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# REPORT OF THE BOARD AND EXECUTIVE

This has been a year of unprecedented change for The Royal Central School of Speech and Drama (hereafter referred to as ‘Central’ or the ‘School’ and defined as ‘the parent company’), the Higher Education (HE) sector and the performing arts, not least for the theatre industry for which our students are studying. This has also been a year for courage and acknowledgement. During this period Professor Gavin Henderson CBE announced his retirement as Principal and a recruitment campaign remains underway for a permanent successor. Professor George Caird joined Central as Interim Principal on 14 September 2020 until such time as a permanent successor is in post.

The Board and Executive management wish to thank staff for their exceptional efforts and innovation in maintaining standards of provision through a period of difficulty and uncertainty caused by the global pandemic. Central developed a successful programme of online course provision. We would also thank Central students and particularly the Students’ Union for their support and collaboration at this time. Central’s staff, students and alumni have spearheaded a number of initiatives to make a difference. We have much to celebrate and you can read more in the following pages.

As well as the activity undertaken to address the impact of the coronavirus (COVID-19), the Board and Executive welcomes the engagement of its staff, students and alumni in leading transformational change to eradicate systemic racism identified within institutional practice and make progress towards embedding a culture of inclusion, openness and transparency. In responding to student concerns, Central introduced an anti-racism action plan and a new website page providing information on progress against action and inclusion activities being undertaken. Highlights within the year included the following:

##### Events

* At the 2019 National Dementia Care Awards Dr Nicola Abraham - Lecturer in Applied Theatre Practices, and a team from the NHS Imperial Hospital Trust, together with a cohort of Central students and alumni, were recognised with the Outstanding Arts and Creativity in Dementia Care award.
* Central took part in the 2019 *Being Human* Festival. Being Human is the UK’s only national festival and celebration of the humanities, led by the School of Advanced Study, University of London in partnership with the Arts & Humanities Research Council and the British Academy.
* In September 2019, alongside Shakespeare’s Globe, Central co-hosted two days of events to combat racism in theatre practice: 21st Century Acting Race and Inclusive Practice – What Next?
* Central was pleased to host Stage Sight’s Members’ Forum in September 2019, and to welcome industry representatives to the School to share ideas and best practice around fostering a more inclusive, representative sector.
* In October 2019, as a part of Black History Month, Central hosted a special screening of the independent documentary film The Space: Theatre of Survival. Organised by Claudette Williams, Central’s Senior Lecturer in Voice, the screening was followed by a Q&A with directors Dan Poole and Mark Street, and founder of The Space Brian Astbury.
* In November 2019 staff, students and alumni collaborated on immersive production The Ballad of the Cosmo Café which tells the story of much-loved café in Finchley Road.
* Central hosted a special premiere screening of Cymbeline in the Embassy Theatre in December 2019. Supported by Central and Illuminations Media, the screening provided

audiences with an opportunity to see two versions of scenes from Shakespeare’s Cymbeline consecutively in the Embassy Theatre.

* In January 2020 Central opened the doors to its Embassy Theatre to host guests and industry partners for the 2020 New Technologies Showcase. The annual event is run by the Association of Lighting Designers together with White Light Ltd and provides top industry professionals with an opportunity to explore and compare the latest lighting technology available on the market.
* In February 2020, Central’s MA/ MFA Creative Producing students hosted a special event Finding a New Centre: Theatre Production, Archives and the Magic of the Margins in collaboration with Decolonising the Archive and curated by Connie Bell. The evening featured a dramatic provocation and discussion with actors, writers, directors and producers from Black theatre collective African Tales From The Hip.
* Through March 2020, Central Staff, Students and Alumni had their work exhibited at the V&A as a part of the Staging Places: UK Design for Performance display.

##### Awards

* + The film Lab Rat by Central’s MA Acting for Screen team won the Audience Choice Award at the Bull City International Film Festival and the Best Film, Best Cinematography and Best Director awards at the Roswell Sci-Fi Film Festival.
  + Central’s Knowledge Exchange Fellow, Dr Naomi Paxton, was awarded the prestigious TaPRA Early Career Research Prize for her body of work in suffrage theatre and performance.
  + Daron Oram, Senior Lecturer in Voice, was named National Teaching Fellow in 2019.
  + In July 2020 Professor Maria Delgado, Director of Research, received the Career Achievement Award in Academic Theatre from the Association for Theatre in Higher Education (ATHE).

These successes reflect the high calibre of students coming to Central, alongside the specialist nature of Central’s teaching staff and industry standard facilities. The student experience is at the centre of all we do and we recognise the need to listen and adapt practice to ensure this is the best it can be for all students. Never has it been more important to ensure there is a high level of welfare support for our students and this is provided through Central’s 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, as well as the Student Union which goes from strength to strength.

We are extremely proud of our staff and students who continue to achieve and excel within the profession and to lead innovation and creativity within the performing arts. This has been recognised in many ways. At the start of the academic year, we opened the new Central Student Centre – a one-stop hub for Student Services at Central, located beside the Students’ Union, which offers the convenience of meeting all student support needs in one place.

We wish to thank all those who contribute so much to Central’s sustainability and wellbeing. We recognise that Governors, staff and students are all working hard together to ensure Central’s continued success and achievement. We thank all those donors, partners and collaborators, who provide such essential support, for which we are extremely grateful.

**John Willis Prof. George Caird**

**Chair of Governors Interim Principal**

# STRATEGIC REPORT INCLUDING OPERATING AND FINANCIAL REVIEW

##### Structure

###### Patron and Presidents

Patron HRH Princess Alexandra, The Hon Lady Ogilvy KG GCVO

President Michael Grandage CBE

Vice President Zoë Wanamaker CBE

###### Board of Governors

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 set out within the staff costs note to the financial statements.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Appointed**  **to Board in year** | **Retired/**  **resigned from Board in year** | **Committee Memberships** |
| John Willis  *(Chair of Governors)* |  |  | Remuneration Committee (Co-Chair)  Search Committee -Principal (Chair) Search Committee -Dean (Chair) Nominations Committee (Chair) Diversity and Inclusion Committee Enterprise and Business Development (Chair)  Finance and Estates Committee Human Resources Committee |
| Menna McGregor  *(Deputy Chair of Governors)* |  |  | Remuneration Committee (Co-Chair)  Search Committee - Principal Human Resources Committee (Chair) Nominations Committee |
|  | | | |
| \*Holly Barraclough  *(Student Union President)* |  | 31/7/20 | Diversity and Inclusion Committee  Nominations Committee |
| Abdul Bhanji  *(Co-opted University of London)* |  |  | Enterprise and Business Development  Finance and Estates Committee Nominations Committee Remuneration Committee Search Committee - Principal |
| Anthony Blackstock |  | 8/1/20 | Audit Committee (Chair to 8/1/20) |
| \*Professor George Caird  *(Principal Ex-Officio)* | 19/10/20 |  | Diversity and Inclusion Committee  Enterprise and Business Development Finance and Estates Committee Human Resources Committee Nominations Committee  Search Committee -Dean |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Appointed**  **to Board in year** | **Retired/**  **resigned from Board in year** | **Committee Memberships** |
| Yui Chit Daniel Chan | 19/10/20 |  | Audit Committee |
| Shreya Chatterjee  *(Student Nominated)* |  | 21/10/19 |  |
| Christina Coker OBE |  |  | Audit Committee |
| Prof Maria Delgado  *(Academic Board Nominated)* |  |  | Nominations Committee  Search Committee - Dean |
| Dr Stephen Farrier  *(Staff nominated)* |  |  | Diversity and Inclusion Committee  Search Committee - Principal Search Committee - Dean |
| Eleni Gill |  |  | Diversity and Inclusion Committee  Human Resources Committee Search Committee - Principal |
| Alan Haigh |  |  | Audit Committee (Chair from January) |
| \*Prof Gavin Henderson CBE  *(Principal)* |  | 16/7/20 | Enterprise and Business Development  Finance and Estates Committee Nominations Committee |
| Clare Hennings |  |  | Finance and Estates Committee (Chair)  Enterprise and Business Development Remuneration Committee |
| \*Katya-Laura (Parker)  Hollants van Loocke  *(Student Union President)* | 31/7/20 |  | Diversity and Inclusion Committee  Nominations Committee Search Committee - Principal |
| Professor Simon McVeigh |  |  | Audit Committee (to July 2020)  Search Committee - Principal Search Committee - Dean |
| Anne Mensah |  |  | Diversity and Inclusion Committee  (Chair)  Search Committee - Principal |
| Ariella Stoian  *(Student Nominated)* | 25/11/19 | 30/10/20 | Nominations Committee |
| Emily Thommes |  | 23/11/20 | Diversity and Inclusion committee  Human Resources Committee |
| Mark White |  |  | Finance and Estates Committee  Nominations Committee |
| Alexandra Hutson  *(Student Nominated)* | 23/11/20 |  | Nominations Committee |

*\*Ex Officio Governors*

###### Clerk to Governors

Deborah Scully MBE held the role of Clerk to the Governing Body except when acting in the temporary role of Interim Co-Principal from 8 June until 14 September 2020. At that time the Deputy Clerk, Karen Burnell, took over this role in an acting capacity.

##### Constitution

Central is a Company Limited by Guarantee, with a subsidiary Company, CSSD Enterprises Limited. 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 Company Directors and charitable Trustees.

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

##### 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 performance 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.

##### Strategic 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 Strategic Plan identified a number of opportunities and challenges over the period to 2020-21 as outlined below. A new 5-year Strategic Plan is now being developed in consultation with staff and students.

##### Opportunities during the plan period to 2020-21 included:

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; and
10. capitalising on additional space gains through completion of the North Block development.

##### Challenges to the School over the plan period and continuing 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; and
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.

In developing the new Strategic Plan, the Interim Principal is leading on a review of the previous plan and considering how Central can build for the future. The process includes consultation with staff and students, as well as engagement with external stakeholders. An Academic Think Tank has also been created as a mechanism for self reflection and planning for courses, practice, scholarship, research and academic structure.

##### 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 Strategic Plan for the period to 2021 together with key objectives that flow from them. These relate inter alia to teaching, learning and the student experience; research outputs and the sustainability of the research culture and the School’s industry impact. Alongside these, there are objectives relating to the continued development of the School’s estate and its organisational resilience and sustainability. A summary of aims and objectives is given below:

###### Teaching, learning and the student experience

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

###### Research (outputs and sustainability)

1. Development of new research leaders.
2. Increasing research quality.
3. Diversifying research funding.

###### Financial performance for sustainability and financial health:

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

###### Industry impact

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

###### Estate development

1. Modelling estate masterplan to 2025 and establish phasing.
2. Delivering Phase 5 North Block of the estates masterplan – now successfully completed and in operation.
3. 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.

##### PERFORMANCE REVIEW 2019/20

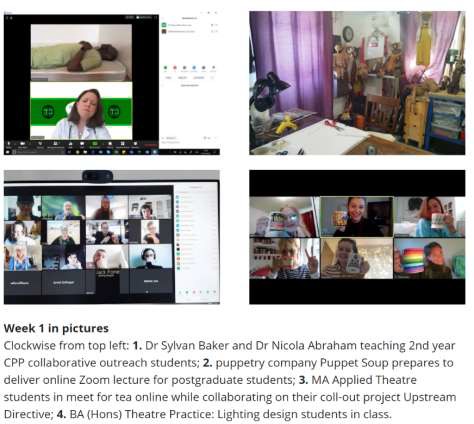
In March 2020 the spread of the COVID-19 pandemic led Central to close its buildings in accordance with Government guidelines. As a result, substantial work was undertaken by staff to set up alternative academic provision, moving all teaching online for the summer term. This has incurred some additional costs to ensure appropriate online platforms and resources were available to students across the globe.

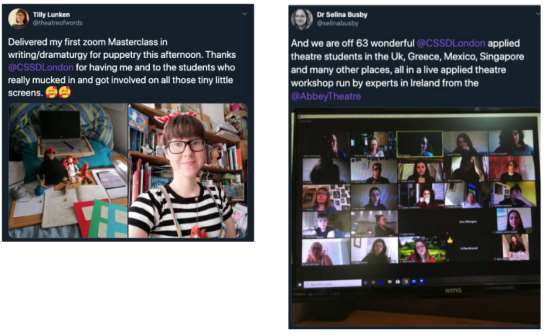
For course activity which could not be accommodated through online activity, some on-site catch-up was arranged during the summer in advance of the autumn term, taking all appropriate measure to ensure health, safety and wellbeing in accordance with government and Public Health England guidance and utilising COVID-Secure risk assessment processes.

##### Moving our work online

Moving work online has produced a range of innovative work and additional opportunities.

* + The first week of the summer term saw our students learning online for the first time and the response was positive: Holly Barraclough, Student Union President, reported that the mood from students was very positive; efforts made by our staff helped to

make last week “*really feel like the first week back*” and that students were feeling 'less in the dark' about how the term would progress.

* + - We were able to connect with our students across the globe:



* + - In July 2020 Students from Central’s BA (Hons) Acting Collaborative and Devised Theatre and BA (Hons) Acting Musical Theatre Class of 2020 performed in the School’s first-ever online Industry Showcases for undergraduate acting. This was closely followed by a very successful online showcase for the BA Music Theatre students. Our exhibitions were also moved online.
    - In July 2020 Central’s final year students presented the BA (Hons) Theatre Practice 2020 Exhibition. This is the first year that Central’s Theatre Practice exhibition has been presented in an entirely digital format. Course leaders were able to use their extensive industry connections to find a sympathetic design studio with proven experience building an online exhibition with up to 100 exhibitors. Students were involved in the whole process to make sure the visitor experience of the exhibition was what they wanted, and that their individual 'exhibit' page could do what they want it to do.
    - “In the summer of 2020, our third-year students move into a radically different professional world. We know they are equipped with the skills needed to analyse, adapt and evolve their practice. They have developed a wider understanding of the importance of the cultural industries within society, the economy and our wellbeing as humans.” *Dr Kathrine Sandys, Head of Theatre Practice.*
    - The Keysmash online festival, curated by artists on the BA Performance Arts course, brought together international artists experimenting with performance, video art, visual art, poetry, photography and sound. Experience virtual exhibitions, participatory workshops, talks and performances, presented across three digital (land) spaces.
    - In June, the Scenography Online exhibition offered a series of synchronous and asynchronous virtual presentation of work reimagining our relationship to space and others, by 15 artists studying on the MA/MFA Scenography. View the catalogue now on our [webpage](https://www.cssd.ac.uk/scenography-online-exhibition-2020).
    - The MA/MFA Performance Practice as Research BRINK festival in June presented work from practitioner-researchers troubling the boundaries of their specialisms. Homes were turned into make-shift studios and challenged by unpredictable circumstances,

their work mutated in various ways as students reshaped their practices to fit a virtual existence. The intention was for the works to push audiences to think afresh, challenging them to question their own experiences of the world with new eyes.

* + - Our Alumni team reached out to our alumni network and asking them to share inspiring messages of support for Central students. The alumni who have contributed include Tracy Ifeachor, Martin Freeman and Nina Ayres, plus many more. [Watch them](https://www.cssd.ac.uk/content/covid-19-alumni-messages-support) [all on our website](https://www.cssd.ac.uk/content/covid-19-alumni-messages-support).
    - A team of Central’s MA Applied Theatre students led by Dr Nicola Abraham and Jo James, Nurse Consultant at Imperial College Healthcare NHS Trust, collaborated with NHS patients on Auchi Ward at Hammersmith Hospital to create an immersive radio drama entitled ‘What Goes Around Comes Around’.
    - In April 2020 Central was proud to support the launch of the second annual International Online Theatre Festival, an online theatre festival showcasing the work of diverse global artists and hosted digitally by The Theatre Times. This second annual online theatre festival was co-curated by doctoral candidates at Central and Director of Research, Professor Maria Delgado, was the Festival’s Executive Director. The festival, where all performances were viewed for free from anywhere in the world, showcased the work of diverse global artists, including Central’s British Academy Postdoctoral Fellow Dr Ella Parry-Davies.

The site closure unfortunately necessitated the cancellation of summer term short courses, business training and summer school activity, which has led to a significant drop in income. However, some online courses have been successfully designed over the period and these will be developed further.

##### FINANCIAL REVIEW

The Financial Statements for the year ended 31 July 2020 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.

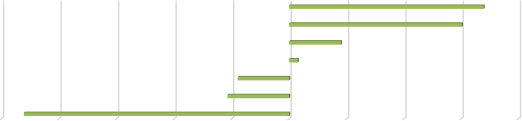
The School is reporting a current year surplus of £0.1m, where income has increased by 0.4% to £19.8m and expenditure has increased by 4.2% to £19.7m when compared to prior year. The increase in income resulted from a combination of increases in tuition fees, research grant and contracts and other operating income. Conversely there was a decline in income from donations, and endowment and investment income. The surplus of £0.1m (before actuarial losses) represents a satisfactory outturn considering the significant impact that the COVID-19 pandemic has had on the School’s activities. However, the position is worsened by the valuation of pension scheme as at 31 July 2020 which reflects £4.9m actuarial losses.

The actuarial losses are mainly due to a major deterioration in financial assumptions underpinning the valuation of the net pension assets. Therefore, actuarial losses of £4.9m are allocated to the comprehensive statement of income and expenditure resulting in a total comprehensive expenditure of £4.8m in the year.

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 Statement of Comprehensive Income and Expenditure is shown below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Year ended 31 July 2020** | | **Year ended 31 July 2019** |  | | |
| **£000** | | **£000** |
| Income | 19,830 | | 19,742 |
| Expenditure (including endowment transfer) | (19,734) | | (18,934) |
| Loss on investments | (28) | | - |
| Surplus for the year | 68 | | 808 |
| Surplus % income | 0.3% | | 4.1% |
| **Income Summary** |  | **2020** | **2019** | **2018** | **2017** | **2016** |
|  |  | **£000** | **£000** | **£000** | **£000** | **£000** |
| Tuition fees and education contracts |  | 12,134 | 11,795 | 11,686 | 11,269 | 10,676 |
| Funding body grants |  | 5,986 | 5,971 | 6,161 | 6,240 | 3,968 |
| Research grants and contracts |  | 470 | 380 | 133 | 126 | 52 |
| Other income |  | 839 | 538 | 633 | 648 | 759 |
| Investment income |  | 110 | 217 | 56 | 87 | 98 |
| Capital donations |  | 8 | 469 | 26 | 766 | - |
| Other donations |  | 283 | 372 | 446 | 236 | 360 |
| **Total income** |  | **19,830** | **19,742** | **19,141** | **19,372** | **15,913** |



**Change in Income Year on Year**

**£000**

Tuition fees and education contracts

Other income Research grants and contracts

Funding body grants Other donations Investment income

Capital donations

-500

-400

-300

-200

-100

0

100

200

300

400

Tuition Fee income including short courses and other fees has increased by £0.3m compared to 2019.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Tuition fees and education contracts income**   * Home   **Full -time** - EU  **Undergraduate**   * Non EU * Home   **Full-time** - EU  **Postgraduate**   * Non EU * Home   **Part-time** - EU  **Postgraduate**   * Non EU   **Total tuition**  **fees**  **Short courses and other fees** | | **2020**  **£000 No.s\* %**  4,957 536 40.9%  703 75 5.8%  1,545 80 12.7%  1,396 148 11.5%  499 55 4.1%  2,107 151 17.4%  187 47 1.5%  35 7 0.3%  - - 0.0% | | |  | **2019**  **£000 No.s\* %**  4,807 521 40.7%  634 68 5.4%  1,332 75 11.3%  1,339 142 11.3%  502 54 4.3%  2,044 148 17.3%  199 62 1.7%  19 5 0.2%  10 1 0.1% | | |  | **Variances**  **£000 No.s %**  150 15 3.1%  69 7 10.9%  213 5 16.0%  57 6 4.3%  (3) 1 (0.6%)  63 3 3.1%  (12) (15) (6.0%)  16 2 84.2%  (10) (1) (100%) | | |
| **11,429 1,099 94.2%** | | | **10,886 1,076 92.3%** | | | **543 23 5.0%** | | |
| **705** |  | **5.8%** | **909** |  | **7.7%** | **(204)** |  | **(22.4%)** |
| **Total** |  | **12,134** | **100%** | **11,795** | **100%** | **339** | **2.9%** |

*\* Numbers excludes students with fully waived fees (2020: 3, 2019: 4)*

The table above highlights the fact that the increase sits within tuition fees. The highest increase is within the overseas student classification generating an increase of £0.3m year on year. Home and EU students accounted for an increase of £0.3m income compared to prior year.

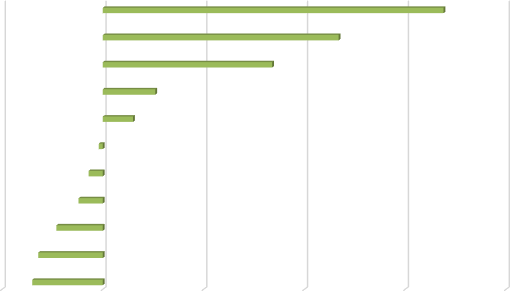
Short courses and other fees are down £0.2m when compared to 2019, this was due to the cancellation of Summer School activities due to the pandemic, however online version of courses have been successfully piloted and introduced.

Funding body grants decreased by £0.02m from 2019 to 2020. 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 maintaining the same percentage as the prior year.

Research grants and contracts income is up £0.09m on the prior year. This income relates to

17 Research projects. These include the AHRC-funded ‘Staging Difficult Pasts’, ‘Katherine Dunham and Digital Methods for Dance Historical Inquiry’, and ‘Aural / Oral Dramaturgies: Post Verbatim, Amplified Storytelling and Gig Theatre in the Digital Age’. ‘Performing Places Bexley’ was funded by the Ministry of Housing, Communities and Local Government via the London Borough of Bexley. Postdoctoral fellowships funded by the Leverhulme Trust (‘Making Waves’) and the British Academy ‘Home-makers: Urban Expertise in the Philippine Diaspora’ have continued into their second year with further projects, including Outbox (Reaching Communities – Big Lottery Fund) and an Intergenerational Project (with Imperial College Healthcare NHS Trust), realised with external stakeholders.

Other income is up £0.3m on the prior year.



**Change in Other Income Year on Year**

**£000**

VAT and Creative Sector Relief

Rent Other revenue grants External services

Research Award Ceremony

Shop sales Ticket sales Bar sales Training

Miscelleneous

-50 0 50 100

150

200

While the closure of the School due to the pandemic affected the bar, library, box office and training income sources, there was increased income from the sub-letting the ground floor of the Bankside location (£0.12m), furloughed staff grants (£0.08m), external services (£0.13m) and creative sector tax relief (£0.17m).

Donations have decreased by £0.55m from 2018/19 mainly due to a reduction in North Block capital fundraising income. The North Block Building project was completed and placed in service in January 2019.

Endowment and investment income is £0.11m down on the prior year due to less favourable interest earnings on short term deposits and a downturn in the investment market as a result of the pandemic.

Total expenditure has increased by 4.2% from 2019, driven through increased staff costs, interest and depreciation.

**Change in Expenditure Year on Year**

**£000**

Staff costs

Depreciation

(Gain) / loss on investments

Interest and other finance costs

Transfer to / (from) endowment fund

Other Operating Expenses

(200) 0

200

400

600

800

1,000

Expenditure on staff costs is the highest cost item, representing 61% (2019 – 57%) of total income. Although staff costs are up 7% (£0.8m) 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 2019/20 have decreased by £0.1m when compared to 2019. This is primarily due to reduced expenditure within self-employed professionals, rent, building maintenance and travel as a result of COVID-19 and the move to online operations. The scale of potential savings in operating expenses were offset by essential costs in responding to COVID-19. This included the purchase of institutional Zoom licences and

investment in laptops and mobile Wi-Fi to ensure staff and students were equipped for effective online working.

COVID-19 has had an immediate adverse effect on the School’s surplus position for the year down significantly (£0.7m, 91.6%) when compared to the prior year, this decline is expected to continue next year with anticipated reduced tuition fee income.

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

##### Capital Projects

Capitalised costs of £0.1m incurred during the year comprised computer and media equipment.

**Cumulative Net Fixed Asset Additions (£000)**

25,000

20,000

15,000

10,000

5,000

-

2019/20

2018/19

2017/18

2016/17

2015/16

2014/15

##### Cash Management

Cash and cash equivalents (note 20) plus short term deposit balances (note 14) at the end of the year stood at £15.6m, up £0.6m when compared with prior year and represents the equivalent of 309 days of expenditure. A net cash inflow from operating activities of £1.0m 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. 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** *(Source: OfS HESA 2018/19 Finance Data and Analysis – Key Financial Indicators)*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Royal Central School of Speech and Drama** | | **Sector** |
|  | **2019/20** | **2018/19** | **2018/19** |
| Current Ratio | 3.4 | 3.5 | 14.3 |
| Net Liquidity (Days) | 309 | 308 | 121 |
| Cash flow from operating activities as % total income | 5.2% | 10.5% | Not Available |
| External borrowing as % of total income | 43.0% | 44.1% | 31.4% |

The preceding financial indicators represent a healthy liquidity position for the School, the Current Ratio has remains the same and External Borrowing is 43% 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 309 for the School, a slight improvement on the prior year but remains significantly better when compared to the sector mean of 121 days. Cash flow from operating activities is down and as a percentage of total income when compared against prior year (2020 £1.0m / 2019 £2.1m), driven predominantly through an increase in debtors. In addition, the surplus delivered after depreciation is £0.1m in year compared to a prior year surplus after depreciation of £0.8m.

##### 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 £13.3m for the School, representing a significant increase from a deficit of £7.4m reported at the previous year end. The £13.3m liability reflects changes in assumptions underlying the present value of the fund’s obligations compared to the fair value of scheme assets as at 31 July 2020. The present value of the fund’s obligations for the School has increased to £27.9m, up £7m on the previous year. The fund’s assets in turn have increased by £1.2m to £14.6m.

An allowance has been made for the recent Court of Appeal judgement in relation to the McCloud & Sargeant cases (McCloud) which relate to age discrimination within the Judicial & 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 2020 is £0.1m.

The current employer rate of 14.8% is set for a 3 year 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 January 2021 the School submitted its 5 year forecast to the Office for Students (OfS) for the period up to 2024/25. These forecasts acknowledge on-going uncertainties across the sector such as:

* the continued effect of COVID-19 on student recruitment
* 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 and the long-term impact of the COVID-19 pandemic
* the outcome and impact of a 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 2021/22 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 major capital grants for specialist HEIs presenting real challenge in the financing of major capital builds

Against this background, the School’s key Strategic Plan priorities, detailed in the Strategic Plan for the period to 2020, 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 Strategic 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.

Financial sustainability underpinning the investment behind the School’s Strategic Plan has been fully tested and reflected in the seven year financial forecasts (2 years’ actual results plus 5 years of forecast) to 2024/25 as submitted to the OfS.

The School is moving forward from a position of cumulative strength with 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 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. Risk management is supported by the internal audit programme, which takes a risk-based approach and provides assurance on the management of Central’s key strategic and operational risks.

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
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 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

1. development of Scholarships to attract high quality applicants
2. maintaining quality teaching
3. development of online short courses
4. reviewing curricular offer and student mix
5. investment in student support and advisory services
6. 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. long-term economic impact of COVID-19 on Higher Education
4. effects of continued austerity within the Higher Education sector
5. 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 70 members of permanent academic staff at Central who lead and work on the thirty BA and MA/MFA courses, involving around 1,050 to 1,100 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 300 students received individual or group-based work experience in the 2019-20 academic year. For example, 44 BA Theatre Practice students completed placements at organisations, including the English National Ballet, the National Theatre and the Royal Opera House. 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, this research celebrates theatre and performance’s transnational and transhistorical contexts. The School is committed to promoting a culture of research integrity 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. These included: lectures by leading cultural figures, including Stefan Bläske (head dramaturg, NTGhent) and Oscar-winning director Rob Epstein (presented with the Victoria & Albert Museum); seminars by international scholars Professors Kareem Khubchandani (Tufts University), Pascale Aebischer (University of Exeter) and Liyang Xiu (University of Oslo); and a panel discussion featuring curator Erica Lehrer and Dr. Bryce Lease (Royal Holloway, University of London), exploring musical and theatrical frames. Central’s doctoral students curated ‘Collisions’, a festival of performance work, and ‘Intersections’, a one-day conference on how researchers in the drama, theatre and performance sector may have to adapt, to challenge and to counteract the institutional, political, and financial pressures that are part of the current higher education landscape. These events were attended by approximately 510 people.

Research events in the second half of the year were reconfigured as a result of the impact of Covid-19. An online theatre festival presented by the world’s largest theatre portal, The Theatre Times, involved two research degree students as artistic directors and a further staff member as Executive Director. It featured 42 productions from 16 countries. Nearly 200,000 people visited the festival webpage to engage with the screened productions, and the festival reached over 500,000 people on social media through posts, post-show talks and discussions. Staff also: published articles on the impact of Covid-19 on the performing arts sector; conducted interviews with leading directors, including Tiago Rodrigues, Mariano Pensotti and Thomas Ostermeier through online platforms; contributed to the BBC’s Culture in Quarantine season as a movement director and through supporting the development of work through the AHRC’s-funded Aural/Oral Dramaturgies project; curated a project representing the views of children on the impact of Covid-19, realised by Associate Artist Fevered Sleep; and worked with teenagers on an international week-by-week-creative response to COVID-19, ‘The Coronavirus Capsule’, including contributions to media outlets (including BBC Radio). A report undertaken by our British Academy Post-doctoral Fellow on the impact of COVID-19 on the precarious position of Filipino migrants in the UK (published June 2020) has been used in support of Status Now, a campaign for the regularisation of undocumented migrants in the UK, and has resulted in a Parliamentary Early Day Motion to grant leave to remain to undocumented migrants.

##### Widening participation and access

Central is committed to recruiting and training a diversity of students in all of its undergraduate 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 young people from learning about, accessing or affording training at Central. This includes:

* aspiration-raising 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
* free tickets to all Central productions (including post-show Q&As with cast and backstage crew) and access to our Theatre Practice Exhibition
* collaborative outreach projects with a range of partners, including Clean Break, Generation Arts, Open Door, The Curve Theatre, Theatre Peckham, The Advocacy Academy, Oldham Theatre Workshop, LGBT+ youth organisation The Proud Trust, Greater Manchester Youth Network, the Horniman Museum, and Body and Soul, a charity for young people living with or affected by HIV
* special activities for young people, including former prisoners and LGBTQ+ communities in and around London and the East Midlands, who are serious about pursuing a career in acting, backstage or production arts but need help getting there
* free audition vouchers 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 approximately one-fifth of Central students, 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 studies. In 2019 Central was awarded the Care Leaver Covenant charter mark, a landmark government scheme launched to raise the career aspirations and improve the life skills of young people leaving care.

For further information, please see the link for Central’s approved access and participation plan: https[://w](http://www.cssd.ac.uk/content/equality-and-diversity)ww[.cssd.a](http://www.cssd.ac.uk/content/equality-and-diversity)c[.uk/content/equality-and-diversity](http://www.cssd.ac.uk/content/equality-and-diversity)

Due to COVID-19, the outreach activity programme moved to an online only platform for the latter part of the 2019-20 academic year, and included the following activities:

* free online Community Youth Theatre, consisting of 20-minute YouTube videos sent out every Saturday over the summer term to 78 young people aged 6-18
* online pre-recorded masterclasses sent to all partner schools and colleges
* online UniConnect summer activities, funded by the Office for Students, in which participants were sent an art box and links to short ‘how-to’ videos, created by student ambassadors, lecturers and creative industry experts; and
* ‘Get Scene at Home’, a project supporting the Generation Arts programme by providing tablets for participants and a series of online workshops and Q&As.

##### Public and community engagement

For the wider community the School provides a broad range of public lectures, seminars, workshops, public productions and performances, with audience participation in 2019/20 continuing throughout the year and remaining significant even after being shifted online in response to the COVID-19 lockdown. Some events even experienced dramatic increases in visits when they had to be shifted online, with the Theatre Practice and Scenography Exhibitions together experiencing a five-fold jump in attendance.

Lifelong learning opportunities are offered to individuals of all ages, from children and young people to adult learners and continuing professionals, through the School’s short courses programme. In 2018/19, over 1,200 people participated in these courses throughout the year. Due to COVID-19, the number during 2019/20 dropped to around 750 onsite participants. However, movement to a virtual platform saw 154 participants join online courses, bringing the annual total to over 900.

The School is also a sought-after partner by public, private and third-sector organisations at local, regional, national and international levels. This continued under lockdown, with Central academics entering collaborations with UK-based organisations that included Camden Carers, Haringey for Homes, the NHS and the National Institute of Health Research, Theatre of Debate, Digital Theatre Plus, Produced Moon, a number of FE colleges in London, and others. The activities and projects undertaken through these collaborations received public recognition from such entities as Sky News, BBC, the Mayor of London, London Higher, the #*WeAreTogetherCampaign*, The Culture Capital Exchange, and industry publications such as The Stage and Broadway World.

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

##### Governance and Delegated Authority

The Articles of Association 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 **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 up to fourteen will be external independent lay members. The Governing Body comprised fifteen members on 31 July 2020, including two staff and two student governors. In October two further Governor appointments were made.

The Chair of Governors throughout the year was John Willis, with Menna McGregor as Deputy. Members of the Governing Body may serve for up to three terms of three years. The Chair of Governors may serve for a maximum of three terms of four years. Exceptionally, and on a resolution of the majority of Governors, a Governor may serve for a fourth term. Provision is made for the appointment of co-opted members.

Central continues to widen the diversity of its Governing Body membership. 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. As at January 2021, 31% of Central’s Governing Body had declared an ethnicity other than “white”. Regarding the board’s balance of gender identity, 50% identified as “male”, 44% “female” and 6% “non-binary”. The Board continues to face the challenge of addressing all aspects of diversity across the range of protected characteristics. Various external platforms and mechanisms are being utilised to widen the search for members from diverse communities and underrepresented groups.

Due diligence is undertaken on all new Governors, including assessment of skills, experience and time commitment available; follow-up of references; ensuring compliance with the HMRC ‘fit and proper person’ checklist’ and completion of a register of interests. The Governors’ register of interests is regularly updated and 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 based on their existing knowledge and experience and Central provides continuous development opportunities to meet 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, training and workshops for Governors has included Sexual Harassment Awareness, Inclusion and Unconscious Bias.

###### 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 and 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 comply with the *Higher Education Code of Governance* published by the Committee of University Chairs (CUC).

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 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 2020. The Governing Body noted the publication of a revised Higher Education Code of Governance in September 2020 and expect to apply all six elements of the revised Code in full in the year ending 31 July 2021.

The Governors have applied the Audit Code of Practice, and have also applied *The Higher Education Senior Staff Remuneration Code* published by the CUC in June 2018. The Governing Body has adopted the three elements of fair and appropriate remuneration and the supporting principles. The following actions are in progress in order that a statement of full application of all three elements of the Remuneration Code can be applied in time for the year ending 31 July 2021:

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

###### Review of Effectiveness

The Governing Body undertakes periodic Effectiveness Reviews. An external review was conducted in 2017/18, specifically focussing on governance on diversity and inclusion, and a further external review is scheduled in 2020/21. The implementation of actions arising from such effectiveness reviews are monitored by the Nominations Committee and the Audit

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

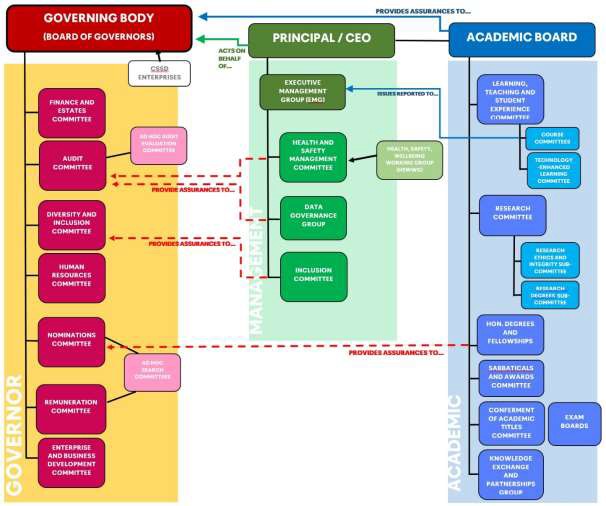
###### Summary of Delegated Authority

*Governing Body*

The matters specifically reserved to the Governing Body for decision as set out in the Articles of Association 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 and Academic Board 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.

###### Governance Committee Structure

The following diagram outlines the committee structure in relation to corporate and academic governance.



#### The key Governing Body Committees include:

##### 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.

##### 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 legislation covering rights of staff, applicants, students and governors not to suffer discrimination.

##### 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 detailed financial statements and recommends to the Governing Body for adoption and publication, reviews the management of significant risks and reviews investment strategy and performance.

##### Human Resources Committee

Reviews and makes recommendations to the Governing Body on the Framework for Pay and Conditions of staff.

##### 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.

##### 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.

##### Search Committee

The Governing Body established a Search Committee (Principal) reporting into the Remuneration Committee. The purpose of the Search Committee (Principal) is to consider the arrangements for the search of a new Principal.

In October 2020, a further Search Committee was established to consider the arrangements for the search of a senior academic to replace the Dean who will retire in December 2020.

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 stood down from operational duties and as Accountable Officer on 8 June 2020, at which time, in accordance with approved contingency arrangements, the Deputy Principal, Deborah Scully took over as Accountable Officer and shared other duties as Interim Co-Principal with the Dean of School, Professor Ross Brown until 13 September 2020. On 14 September 2020 Professor George Caird was appointed Interim Principal on a temporary basis and assumed Accountable Officer responsibilities, pending a permanent Principal appointment.

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 their own delegated authority.

###### Governing Body Statement of Primary 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 regular review of departmental operational risks. 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. the 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 Academic Board has overseen effective action undertaken to address the impact of the COVID-19 pandemic and has implemented an alternative method of provision for each course. Care has been taken to ensure that the provision meets the academic requirements and same quality standards whilst providing opportunities to enhance the student experience.

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 2020, 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.*

###### Disclosure of information to auditors

The directors who held office at the date of approval of this Corporate Governance report confirm that, so far as they are each aware, there is no relevant audit information of which the Company’s auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company’s auditor is aware of that information. At the Annual General Meeting of the Members on 16 July 2020 BDO LLP was appointed as Central’s external auditor.

##### Statement of Governing Body Responsibilities in respect of the strategic report and Financial Statements

In accordance with Company law and the Articles of Association, the Governors are required to present audited financial statements of the group and parent for each financial year. These audited financial statements are prepared 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. As a Higher Education institution, the financial statements also accord with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education. In preparing these financial statements, the Governing Body has:

* complied with the Accounts Direction issued by the Office for Students
* complied with the Statement of Recommended Practice on Accounting for Further and Higher Education
* ensured that appropriate accounting policies have been selected and applied consistently
* ensured that judgements and estimates are made that are reasonable and prudent.

The Governing Body considers that the systems of internal financial control in place have provided appropriate assurance that:

* Central has adequate resources to continue in operation for the foreseeable future and for this reason the financial statements have been prepared on a going-concern basis;
* the financial statements represent 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
* 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 have been met
* there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
* economical, efficient and effective management of the institution’s resources and expenditure is secured.

The key elements of the institution’s system of internal financial control, designed to discharge the responsibilities set out above, include the following:

1. clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
2. a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
3. regular variance reporting and updates of forecast outturns
4. clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governors
5. comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Governors
6. a professional Internal Audit team whose annual programme is approved by the Audit Committee.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

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

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

##### John Willis, Chair of Governors

25 January 2021

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

##### Opinion

We have audited the financial statements of The Royal Central School of Speech and Drama (“Central”) and its subsidiaries (the ‘Group’) for the year ended 31 July 2020 which comprise the Consolidated and Central Statement of Comprehensive Income and Expenditure, the Consolidated and Central Statement of Changes in Reserves, the Consolidated and Central Balance Sheet and the Consolidated Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

##### In our opinion, the financial statements:

* give a true and fair view of the state of the Group’s and of the Central’s affairs as at 31 July 2020 and of the Group’s and the Central’s income and expenditure, gains and losses, changes in reserves and of the group’s cash flows for the year then ended;
* have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
* have been prepared in accordance with the requirements of the Companies Act 2006 and the Statement of Recommended Practice: Accounting for Further and Higher Education.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) “ISAs (UK)”) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Central in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

* the Governing Body members’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
* the Governing Body members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group’s or Central’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The Governing Body are responsible for the other information. Our opinion on the financial statements does not cover

the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Report of the Board and Executive and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

##### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

* the information given in the strategic report and the Report of the Board and Executive for the financial year for which the financial statements are prepared is consistent with the financial statements; and
* the strategic report and the Report of the Board and Executive have been prepared in accordance with applicable legal requirements.

##### Opinion on other matters required by the Office for Students (“OfS”) and Research England

In our opinion, in all material respects:

* Funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
* Funds provided by the OfS and Research England have been applied in accordance with the Terms and Conditions of Funding and any other terms and conditions attached to them.
* The requirements of the OfS’s accounts direction have been met.

##### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Central and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Report of the Board and Executive.

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

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

##### Responsibilities of the Governing Body

As explained more fully in the statement of the Governing Body’s Responsibilities set out on page 34, the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as

the Governing Body members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body are responsible for 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 the Governing Body either intend to liquidate the Group or Central or to cease operations, or have no realistic alternative but to do so.

##### Auditor’s responsibilities for the audit of the financial statements

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 an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by Central have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the OfS and Research England.

##### Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to Central’s 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 members as a body, for our audit work, for this report, or for the opinions we have formed.



##### James Aston (Senior Statutory Auditor)

##### For and on behalf of BDO LLP, statutory auditor Gatwick

##### 29 January 2021

*BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

**Year Ended 31 July 2020**

**Year ended 31 July 2020**

Year ended 31 July 2019

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Notes | **Group** | **Central** | Group | Central |
|  | **£'000** | **£'000** | £'000 | £'000 |
| **Income** |  |  |  |  |  |
| Tuition fees and education contracts | 1 | **12,134** | **12,134** | 11,795 | 11,795 |
| Funding body grants | 2 | **5,986** | **5,986** | 5,971 | 5,971 |
| Research grants and contracts | 3 | **470** | **470** | 380 | 380 |
| Other income | 4 | **839** | **762** | 538 | 443 |
| Investment income | 5 | **110** | **110** | 217 | 217 |
| **Total income before donations and endowments** |  | **19,539** | **19,462** | **18,901** | **18,806** |
| Donations and endowments | 6 | **291** | **291** | 841 | 841 |
| **Total income 19,830 19,753 19,742 19,647** | | | | | |
| **Expenditure** |  |  |  |  |  |
| Staff costs | 7 | **12,032** | **11,992** | 11,200 | 11,154 |
| Other operating expenses |  | **6,047** | **5,990** | 6,188 | 6,144 |
| Depreciation | 10 | **1,236** | **1,236** | 1,112 | 1,112 |
| Interest and other finance costs | 8 | **423** | **423** | 428 | 428 |
| **Total expenditure** 9  **19,738 19,641 18,928 18,838** | | | | | |
| **Surplus before other gains/(losses)** |  | **92** | **112** | **814** | **809** |
| Loss on investments | 11 | **(28)** | **(28)** | - | - |
| **Surplus / (deficit) before tax** |  | **64** | **84** | 814 | 809 |
| Transfer to accumulated income in endowment funds |  | **4** | **4** | (6) | (6) |
| **Surplus for the year** |  | **68** | **88** | **808** | **803** |
| Actuarial losses in respect of pension scheme | 25 | **(4,878)** | **(4,878)** | (180) | (180) |
| **Total comprehensive (expenditure) / income for the**  **year** |  | **(4,810)** | **(4,790)** | **628** | **623** |

*(Continued on the next page)*

**Consolidated Statement of Comprehensive Income and Expenditure Year Ended 31 July 2020 (continued)**

**Year ended 31 July 2020**

Year ended 31 July 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Notes | **Group**  £'000 | **Central**  £'000 | Group  £'000 | Central  £'000 |
| **Represented by:**  Endowment comprehensive (expenditure) / income for the year | **(22)** | **(22)** | 6 | 6 |
| Restricted comprehensive income for the year | **27** | **27** | 538 | 538 |
| Unrestricted comprehensive (expenditure) / income for the year | **(4,815)** | **(4,795)** | 84 | 79 |
| Attributable to Group and Central | **(4,810)** | **(4,790)** | **628** | **623** |
| **Surplus for the year attributable to:**  Group and Central | **68** | **88** | 808 | 803 |

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

**Group and Central**

**£’000**

|  |  |  |
| --- | --- | --- |
|  | **Year ended** | Year ended |
| **31 July 2020** | 31 July 2019 |
| Actuarial losses in respect of LPFA pension scheme | **(4,878)** | (180) |
| Loss on investments | **(28)** | - |
| **Total losses** | **(4,906)** | **(180)** |

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

**Year ended 31 July 2020**

**Group Income and expenditure reserve Revaluation reserve**

*Transfers to*

*reserves* **Total**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | *Endowment* | *Restricted* | *Unrestricted* |  | | |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **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 / (expenditure) for the year** | 6 | 538 | 84 | - | *-* | 628 |
| Endowment transfer |  |  |  |  | *6* | 6 |
| **Balance at 1 August 2019** | **408** | **2,029** | **21,250** | **1,270** | *50* | **25,007** |
| Surplus from the income and expenditure statement | (4) | 246 | (174) | - |  | 68 |
| Other comprehensive income | - | - | (4,878) | - |  | (4,878) |
| Release of restricted funds spent in year | (18) | (219) | 237 | - |  | - |
| **Total comprehensive income / (expenditure) for the year** | (22) | 27 | (4,815) | - |  | (4,810) |
| Endowment transfer |  |  |  |  | *22* | (22) |
| **Balance at 31 July 2020** | **386** | **2,056** | **16,435** | **1,270** | *28* | **20,175** |

### Consolidated Statement of Changes in Reserves Year ended 31 July 2020 (continued)

**Central Income and expenditure account Revaluation reserve**

**Transfers**

**to**

**reserves Total**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | *Endowment* | *Restricted* | *Unrestricted* |  | | |
| £'000 | £'000 | £'000 | £'000 | £’000 | £'000 |
| **Balance at 1 August 2018** | **402** | **1,491** | **21,198** | **1,270** | *44* | **24,405** |
| Surplus from the income and expenditure statement | 13 | 752 | 38 | - | - | 803 |
| Other comprehensive income | - | - | (180) | - | - | (180) |
| Release of restricted funds spent |  |  |  |  |  |  |
| in year | (7) | (214) | 221 | - | - | - |
| **Total comprehensive income / (expenditure) for the year** | 6 | 538 | 79 | - | - | 623 |
| Endowment transfer |  |  |  |  | 5 | 5 |
| **Balance at 1 August 2019** | **408** | **2,029** | **21,276** | **1,270** | *49* | **25,033** |
| Surplus from the income and expenditure statement | (4) | 246 | (154) | - | - | 88 |
| Other comprehensive income | - | - | (4,878) | - | - | (4,878) |
| Release of restricted funds spent in year | (18) | (219) | 237 | - | - | - |
| **Total comprehensive income / (expenditure) for the year** | (22) | 27 | (4,796) | - | - | (4,790) |
| Endowment transfer |  |  |  |  | (22) | (22) |
| **Balance at 31 July 2020** | **386** | **2,056** | **16,481** | **1,270** | *27* | **20,221** |

# CONSOLIDATED BALANCE SHEET AS AT 31 JULY

### Year ended 31 July 2020 Company Registration No. 203645

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Notes** | **Group**  **£000** | **2020** | **Central**  **£000** | **Group**  **£000** | **2019** | **Central**  **£000** |
| **Non-current assets**  Fixed assets | 10 | 36,084 |  | 36,084 | 37,178 |  | 37,177 |
| Investments | 11 | 1,036 |  | 1,036 | 1,086 |  | 1,086 |
|  |  | 37,120 |  | 37,120 | 38,264 |  | 38,263 |
| **Current assets**  Stocks |  | 7 |  | - | 4 |  | - |
| Debtors | 12 | 2,157 |  | 2,232 | 878 |  | 937 |
| Investments | 13 | 1,100 |  | 1,100 | 4,655 |  | 4,655 |
| Cash and cash equivalents | 19 | 14,541 |  | 14,505 | 10,367 |  | 10,329 |
|  |  | 17,805 |  | 17,837 | 15,904 |  | 15,921 |
| Less: creditors - amounts falling due within one year | 14 | (5,257) |  | (5,243) | (4,726) |  | (4,716) |
| **Net current assets** |  | 12,548 |  | 12,594 | 11,178 |  | 11,205 |
| **Total assets less current liabilities** |  | 49,668 |  | 49,714 | 49,442 |  | 49,468 |
| Creditors - amounts falling due after more than one year | 15 | (15,971) |  | (15,971) | (16,787) |  | (16,787) |
| **Provisions**  Pension provisions | 16 | (13,303) |  | (13,303) | (7,429) |  | (7,429) |
| Other provisions | 16 | (219) |  | (219) | (219) |  | (219) |
| **TOTAL NET ASSETS** |  | **20,175** |  | **20,221** | **25,007** |  | **25,033** |

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

### Year Ended 31 July 2020

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Notes** | **2020**  **Group**  **£000** | **Central**  **£000** | **2019**  **Group**  **£000** | **Central**  **£000** |
| **Restricted reserves**  **Income and expenditure reserve**  Endowment reserve | 17 | 386 | 386 | 408 | 408 |
| Income and expenditure reserve | 18 | 2,056 | 2,056 | 2,029 | 2,029 |
| **Unrestricted reserves**  **Income and expenditure reserve**  Unrestricted |  | 16,463 | 16,509 | 21,300 | 21,326 |
| Revaluation reserve |  | 1,270 | 1,270 | 1,270 | 1,270 |
| **TOTAL RESERVES** |  | **20,175** | **20,221** | **25,007** | **25,033** |

The financial statements were approved and authorised for issue by the Governing Body on 25th January 2021 and were signed on its behalf on that date by:

**John Willis**

**Chair of Governors**



**Prof George Caird Interim Principal / Chief Executive**



**Deborah Scully MBE Company Secretary**

# CONSOLIDATED CASH FLOW

### Consolidated Cash Flow Statement Year ended 31 July 2020

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** | **Year ended** |
| Notes | **31 July 2020** | **31 July 2019** |
|  | **£'000** | **£'000** |
| **Cash flow from operating activities**  Surplus for the year |  | **68** | **808** |
| **Adjustment for non-cash items**  Depreciation | 10 | 1,236 | 1,112 |
| Loss / (gain) on investments | 11 | 28 | - |
| Increase in stock |  | (3) | (1) |
| (Increase) / decrease in debtors | 12 | (1,279) | 38 |
| Increase/(decrease) in creditors | 14 | 318 | (432) |
| Increase/(decrease) in pension provision |  | 996 | 1,006 |
| **Adjustment for investing or financing activities**  Investment income | 5 | (110) | (217) |
| Loan interest payable | 8 | 268 | 268 |
| Endowment income | 17 | (14) | (13) |
| Capital grant income |  | (488) | (497) |
| **Net cash inflow from operating activities** |  | **1,019** | **2,072** |
| **Cash flows from investing activities**  Capital grants receipts |  | 97 | 148 |
| Withdrawal of deposits |  | 3,555 | - |
| Investment income |  | 101 | 208 |
| Payments made to acquire fixed assets |  | (205) | (4,004) |
| New current asset investment |  | - | (1,795) |
|  |  | **3,548** | **(5,443)** |
| **Cash flows from financing activities**  Interest paid |  | (203) | (201) |
| Endowment cash received |  | 14 | 13 |
| Repayments of amounts borrowed |  | (204) | - |
|  |  | **(393)** | **(188)** |
|  |  |  |  |
| **Increase in cash and cash equivalents in the year** |  | **4,174** | **(3,559)** |
| Cash and cash equivalents at beginning of the year | 19 | **10,367** | **13,926** |
| Cash and cash equivalents at end of the year | 19 | **14,541** | **10,367** |

# NOTES TO THE FINANCIAL STATEMENTS

### 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 2019 and in accordance with Financial Reporting Standards (FRS 102). 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.

##### Enhanced Pension Provision

Enhanced pensions have been paid to former employees of the Inner London Education Authority on a monthly basis by the London Pension Fund Authority (LPFA) and reimbursed by Central. The LPFA supplies Central with listings of the 6 former staff members still alive, their age, gender and marital status. The University uses the Association of Colleges template which provides a Net Interest Rate table to apply the age, sex, annual payment and marital status of the former employees and calculate a pension per individual. These are summed for all individuals to provide an appropriate pension provision.

##### 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 Buildings

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 - 3 years

Lighting equipment - 5 years Media and digital equipment - 2 years Management information systems - 5 years Telephone equipment - 7 years

Other equipment - 10 years

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

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, 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 and overdrafts. 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 Part 3 of the Charities Act 2011 and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, Central is potentially exempt from taxation in respect of income or capital gain received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. Central receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost 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
* 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.

##### Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying accounting policies. Estimates, assumptions and judgements are continually evaluated based on available information and experience. Estimates based on assumptions and judgements could differ significantly from actual results. The areas most affected by the use of estimates and judgements are described below.

* useful lives of fixed assets - The useful lives of Central’s assets are determined by management at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Nevertheless, some assets, including buildings, remain in use well beyond their useful life and to this extent there is no charge to depreciation in respect of fully written off assets
* non-current asset investments – endowments and investments

Endowment and investments are included at fair market value provided by professional valuation

* recoverability of debts - It is assumed initially that all debts will be recoverable in full unless there is evidence to suggest otherwise. Any debt that is evidently doubtful is provided for in full. For all other debts, once these reach six months overdue a provision is created by type of debt based on historical experience of irrecoverability. The adequacy of the provision is assessed and adjusted annually
* annual leave liability - The liability for outstanding annual leave is calculated based on the assumption that academics do not take leave during the term time, but take leave pro rata during the vacation periods. Actual data of outstanding leave is taken from the holiday booking system
* calculation of pension provision – Defined benefit pension liability

The underlying assumptions in relation to the estimate of the present value of the calculation of the defined benefit pension liability in the LPFA scheme is made using actuarial assumptions including future salary and general inflation and the expected longevity of scheme members.

### Notes to the Financial Statements for the year ended 31 July 2020

**Year Ended 31 July 2020**

Year Ended 31 July 2019

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | **Group** | **Central** | Group | Central |
| **1** | **Tuition fees and education contracts** | **£'000** | **£'000** | £'000 | £'000 |
|  | Full-time Undergraduate - Home | **4,957** | **4,957** | 4,807 | 4,807 |
|  | - EU students | **703** | **703** | 634 | 634 |
|  | - International students | **1,545** | **1,545** | 1,332 | 1,332 |
|  | Full-time Postgraduate - Home | **1,396** | **1,396** | 1,339 | 1,339 |
|  | - EU students | **499** | **499** | 502 | 502 |
|  | - International students | **2,107** | **2,107** | 2,044 | 2,044 |
|  | Part-time Postgraduate - Home | **187** | **187** | 199 | 199 |
|  | - EU students | **35** | **35** | 19 | 19 |
|  | - International students | **-** | **-** | 10 | 10 |
|  |  | **11,429** | **11,429** | 10,886 | 10,886 |
|  | Short courses and other fees | **705** | **705** | 909 | 909 |
| **12,134 12,134** 11,795 | | | | | 11,795 |
| **2** | **Funding body grants** |  |  |  |  |
|  | **Recurrent grants** |  |  |  |  |
|  | Teaching - OfS | **4,764** | **4,764** | 4,827 | 4,827 |
|  | Research - Research England | **711** | **711** | 631 | 631 |
|  | Capital grants - OfS | **478** | **478** | 496 | 496 |
|  | - Research England  **Specific grants** | **10** | **10** | 1 | 1 |
|  | Inherited staff liabilities - OfS | **23** | **23** | 16 | 16 |
|  |  | **5,986** | **5,986** | 5,971 | 5,971 |

**Notes to the Financial Statements for the year ended 31 July 2020**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **3** | **Research grants and contracts** |  |  |  |  |
|  | Research councils | **387** | **387** | 282 | 282 |
|  | Research charities | **9** | **9** | - | - |
|  | Government (UK and overseas) | **74** | **74** | 96 | 96 |
|  | Industry and commerce | **-** | **-** | 2 | 2 |
|  |  | **470** | **470** | 380 | 380 |
|  | ***The source of grant and fee income, included in notes 1 to 3 is as follows:*** |  |  |  |  |
|  | **Grant and Fee income** |  |  |  |  |
|  | OfS Grant income from the OfS | **5,265** | **5,265** | 5,339 | 5,339 |
|  | Other bodies\* Grant income from other bodies | **1,275** | **1,271** | 1,012 | 1,012 |
|  | Research awards Fee income for research awards (exclusive of VAT) | **139** | **139** | 243 | 243 |

Non-qualifying

Fee income from non-qualifying courses (exclusive of VAT)

**705 705** 909 909

Taught Fee income for taught awards (exclusive of VAT)  **11,290 11,290** 10,643 10,643

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **18,674 18,670** | | | 18,146 | 18,146 |
| *\*Includes HMRC Coronavirus Job Retention Scheme (CJRS) grants shown within* | *other income* |  |  |  |
| **4 Other Income** |  |  |  |  |
| Other revenue grants | **84** | **80** | - | - |
| Rent | **161** | **161** | 44 | 44 |
| Ticket sales | **13** | **13** | 26 | 26 |
| Shop sales | **11** | **11** | 18 | 18 |
| Bar sales | **73** | **-** | 95 | - |
| External services | **130** | **130** | 104 | 104 |
| Buiness Training | **117** | **117** | 149 | 149 |
| VAT and Creative Sector Relief | **169** | **169** | - | - |
| Research | **22** | **22** | 6 | 6 |
| Award Ceremony | **24** | **24** | 26 | 26 |
| Miscelleneous | **35** | **35** | 70 | 70 |
|  | **839** | **762** | 538 | 443 |
| **5 Investment income** |  |  |  |  |
| Investment income on endowments | 14 | 14 | 13 | 13 |
| Investment income on restricted reserves | 9 | 9 | 9 | 9 |
| Exchange (losses) / gains realised | (32) | (32) | 27 | 27 |
| Other investment income | 119 | 119 | 168 | 168 |
|  | **110** | **110** | 217 | 217 |
| **6 Donations and endowments** |  |  |  |  |
| Donations with restrictions | **237** | **237** | 743 | 743 |
| Unrestricted donations | **54** | **54** | 98 | 98 |
|  | **291** | **291** | 841 | 841 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **7. Staff costs** |  | | | |
|  | **Year Ended** |  | **Year Ended** |  |
|  | **31 July 2020** |  | **31 July 2019** |  |
|  | **Group** | **Central** | **Group** | **Central** |
|  | **£000** | **£000** | **£000** | **£000** |
| Salaries | 8,752 | 8,715 | 8,320 | 8,280 |
| Social security costs | 890 | 889 | 835 | 833 |
| Other pension costs | 2,390 | 2,388 | 2,045 | 2,041 |
| **Total** | **12,032** | **11,992** | **11,200** | **11,154** |

**Total remuneration of the head of the institution**

Professor Gavin Henderson retired on 31 August 2020 but stood down as operational Principal and Accountable Officer on 8 June 2020. A termination payment of £30,000 was made to Professor Henderson in September 2020. Full annual remuneration detailed below.

|  |  |  |
| --- | --- | --- |
|  | **Year Ended** | **Year Ended** |
| **31 July 2020** | **31 July 2019** |
| **£** | **£** |
| Basic salary | 186,625 | 183,326 |
| Pension contribution | 43,093 | 30,212 |
| Taxable Benefits |  |  |
| Medical insurance | 3,374 | 3,195 |
| Non Taxable Benefits |  |  |
| Hospitality | 115 | - |
| Taxis (business efficacy) | 425 | 356 |
| Theatre tickets (external networking, industry and | 1,136 | 4,520 |
| alumni development) |  |  |
| Air flights | - | 7,426 |
| **Total** | **234,768** | **229,035** |

Ms Deborah Scully (substantive Deputy Principal) acted up as Accountable Officer and Interim Co-Principal from 8 June to 31 July 2020. Pro-rated annual remuneration for the period from 8 June to 31 July 2020 detailed below.

**Year Ended 31 July 2020**

**£**

|  |  |
| --- | --- |
| Basic salary | 19,331 |
| Pension contribution | - |
| Taxable Benefits |  |
| Medical insurance | 298 |
| **Total** | **19,629** |

Professor Ross Brown (substantive Dean) acted up as Interim Co-Principal from 8 June to 31 July 2020. Pro-rated annual remuneration for the period between 8 June and 31 July 2020 detailed below.

##### Year Ended 31 July 2020

**£**

Basic salary 18,870

Pension contribution 4,357

Taxable Benefits

Medical insurance 223

##### Total 23,450

Professor Gavin Henderson, CBE has led The Royal Central School of Speech and Drama since September 2007. In autumn 2019, Professor Henderson signalled his intention to retire on 31 August 2020. On 1 March 2020, Professor Henderson served six months’ notice to retire on 31 August 2020 in accordance with his contract of employment. Professor Henderson was in post throughout the financial year but stood down as operational Principal on 8 June 2020. From 8 June the Deputy Principal and Dean undertook operational duties relinquished by Professor Henderson.

Central is a higher education conservatoire based in London. The nature of the School’s business is far-reaching and internationally renowned. Central provides higher education degree programmes to around 1,100 students and also offers an extensive short course programme to over 900 individuals from all ages from children to adult learners. Central conferred 499 degree awards. Employing 235 full-time equivalent contracted staff and engaging approximately 200 freelance visiting professionals, the School’s annual turnover in 2019/20 was £19.8 million. 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 Excellent 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 2019. These include the median for all providers at £255k; for providers with an income of up to £24m at £170k; providers based in London at £260k and specialist conservatoire peer group at £173k.

In comparison to appropriate external benchmarks and reference points, and noting the standing of Central, the basic pay for the substantive Principal /CEO post at £186k can be justified as being fair and in line with benchmarks. The ratio between the Principal’s total remuneration for 2020 and the pay of other staff at Central was 5.2. This is at the lower end

of the CUC reported ratio range for higher education 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 pay of the other staff at the institution.

|  |  |  |
| --- | --- | --- |
|  | **2020** | **2019** |
| **Basic salary** | 4.7 | 4.1 |
| **Total remuneration** | 5.2 | 4.7 |
| Remuneration of other higher paid staff, excluding employer's pension contributions | | |
|  | **No.** | No. |
| £100,000 to £104,999 | **-** | 1 |
| £105,000 to £109,999 | 1 | - |
| £110,000 to £114,999 | 1 | 1 |
| £115,000 to £119,999 | 1 1 | |
| **Total** | **3 3** | |
| Average staff numbers by major category : | **No.** | No. |
| Teaching | **130** | 143 |
| Teaching Support | **62** | 64 |
| Central Admin & Services | **31** | 31 |
| Staff and student facilities | **5** | 7 |

Premises  **7** 7

**235** 252

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

##### Year ended 31 July 2020

Year ended 31 July 2019

##### Key management personnel staff costs and benefits (included in staff costs above)

**£'000** £'000

Salary 890 860

**Total 890** 860

##### 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 (2019: none).

However, during the year four (2019: five) non-executive directors received reimbursement of expenses of £1,211 (2019: £1,377). This represents travel and subsistence expenses incurred in attending Governing Body and Committee meetings in their official capacity.

**Notes to the Financial Statements for the year ended 31 July 2020**

**Year Ended 31 July 2020**

Year Ended 31 July 2019

1. **Interest and other finance costs**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Notes | **Group** | **Central** | Group | Central |
|  | **£'000** | **£'000** | £'000 | £'000 |
|  | **268** | **268** | 268 | 268 |
| 25 | **155 155** 160 160 | | | |
|  | **423 423** 428 428 | | | |

Loan interest

Net charge on pension scheme

**9a Analysis of total expenditure by activity**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year Ended 31 JULY 2020** | **Staff costs**  **£'000** | **Other operating expenses**  **£'000** | **Depre- ciation**  **£'000** | **Interest and other finance**  **£'000** | **Total**  **£'000** |
| Teaching | **6,122** | **1,501** | **1** |  | **7,624** |
| Teaching Support | **3,037** | **1,523** | **195** |  | **4,755** |
| Central Admin & Services | **2,547** | **1,905** | **301** | **423** | **5,176** |
| Staff and student facilities | **41** | **115** | **1** |  | **157** |
| Premises | **285** | **872** | **736** |  | **1,893** |
| Catering | **-** | **131** | **2** |  | **133** |
|  | **12,032** | **6,047** | **1,236** | **423** | **19,738** |
| Other operating expenses include: |  |  |  |  |  |
| External auditor's remuneration in respect of audit services |  |  |  |  | 52 |
| External auditor's remuneration in respect of non-audit services |  |  |  |  | 48 |
| Operating lease rentals - Buildings |  |  |  |  | 306 |
| Operating lease rentals - Other |  |  |  |  | 85 |
| The remuneration above is inclusive of irrecoverable VAT |  |  |  |  |  |
| **Year Ended 31 JULY 2019** | **Staff Costs** | **Other Operating Expenses** | **Depre- ciation** | **Interest Payable** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Teaching | 5,773 | 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 facilities | 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 |  |  |  |  | 44 |
| External auditor's remuneration in respect of non-audit services |  |  |  |  | 23 |
| Operating lease rentals |  |  |  |  | 306 |
| Operating lease rentals - Other |  |  |  |  | 85 |
| The remuneration above is inclusive of irrecoverable VAT |  |  |  |  |  |

9b **Access and Participation**

**Year Ended 31 July 2020**

|  |  |  |
| --- | --- | --- |
|  | **Group** | **Central** |
| **£'000** | **£'000** |
| Access Investment | 231 | 231 |
| Financial Support | 135 | 135 |
| Disability Support | 176 | 176 |

Research and Evaluation 3 3

**545 545**

First year of Access an Participation disclosure, no prior year compararives required. These costs are already included in the overall staff and operating expenditure figures included in the financial statements

##### Notes to the Financial Statements for the Year Ended 31 July 2020

**10 Fixed Assets**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Freehold Land and Buildings** |  | **Leasehold Land and Buildings** |  | **Alterations and Improvements** |  | **Fixtures, Fittings**  **and Equipment** |  | **Total** |
| **Group** | **£'000** |  | **£'000** |  | **£'000** |  | **£'000** |  | **£'000** |
| **Cost or valuation**  At 1 August 2019 | 39,979 |  | 1,186 |  | 4,049 |  | 3,028 |  | 48,242 |
| Additions | - |  | - |  | - |  | 142 |  | 142 |
| **At 31 July 2020** | **39,979** |  | **1,186** |  | **4,049** |  | **3,170** |  | **48,384** |

**Depreciation**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| At 1 August 2019 | 6,538 | - | 2,882 | 1,644 | 11,064 |
| Charge for the year | 618 | - | 302 | 316 | 1,236 |
| **At 31 July 2020** | **7,156** | **-** | **3,184** | **1,960** | **12,300** |

**Net book value**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **At 31 July 2019** | **32,823** | **1,186** | **865** | **1,210** | **36,084** |
| At 31 July 2018 | 33,441 | 1,186 | 1,167 | 1,384 | 37,178 |

At 31 July 2020, freehold land and buildings included £8.8m (2018 - £8.8m) in respect of freehold land and is not depreciated.

##### Notes to the Financial Statements for the Year Ended 31 July 2020

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **10 Fixed Assets (Contd)** |  | | | | | | | | |
|  | **Freehold** |  | **Leasehold** |  |  |  | **Fixtures, Fittings** |  |  |
|  | **Land and Buildings** |  | **Land and Buildings** |  | **Alterations and Improvements** |  | **and Equipment** |  | **Total** |
| **Central** | **£'000** |  | **£'000** |  | **£'000** |  | **£'000** |  | **£'000** |
| **Cost and valuation** |  |  |  |  |  |  |  |  |  |
| At 1 August 2019 | 39,979 |  | 1,186 |  | 4,049 |  | 3,022 |  | 48,236 |
| Additions | - |  | - |  | - |  | 142 |  | 142 |
| **At 31 July 2020** | **39,979** |  | **1,186** |  | **4,049** |  | **3,164** |  | **48,378** |

**Depreciation**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| At 1 August 2019 | 6,538 | - | 2,882 | 1,639 | 11,059 |
| Charge for the year | 618 | - | 302 | 316 | 1,236 |
| **At At 31 July 2020** | **7,156** | **-** | **3,184** | **1,955** | **12,295** |
| **et book value**  **At 31 July 2020 32,823 1,186 865 1,209 36,084** | | | | | |
| At 31 July 2019 | 33,441 | 1,186 | 1,167 | 1,383 | 37,177 |

**N**

At 31 July 2020, freehold land and buildings included £8.8m (2018 - £8.8m) in respect of freehold land and is not depreciated.

##### Notes to the Financial Statements for the year ended 31 July 2020

**11 Non-Current Investments**

|  |  |  |  |
| --- | --- | --- | --- |
| **Group and Central** | **Endowment Investment** | **Other Investments** | **Total** |
|  | **£'000** | **£'000** | **£'000** |
| **At 1 August 2019** | 408 | 678 | **1,086** |
| Decrease in value | (22) | (28) | **(50)** |
| **At 31 July 2020** | **386** | **650** | **1,036** |
| **Group and Central** | **£'000** | **£'000** | **£'000** |
| **At 1 August 2018** | 402 | 678 | 1,080 |
| Increase in value | 6 | - | 6 |
| **At 31 July 2019** | **408** | **678** | **1,086** |

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

**Central 2020 Central 2019**

Investment in Subsidiary company at cost **£ £**

Subsidiary company 1 1

The results of the group consolidate those of CSSD Enterprises Limited

|  |  |  |
| --- | --- | --- |
|  | **Year Ended** | Year Ended |
| **31 July 2020** | 31 July 2019 |
| The result of the subsidiary are as follows: | **£'000** | £'000 |
| Turnover | **73** | 96 |
| Cost of sales | **(41)** | (33) |
| Gross Profit | **32** | 63 |
| Furlough grants | **4** | - |
| Net operating expenses | **(56)** | (58) |
| (Loss) / profit for the financial year | **(20)** | 5 |

CSSD Enterprises Ltd registered office is at 64 Eton Avenue, London NW3 3HY

**Principal Activity Status**

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

100% owned

### Notes to the Financial Statements for the year ended 31 July 2020

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **12 Debtors** | **Year ended** | | Year ended | |
| Amounts falling due within one | **31 July 2020 Group Central**  **£'000 £'000** | | 31 July 2019 Group Central  £'000 £'000 | |
| year: |  | |  | |
| Trade receivables Prepayments and accrued  income | **1,986 1,986**  **171 171** | | 700 700  178 178 | |
| Amounts due from subsidiary companies | **- 75** | | - 59 | |
| **2,157** | | **2,232** | 878 | 937 |

##### Current

##### Investments

##### Year ended 31 July 2020

Year ended 31 July 2019

**Group Central** Group Central

**£'000 £'000** £'000 £'000

Short term deposits  **1,100 1,100** 4,655 4,655

##### 1,100 1,100 4,655 4,655

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 2020 the weighted average interest rate of these fixed rate deposits was 0.60% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 103 days. The fair value of these deposits was not materially different from the book value.

### Notes to the Financial Statements for the year ended 31 July 2020

##### Creditors : amounts falling due within one year

##### Year ended 31 July 2020

Year ended 31 July 2019

**Group Central** Group Central

|  |  |  |  |
| --- | --- | --- | --- |
| **£'000** | **£'000** | £'000 | £'000 |
| **418** | **418** | 205 | 205 |
| **98** | **84** | 250 | 240 |
| **262** | **262** | 261 | 261 |
| **3,472** | **3,472** | 3,450 | 3,450 |
| **447** | **447** | - | - |

Unsecured loans Trade payables

Social security and other taxation payable Accruals and deferred income

Other Creditors

Capital Grants  **560 560**  560 560

**5,257 5,243**  4,726 4,716

The prior year creditors have been updated due to the reclassification of unsecured loans due within one year form long term liabilities (note 15).

##### Notes to the Financial Statements for the year ended 31 July 2020

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

**Year ended 31 July 2020** Year ended 31 July 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Group** | **Central** | Group | Central |
| **£'000** | **£'000** | £'000 | £'000 |
| Capital Creditors | 7,764 | 7,764 | 8,154 | 8,154 |
| Unsecured loan | 8,077 | 8,077 | 8,495 | 8,495 |
| Deferred income | 130 | 130 | 138 | 138 |
|  | **15,971** | **15,971** | **16,787** | **16,787** |
| Analysis of unsecured loans: |  |  |  |  |
| **Due within one year or on demand** | 418 | 418 | 205 | 205 |
| Due between one and two years | 431 | 431 | 418 | 418 |
| Due between two and five years | 1,373 | 1,373 | 1,332 | 1,332 |
| Due in five years or more | 6,273 | 6,273 | 6,745 | 6,745 |
| **Due after more than one year** | **8,077** | **8,077** | **8,495** | **8,495** |
| **Total unsecured loans** | **8,495** | **8,495** | **8,700** | **8,700** |
| The fixed interest rates on the £8.7m Lloyds loan is as detailed below: | | | | |
|  | **Amount** | **Term** | **Interest rate** | **Borrower** |
|  | **£'000** |  | **%** |  |
| 23 June 2016 | 5,000 | 20 | 3.155 | Central |
| 11 April 2017 | 1,000 | 20 | 2.743 | Central |
| 9 May 2018 | 2,700 | 20 | 3.083 | Central |
| **Total Lloyds loan** | **8,700** |  |  |  |
| **16 Provisions for liabilities** |  |  |  |  |
| **Group and Central** | **Enhanced** | **LPFA** | **Other** | **Total** |
|  | **Pension** | **Obligations** | **Obligations** | **Pensions** |
|  | **Provisions** | **(Note 25)** |  | **Provisions** |
|  | **£'000** | **£'000** | **£'000** | **£'000** |
| At 1 August 2019 | 179 | 7,429 | 40 | **7,648** |
| Additions | - | 5,874 | - | **5,874** |
| **At 31 July 2020** | **179** | **13,303** | **40** | **13,522** |

Enhanced Pension Provision - valuation of the enhanced (unfunded) inherited pensioner liabilities currently funded by the OfS. The assumptions for calculating the provision for pension enhancements on termination under FRS 102, are as follows:

**Consolidated**

Interest rate **1.30**

Inflation  **2.20**

Other Obligations - these relate to Teachers' Pension arrears for 3 members of staff.

##### Notes to the Financial Statements for the year ended 31 July 2020

**17 Endowment Reserves**

Restricted net assets relating to endowments are as follows:

**Restricted Expendable Endowments**

**Restricted Permanent Endowments**

**2020** 2019

**Total** Total

**£'000 £'000 £'000** £'000

**Balances at 1 August 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Capital | 11 | 310 | **321** | 321 |
| Accumulated income | 19 | 68 | **87** | 81 |
|  | 30 | 378 | **408** | 402 |
| Investment income | - | 14 | **14** | 13 |
| Expenditure | - | (18) | **(18)** | (7) |
| Decrease in market value of investments | - | (18) | **(18)** | - |
| **Total endowment comprehensive income for the year** | - | (22) | **(22)** | 6 |
| **At 31 July 2020** | 30 | 356 | **386** | 408 |
| **Represented by:** |  |  |  |  |
| Capital | 11 | 310 | **321** | 321 |
| Accumulated income | 19 | 46 | **65** | 87 |
|  | 30 | 356 | **386** | 408 |
| **Analysis by type of purpose:** |  |  |  |  |
| Scholarships and bursaries | - | 326 | **326** | 346 |
| Prize funds | - | 30 | **30** | 32 |
| General | 30 | - | **30** | 30 |
|  | 30 | 356 | **386** | 408 |
| Analysis by asset |  |  |  |  |
| Fixed assets | 5 | 334 | 339 | 358 |
| Cash & cash equivalents | 25 | 22 | 47 | 50 |
|  | **30** | **356** | **386** | 408 |

##### Notes to the Financial Statements for the year ended 31 July 2020

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **18** | **Restricted Reserves** |  | | |
|  | Reserves with restrictions are as follows: |
|  | **Unspent capital grants** | **Donations** | **2020** | **2019** |
|  | **£'000** | **£'000** | **Total**  **£'000** | **Total**  **£'000** |
|  | **Balances at 1 August** 1,427 | 602 | **2,029** | 1,491 |
|  | New donations 8 | 229 | **237** | 743 |
|  | Investment income - | 9 | **9** | 9 |
|  | Capital grants utilised (6) | - | **(6)** | (6) |
|  | Expenditure - | (213) | **(213)** | (208) |
|  | **Total restricted comprehensive income for the year** 2 | 25 | **27** | 538 |
|  | **At 31 July** 1,429 | 627 | 2,056 | 2,029 |
|  | **Analysis of other restricted funds /donations by type of purpose:** |  | **2020**  **Total**  **£'000** | **2019**  **Total**  **£'000** |
|  | Lectureships |  | **23** | 31 |
|  | Scholarships and bursaries |  | **198** | 379 |
|  | Prize funds |  | **8** | - |
|  | Capital |  | **8** | 26 |
|  | |  | **237** 436 | |
| **19 Cash and cash equivalents** | | **At 1 August** | **Cash At 31 July** | |
| Consolidated | | **2019**  **£'000** | **Flows 2020**  **£'000 £'000** | |
| Cash in hand | | 117 | (21) **96** | |
| Cash at bank | | 3,907 | 478 **4,385** | |

Term deposits with less than 3 months at 31 July 6,343 3,717 **10,060**

**10,367 4,174 14,541**

##### Notes to the Financial Statements for the year ended 31 July 2020

1. **Capital and other commitments**

Provision has not been made for the following capital commitments at 31 July 2020:

**31 July 2020 31 July 2019**

**Group and Central**

Group and Central

**£'000** £'000

Commitments contracted for **162** 94

**162** 94

These commitments relate to various capital projects including the student records system, website and North Block Building project (placed in service Jan-19).

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.

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | | **2019/20** |  |  | **2018/19** |
|  | **Buildings** |  | **Printers** |  | **Total** | Total |
| (i) not later than one year |  | 279 |  | 85 | 364 | 393 |
| 1. later than one year and not later than five 2. later than five years |  | -  - |  | -  - | -  - | 279  - |
| **(b) lease payments recognised as an expense** |  | **306** |  | **85** | **391** | 391 |

1. **Contingent liabilities**

There are no contingent liabilities as 31 July 2020 (31 July 2019: nil).

1. **Related Party Transactions**

Central has transactions with a number of organisations which fall within the definition of Related Parties. Details of transactions, where material (in excess of £5k) are shown below. In accordance with FRS 102 section 33 no disclosure has been made of intra-group transactions and balances eliminated on consolidation.

|  |  |  |
| --- | --- | --- |
| **Transaction** | **Expenditure**  **2020 2019**  **£000 £000** | **Nature of**  **Transaction** |
| Central Students Union | (15) (15) | Student Union gran |

t

1. **Events after the reporting period**

Professor Gavin Henderson CBE stepped down as operational Principal and Accountable Officer on 8 June 2020 and retired on 31 August 2020. A post-termination payment of £30k approved by the Board was paid to Professor Henderson in September 2020.

Ms Debbie Scully served as Accountable Officer and Interim Co-Principal for the period 8 June 2020 to 13 September

2020. Ms Scully received an Acting Allowance of £4k in December 2020.

Professor Ross Brown served as Interim Co-Principal for the period 8 June 2020 to 13 September 2020. Professor Brown received an Acting Allowance of £7k in December 2020.

Professor George Caird was appointed as Interim Principal and Accountable Officer from 14 September 2020. Professor Caird will remain in post until a new permanent Principal is in post.

##### Notes to the Financial Statements for the year ended 31 July 2020

##### Pension Schemes

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

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

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

|  |  |  |
| --- | --- | --- |
| The total pension cost for Central was: | **Year Ended 31 July 2020** | **Year Ended 31 July 2019** |
|  | **£000** | **£000** |
| Teachers' Pension Scheme : Employer contributions paid  Contributions paid | 1,013 | 673 |
| London Pensions Fund Authority: Employer contributions paid | 528 | 508 |
| Provisions for pension costs | 849 | 864 |
| **Total Pension Cost** | **2,390** | **2,045** |

##### 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).

Since there is no agreement that determines how each employer within the multi-employer plan will fund the overall deficit, Central is exposed to volatile changes in contributions rates which might be other entities obligations and liabilities.

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

|  |  |  |
| --- | --- | --- |
|  | **£Billion**  **31 March**  **2016** | **£Billion**  **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)** |

##### Notes to the Financial Statements for the year ended 31 July 2020

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

Accordingly, Central has taken advantage of the exemption in FRS 102 section 28 and accounted for its contributions to the scheme as a defined contribution scheme.

##### LPFA

The London Government Pension Scheme (LGPS) is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund’s membership booklet.

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgement and the 2016 cost cap process. The Government has published its consultation on a remedy for the McCloud and Sargeant judgement and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. These are yet to be finalised and therefore it remains uncertain what changes may be made to LGPS benefits as a result.

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 the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. 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.

On the Employer’s withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

##### Notes to the Financial Statements for the year ended 31 July 2020

##### The aims of the Fund are to:

* manage employers’ liabilities effectively
* ensure that sufficient resources are available to meet all liabilities as they fall due
* safeguard the Fund against the consequences of employer default
* set contributions to ensure Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile to the Fund and the Authority and employers’ risk profiles (Public Service Pensions Act)
* enable employer contribution rates to be kept as stable as possible and at reasonable cost to the taxpayers, scheduled, designated, resolution and admitted bodies (LGPS Regulations)
* seek returns from investments within reasonable risk parameters

##### The purpose of the Fund is to:

* receive monies in respect of contributions, transfer values and investment income; and
* pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses.

The 2020 valuation includes an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes, respectively. This allowance was described in the previous accounting report and incorporated into the accounting results as at 31 July 2019. These results, including the allowance, have been rolled forward and remeasured to obtain the accounting results as at 31 July 2020.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closes on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. We do not believe there are any material differences between the approach underlying our estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore we have not included any further adjustment in light of the ongoing consultation in this report.

FRS102 also requires the disclosure of any other employer provided pension benefits which are not paid from the Fund itself: examples include additional pensions paid on retirement under the Discretionary Payment Regulations. We have only valued such additional liabilities, which would not be covered in the formal LGPS valuation, to the extent that they have been notified to us and are as disclosed in the Valuation data section of this report.

##### Notes to the Financial Statements for the year ended 31 July 2020

##### Actuarial Valuation Data

Data sources

In completing the calculations for pension accounting purposes Barnett Waddingham have used the following items of data, received from the London Pensions Fund Authority:

* the results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 July 2019 FRS102 report which was prepared for accounting purposes
* estimated whole Fund income and expenditure items for the period to 31 July 2020
* fund investment returns for the period to 30 June 2020 and market returns (estimated where necessary) thereafter for the period to 31 July 2020;
* estimated Fund income and expenditure in respect of the Employer for the period to 31 July 2020
* details of any new early retirements for the period to 31 July 2020 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost
* details of any settlements for the period to 31 July 2020

Although some of these data items have been estimated, it is not believed that they are likely to have a material effect on the results of the report. Further, they are not aware of any material changes or events since the data was received. The data has been checked for reasonableness and the actuary is happy that the data is sufficient for the purposes of the advice given.

##### Demographic/Statistical Assumptions

|  |  |  |  |
| --- | --- | --- | --- |
| **Life expectancy from age 65 (years)** | **31 July 2020**  **Weighted by liability** | **31 July 2019 Unweighted** | **31 July 2018 Unweighted** |
| Retiring today | | | |
| Males | 22.8 | 21.8 | 20.3 |
| Females | 24.5 | 24.3 | 23.6 |
| Retiring in 20 years | | | |
| Males | 23.6 | 23.2 | 22.1 |
| Females | 26.0 | 25.8 | 25.5 |

##### Financial Assumptions

|  |  |  |  |
| --- | --- | --- | --- |
| **Assumptions as at** | **31 July 2020** | **31 July 2019** | **31 July 2018** |
| RPI increases | 3.00% | 3.35% | 3.35% |
| CPI increases | 2.20% | 2.35% | 2.35% |
| Salary increases | 3.20% | 3.85% | 3.85% |
| Pension increases | 2.20% | 2.35% | 2.35% |
| Discount rate | 1.40% | 2.15% | 2.65% |

##### Notes to the Financial Statements for the year ended 31 July 2020

##### Employer Membership Statistics

|  |  |  |  |
| --- | --- | --- | --- |
| **Membership**  **data summary** | **Number** | **Salaries/Pensions**  **£000s** | **Average age** |
| Actives | 116 | 3,479 | 42 |
| Deferred  pensioners | 136 | 231 | 40 |
| Pensioners | 20 | 214 | 70 |

##### Scheduled Contributions

|  |  |  |  |
| --- | --- | --- | --- |
| **Minimum employer contributions due for the beginning of the**  **year** | **1 April 2020** | **1 April 2021** | **1 April 2022** |
| Percentage of payroll | 14.8% | 14.8% | 14.8% |

##### Valuation Approach Liabilities

To assess the value of liabilities at 31 July 2020, the funding valuation as at 31 March 2019 were rolled forward 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 2020 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 July 2020 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 we have received there appears to be no evidence that this approach is inappropriate

##### Assets

To calculate the asset share assets allocated to Central at 31 March 2019 were rolled forward allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of Central and its employees.

##### Notes to the Financial Statements for the year ended 31 July 2020

|  |  |  |
| --- | --- | --- |
| **Net Pension Asset as at** | **31 July 2020**  **£000s** | **31 July 2019**  **£000s** |
| Present value of the defined benefit  obligation | 27,934 | 20,866 |
| Fair value of Fund asset  (bid value) | 14,631 | 13,423 |
| **Deficit / Surplus** | **13,303** | **7,443** |
| **Net defined benefit**  **liability / (asset)** | **13,303** | **7,443** |

##### Experience items allowed for since 31 July 2019

As a result of allowing for actual experience, which may be different from that assumed previously, an experience item may be observed in the reconciliation to 31 July 2020. The effect of allowing for the actual experience is detailed below:

|  |  |  |
| --- | --- | --- |
| **Reconciliation of opening and closing**  **balances of the present value of the defined benefit obligation** | **31 July 2020**  **£000s** | **31 July 2019**  **£000s** |
| **Opening defined benefit obligation** | **20,866** | **18,420** |
| Current service cost | 1,319 | 1,153 |
| Interest cost | 449 | 483 |
| Change in financial assumptions | 3,799 | 2,150 |
| Change in demographic assumptions | 99 | (1,088) |
| Experience loss / (gain) on defined benefit  obligation | 1,360 | - |
| Estimated benefit paid net of transfers in | (223) | (643) |
| Past service costs, including curtailments | - | 141 |
| Contribution by Scheme participants and other  employers | 265 | 250 |
| **Closing defined benefit obligation** | **27,934** | **20,866** |

##### Remeasurements of Other Comprehensive Income

|  |  |  |
| --- | --- | --- |
| **Remeasurement of the net assets / (defined**  **liability)** | **31 July 2020**  **£000s** | **31 July 2019**  **£000s** |
| **Return on Fund assets in excess of interest** | **433** | **882** |
| Other actuarial losses on assets | (53) | - |
| Change in financial assumptions | (3,799) | (2,150) |
| Change in demographic assumptions | (99) | 2,150 |
| Change in demographic assumptions | 99 | 1,088 |
| Experience loss on defined benefit obligation | (1,360) | - |
| **Remeasurement of the defined liability** | **(4,878)** | **(180)** |

##### Notes to the Financial Statements for the year ended 31 July 2020

### 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 our understanding that HM Treasury have 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 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. Therefore it is assumed there is no need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

##### Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 July 2020 is estimated to be 5%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Central as at 31 July 2020 is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset Breakdown** | **31 July 2020** | | **31 July 2019** | |
| **£000s** | **%** | **£000s** | **%** |
| **Equities** | 8,036 | 55% | 7,314 | 55% |
| **Target Return**  **Portfolio** | 3.329 | 23% | 3,409 | 25% |
| **Infrastructure** | 1,011 | 7% | 769 | 6% |
| **Property** | 1,356 | 9% | 1,223 | 9% |
| **Cash** | 899 | 6% | 708 | 5% |
| **Total** | **14,631** | **100%** | **13,423** | **100%** |