framework;
  3. a risk assurance framework has been developed to provide reliable evidence to underpin the assessment of the risk and control environment for the annual Governance statement;
  4. the Executive Management Group reviews the key strategic risks at each meeting and undertakes a review of departmental operational risk registers termly. Feedback and training is provided on an on-going basis;
  5. the Audit Committee provides oversight of risk management procedures and receives regular reports from Executive Management Group and the head of internal audit, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the institution's systems of internal control, together with recommendations for improvement;
  6. the annual internal audit programme is approved by the Audit Committee based upon identified strategic risks to the institution and taking into consideration risks facing the sector as a whole;
  7. Finance and Estates Committee reviews risk management reports termly and the Human Resources Committee also reviews specific risks in relation to its area of responsibility;
  8. the Governing Body undertakes an annual review of the significant risks facing the institution and receives periodic reports from the Audit Committee concerning risk and internal controls, and from the Finance and Estates Committee in respect of the management of significant risks.

During the year, the Governing Body has overseen effective action undertaken to address risks relating to its new North Block development now successfully completed and fully occupied.

The Governing Body review of the effectiveness of the system of internal control is informed by the School appointed internal audit firm Grant Thornton, which operates to standards defined in the OfS Audit Code of Practice. 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.

The Governing Body is of the view that: *there is an effective on-going process for identifying, evaluating and managing the institution's significant risks; that it has been in place throughout the year ended 31 July 2019, and up to the date of approval of the annual report and financial statements; that it is regularly reviewed by the Governing Body; and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education*

###### *o;sclosure of ;nformation to audjtors*

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

herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

At the Annual General Meeting of the Members on 15 July 2019 KPMG **LLP** was re­ appointed as Central's external auditor.

**Statement of Governing Body Responsibility in respect of the strategic report and Financial Statements**

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

The Governing Body is required to prepare group and parent School financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.* The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Governing Body is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent School and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent School financial statements, the Governing Body is required to:

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

The Governing Body is responsible for keeping proper accounts and proper records in relation to the accounts.1 It is responsible for such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

1 If additional or different requirements are included in the School's Articles of Association or other governing legislation then the responsibilities of the Governing Body need to reflect those requirements.

The Governing Body is also responsible for ensuring that:

* + funds from whatever source administered by the Group or the School for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
  + funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
  + ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
  + securing the economical, efficient and effective management of the School's resources and expenditure.

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

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

*(*J \., - (--\_;\\;

**John Willis**

**Chair of Governors**

25 November 2019

THE ROYAL CENTRAL SCHOOL OF SPEECH AND DRAMA FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

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

##### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

**Opinion**

We have audited the financial statements of The Royal Central School of Speech and Drama ("Central") for the year ended 31 July 2019 which comprise the Group and Central Statement of Comprehensive Income and Expenditure, the Group and Central Statement of Changes in Reserves, The Group and Central Balance Sheet and the Group Cash Flow and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

* give a true and fair view of the state of the Group's and Central's affairs as at 31 July 2019, and of the Group's and Central's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
* have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2015 *Statement of Recommended Practice* - *Accounting for Further and Higher Education;* and
* meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students.

**Basis for opinion**

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

**The impact of uncertainties due to the UK exiting the European Union on our**

audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict

the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

**Going concern**

The Governing Body has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or Central or to cease their operations, and as they have concluded that the Group and Central's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Governing Body' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Central's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or Central will continue in operation.

**Other information**

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

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

**Governing Body responsibilities**

As explained more fully in their statement set out on page 30, the Governing Body is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Central's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or Central or to cease operations, or has no realistic alternative but to do so.

##### Auditor's responsibi Ii ties

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.or\_g\_.uk/auditorsresoonsibilities.

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

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

* funds from whatever source administered by the Group or Central for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
* funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them.

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

This report is made solely to the Governing Body, in accordance with the Articles, Charters, Statutes or Ordinances of the institution. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Central and the Governing Body for our audit work, for this report, or for the opinions we have formed.



##### Richard Hewes (Senior Statutory Officer)

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square, London. E14 5GL

"·

*(* November 2019

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

**Year Ended 31 July 2019**

**Year ended** Year ended

**31 July 2019** 31 July 2018

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Notes | **Group** | **Central** | Group | Central |
|  | £'000 | £'000 | £'000 | £'000 |
| **Income** |  |  |  |  |  |
| Tuition fees and education contracts | 1 | **11,795** | **11,795** | 11,686 | 11,686 |
| Funding body grants | 2 | **5,971** | **5,971** | 6,161 | 6,161 |
| Research grants and contracts | 3 | **380** | **380** | 133 | 133 |
| Other income | 4 | **538** | **443** | 633 | 526 |
| Investment income | 5 | **217** | **217** | 56 | 56 |
| **Total income before endowments and donations** |  | **18,901** | **18,806** | 18,669 | 18,562 |
| Donations and endowments | 6 | **841** | **841** | 472 | 472 |
| **Total income 19,742 19,647 19,141 19,034** | | | | | |
| **Expenditure** |  |  |  |  |  |
| Staff costs | 7 | **11,200** | **11,154** | 10,373 | 10,328 |
| Other operating expenses |  | **6,188** | **6,144** | 6,240 | 6,182 |
| Depreciation | 11 | 1, 112 | **1,112** | 747 | 747 |
| Interest and other finance costs | 8 | **428** | **428** | 276 | 276 |
| **Total expenditure** | 9 | **18,928** | **18,838** | **17,636** | **17,533** |
| **Surplus/(deficit) before other gains/(losses)** |  | **814** | **809** | **1,505** | **1,501** |
| Gain on investments | **12** |  |  | **12** | **12** |
| **Surplus** / **(Deficit) before tax** |  | **814** | **809** | **1,517** | **1,513** |
| Transfer to accumulated income in endowment funds |  | (6) | (6) | 2 | 2 |
| **Surplus for the year** |  | **808** | **803** | **1,519** | **1,515** |
| Actuarial gain / (loss) in respect of pension schemes | **27** | **(180)** | **(180)** | 1,702 | **1,702** |
| **Total comprehensive income/ (expenditure) for the year** |  | **628** | **623** | **3,221** | **3,217** |

*(Continued on the next page)*

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

**Year Ended 31 July 2019 (continued)**

**Year ended 31 July2019**

Year ended 31 July 2018

Notes

**Group Central**

£'000 £'000

Group

£'000

Central

£'000

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Represented by: |  | | | |
| Endowment comprehensive income for the year | **6** | **6** | 1 | 1 |
| Restricted comprehensive income for the year | **538** | **538** | 207 | 207 |
| Unrestricted comprehensive income *I* (expenditure) for the year  **84 79** 3,013 3,009 | | | | |
| Attributable to Group and Central | **628** | **623** | 3,221 | 3,217 |
| Surplus for the year attributable to: |  |  |  |  |
| Group and Central 808 803 1,519 1,515 | | | | |

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

**Group and Central**

**£'000**

Actuarial Gains / ( Losses) in respect of LPFA pension scheme

**Year Ended**

31 July **2019**

(180)

Year Ended 31

July 2018

1,702

Gain on investments

**Total Gain** / **(Losses)**

12

**(180) !,]14**

### CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

**Year Ended 31 July 2019**

*Transfers*

**Group Income and expenditure account** Revaluation *to*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | *Endowment* | *Restricted* | *Unrestricted* | reserve | *reserves* | Total |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 1 August** |  |  |  |  |  |  |
| **2017** | **401** | **1,284** | **18,153** | **1,270** | *43* | **21,151** |
| Surplus from the income |  |  |  |  |  |  |
| and expenditure |  |  |  |  |  |  |
| statement  Other comprehensive | 11 | 446 | 1,062 |  |  | 1,519 |
| income |  |  | 1,702 |  |  | 1,702 |
| Release of restricted |  |  |  |  |  |  |
| funds spent in year | (10) | (239) | 249 |  |  |  |
| **Total comprehensive** |  |  |  |  |  |  |
| income *I* (expenditure)  **for the year** | 1 | 207 | 3,013 |  |  | 3,221 |
| Endowment Transfer |  |  |  |  |  |  |
| **Balance at** 1 **August** |  |  |  |  |  |  |
| **2018** | **402** | **1,491** | **21,166** | **1,270** | 44 | **24,373** |
| Surplus from the income |  |  |  |  |  |  |
| and expenditure statement | 13 | 752 | 43 |  |  | 808 |
| Other comprehensive |  |  |  |  |  |  |
| income |  |  | (180) |  |  | (180) |
| Release of restricted funds spent in year | (7) | (214) | 221 |  |  |  |
| Total comprehensive |  |  |  |  |  |  |
| income *I* (expenditure) for the year | 6 | 538 | 84 |  |  | 628 |
| Endowment Transfer |  |  |  |  |  | 6 |
| Balance at 31 July |  |  |  |  |  |  |
| **2019** | **408** | **2,029** | 21,259 | 1,270 | *50* | 25,007 |

THE ROYAL CENTRAL SCHOOL OF SPEECH AND DRAMA FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

# CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

**Year Ended 31 July 2019 (continued)**

*Transfers*

**Central Income and expenditure account** Revaluation *to*

reserve *reserves* Total

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | *Endowment* | *Restricted* | *Unrestricted* |  |  |  |
|  | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August |  |  |  |  |  |  |
| **2017** | **401** | **1,284** | **18,189** | **1,270** | *43* | **21,187** |
| Surplus from the income |  |  |  |  |  |  |
| and expenditure |  |  |  |  |  |  |
| statement  Other comprehensive | 11 | 446 | 1,058 |  |  | 1,515 |
| income  Release of restricted funds spent in year | (10) | (239) | 1,702  249 |  |  | 1,702 |
| Total comprehensive |  |  |  |  |  |  |
| income *I* (expenditure) for the year | 1 | 207 | 3,009 |  |  | 3,217 |
| Endowment Transfer |  |  |  |  |  | 1 |
| **Balance at 1 August** |  |  |  |  |  |  |
| **2018** | **402** | **1,491** | **21,198** | **1,270** | 44 | **24,405** |
| Surplus from the income |  |  |  |  |  |  |
| and expenditure |  |  |  |  |  |  |
| statement  Other comprehensive income | 13 | 752 | 38  (180) |  |  | 803  (180) |
| Release of restricted funds spent in year | (7) | (214) | 221 |  |  |  |
| Total comprehensive |  |  |  |  |  |  |
| income *I* (expenditure) |  |  |  |  |  |  |
| for the year | 6 | 538 | 78 |  |  | 623 |
| Endowment Transfer |  |  |  |  |  | 6 |
| Balance at 31 July  **2019** | **408** | **2,029** | **21,276** | 1,270 | *50* | **25,033** |

### CONSOLIDATED BALANCE SHEET AS AT 31 JULY

##### Year Ended 31 July 2019

**2019 2018**

**Notes**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Group** | | | **Central** | **Group** | **Central** |
| **£000 £000 £000 £000** | | | | | |
| **Non-current assets** |  |  |  |  |  |
| Fixed assets | **11** | **37,178** | 37,177 | **34,289** | **34,288** |
| Investments | 12 | **1,086 1,086 1,080** 1,080 | | | |
| **38,264 38,263** 35,369 | | | | | **368** |
| **Current assets** |  |  |  |  |  |
| Stocks |  | 4 |  | 3 |  |
| Debtors | 13 | **878** | **937** | **496** | 566 |
| Investments | **14** | 4,655 | 4,655 | **2,991** | 2,991 |
| Cash and cash equivalents 20 10,367 10,329 **13,926** 13,881 | | | | | |
|  |  | 15,904 | 15,921 | 17,416 | 17,438 |
| Less: creditors - amounts falling due |  |  |  |  |  |
| within one year | 15 | (4,521) | **(4,511)** | (4,533) | **(4,522)** |
| -- | | |  | | |

**Net current assets**  11,383 11,410 **12,883** !b 916

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Total assets less current liabilities**  Creditors - amounts falling due after |  | **49,647** | **49,673** | **48,252** | **48,284** |
| more than one year | **16** | (16,992) | **(16,992)** | **(17,417)** | (17417) |
| **Provisions**  Pension provisions | 17 | (7,429) | (7,429) | (6,243) | (6,243) |
| Other provisions | 17 | (219) | (219) | (219) | (219) |
| --  **TOTAL ASSETS 25,007** | | | **25,033 24,373 24,405** | | |

##### Consolidated Balance Sheet as at 31 July (Continued)

**Year Ended 31 July 2019**

**Notes**

**2019 2018**

**Group Central Group Central**

**£000 £000 £000 £000**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Restricted Reserves**  **Income and expenditure reserve** |  | | | | | |
| Endowment reserve | **18** | **408** | **408** | **402** |  | **402** |
| Income and expenditure reserve | **19** | **2,029** | **2,029** | **1,491** |  | **1,491** |
| **Unrestricted Reserves** |  |  |  |  |  |  |
| Income and expenditure reserve |  |  |  |  |  |  |
| Unrestricted |  | **21,300** | **21,326** | **21,210** |  | **21,242** |
| Revaluation reserve |  | **1,270** | **1,270** | **1,270** |  | 1,270 |
|  |  | -- |  |  | -- |  |
| **TOTAL RESERVES** |  | **25,007** | **25,033** | **24,373** |  | **24,405** |

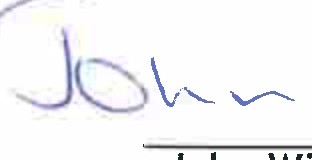
The financial statements were approved by the Governing Body on 25 November 2019 and were signed on its behalf on that date by:

**John Willis**

**Chair of Governors**

*1*

**Professor Gavin Henderson Principal** / **Chief Executive**



l.--J '.\ \,: ,'----

\Nv\Jy"v *\ '\I\*

**Deborah Stully** \

**Company Secretary**

### CONSOLIDATED CASH FLOW

**Consolidated Cash Flow Year ended 31 July 2019**

|  |  |  |  |
| --- | --- | --- | --- |
|  | | **Year ended 31** | **Year ended** |
| July | 31 July |
|  | Notes | **2019** | **2018** |
|  |  | **£'000** | **£'000** |
| **Cash flow from operating activities** |  |  |  |
| Surplus for the year |  | **808** | 1,519 |
| **Adjustment for non-cash items** |  |  |  |
| Depreciation | **11** | 1,112 | **747** |
| Gain / (Loss) on investments | **12** |  | **12** |
| Decrease/ (increase) in stock |  | (1) |  |
| Decrease/ (increase) in debtors | **13** | **38** | **(116)** |
| lncrease/(decrease) in creditors | **15** | **(432)** | **(308)** |
| lncrease/(decrease) in pension provision | 17 | **1,006** | **887** |
| lncrease/(decrease) in other provisions | 17 |  | (11) |
| **Adjustment for investing or financing activities** |  |  |  |
| Investment income | 5 | **(217)** | **(56)** |
| Interest payable | **8** | **268** | **91** |
| Endowment income | **18** | (13) | (8) |
| Loss on disposal of fixed assets | **11** |  |  |
| Capital grant income |  | **(497)** | **(438)** |
| **Net cash inflow from operating activities** |  | **2,072** | **2,319** |
| **Cash flows from investing activities** |  |  |  |
| Capital grants receipts |  | **148** | **184** |
| Investment income |  | **208** | **46** |
| Payments made to acquire fixed assets |  | **(4,004)** | **(8,170)** |
| New current asset investment |  | (1,795) | **(2,214)** |
|  |  | **(5,443)** | **(10,154)** |
| **Cash flows from financing activities**  Interest paid |  | (201) | (18) |
| Endowment cash received |  | 13 | 7 |
| New unsecured loan |  |  | 9,700 |
| Repayments of amounts borrowed (1,000) | | | |
|  |  | **(188)** | **8,689** |
| **Increase in cash and cash equivalents in the year** |  | **(3,559)** | **854** |
| Cash and cash equivalents at beginning of the year | 20 | **13,926** | 13,072 |
| Cash and cash equivalents at end of the year | 20 | **10,367** | 13,926 |

### NOTES TO THE ACCOUNTS

##### Statement of Principal Accounting Policies and Estimation Techniques

**Basis of Preparation**

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

**Going Concern**

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

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

**Basis of Consolidation**

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

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

**Income Recognition**

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

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

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

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

**Grant Funding**

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

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

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

**Donations and Endowments**

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

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

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

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

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

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

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

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

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

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

**Accounting for retirement benefits**

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

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

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

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

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

**Staff Costs and Employment Benefits**

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

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

**Leased Assets**

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

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

**Land and BuHdings**

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. Central has a policy of ensuring a full revaluation takes place at least every 5 years such that the market value is not materially different to the current value. Depreciation and impairment losses are subsequently charged on the revalued amount.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to Central.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

* Academic buildings - 50 years
* Refurbishments · 15 years

Leasehold land is depreciated over the life of the lease up to a maximum of 50 years. No depreciation is charged on assets in the course of construction..

**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 Lighting equipment

Media and digital equipment Management information systems Telephone equipment

Other equipment

* 3 years
* 5 years
* 2 years
* 5 years
* 7 years
* 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.

Depreciation method, useful life and residual values are reviewed at the date of preparation of each balance sheet.

**Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred.

**Investments**

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in subsidiaries are carried at cost less impairment in the School's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

**Listed Investments**

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

**Stocks**

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

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

**Cash and Cash Equivalents**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

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, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when Central:

* + has a present legal or constructive obligation as a result of a past event;
  + it is probable that an outflow of economic benefit will be required to settle the obligation; and
  + a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives Central a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of Central. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives Central a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of Central.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

**Foreign currency translation**

Transactions in foreign currencies are translated to the respective functional currencies of the Group at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in Surplus or Deficit.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non­ monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

**Reserves**

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

Notes to the Accounts

for the year ended 31 July 2019

**Year Ended 31** Year Ended 31

July **2019** July 2018

**Group Central** Group Central

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Tuition fees and education contracts** | **£'000** | **£'000** | £'000 | £'000 |
| Full-time Undergraduate - Home | **4,807** | **4,807** | 5,130 | 5,130 |
| - EU students | **634** | **634** | 573 | 573 |
| - International students | **1,332** | **1,332** | 1,175 | 1,175 |
| Full-time Postgraduate - Home | **1,339** | **1,339** | 1,401 | 1,401 |
| - EU students | **502** | **502** | 402 | 402 |
| - International students | **2,044** | **2,044** | 1,798 | 1,798 |
| Part-time Postgraduate - Home | **199** | **199** | 214 | 214 |
| - EU students | **19** | **19** | 13 | 13 |
| - International students | **10** | **10** | **18** | **18** |
|  | 10,886 | 10,886 | 10,724 | 10,724 |
| Short courses and other fees | 909 | 909 | 962 | 962 |
|  | 11,795 | 11,795 | 11,686 | 11,686 |
| 2 | **Funding body grants** |  |  |  |  |
|  | **Recurrent grants** |  |  |  |  |
|  | Teaching - HEFCE |  |  | 3,857 | 3,857 |
|  | - OfS | **4,827** | **4,827** | 1,227 | 1,227 |
|  | Research - HEFCE |  |  | 393 | 393 |
|  | - Research England | **631** | **631** | 230 | 230 |
|  | Capital grants - HEFCE | **485** | **485** | 438 | 438 |
|  | - OfS | **11** | **11** |  |  |
|  | - Research England | **1** | 1 |  |  |
|  | **Specific grants**  Inherited staff liabilities - OfS | **16** | **16** |  |  |
| - HEFCE | | |  | **16** | **16** |
| **5,971** | | | **5,971** | 6,161 | 6,161 |

Notes to the Accounts

**for the year ended 31 July 2019**

**Year Ended 31** Year Ended 31

**July 2019** July 2018

**Group Central** Group Central

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **3 Research grants and contracts** | **£'000** | **£'000** | £'000 | £'000 |
| Research councils | **282** | **282** | 102 | 102 |
| Government (UK and overseas) | **96** | **96** | 31 | 31 |
| Industry and commerce | **2** | **2** |  |  |
|  | **380** | **380** | 133 | 133 |
| **4 Other income** |  |  |  |  |
| Rent | **44** | **44** | 44 | 44 |
| Ticket sales | **26** | **26** | 25 | 25 |
| Shop sales | **18** | **18** | 19 | 19 |
| Bar sales | **95** |  | 107 |  |
| External services | **104** | **104** | 102 | 102 |
| Training | **149** | **149** | 250 | 250 |
| Other Income | **102** | **102** | 86 | 86 |
|  | **538** | **443** | 633 | 526 |
| **5 Investment income** |  |  |  |  |
| Investment income on endowments | 13 | 13 | 7 | 7 |
| Investment income on restricted reserves | 9 | 9 | 10 | 10 |
| Exchange gains / (losses) realised | 27 | 27 | (19) | (19) |
| Other investment income | 168 | 168 | 58 | 58 |
|  | **217** | **217** | **56** | **56** |
| **6 Donations and endowments** |  |  |  |  |
| Donations with restrictions | **743** | **743** | 436 | 436 |
| Unrestricted donations | **98** | **98** | 36 | 36 |
|  | **841** | **841** | 472 | 472 |

##### Notes to the Accounts

**For the year ended 31 July 2019**

1. **Staff costs**

**Year Ended**

**31July2019 Group Central**

**£'000 £'000**

Year Ended

31 July 2018

Group Central

£'000 £'000

Staff Costs : Salaries

Social security costs

**£'000 8,320**

**835**

**£'000 8,280**

**833**

£'000 7,693

785

£'000 7,655

783

Other pension costs  **2,045 2,041** 1,895 1,890

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Total | **11,200** | **11,154** | 10,373 | 10,328 |
| **Total remuneration of the head of the institution**  **1FTE** |  | **2019**  £ |  | 2018  £ |
| Basic salary |  | **183,326** |  | 179,731 |
| Pension contribution |  | **30,212** |  | 29,620 |

Taxable Benefits:

Private Medical insurance

**3,195**

2,647

|  |  |  |
| --- | --- | --- |
| Non Taxable Benefits | **12,302** | 16,304 |
|  | **229,035** | 228,302 |

Non-taxable benefits relate to discretionary expenses not currently available to all staff groups including taxis for business efficacy, theatre tickets, hotel accommodation and business class air travel for external networking, industry and alumni development.

Central is a higher education conservatoire based in London. The nature of Central's business is far reaching and internationally renowned. Central provides higher education degree programmes to around 1000 students and also offers an extensive short course programme to over 1200 individuals from all ages from children to adult learners. Employing 252 full-time equivalent contracted staff and engaging approximately 200 freelance visiting professionals, Central's annual turnover in 2018/19 was £19.7million. Central is in good standing. Over two thirds of the School's research submitted to the most recent Research Excellence Framework was deemed to be internationally excellent or world-leading. Central also holds Gold status in the Teaching Excellence Framework in recognition of its excellent teaching standard.

The Board of Governors has delegated to the Remuneration Committee responsibility for reviewing the performance of and setting the salary level for the Principal on an annual

basis. The annual review takes into account the delivery of strategic objectives; organisational development; leadership and engagement; equality and inclusion; impact and financial performance and sustainability. The review also includes reference to external market data such as CPI, public sector pay negotiations, UCEA senior staff survey and appropriate peer institutional benchmarks. Specific reference points include the median pay for head of providers in higher education as reported at July 2018. These include median basic pay for all providers at

£250k for providers with an income of up to £24m - £177k, providers based in London at £251k and specialist conservatoire peer group at £166k.

Notable achievements during 2018/ 19 included: the successful completion of the £16.7m North Block Development significantly improving the range and type of specialist physical resources to support the student experience; the conferment of 553 degree awards; the creation of a Student

Hub to bring together student support and advisory services and the Student Union to enhance support for students; the introduction of 'Student Minds: looking After your Mate' training and 'Tea and Talks' to reach out and extend forms of engagement with the student community; the award of seven additional externally funded research contracts; real gains in Development activity to provide an increase in bursaries and scholarships; an extension of outreach, regional auditions and a voucher scheme to widen access; review of the Governing Body committee structure to enhance inclusivity; the development of an overarching Inclusion Action Plan and an above Budget financial outturn towards on-going and future financial sustainability.

In comparison to appropriate external benchmarks and reference points, and noting the performance outcomes delivered, the basic pay for the Principal /CEO at £183k can be justified as being fair and in line with benchmarks. The ratio between the Principal's total remuneration for 2019 and the pay of other staff at Central was 4.7. This is below the CUC reported ratio range of 5 to 8.5 and deemed fair in relation to the size and complexity of the School.

|  |  |  |  |
| --- | --- | --- | --- |
| Principal's Pay multiples - the ratio between the Principal's pay and the average at the institution. | | pay of the | other staff |
|  | | **2019** | **2018** |
| Basic salary | | 4.1 | 3.8 |
| Total remuneration | | 4.7 | 4.5 |
| Remuneration of other higher paid staff, excluding employer's pension contributions | |  |  |
| £100,000 to £104,999 | | **No.**  1 | No.  1 |
| £105,000 to £109,999  £110,000 to £115,999  £116,000 to £119,999  £120,000 to £124,999  £125,000 to £129,999  £130,000 to £134,999 | |  | 1 |
| **Total** | **3** 2 | | |

|  |  |  |
| --- | --- | --- |
| Average staff numbers by major category : | **No.** | No. |
| Teaching | **143** | 139 |
| Teaching Support | **64** | 57 |
| Central Admin & Services | **31** | 30 |
| Staff and student facilities | **7** | 5 |

Premises

7 7

**252** 238

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

**Key management personnel staff costs and benefits (included** in

**costs above)** Salary **Total**

staff

Year Year ended ended 31 31 July 2019 July 2018

£'000 £'000

860 859

**860** 859

a==-

**Governing Body Members**

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

No non-executive director has received any remuneration/waived payments from the group during the year (2018 - none).

However, during the year five (2018: three) non-executive directors received reimbursement of expenses of £1,377 (2017: £1,079).

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

##### Notes to the Accounts

**for the year ended 31 July 2019**

1. **Interest and other finance costs**

Notes

**Year Ended** Year Ended

31 July 2019 31 July2018

**Group Central** Group Central

**£'000 £'000** £'000 £'000

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Loan interest |  | **268** | **268** | 91 | 91 |
| Net charge on pension scheme | 27 | **160** | **160** | 185 | 185 |

**428 428** 276 276

1. **Analysis of total expenditure by activity**

**Staff Other Interest Operating Depn Total**

**Costs Payable**

**Year Ended 31 JULY 2019 Expenses**

**£000 £000 £000 £000 £000**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Teaching | **5,TT3** | **1,644** | **1** |  | **7,418** |
| Teaching Support | **2,727** | **1,705** | **193** |  | **4,625** |
| Central Admin & Services | **2,398** | **1,741** | **352** | **428** | **4,919** |
| Staff and student faciUties | **46** | **104** | **1** |  | **151** |
| Premises | **256** | **912** | **564** |  | **1,732** |
| Catering |  | **82** | **1** |  | **83** |
|  | **11,200** | **6,188** | **1,112** | **428** | **18,928** |
| Other operating expenses include:  External auditor's remuneration in respect of audit services |  |  |  |  | 37 |
| External auditor's remuneration in respect of non-audit services |  |  |  |  | 19 |
| Operating lease rentals · Buildings |  |  |  |  | 306 |
| Operating lease rentals · Other |  |  |  |  | 85 |

**Staff Other Interest Operating Depn Total**

**Year Ended 31 JULY 2018 Costs**

**Expenses**

**Payable**

**£000 £000 £000 £000 £000**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Teaching | 5,368 | 1,719 | 1 |  | 7,088 |
| Teaching Support | 2,509 | 1,805 | 126 |  | 4,440 |
| Central Admin & Services | 2,207 | 1,780 | 297 | 276 | 4,560 |
| Staff and student facilities | 45 | 132 | 1 |  | 178 |
| Premises | 244 | 724 | 322 |  | 1,290 |
| Catering |  | 80 |  |  | 80 |
|  | 10,373 | 6,240 | 747 | **"i.76** | 17,636 |
| Other operating expenses include: |  |  |  |  |  |
| External auditor's remuneration in respect of audit services |  |  |  |  | 32 |
| External auditor's remuneration in respect of non-audit services |  |  |  |  | 7 |
| Operating lease rentals |  |  |  |  | 306 |
| Operating lease rentals · Other |  |  |  |  | 85 |

1. **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. 57

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **11 Fixed Assets** |  | | | | | |
|  |  |  |  | **Fixtures,** |  |  |
|  | **Freehold** | **Leasehold** | **Alterations** | **Fittings** | **Assets** |  |
|  | **Land and** | **Land and** | **and** | **and** | **Under** |  |
|  | **Buildings** | **Buildings** | **Improvements** | **Equipment** | **Construction** | **Total** |
| **Group** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Cost or valuation** |  |  |  |  |  |  |
| At 1 August 2018 | **24,666** | **1,186** | **4,048** | **2,216** | 12,125 | **44,241** |
| Additions |  |  | 1 | **812** | **3,188** | 4,001 |
| Transfers | 15,313 |  |  |  | (15,313) | 0 |
| Surplus on revaluation |  |  |  |  |  | 0 |
| **At31 July2019** | **39,979** | **1,186** | **4,049** | **3,028** | 0 | **48,242** |

**Depreciation**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| At 1 August 2018 | 6,042 | 2,577 | 1,333 | 0 | 9,952 |
| Charge for the year | 496 | 305 | 311 | 0 | 1,112 |
| **At31 July2019** | **6,538** | **2,882** | **1,644** | 0 | **11,064** |

**Net book value**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **At 31 July 2019** | **33,441** | **1,186** | **1,167** | **1,384** | 0 | **37,178** |
| At 31 July 2018 | 18,624 | 1,186 | 1,471 | 883 | 12,125 | 34,289 |

1. **Fixed Assets (Contd)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Freehold Land and | | Leasehold Land and | Alterations  and | Fixtures,  Fittings Assets  and Under | | |
|  | Buildings | Buildings | Improvements | Equipment | Construction | Total |
| Central | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost and valuation At 1 August 2018 | 24,666 | 1,186 | 4,048 | 2,210 | 12,125 | 44,235 |
| Additions |  |  | 1 | 812 | 3,188 | 4,001 |
| Transfers | 15,313 |  |  |  | (15,313) |  |
| At31 July2019 | 39,979 | 1,186 | **4,049** | 3,022 |  | **48,236** |

Depreciation

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| At 1 August 2018 | 6,042 | 2,577 | 1,328 | 9,947 |
| Charge for the year | 496 | 305 | 311 | 1, 112 |
| At At 31 July 2019  Net book value | **6,538** | **2,882** | **1,639** | **11,059** |

37,177

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| At 31 July 2019 | 33,441 | **1,186** | 1,167 | **1,383** |  |
| At 31 July 2018 | 18,624 | 1,186 | 1,471 | 882 | 12,125 |

34,288

=

At 31 July 2019, freehold land and buildings included £8.8m (2018 - £8.8m) in respect of freehold land and is not depreciated.

Notes to the Accounts

for the year ended 31 July 2019

1. **Non-Current Investments**

|  |  |  |  |
| --- | --- | --- | --- |
| **Group and Central** | **Endowment**  **Investment** | Other  **Investments** | **Total** |
|  | **£'000** | **£'000** | **£'000** |
| **At 1 August 2018** | 402 | 678 | **1,080** |
| Additions Disposals  Increase / Decrease in value | 6 |  | **6** |
| **At31 July2019** | **408** | **678** | **1,086** |
| Group **and Central** | **£'000** | **£'000** | **£'000** |
| **At 1 August 2017** | 401 | 666 | 1,067 |
| Additions Disposals Increase in value | 1 | 12 | 13 |

**At 31 July 2018**

-==

**402 678 1,080**

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

Investment in Subsidiary company at cost Subsidiary Company

**Central 2019 Central 2018**

£ £

The results of the group consolidate those of CSSD Enterprises Limited

The result of the subsidiary are as follows: Turnover

Cost of sales Gross Profit

Net operating expenses

Profit / (Loss) for the financial year

Year Ended Year t.nded 31 July 2019 31 July 2018

£'000 £'000

96 107

(33) (42)

63 65

(58) (61)

5 4

##### Notes to the Accounts

**for the year ended 31 July 2019**

1. **Trade and other receivables**

Amounts falling due within one year:

**Year ended 31 July** Year ended 31 July

**2019** 2018

Group Central Group Central

**£'000 £'000** £'000 £'000

Trade receivables **700 700** 416 416

Prepayments and accrued income **178 178** 80 80

Amounts due from subsidiary companies  **59** 70

**878 937** 496 566

1. **Current Investments**

**Year ended 31 July** Year ended 31 July

**2019** 2018

**Group Central** Group Central

**£'000 £'000** £'000 £'000

Short term deposits **4,655 4,655** 2,991 2,991

**4,651 1,655 2,991 2,991**

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

At 31 July 2019 the weighted average interest rate of these fixed rate deposits was 0.85% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 158 days. The fair value of these deposits was not materially different from the book value.

1. **Creditors** : **amounts falling due within one year**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year ended 31 July**  **2019** | | | Year ended 31 July  2018 | |
|  | **Group**  **£'000** | **Central**  **£'000** | Group  £'000 | Central  £'000 |
| Trade payables | **250** | **240** | 161 | 150 |
| Social security and other taxation payable | **261** | **261** | 238 | 238 |
| Accruals and deferred income | **3,450** | **3,450** | 3,343 | 3,343 |
| Other deferred income |  |  | 300 | 300 |

Capital Grants  **560 560** 491 491

**4,521 4,511** 4,533 4,522

THE ROYAL CENTRAL SCHOOL OF SPEECH AND DRAMA FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

Notes to the Accounts

**for the year ended 31 July 2019**

1. **Creditors** : **amounts falling due after more than one year**

**Year ended 31 July 2019** Year ended 31 July 2018

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Group** | | **Central** | Group | Central |
| **£'000** | | **£'000** | **£'000** | £'000 |
| Capital Creditors | **8,154** | | **8,154** | **8,571** | **8,571** |
| Unsecured loan | **8,/UU** | | **8,7UU** | **8,7UU** | **8,/UU** |
| Deferred income | -- | **138** | **138** 146 146 | | |
|  | **16,992** | | **16,992** | **17,417** | **17,417** |
| Analysis of unsecured loans: |  | |  |  |  |
| **Due within one year or on demand** |  | |  |  |  |
| Due between one and two years | **729** | | **729** | **3U8** | **308** |
| Due between two and five years | **1,342** | | **1,342** | **1,303** | **1,303** |
| Due in five years or more | **6,629** | | **6,629** | **7,U89** | **7,089** |
| **Due after more than one year** | **8,700** | | **8,700** | **8,700** | **8,700** |
| **Total unsecured loans** | **8,700** | | **8,700** | **8,700** | **8,700** |

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Amount**  **£'000** | **Term** | **Interest**  % | **Borrower** |
| 5,000 | 20 | 3.155 | Central |
| 1,000 | 20 | 2.743 | Central |

23 June ZU16

11 April ZU17

9 May 2018 **Z,7UU 20 3.083** Central

**Total Lloyds Loan 8,700**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 17 **Provisions for liabilities** |  | | | |
| **Group** | **Enhanced** | **LPFA** | Other | Total |
|  | Pension | Obligations | Obligation | Pensions |
|  | Provision | (Note 27) |  | Provisions |
|  | £'000 | £'000 | £'000 | £'000 |
| At 1 August ZU18 | 179 | 6,243 | 4U | **6,462** |
| Utilised in year |  |  |  |  |
| Additions |  | 1,186 |  | **1,186** |
| At 31 July 2019 | 179 | 7,429 | 40 | 7,648 |
| Central | Enhanced Pension Provision  ['000 | LPFA  Obligations  FRS102 ['000 | Other Obligation  ['000 | Total Pensions Provisions  £'000 |
| At 1 August ZU18 | 179 | 6,243 | 4U | 6,462 |
| Utilised in year |  |  |  |  |

Addition

-- 1,186 **1,186**

At 31 July 2019 179 7,429 40 7,648

## 62

##### Notes to the Accounts

**for the year ended 31 July 2019**

**18 Endowment Reserves**

Restricted net assets relating to endowments are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Restricted** | | **Restricted** |  | |
| **Expendable Endowments** | | **Permanent Endowments** | **2019**  **Total** | 2018  Total |
| **£'000** | | **£'000** | **£'000** | £'000 |
| **Balances at 1 August 2018** | |  |  |  |
| Capital | 11 | 310 | **321** | 321 |
| Accumulated income | **19** | 62 | **81** | 80 |
|  | 30 | 372 | **402** | 401 |
| Investment income |  | 13 | **13** | 7 |
| Expenditure |  | (7) | (7) | (10) |
| Increase in market value of investments |  |  |  | 4 |
| Total endowment comprehensive income for the year |  | 6 | **6** |  |
| At 31 July 2019 | 30 | 378 | **408** | 402 |
| **Represented by:**  Capital | 11 | 310 | **321** | 321 |
| Accumulated income | 19 | 68 | **87** | 81 |
|  | 30 | 378 | **408** | 402 |
| Analysis by type of purpose: |  |  |  |  |
| Scholarships and bursaries |  | 346 | **346** | 340 |
| Prize funds |  | 32 | **32** | 32 |
| General | 30 |  | **30** | 30 |
|  | 30 | 378 | **408** | 402 |
| Analysis by asset Fixed assets | 5 | 353 | 358 | 357 |
| Current and non-current asset investments |  |  |  |  |
| Cash & cash equivalents | 25 | 25 | 50 | 45 |
|  | **30** | **378** | **408** | **402** |

Notes to the Accounts

for the year ended 31 July 2019

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **19** | **Restricted Reserves** |  |  | | |
|  | Reserves with restrictions are as follows: |  |
|  |  | **Unspent** |
|  |  | **capital grants** | **Donations** | **2019** | **2018** |
|  |  |  |  | **Total** | **Total** |
|  |  | **£'000** | **£'000** | **£'000** | **£'000** |
|  | **Balances at 1 August** | 964 | 527 | **1,491** | 1,284 |
|  | New donations | 469 | 274 | **743** | 436 |
|  | Investment income |  | 9 | **9** | 10 |
|  | Capital grants utilised | (6) |  | **(6)** | (6) |
|  | Expenditure |  | (208) | **(208)** | (233) |
|  | **Total restricted comprehensive income for the year** | 463 | 75 | **538** | 207 |
|  | **At 31 July** | 1,427 | 602 | 2,029 | 1,491 |

|  |  |  |
| --- | --- | --- |
| **Analysis of other restricted funds /donations by type of purpose:** | **2019**  **Total**  **£'000** | **2018**  **Total**  **£'000** |
| Lectureships | **32** | 31 |
| Scholarships and bursaries | **242** | 379 |
| Capital | **469** | 26 |
|  | **743** | 436 |

1. Cash and cash equivalents

|  |  |  |  |
| --- | --- | --- | --- |
| At 1 August | | Cash | At 31 July |
| 2018 | | Flows | 2019 |
| onsolidated £'000 £'000 £'000 | | | |
| Cash in hand | 22 | 95 | 117 |
| Cash at bank | 2,771 | 1,136 | 3,907 |
| Term deposits with less than 3 months at 31 July | 11, 133 | (4,790) | 6,343 |
|  | 13,926 | **(3,559)** | 10,367 |

C

**Notes to the Accounts**

**for the year ended 31 July 2019**

1. **Capital and other commitments**

Provision has not been made for the following capital commitments at 31 July 2019:

**31 July 2019** 31 July 2018

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Group** |  | **Central** | Group | Central |
| **£'000** |  | **£'000** | £'000 | £'000 |
| **94** |  | **94** | 1,229 | 1,229 |
| **94** |  | **94** | 1,229 | 1,229 |

Commitments contracted for

These commitments relate to the North Block Building project (placed in service Jan-19) for which there are some contracted works due to be completed in 2019/20.

1. **Financial Commitments**

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

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

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

* 1. the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:
     1. not later than one year
     2. later than one year and not later than five years
     3. later than five years

**Buildings**

308

279

**Printers**

85

**Total**

393

279

* 1. **lease payments recognised as an expense 306** 85 **391**

1. Contingent liabilities

There are no contingent liabilities as 31 July 2019 (31 July 2018: nil).

1. Events after the reporting period

Professor Gavin Henderson, CBE has announced his intention to step down as Principal on 31 August 2020.□

1. **Related Party Transactions**

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Transaction** | **Income/ (Expenditure)** | | | **Nature of Transaction** |
| **2019**  **£000** | I | **2018**  **£000** |  |
| Central Students Union | (15) | I | (15) | Student Union grant |

### Notes to the Accounts

**for the year ended 31 July 2019**

1. **Subsidiary undertakings**

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

**Company**

CSSD Enterprises

**Principal Activity**

Established to carry out Central's commercial activities. This arrangement preserves Central's charitable status, while also allowing Central to benefit from any tax relief available through Gift Aid arrangements.

**Status**

100% owned

##### Pension Schemes

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

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

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

|  |  |  |  |
| --- | --- | --- | --- |
| The total pension cost for Central was: | Year Ended |  | Year Ended |
|  | 31 July 2019 |  | 31 July 2018 |
|  | £000 |  | £000 |
| Teachers' Pension Scheme : contributions paid |  |  |  |
| Contributions paid | 673 |  | 644 |
| Provision for pension costs |  |  |  |
| London Pensions Fund Authority: Current service cost | 508 |  | 481 |
| Provisions for pension costs | 864 |  | 770 |
| **Total Pension Cost** | **2,045** |  | **1,895** |

**Teachers' Pension Scheme (TPS)**

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

As noted above, the pensions cost is assessed every four years in accordance with the advice of the Government Actuary Department (GAD).

The last valuation of the TPS was published in March 2019 and valued the scheme as it stood in 2016. The valuation estimated that there was a £22.0 billion deficit (a 90% funding level).

**Valuation Balance Sheet**

|  |  |  |
| --- | --- | --- |
|  | **£Billions**  **31 March 2016** | **£Billions**  **31 March 2012** |
| **Aggregate Scheme Assets** | **196.1** | **176.6** |
| Aggregate Scheme Liabilities in respect of: | | |
| Active members | 80.9 | 74.7 |
| Deferred pensioners | 19.2 | 17.4 |
| Pensioners | 117.9 | 99.4 |
| **Total aggregate scheme**  **liabilities** | **218.0** | **191.5** |
| **Surplus** / **(shortfall) as at**  **valuation date** | **(21.9)** | **(14.9)** |

Under definitions set out in Financial Reporting Standard 102 section 28 Retirement Benefits, the TPS is a multi-employer pension scheme. Central is unable to identify its share of the underlying (notional) assets and liabilities of the scheme.

##### 27 Pension schemes (continued)

Accordingly, Central has taken advantage of the exemption in FRS 102 section 28

and has accounted for its contributions to the scheme as a defined contribution scheme.

# LPFA

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

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

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

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

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

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

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

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

THE ROYAL CENTRAL SCHOOL OF SPEECH AND DRAMA FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

**27 Pension schemes (continued)**

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

A qualified independent actuary carried out a full actuarial valuation of the fund using the following data:

* the result of the valuation as at 31 March 2016, and the results of the 31 July 2018 FRS102 report for accounting purposes;
* estimated whole fund income and expenditure items for the period to 31 July 2019;
* fund investments returns for the period to 31 May 2019 and market returns (estimated where necessary-) thereafter for the period to 31 July 2019;
* estimated fund income and expenditure in respect of the employer for the period to 31 July 2019; and

details of any new retirements for the period to 31 July 2019 that have been paid out on an unreduced basis, which are not anticipated in the normal service cost.

|  |  |  |
| --- | --- | --- |
| **Assumptions as at** | 31 July2019 | 31 July 2018 |
| RPI increases | 3.35% | 3.35% |
| CPI increases | 2.35% | 2.35% |
| Salary increases | 3.85% | 3.85% |
| Pension increases | 2.35% | 2.35% |
| Discount rate | 2.15% | 2.65% |

These assumptions are set with reference to market conditions at 31 July 2019. The actuary's estimate of the duration of the Employer's liabilities is 23 years.

The discount rate derived is such that the net present value (NPV) of the notional cash flows, discounted at this single rate, equates to the NPV of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve.

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

**27 Pension schemes (continued)**

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuary have made a further assumption about CPI which is that it **will** be 1.0% p.a. below RPI i.e. 2.35% p.a. The actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

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

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

|  |  |  |
| --- | --- | --- |
|  | **2**-**0**-**19** | **2018** |
| Equities | 54.0% | 61.0% |
| Target return portfolio | 25.0% | 22.0% |
| Infrastructure | 6.0% | 5.0% |
| Properties | 9.0% | 8.0% |
| Cash | 5.0% | 5.0% |

**Notes to the Accounts**

**for the year ended 31 July 2019**

**27 Pension Schemes (continued)**

|  |  |  |  |
| --- | --- | --- | --- |
| The current mortality assumptions include sufficient allowance for future improvements  expectations on retirement at age 65 are: | in | mortality rates. | The assumed life |
|  |  | **2019** | **2018** |
| Retiring today:  Males |  | 20.3 | 21.3 |
| Females |  | 23.6 | 24.6 |
| Retiring m 20 years: |  |  |  |
| Males |  | 22.1 | 23.7 |
| Females |  | 25.5 | 26.9 |
| The estimated asset allocation for Central at 31 July is as follows: |  |  |  |
|  |  | **2019** | **2018** |
|  |  | **Fund** | Fund |
|  |  | **Value** | **Value** |
|  |  | **£222.** |  |
| Equities |  | 7,314 | 7,361 |
| Target return portfolio |  | 3,409 | 2,688 |
| Infrastructure |  | 769 | 604 |
| Properties |  | 1,223 | 932 |
| Cash |  | 708 | 557 |
|  |  | **13,423** | **12,142** |
| Based on the above, Central's share of the assets of the fund is less than 1%. |  |  |  |

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

**Analysis** of **the amounts shown in the balance sheet**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **31-Jul-19**  **£'000** | **31-Jul-18**  **£'000** | **31-Jul-17**  **£'000** | **31-Jul-16**  **£'000** | **31-Jul-15**  **£'000** | **31-Jul-14**  **£'000** |
| 13,423 | 12,142 | 11,058 | 9,066 | 8,132 | 7,200 |
| (20,866) | (18,420) | (18,116) | (15,988) | (12,508) | (10,028) |
| **(7,443)** | **(6,278)** | **(7,058)** | **(6,922)** | **(4,376)** | **(2,828)** |

Central' s es ti mated assets share

Present value of scheme liabilities

**Deficit in the scheme** -

**net pension liability**

**Notes to the Accounts**

**for the year ended 31 July 2019**

**27 Pension Schemes (continued)**

**Analysis of the amount charged to staff costs within operating surplus**

Current service cost

Net interest on the defined liability (asset) Administrative expenses

**Total operating charge**

**31-Jul-19 31-Jul-18**

**£'000 £'000**

1,294 1,185

160 185

--16 14

**1,470 1,384**

**Cumulative actuarial loss recognised as other comprehensive income**

Cumulative actuarial losses recognised at the start of the year Movement

**Cumulative actuarial losses recognised at the end of the year**

**At 31-Jul**

**2019**

**£000s**

(1,244)

(180)

**(1,424)**

**At 31-Jul**

**2018**

**£000s**

(2,946)

1,702

**(1,244)**

**Analysis of movement in surplus/(deficit) for LPFA Deficit at beginning of year**

Contributions or benefits paid Current service cost

Other finance charge

Gain/ (Loss) recognised in other comprehensive income Deficit at end of year

**(6,278) (7,058)**

485 462

(1,310) (1,199)

(160) (185)

(180) 1,702

**(7,443) (6,278)**

|  |  |  |
| --- | --- | --- |
|  | **Year to**  31-Jul-19 | **Year to**  31-Jul-18 |
| **£000s** | **£000s** |
| **Analysis of movement in the present value** |  |  |
| Present value at the start *of* the year | 18,420 | 18,116 |
| Current service cost (net of member contributions) | 1,153 | 1,185 |
| recorded within other Comprehensive Income. | 483 | 489 |
| Actual member contributions (including notional contributions) | 250 | 235 |
| Actuarial (gain) / loss | 2,150 | (1,324) |
| Actual benefit payments | (643) | (281) |
| Change in demographic assumptions | (1,088) |  |
| Experience loss / (gain) on defined benefit | 141 |  |
| **Present value at the end of the year** | **20,866** | **18,420** |

|  |  |  |  |
| --- | --- | --- | --- |
| Notes to the Accounts  for the year ended 31 July 2019 |  | | |
| 27 Pension Schemes (continued) |  |  |  |
|  | **Year to** | **Year to** |  |
|  | **31-Jul-19** | **31-Jul-18** |  |
|  | **£000s** | **£000s** |  |
| **Analysis of movement** in **the fair value of scheme assets** |  |  |  |
| **Fair value of assets at the start of the year** | **12,142** | **11,058** |  |
| Interest on assets | 323 | 304 |  |
| Return on assets less interest | 882 | 378 |  |
| Other actuarial gains  Admin Expenses | (16) | (14) |  |
| Actual contributions paid | 485 | 462 |  |
| Actual member contributions (including notional contributions) | 250 | 235 |  |
| Actual benefit payments | (643) | (281) |  |
| **Fair value of scheme assets at the end of the year** | 13,423 | 12,142 |  |

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

|  |  |  |
| --- | --- | --- |
|  | Year to | Year to |
| 31-Jul-19 | 31-Jul-18 |
| £000s | £000s |
| Actual return on Scheme **assets** |  |  |
| Expected return on Scheme assets | 882 | 378 |
| Other actuarial gain  Change in demographic assumptions | 1,088 |  |
| Experience gain  Asset gain/(loss) | (2,150) | 1,324 |
|  | **(180)** | 1,702 |

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

#### 27 Pension schemes (continued)

**Accounting Estimates and Judgements Valuation approach**

To assess the value of the Employer's liabilities at 31 July 2019, the actuary rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with FRS102.

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

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 July 2019 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 July 2019 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information the actuary has received there appears to be no evidence that this approach is inappropriate.

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

**Guaranteed Minimum Pension (GMP) Equalisation**

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is the actuary's understanding that HM Treasury has confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

On 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

The actuary's valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the actuary has assumed that the Fund will be required to pay the entire inflationary increase.

**Demographic/Statistical assumptions**

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables have been constructed based on Club Vita analysis. These base

tables are then projected using the CMl\_2018 Model, allowing for a long-term rate of improvement of 1.5%p.a.

**Past service costs/gains**

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

The capitalised cost of additional benefits awarded during the year is calculated at £141k. This figure is included within the service cost in the statement of profit or loss. This is the estimate of the impact of the Mccloud/Sargeant judgement on the basis that all active members in the fund as at 31 March 2012 are covered by the transitional protections.

**Curtailments**

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

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

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

**Settlements**

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