

**Royal Welsh College of Music and Drama Limited**

**Coleg Brenhinol Cerdd a Drama Cymru Cyfyngedig**

**Annual Report and**

**Financial Statements for the year ended**

**31 July 2017**

**Annual Report and Financial Statements for the year ended  
31 July 2017**

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**Chair's report for the year ended 31 July 2017**

**Introduction**

As the newly appointed Chair of the National Conservatoire of Wales it is my privilege to provide an overview of the activities of the College over the last year.

Firstly, I would like to thank the College staff for their unstinting commitment and professionalism which has delivered another successful year and to particularly recognise the contribution of Dame Hilary Boulding who departed in July 2017 after 10 years as Principal of the College. I would like to express my thanks on behalf of the Board and College to Dame Hilary for her inspirational leadership and outstanding achievements and also to welcome the recently appointed Interim Principal, Professor George Caird.

**Progress Against Strategic Aims**

In July 2013, the Board approved a five-year strategy that outlined the following key aims and objectives.

- To significantly advance the position and profile of the Royal Welsh College of Music and Drama within its peer group and the wider industry, in the UK and internationally.
- To deliver a vibrant performance programme at the heart of the RWCMD training experience.
- To establish the College as a premier arts destination and deliver a first class customer experience.
- To fully inhabit the College's role as the National Conservatoire of Wales.

The College has made significant progress in delivering on the aims of its five-year strategy, including the following.

**Student Recruitment**

In a highly competitive market, student recruitment remains challenging across some of our programmes although the College is able to evidence an increase in the quality of student intake in many areas. The number of incoming students in the 2017/18 cohort includes a significant number of students assessed at audition and interview to be within the higher attainment level.

**League Table Performance**

The Guardian University Guide: 2018 was published in May 2017 and positioned the College Drama as 1<sup>st</sup> out of 87 institutions listed in the 'Drama and Dance League Table' with the Music course 39<sup>th</sup> out of 81 institutions. The scores for Music,

## **Chair's report for the year ended 31 July 2017 (continued)**

particularly in the organisation and management category, remain top of the College's agenda and much good work has been delivered to strengthen several aspects e.g. the delivery of feedback within 20 working days.

The College takes great pride in the early career success of our graduating students. In the latest Guardian League Table, the College achieved a score of 91% of graduates in appropriate employment after 6 months.

### Student Showcases

The College's Cardiff and London Showcases play an increasingly important role in the early career success of our actors and musical theatre students. By way of illustration, the Actors' Showcase at the Piccadilly Theatre in London attracted around 200 industry guests, following which agency representation was achieved by a substantial majority of our graduating actors, with offers made by leading agents. Whilst there is little doubt that the competition is now particularly intense for new actors, our students' resourcefulness was evidenced by the impressive amount of new work created by them at the 2017 Edinburgh Festival. The College also staged its first US Actors' Showcase in New York featuring recent American and Canadian acting and musical theatre graduates of the College and has plans to extend this to Los Angeles as well in 2018.

In another 'first' the College's Jazz students presented their first Showcase during the London Jazz Festival at the South Bank Centre. Three ensembles performed a set each to around 100 industry professionals and received excellent feedback.

### Creative Performance Programme

The College's Creative Programme delivered around 500 performances across the College's venues and at other venues in Cardiff, London and Edinburgh. In addition to its core purpose of providing a major training vehicle for students across all disciplines, the public performance programme makes a major contribution to the cultural provision in South Wales, continuing to reach around 60,000 audience attenders.

The season highlights included hugely impressive staged productions of Kurt Weill's *Street Scene* at the Sherman Theatre and Sondheim's *Sweeney Todd* in the Richard Burton Theatre, which were both outstanding artistic and commercial successes. *Buzz Magazine* said of *Street Scene*: "*RWCMD gave this production everything and made you feel, and that's what it's all about.*" A glowing review from *Arts Scene* in Wales particularly commended the lead roles in *Sweeney Todd*:

*"Hugely talented baritone Michael Robert-Lowe was born to sing the role of Sweeney Todd, the demon barber of Fleet Street... Add the delectably drawn Mrs Lovett by mezzo-soprano Becca Barratt, as irresistible and tantalising as her grisly meat pies, and we were given a dastardly duo that had us completely gripped for every moment of this intimate production."*

The College led a consortium of over 15 leading Welsh arts organisations to plan and deliver a major season of work marking the Centenary of the Russian Revolution in 2017 to demonstrate those historical events' profound cultural impact. The consortium partners



## Chair's report for the year ended 31 July 2017 (continued)

included BBC National Orchestra of Wales, Welsh National Opera, Wales Millennium Centre, National Dance Company Wales, Sinfonia Cymru, St David's Hall, National Museum and Gallery of Wales, National Theatre Wales, Sherman Cymru, Theatr Iolo, Chapter Arts Centre, University of Cardiff, Ffotogallery, Ffilm Cymru Wales, together with Pontio in Bangor and No Fit State Circus. The Russia 2017 programme incorporates a wide ranging and exceptional body of work.

Our fourth London and Cardiff season of NEW, a season of four newly-commissioned plays was again well received by public audiences and the industry. The College is now firmly established as a recognised commissioning body within the profession, with writers, directors and publishers aware of our output.

During the year, the College took advantage of every opportunity to raise the profile of its world class performance venues, the Dora Stoutzker Hall and the Richard Burton Theatre to arts audiences in South Wales and also, through broadcasting and UK media, to audiences and opinion formers across the UK. Highlights included performances by the Labeque Sisters; a festival of Messiaen's music performed by students, staff and external artists; a new series, *Legends*, which presented Patricia Routledge and Sian Philips in conversation with Edward Seckerson; and theatre productions by the Richard Burton Company which included *Blindsided* by Simon Stephens (who attended a performance and tweeted – 'Go to Cardiff!') and Tracy Letts' black comedy/thriller *Killer Joe*. Students were also involved in two collaborations with Welsh National Opera while students and recent graduates performed with the Orchestra of Welsh National Opera in a performance of Mahler's 2<sup>nd</sup> Symphony.

### High Profile Visitors

Another highlight of the year was a visit by Sir Anthony Hopkins (alumnus and Vice President of the College) which was the 61<sup>st</sup> anniversary of his first day as a student at the College. He and his wife toured the facilities, including the Anthony Hopkins Centre, dropped in to classes and met with students and staff. He led a rehearsal of Chekhov's *Three Sisters*, creating a terrifying 'Natasha' playing opposite third year acting undergraduate Joe Wiltshire-Smith's 'Andrey'.

In November 2017 a concert was staged to pay public tribute to Dame Shirley Bassey and thank her for her generous support of the College and its students over a number of years. The performance featured the College's Big Band, former and current Musical Theatre students and a young Junior Conservatoire student, all performing the songs that Dame Shirley Bassey made her own. It was an artistic risk (Dame Shirley noted that no-one had ever performed 'her' songs to her!) but one that resulted in an extraordinarily moving tribute by these young singers to a renowned artist. We used the occasion to re-designate the prosaically-named 'Studio 1' as 'The Dame Shirley Bassey Studio'.

The College also had a visit from Kirsty Williams, Cabinet Secretary for Education, who met Junior Conservatoire students and staff, as well as visiting a Young Actors' Studio Audition

## Chair's report for the year ended 31 July 2017 (continued)

Masterclass. Discussion was focussed on the recruitment and demographic mix of junior students, their progression, bursary funds and the College's aspirations to make these programmes more widely available across Wales. Kirsty Williams also attended the Dame Shirley Bassey Tribute Concert and saw the Senior College Musical Theatre students in performance.

### David Seligman Opera School

The College announced the launch of the 'Royal Welsh College Opera School' in February 2017. The Opera School brand will encompass future opera productions and training in all the relevant opera disciplines, including opera performance, repertoire, opera directing, stage management and design for opera. The announcement has been warmly received by students. The current opportunities for placements in WNO - side-by-sides, shadowing and coaching - will all be made more explicit in marketing and promotional literature with a view to giving already successful aspects of the College's training a higher national and international profile. In July, a major donation was received to support the new opera school which in recognition of his generosity will be named The David Seligman Opera School.

### Widening Access

The Royal Welsh College is the only UK conservatoire to include specialist training in outreach delivery as a compulsory part of the curriculum for music students. This takes place in the second year of undergraduate study, following which students have opportunities to pursue their training in this area within a range of more advanced optional learning modules. Student outreach work is typically linked to specific performance outcomes. For example, the *OrchestrAdventure* initiative formed part of the curriculum for all second year music undergraduates with students also delivering preparatory workshops in schools and serving as ambassadors directly linking each school with the College.

***OrchestrAdventure – RWCMD Symphony Orchestra*** 1,200 school children from Wales and the West Country attended a special schools concert in February 2017. Many of these schools successfully applied to ACW's 'Go and See' fund for help with tickets and transport costs. New ACW and Prince's Trust funding will enable another concert in 2018 in Cardiff followed for the first time by a performance in West Wales. In 2019, the tour will encompass North Wales.

The Junior Conservatoire celebrated 20 years of operation and continues to lead the College's activity to benefit young people of school age. Our outreach programme, much of it delivered by students under supervision, involved over 200 visits with around 10,000 participants and is a major plank of the College's activity to widen access to its resources. The weekly access programmes have a healthy take-up and the advanced tuition delivered through the Junior Conservatoire and Young Actors' Studio deliver a unique service in Wales, tailored to the needs of young people with exceptional talent and potential. The



## Chair's report for the year ended 31 July 2017 (continued)

Young Actors' programmes in Pembrokeshire are testimony to our ambition to extend the benefits of Wales's Conservatoire to young people right across Wales. It continues to be a major disappointment that the College has been unable to access bursary funding to support a national roll-out of its provision for talented young artists. This will continue to have a high priority in the coming years.

*The Making Music Changing Lives project was launched in 2010 by Ely vicar, Rev'd Jan Gould, after she was inspired by El Sistema in Venezuela. El Sistema began with 12 street children learning violin 30 years ago. Today that scheme has 500,000 members and 42 professional orchestras.*

*The scheme in Cardiff has grown from running one night a week to three –and now teaches brass, woodwind and string sections on separate evenings. Currently operating solely in Ely, Cardiff, the long term aim is to take the Sistema message across Wales.*

*At present children from Hywel Dda, Herbert Thompson, St Francis, St Fagans, Windsor Clive, Millbank and Coed Y Gof primary schools all take part in the project and they are taught by a combination of professional musicians and students from the Royal Welsh College of Music and Drama Limited.*

### Royal Patron

The College continues to be indebted to the College's Patron, HRH The Prince of Wales, who renewed his Patronage of the Conservatoire for five years to June 2021. The College is very appreciative of the support from our Patron who also provides students with many opportunities to provide entertainment for his guests.

### Fundraising

The Fundraising and Development team has continued its work to build the scholarship and bursary funding available to support students and secure support for projects that offer students opportunities to gain valuable professional experience and showcase their abilities to the industry. Notable gifts secured in 2016-17 included a major gift from David Seligman OBE to support the establishment of the new opera school at the College, a renewal of Valero's support of the West Wales Young Actors Studio and a new partnership with UBS, which became the College's Philanthropy Partner.

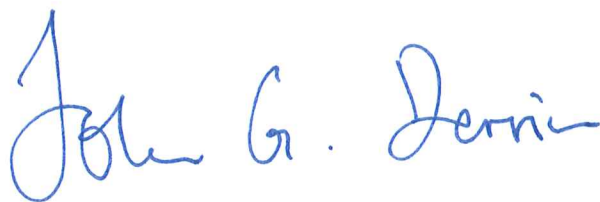
### Future Developments

The College has pursued its current strategy with considerable assets – committed and talented staff; productive partnerships with leading industry organisations; world class performance facilities; successful alumni who carry our name and reputation across the industry; an ambitious and creative community with a keen sense of its identity as the Royal Welsh College. There is potential for the College to achieve another material step-change in its activity by further extending its reach, impact and public value to Wales and beyond.

**Chair's report for the year ended 31 July 2017 (continued)**

The outcome of the '*independent review of conservatoire and related performing arts provision in higher education in Wales*' undertaken by Lord Murphy of Torfaen will provide the basis on which a new five-year strategy will be created and will have a significant bearing on the way in which the College achieves this role. The College's future strategy will include:

- extending the current Conservatoire operation to reach and benefit more young people from all backgrounds and regardless of financial means;
- enhancing the quality and range of what we can offer our students;
- creating a wider network of stakeholders and fostering a better understanding amongst current stakeholders about the economic, cultural and social value to Wales of a 'National Conservatoire';
- further enhancing the brand and profile of the Royal Welsh College.



**John Derrick**  
**Chair of Board of Governors**

27 November 2017



# **Royal Welsh College of Music and Drama Limited**

## **Public Benefit Statement**

The Royal Welsh College of Music and Drama is a registered charity. The registered address is University of South Wales, Treforest, Pontypridd, CF37 1DL and the registered number is 1139282. The members of the Board are the trustees of the Charity and as such have due regard to the Charity Commission's guidance on public benefit and its supplementary guidance on the advancement of education for the public benefit.

## **Charitable Objectives**

The College promotes the advancement of education and learning for the public benefit, specifically the training of performers and others in music, drama and theatre, through the provision of advanced courses of instruction, leading to the award of degrees or other appropriate qualifications. It also provides, maintains and improves performance facilities for the benefit of the local community.

Through the provision of high quality training, the College seeks to produce graduates who are articulate and innovative in their art forms, and to provide the music and theatre industries with a highly skilled workforce, able to represent Wales on the world stage. The College makes a significant contribution to the cultural and artistic life of Wales and beyond.

## **Fulfilment of Charitable Objectives**

### **Beneficiaries**

The College has a higher education student population of around 800 students of whom 85% are Home/EU and 15% from Overseas who are the primary beneficiaries by receiving high-quality training in a range of performing arts disciplines. However, beneficiaries extend to Pre-College students (from the age of four upwards) as well as employers and businesses in the creative industries sector which employ a high proportion of the College's graduates. The general public can attend over 500 public performances a year including free concerts and other educational and cultural activities in the College, such as exhibitions, masterclasses and talks.

### **Admissions policy**

The College seeks to recruit the most able and talented students, as well as those who exhibit exceptional potential irrespective of background. Within its undergraduate programmes, demand for places is generally high and admission is normally conducted by audition (Music and Acting), interview or portfolio submission (Stage Management, Arts Management and Theatre Design).

**Public Benefit Statement (continued)**

**Bursaries,  
scholarships and  
funding support**

To support students who experience financial hardship, the College makes available financial support through bursaries and philanthropic donations received from external sources.

A high percentage of students enrolled on the College's junior music and young actor programmes are in receipt of bursary support to enable them to access the College's tuition, regardless of financial need. The College sources this bursary support from a combination of public funds, Trusts, Foundations and philanthropic donors.

The College operates a limited number of scholarships as a means of attracting the most gifted students and in order to achieve balanced cohorts of students to enable training in recognised core ensembles. Scholarships are offered on the basis of both excellence and the financial need of the applicant.

The College is grateful to many Charitable Trusts and Foundations for their generosity in supporting the College's activities and for providing scholarship or bursary funds. These include the Andrew Lloyd Webber Foundation, the Ashley Family Foundation, the Carne Trust, the Clive and Sylvia Richards Charity, the Colwinston Charitable Trust, EMI Music Sound Foundation, the Fenton Arts Trust, the Foyle Foundation, the Garfield Weston Foundation, the G C Gibson Charitable Trust, the Girdlers Company, the Heather and Dyfrig John Charitable Trust, the Helen and Rachel Mackaness Charitable Trust, the Hodge Foundation, the Leverhulme Trust, the Linbury Trust, the Lloyd George Asia Foundation, the Mackintosh Foundation, the Mosawi Foundation, the Spielman Charitable Trust, the Simon Gibson Charitable Trust, the Waterloo Foundation, the Wolfson Foundation, and the Worshipful Company of Musicians. For those trusts that support scholarships, each exercises its own method of allocating its funds; some operate via a system of nomination to the relevant Trust, others by direct award from the College.

The College is also grateful to a number of businesses including Valero, UBS, ABRSM, Liberty Living and Catering Academy that sponsor activity and to the growing number of individuals who fund scholarships and special projects. The *Connect* scheme, which supports student training experiences and performance opportunities also continues to grow year on year.

## Royal Welsh College of Music and Drama Limited

All fundraising activities conducted by the College are regularly reviewed to ensure they are in compliance with the guidelines set out by the Fundraising Regulator in the Fundraising Code of Practice.

### Widening Participation

The College's main vehicle for widening participation and access is through its junior programmes of training and an extensive community engagement programme including Junior Music Conservatoire, Community Lesson Scheme and the Young Actors' Studio in Cardiff and Pembrokeshire.

The College also delivers an extensive programme of outreach activity across Wales comprising concerts and workshops in a wide range of school and community settings as well as a series of 'in-reach' activities delivered at the College.

The College runs summer schools for participants of all ages and levels. Summer Schools in 2017 included:

- Musicians in Focus Summer School for visually impaired musicians of all ages
- Junior Jazz Summer School for 8-18 year olds
- Opera Summer School for Adults
- Three Drama Summer Schools for 11-20 year olds
- An Acting Summer School for young people in care (in partnership with Voices from Care)
- A Welsh Language taster course which attracted over 30 participants

The College also works closely with various arts disability groups to ensure our education and training prepares students for the diverse needs of the creative industries they will be entering on graduation. Such groups include; Touch Trust, Musicians in Focus, Hijinx Theatre and the Forget-Me-Not Chorus

*Relaxed Performances are being run this year to provide an opportunity for people who may find it difficult to come and see a show to experience the joy of live theatre. It is still the same show but with some small changes to the sound levels, lighting and with no pyrotechnics or strobe lighting used*

*Signed performances are planned this year aimed at people who are deaf or hearing impaired. These performances have the dual benefit of attracting more diverse audiences as well as providing College students with the experience of acting in, stage managing or designing such performances.*



### **Community Engagement**

The College promotes an extensive public performance programme amounting to over 500 events in 2016/17 with a total audience of over 60,000 to a diverse arts programme that ranged from comedy to cabaret, experimental theatre to film and a wide range of music genres.

Across the year, the College delivered a range of free events aimed at the wider Cardiff community including the weekly *Jazztime* foyer performances, tours of the building, exhibitions of theatre design and a Children's Arts Festival featuring music performances & workshops delivered by students and professional theatre productions & literary events.

The College runs a Community Choir, Bute Chorus, which meets every Saturday. This provides an opportunity for anyone from the general public to sing in a Community Choir and access the well documented benefits that singing brings to well-being. There are currently around 50 participants in the Bute Chorus.

The Arts Council of Wales continues to fund our national touring JazzTime programme which takes leading international artists and student jazz ensembles to regional venues twice a year.



**Directors' report (incorporating Strategic report) for the year ended 31 July 2017**

The directors present their report and the audited financial statements of the Company for the year ended 31 July 2017. The financial statements have been prepared to comply with the Companies Act 2006 and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with applicable accounting standards.

**Strategic report**

**Principal activities** The College's principal activity during the year under review was conservatoire education and professional training.

**Business review** Student recruitment continues to reflect the demand for the College's brand of quality Conservatoire training. The demand for places varies between courses which are kept under constant review to ensure that they are meeting the needs of the industry and students. The College continues to increase the quality of incoming students leading to an increase in the overall reputation of the College. This is reflected in league tables with the Drama training ranked 1st in the UK in the Guardian University League Tables for 2017 while the Music course was ranked 39th across the HE sector.

In 2016/17, the College's student body of around 800 was truly international with around 20% of students from Wales while the remainder are from 45 other countries throughout the World.

**Highlights** Overseas non EU student numbers continue to be around 15% of the total student population. This remains an area of opportunity and risk in light of the world economy and competition. However, the College is confident that it can continue to attract both the number and quality of overseas students in order to create a culturally diverse student body.

Attracting audience attendances of over 60,000 at performances during the year. The performance programme is fundamental to the student learning experience by enabling access to world class performers in a range of disciplines as well as providing an important income stream and audience for our students' work.

Other income generating activities within the College all met or exceeded their financial targets during the year.

The continuation of a premium element of HEFCW funding is essential in future years to enable the College to continue to deliver specialist Conservatoire and Drama School training as characterised by the leading institutions in the College's UK and international peer group. The Welsh Government's review of conservatoire and related performing arts provision in higher education in Wales has completed its evidence gathering and is expected to report in late 2017.

## **Royal Welsh College of Music and Drama Limited**

The recommendations of the Diamond Review of Higher Education funding arrangements in Wales have mainly been agreed by Welsh Government. There are a number of references within the recommendations to support for high cost subjects such as conservatoire provision.

John Derrick was appointed as permanent Chair of the Board on 1 August 2017.

**Directors' report (incorporating Strategic report) for the year ended 31 July 2017 (continued)**

**Financial risk management**

**Commitment to Best Practice in Governance**

The College is committed to exhibiting best practice in all areas of financial risk management and corporate governance, fully adhering to the principles set out in The Committee of University Chairs' (CUC's) voluntary 'Higher Education Code of Governance' published in December 2014.

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

**Risk Management**

The College maintains a risk register which considers business, operational, compliance and financial risks. The register is regularly reviewed by senior management, and the Company's risk management process is consolidated into the University's whose internal control guidance adheres to the combined code as amended by the British Universities Finance Directors Group.

**Board of Directors and its sub committees**

The Board of Directors met five times during the reporting year. In terms of audit arrangements, whilst a separate College Audit Committee has not been established, all audit reports and reviews and other information relating to the Company are formally received by the University of South Wales's Audit Committee which meets four times per year and acts as the College Board's Audit Committee. The 2016/17 annual report of the internal auditors was considered by both the University's Audit Committee and the College's Board of Directors, who also approved the internal audit plan for 2017/18.

**Directors' report (incorporating Strategic report) for the year ended 31 July 2017 (continued)**

**Financial Results**

Outlined below are the key financial indicators:-

**Surplus of K£132, before other gains and losses** K£132 surplus (2016 - K£999) reduced from 2015/16 mainly due to the reduction in donations and endowments following an exceptional year in 2015/16.

**Year-end cash increased by K£873** K£5,878 (2016 - K£5,005) – increased by K£873 or 17% and is a sign of improved liquidity.

**Current ratio remains at 4** 4.0 (2016 – 4.1) – current ratio remains at around 4 which is a measure of the ability of the College to pay its debts over the next 12 months

**Income remains flat** K£13,689 (2016 - K£13,771) – due to a reduction in donations and endowment offset by an increase in fees.

**Expenditure increased by 6.1%** K£13,557 (2016 - K£12,772) – staff costs increased by 8% due to pay awards, increments, increased pension and NI contributions while non pay increased by 4%. The increases were 9% in the academic areas and 4% in the administrative areas.

**Net assets reduced by 7%** K£8,191 (2016 - K£8,810) – due to a rise in pension liability offset by the surplus for the year

**Principal risks and uncertainties**

**HEFCW Conservatoire Premium Funding**

The total amount of money available to HEFCW is subject to a significant degree of uncertainty. However, the assumption of the College is that there will be money available for the higher rate expensive subjects, which includes Conservatoire training, and this will continue to be paid for all Home/EU students.



# Royal Welsh College of Music and Drama Limited

## **Directors' report (incorporating Strategic report) for the year ended 31 July 2017 (continued)**

### **Recruitment of students**

The College is retaining its current level of undergraduate, postgraduate and overseas student targets while ensuring the quality of students remains high. The College has developed detailed actions together with a system of enhanced partnerships with other institutions to remain at its current level of recruitment.

### **Fundraising**

The support of Trusts and Foundations, public funders, businesses and individuals continues to be essential to offering students new training and performance opportunities and ensuring the most talented young artists are able to afford the cost of training. In 2016/17 this included scholarships and bursaries and project funding for initiatives such as the NEW: 2016 season, visits by internationally acclaimed artists to teach and perform, and the launch of the Orchestradventure! outreach project.

### **Income generation**

It is pleasing to report on the continued successful delivery of income generation targets with ticket income and hiring revenue yielding positive results during the year.

### **Dividends**

The directors do not recommend the payment of a dividend in respect of the year ended 31 July 2017 (2016 – nil).

The Directors have assessed the appropriateness of the going concern basis for the purpose of the financial statements for the year ended 31 July 2017. The Boards of both the College and the University have agreed a set of broad principles which will revise the College's cost structure, if necessary, whilst protecting conservatoire provision. Unless

**Directors' report (incorporating Strategic report) for the year ended 31 July 2017 (continued)**

alternative sources of funding are secured, the College will need to implement plans to reduce its costs in order to ensure that it avoids breaching its loan covenants in 2018. These circumstances indicate the existence of a material uncertainty which may cast doubt about the College's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the College was unable to continue as a going concern.

**Statement of Corporate Governance and Internal Control**

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of the annual report and financial statements understand how the principles have been applied. In the opinion of the governors, the College complies with all the provisions of the Code, in so far as they apply to the Higher Education Sector, and it has complied throughout the year ended 31 July 2017 and up to the date of signing the annual report and financial statements.

The College reviews, at least annually, the effectiveness of the internal control system.

**Directors and their interests**

The existing directors and those who held office during the year and up to the date of signing the annual report and financial statements, are given below:

Chair: J Derrick (from 01.08.17)  
Dame H Boulding (until 31.07.17)  
Professor G Caird (from 01.09.17)  
J Frost  
L Pearce (from 01.08.17)  
C Hudson  
M Lowe (until 31.07.17)  
Professor J Lydon  
M D Taylor  
J Terry

**Employees**

Applications for employment by disabled persons are always fully considered, taking into account the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the

**Directors' report (incorporating Strategic report) for the year ended 31 July 2017 (continued)**

Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has been undertaken, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. Communication with all employees is undertaken through termly staff meetings and e-mails as required.

**Statement of directors' responsibilities**

The trustees (who are also directors of The Royal Welsh College of Music and Drama Limited for the purposes of company law) are responsible for preparing the Directors' report (incorporating the Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the charitable company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), the Companies Act 2006, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the Accounts Direction issued by the Higher Education Funding Council for Wales and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the charitable company and the Higher Education Funding Council for Wales and under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice; Accounting for Further and Higher Education Institutions;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees took reasonable steps to meet their responsibilities in respect of;

- keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions,



**Directors' report (incorporating Strategic report) for the year ended 31 July 2017 (continued)**

- the Accounts Direction issued by the Higher Education Funding Council for Wales and other relevant accounting standards;
- ensuring that funds from the Higher Education Funding Council for Wales are used only for those purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguarding the assets of the charitable company;
- ensuring the fundraising activities conducted by the College are in accordance with the guidelines set out in the Charity Governance Code and the Charity Commission's CC20 and CC3 guidance;
- taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- securing the economical, efficient and effective management of the charitable company's resources and expenditure

**Statement of disclosure of information to auditors**

In the case of each director in office at the date the directors' report is approved, the following applies;

- (a) so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware; and
- (b) he/she has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

**Directors' indemnities**

The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

This was also in force at the date of approval of the annual report and financial statements.

# Royal Welsh College of Music and Drama Limited

## **Directors' report (incorporating Strategic report) for the year ended 31 July 2017 (continued)**

### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at a future meeting of the Board.

By order of the board

  
W D Callaway  
Company secretary

27 November 2017

The maintenance and integrity of the Royal Welsh College of Music and Drama Limited's website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

# **Royal Welsh College of Music and Drama Limited**

## **Independent Auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (The 'Institution')**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the Royal Welsh College of Music and Drama's financial statements (the financial statements):

- give a true and fair view of the state of the institution's affairs as at 31 July 2017, and of the institution's income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard, comprising FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements included within the Annual Report and Financial Statements for the year ended 31 July 2017 (the 'Annual Report'), which comprise: the Balance Sheet as at 31 July 2017; the Statement of Comprehensive Income and Expenditure Account, the Statement of Changes in Reserves and the Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Material uncertainty relating to going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the funding note (note 1) to the financial statements concerning the College's ability to continue as a going concern. The Higher Education Funding Council for Wales has implemented significant cuts to the ongoing grant funding received by the College and it is apparent that, unless alternative sources of funding



**Independent Auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (The 'Institution') (continued)**

**Report on the financial statements (continued)**

are secured, the College will need to implement plans to reduce its costs in order to mitigate the reduction in funding in future years. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the College's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the College was unable to continue as a going concern.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Governing Body is responsible for the other information. Our opinion on the financial statements does not cover the other information and accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' Report (incorporating the Strategic report), we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

***Directors' report (incorporating the Strategic Report)***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (incorporating the Strategic Report), for the year ended 31 July 2017, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the institution and their environment obtained in the course of the audit we did not identify any material misstatements in the Directors' Report (incorporating the Strategic Report).

**Responsibilities for the financial statements and the audit**

***Responsibilities of the Governing body for the financial statements***

As explained more fully in the Statement of directors' responsibilities set out on page 16, the Governing body (whose members are also the directors of the institution for the purposes of company law) is responsible for the preparation of the financial statements in accordance

**Independent Auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (The 'Institution') (continued)**

**Report on the financial statements (continued)**

with the applicable framework and for being satisfied that they give a true and fair view. The Governing body is also responsible for such internal control as they determine 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 is responsible for assessing the institution's ability to continue as a going concern and using the going concern basis of accounting unless the Governing body either intends to liquidate the institution or to cease operations, or has no realistic alternative but to do so.

***Auditors' responsibility 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 auditors' 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 auditors' report.

***Use of this report***

This report, including the opinions, has been prepared for and only for the institution's Governing body as a body in accordance with section 24(3) of the institution's Articles of Government, section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992, and Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting**

**Opinions on other matters prescribed in the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- the requirements of HEFCW's accounts direction have been met;
- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation and any other terms and conditions attached to them; and
- funds provided by HEFCW have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.



# Royal Welsh College of Music and Drama Limited

## **Independent Auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (The 'Institution') (continued)**

### **Report on the financial statements (continued)**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent institution, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent institution financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

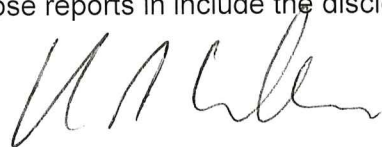
#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **Internal control**

Under the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion, the statement of internal control included as part of the Statement of Corporate Governance is inconsistent with our knowledge of the institution. We have no exceptions to report arising from this responsibility.

respect to the Directors' Report (incorporating the Strategic Report), we consider whether those reports include the disclosures required by applicable legal requirements.



Kevin Williams (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff

1 December 2017

- (a) The maintenance and integrity of the Royal Welsh College of Music and Drama Limited's website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.



**Statement of Comprehensive Income and Expenditure**  
**For the Year Ended 31 July 2017**

	Notes	2017 £'000	2016 £'000
<b>Income</b>			
Tuition fees and education contracts	3	8,075	7,385
Funding body grants	4	2,902	2,693
Other income	5	1,464	1,405
Investment income	6	133	97
<b>Total income before endowments and donations</b>		<b>12,574</b>	<b>11,580</b>
Donations and endowments	7	1,115	2,191
<b>Total income</b>		<b>13,689</b>	<b>13,771</b>
<b>Expenditure</b>			
Staff costs	8	7,761	7,175
Other operating expenses		4,535	4,342
Depreciation	11	788	764
Interest and other finance costs	9	473	491
<b>Total expenditure</b>		<b>13,557</b>	<b>12,772</b>
<b>Surplus before other gains and losses</b>		<b>132</b>	<b>999</b>
Gain on disposal of fixed assets		2	-
Gain on investments	17	179	111
<b>Surplus for the year</b>		<b>313</b>	<b>1,110</b>
Actuarial (loss) in respect of pension schemes	23	(932)	(840)
<b>Total comprehensive (expenditure)/income for the year</b>		<b>(619)</b>	<b>270</b>
Represented by:			
Endowment comprehensive income for the year		324	863
Restricted comprehensive income for the year		51	95
Unrestricted comprehensive expenditure for the year		(994)	(688)
		<b>(619)</b>	<b>270</b>
All items of income and expenditure relate to continuing activities			

**Statement of Changes in Reserves  
For the year ended 31 July 2017**

	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000
<b>Balance at 1 August 2016</b>	<b>2,103</b>	<b>785</b>	<b>4,102</b>	<b>8,809</b>
Surplus/(deficit) from the income and expenditure statement	384	895	(1,898)	(619)
Release of restricted funds spent in year	(60)	(844)	904	-
<b>Total comprehensive income/(expense) for the year ended 31 July 2017</b>	<b>324</b>	<b>51</b>	<b>(994)</b>	<b>(619)</b>
<b>Balance at 31 July 2017</b>	<b>2,427</b>	<b>836</b>	<b>3,108</b>	<b>8,190</b>

## Company Registration No. 6013744

## Balance Sheet

As at 31 July 2017

	Notes	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Fixed assets	11	26,093	26,549
		<u>26,093</u>	<u>26,549</u>
<b>Current assets</b>			
Trade and other receivables	12	299	252
Investments	13	2,290	1,964
Cash and cash equivalents		<u>5,878</u>	<u>5,005</u>
		8,467	7,221
Creditors: amounts falling due within one year	14	(2,126)	(1,775)
<b>Net current assets</b>		<u>6,341</u>	<u>5,446</u>
<b>Total assets less current liabilities</b>		<u>32,434</u>	<u>31,995</u>
Creditors: amounts falling due after more than one year	15	(17,829)	(18,141)
<b>Provisions</b>			
Pension provisions	16	(6,414)	(5,044)
<b>Total net assets</b>		<u>8,191</u>	<u>8,810</u>
<b>Restricted Reserves</b>			
Income and expenditure reserve - endowment reserve	17	2,427	2,103
Income and expenditure reserve - restricted reserve	18	836	785
<b>Unrestricted Reserves</b>			
Income and expenditure reserve - unrestricted		3,108	4,102
Revaluation reserve		<u>1,819</u>	<u>1,819</u>
		8,190	8,809
Share Capital		1	1
<b>Total Reserves</b>		<u>8,191</u>	<u>8,810</u>

The financial statements on pages 26 to 44 were approved by the Board on 27 November 2017 and signed on its behalf by:

**John Derrick**  
Chair of Board of Governors



**Cash Flow Statement**

**For the year ended 31 July 2017**

	Note	2017 £'000	2016 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		313	1,110
<b>Adjustment for non-cash items</b>			
Depreciation	11	788	764
Gain on investments	17	(179)	(111)
Profit on disposal of fixed assets		(2)	-
(Increase) in debtors	12	(44)	(58)
Increase/(decrease) in creditors	14	292	(236)
Pension costs less contributions payable		438	300
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(133)	(97)
Interest payable	9	350	361
Endowment income	17	(110)	(765)
Capital grant income		(169)	(169)
<b>Net cash inflow from operating activities</b>		<u>1,544</u>	<u>1,099</u>
<b>Cash flows from investing activities</b>			
Investment income		133	97
Payments made to acquire fixed assets		(332)	(444)
New deposits		(100)	(740)
		<u>(299)</u>	<u>(1,087)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(350)	(361)
Endowment cash received		110	765
Repayments of amounts borrowed		(132)	(127)
		<u>(372)</u>	<u>277</u>
<b>Increase in cash and cash equivalents in the year</b>		<u>873</u>	<u>289</u>
Cash and cash equivalents at beginning of the year	19	5,005	4,716
Cash and cash equivalents at end of the year	19	5,878	5,005

**Notes to the financial statements for the year ended 31 July 2017**

**1 Accounting policies**

**Basis of Preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention, modified by the revaluation of land and endowment investments, in accordance with the Companies Act 2006, as adapted to the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with the Financial Reporting Standards. The College is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The principal accounting policies are set out below and have been applied consistently throughout the year.

**Funding**

The Higher Education Funding Council for Wales has reduced the premium funding allocated to the College to fund conservatoire level provision. The reduction has been partially mitigated through income generation and costs savings and the College generated a small surplus for the year (page 26). The Welsh Government is undertaking a review of the funding of conservatoire and performing arts provision in Wales although the outcome of this review is as yet unknown.

The Directors have assessed the appropriateness of the going concern basis for the purpose of the financial statements for the year ended 31 July 2017. The Boards of both the College and the University have agreed a set of broad principles which will revise the College's cost structure, if necessary, whilst protecting conservatoire provision. Unless alternative sources of funding are secured, the College will need to implement plans to reduce its costs in order to ensure that it avoids breaching its loan covenants in 2017/18. These circumstances indicate the existence of a material uncertainty which may cast doubt about the College's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the College was unable to continue as a going concern.

**Income recognition**

Income from tuition fees is recognised in the period for which it is receivable and includes all fees chargeable to students or their sponsors. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount.

Income from the sales of goods and 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.

Investment income is credited to the income and expenditure account on a receivable basis

**Grant Funding**

Government grants, including funding council block grant, are recognised in income over the periods in which the College 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.

**Donations and Endowments**

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the College 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 College is entitled to the funds.

## **Notes to the financial statements for the year ended 31 July 2017**

### **1 Accounting policies (continued)**

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 applied to the individual endowment fund.

There are three 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 College.
- 3.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.

### **Capital grants**

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

### **Accounting for retirement benefits**

The two principal pension schemes for the College's staff are the Teachers' Pension Scheme (TPS) and Rhondda Cynon Taf Pension Fund (RCTPF), a Local Government Pension Scheme (LGPS). RCTPF is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme.

It is not possible to identify each institution's share of the underlying assets and liabilities in relation to the TPS and hence, contributions to the scheme are accounted for as if this was a defined contribution scheme, the cost recognised within the income statement being equal to the contributions payable to the scheme for the period.

### **Defined Contribution Plan**

A defined contribution plan is a post-employment benefit plan under which the College pays fixed contributions into a separate entity and will have no legal or constructive obligation to further amounts. Obligations for contribution to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

### **Employment Benefits**

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

### **Early Retirement Provision**

The Company maintains a provision to meet pension costs arising from the additional years of service granted to certain staff taking early retirement.

Provisions are established and the associated costs are charged to the income and expenditure account when the College has a legal or constructive obligation. The provision relates to enhanced teachers' unfunded pension arrangements established by the College. These are termination benefits made on a discretionary basis upon early retirement, in respect of the Teachers Pension Scheme.



**Notes to the financial statements for the year ended 31 July 2017 (continued)**

**1 Accounting policies (continued)**

**Operating Leases**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

**Tangible Fixed Assets**

Tangible fixed assets are initially recorded at purchase cost, including non recoverable VAT, incidental costs of acquisition, less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset, evenly over its expected useful life, as stated below. Depreciation is charged for a full year within the year of acquisition.

**Land and buildings**

Land and buildings inherited from Royal Welsh College of Music and Drama Higher Education Corporation are stated in the balance sheet at their net book value on transfer.

As at 1 August 2014 asset lives were reassessed and revised depreciation rates applied to the net book value as at that date. The original Raymond Edwards building is being depreciated over 35 years, with the additional facilities being depreciated over 50 years, which is the expected remaining useful economic life.

Land has been revalued to fair value on transition to the 2015 Further and Higher Education SORP, resulting in a revaluation reserve of £1,819,000. Land, whether freehold or leasehold, is not depreciated as it is considered to have an indefinite useful life.

Long leasehold buildings are depreciated over the shorter of the lease term and the expected useful life.

Buildings under construction are capitalised at cost. Interest on loans used to fund capital projects is capitalised until such projects are brought into use. No depreciation is charged, until the year in which buildings under construction are brought into use.

**Fixtures, fittings and plant and machinery**

Equipment costing less than de minimums of £300 per individual item, is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost, including non recoverable VAT, and is depreciated over its expected useful life, as follows:

Fixtures and fittings	- 7 years straight line
Plant and machinery	- between 3-10 years straight line

**Investments**

Investments are held at fair value with movements recognised in the statement of comprehensive income and expenditure.

**Notes to the financial statements for the year ended 31 July 2017 (continued)**

**1 Accounting policies (continued)**

**Cash**

Cash includes cash in hand and deposits repayable on demand. Deposits are payable on demand if they are in practice available within 24 hours without penalty.

**Taxation**

The College is a charity registered with the Charity Commission number 1139282 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478 to 488 of the Corporation Taxes Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA) 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. The College receives no similar exemption in respect of Value Added Tax.

**Reserves**

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the College, are held as a permanently restricted fund which the College must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

**2 Segmental reporting**

The Company's activities consist of:

1. The training of performers and others in music, drama, theatre and other performing arts intending to enter or engage in the music, theatrical and performing arts professions
2. The provision of advanced courses of instruction leading to the award of degrees or other appropriate qualifications
3. The provision, maintenance and improvement of performance facilities for the benefit of the local community.

The beneficiaries of the College's work include:

1. Students pursuing higher education qualifications
2. Young people of all abilities pursuing music, drama and theatre activities
3. The general public through community activities.

**Notes to the financial statements  
for the year ended 31 July 2017**

		2017 £'000	2016 £'000
<b>3 Tuition fees and education contracts</b>	Notes		
Full-time home and EU students		5,668	5,385
Full-time international students		1,745	1,444
Short Course Fees		662	556
		<u>8,075</u>	<u>7,385</u>
<b>4 Funding body grants</b>		2017 £'000	2016 £'000
<b>Recurrent grant</b>			
Higher Education Funding Council		2,767	2,558
Capital grant		135	135
		<u>2,902</u>	<u>2,693</u>
<b>5 Other income</b>		2017 £'000	2016 £'000
Catering		616	603
Other capital grants		34	34
Other income		814	768
		<u>1,464</u>	<u>1,405</u>
<b>6 Investment income</b>		2017 £'000	2016 £'000
Investment income on endowments	17	95	41
Other investment income		38	56
		<u>133</u>	<u>97</u>
<b>7 Donations and endowments</b>		2017 £'000	2016 £'000
New endowments	17	110	765
Donations with restrictions	18	895	732
Unrestricted donations		110	694
		<u>1,115</u>	<u>2,191</u>



**Notes to the financial statements  
for the year ended 31 July 2017**

	2017 £'000	2016 £'000
<b>8 Staff costs</b>		
Staff Costs :		
Salaries	6,131	5,893
Social security costs	505	404
Other pension costs	1,125	878
Total	<u>7,761</u>	<u>7,175</u>

Remuneration of directors and higher paid employees

	£'000	£'000
(a) Directors		
Salary	133	199
Benefits	4	4
Pension contributions to LGPS	18	16
	<u>155</u>	<u>219</u>

In addition one director receives remuneration in their capacity as President of the Students' Union.

	£'000	£'000
(b) Higher paid employees		
Emoluments of the Principal:		
Salary	133	132
Benefits	4	4
Pension contributions to LGPS	18	16
	<u>155</u>	<u>152</u>

Average full time equivalent staff numbers by major category, including senior post-holders

	No.	No.
Academic	102	96
Other	74	73
	<u>176</u>	<u>169</u>

**Trustee expenses and related party transactions**

The College's Board members are the trustees for charitable law purposes.

No trustee or other person related to the Charity had any personal interest in any contract or transaction entered into by the Charity during the year.

No Board member has received any remuneration/waived payments from the College during the year (2016 - none).

The total expenses paid to or on behalf of two Board members was £ 704 (2016 - £1,153 for three members). This represents travel and subsistence expenses incurred in attending Board meetings.

**Notes to the financial statements  
for the year ended 31 July 2017**

	2017 £'000	2016 £'000
<b>9 Interest and other finance costs</b>		
Loan interest	350	361
Net charge on pension scheme	123	130
	<u>473</u>	<u>491</u>

	2017 £'000	2016 £'000
<b>10 Analysis of total expenditure by activity</b>		
Academic and related expenditure	7,467	6,850
Administration and central services	2,483	2,375
Premises	2,091	2,002
Residences, catering and conferences	558	556
Other expenses	958	989
	<u>13,557</u>	<u>12,772</u>

Other operating expenses include:

	2017 £'000	2016 £'000
External auditors' remuneration in respect of audit services	7	8
External auditors' remuneration in respect of non-audit services	-	7
Operating lease rentals- other	<u>71</u>	<u>68</u>

## Notes to the financial statements for the year ended 31 July 2017

### 11 Fixed Assets

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Total £'000
<b>Cost and valuation</b>					
At 1 August 2016	27,893	2,318	2,972	968	34,151
Additions	-	-	267	65	332
Disposals	-	-	(19)	-	(19)
<b>At 31 July 2017</b>	<b>27,893</b>	<b>2,318</b>	<b>3,220</b>	<b>1,033</b>	<b>34,464</b>
<b>Consisting of:</b>					
Valuation	1,819	-	-	-	1,819
Cost	26,074	2,318	3,220	1,033	32,645
<b>At 31 July 2017</b>	<b>27,893</b>	<b>2,318</b>	<b>3,220</b>	<b>1,033</b>	<b>34,464</b>
<b>Accumulated depreciation</b>					
At 1 August 2016	3,330	1,188	2,532	552	7,602
Charge for the year	469	21	209	89	788
Disposals	-	-	(19)	-	(19)
<b>At 31 July 2017</b>	<b>3,799</b>	<b>1,209</b>	<b>2,722</b>	<b>641</b>	<b>8,371</b>
<b>Net book value</b>					
<b>At 31 July 2017</b>	<b>24,094</b>	<b>1,109</b>	<b>498</b>	<b>392</b>	<b>26,093</b>
At 31 July 2016	24,563	1,130	440	416	26,549

At 31 July 2017, freehold land and buildings included £2.684m (2016 - £2.684m) in respect of freehold land and is not depreciated.

Freehold land was revalued by Messrs Cooke & Arkwright, Chartered Surveyors, on 1 August 2014, on the basis of open market valuation.

Included in the net book value of fixed assets is aggregated interest capitalised of £388k (2016 - £338k).



**Notes to the financial statements  
for the year ended 31 July 2017**

**12 Trade and other receivables**

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Other trade receivables	84	105
Other receivables	34	76
Prepayments and accrued income	144	70
Amounts due from parent undertaking	37	1
	<u>299</u>	<u>252</u>

**13 Investments**

	2017 £'000	2016 £'000
Short term investment in shares	1,925	1,616
Short term bonds	365	348
	<u>2,290</u>	<u>1,964</u>

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

	2017 £'000	2016 £'000
Secured loans	142	132
Amounts owed to parent undertaking	76	-
Other creditors	212	192
Trade payables	88	23
Social security and other taxation payable	172	166
Accruals and deferred income	1,436	1,262
	<u>2,126</u>	<u>1,775</u>

**Deferred income**

Accruals and deferred income include other income which has been deferred until specific performance related conditions have been met and deferred capital grants, which are released on a consistent basis over the useful lives of the related assets.

	2017 £'000	2016 £'000
Other income	323	249
Deferred capital grants	169	169
	<u>492</u>	<u>418</u>

**Notes to the financial statements**  
**for the year ended 31 July 2017**

**15 Creditors : amounts falling due after more than one year**

	2017 £'000	2016 £'000
Deferred income	7,689	7,859
Secured loans	6,390	6,532
Repayable grant	3,750	3,750
	<u>17,829</u>	<u>18,141</u>

Analysis of secured loan and repayable grant:

	2017 £'000	2016 £'000
<b>Due within one year or on demand (Note 14)</b>	<u>142</u>	<u>132</u>
Due between one and two years	482	142
Due between two and five years	2,743	2,093
Due in five years or more	6,915	8,047
<b>Due after more than one year</b>	<u>10,140</u>	<u>10,282</u>
<b>Total secured loan and repayable grant</b>	<u>10,282</u>	<u>10,414</u>
Secured loan repayable by 2041	6,532	6,664
Grant repayable by 2023	3,750	3,750
	<u>10,282</u>	<u>10,414</u>

Included within the total balance above is the following due in more than two years

	Interest	Repayment	Term	2017 £'000	2016 £'000
<b>Barclays Bank</b>					
All tranches	5.35%	Quarterly	33 years (to 2041)	6,241	6,390

**16 Pension provisions**

	Defined Benefit Obligations £'000	Pension scheme provision under FRS102 £'000	Total Pension Provisions £'000
At 1 August 2016	154	4,890	5,044
Additions in year	-	1,370	1,370
<b>At 31 July 2017</b>	<u>154</u>	<u>6,260</u>	<u>6,414</u>

**Notes to the financial statements  
for the year ended 31 July 2017**

**17 Endowment Reserves**

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Total 2017	Total 2016
	£'000	£'000	£'000	£'000
<b>Balances at 1 August 2016</b>				
Capital	327	1,606	1,933	1,057
Accumulated income	21	149	170	183
	<u>348</u>	<u>1,755</u>	<u>2,103</u>	<u>1,240</u>
New endowments	-	110	110	765
Investment income	15	80	95	41
Expenditure	(5)	(55)	(60)	(54)
Increase in market value of investments	26	153	179	111
<b>Total endowment comprehensive income for the year</b>	<u>36</u>	<u>288</u>	<u>324</u>	<u>863</u>
<b>At 31 July 2016</b>	<u>384</u>	<u>2,043</u>	<u>2,427</u>	<u>2,103</u>
<b>Represented by:</b>				
Capital	353	1,869	2,222	1,933
Accumulated income	31	174	205	170
	<u>384</u>	<u>2,043</u>	<u>2,427</u>	<u>2,103</u>
<b>Analysis by type of purpose:</b>				
Scholarships and prize funds			2,427	2,103
	<u>-</u>	<u>-</u>	<u>2,427</u>	<u>2,103</u>
<b>Analysis by asset</b>				
Current asset investments			2,290	1,964
Cash and cash equivalents			137	139
			<u>2,427</u>	<u>2,103</u>

The majority of donations received during the year were from bequests.

**18 Restricted Reserves**

Reserves with restrictions are as follows:

	2017 Total £'000	2016 Total £'000
<b>Balances at 1 August 2016</b>	<u>785</u>	<u>690</u>
New donations	895	732
Expenditure	(844)	(637)
<b>Total restricted comprehensive income for the year</b>	<u>51</u>	<u>95</u>
<b>At 31 July 2017</b>	<u>836</u>	<u>785</u>



**Notes to the financial statements  
for the year ended 31 July 2017**

**18 Restricted Reserves (continued)**

	2017	2016
	Total	Total
	£'000	£'000
<b>Analysis of other restricted funds /donations by type of purpose:</b>		
Scholarships and prize funds	573	472
Specific projects	301	205
Other	21	55
	<b>895</b>	<b>732</b>

**19 Cash and cash equivalents**

	At 1st August 2016 £'000	Cash Flows £'000	At 31st July 2017 £'000
Cash and cash equivalents	5,005	873	5,878
	<b>5,005</b>	<b>873</b>	<b>5,878</b>

**20 Lease obligations**

Total rentals payable under operating leases:

	2017 £'000	2016 £'000
<b>Payable during the year</b>	<b>100</b>	<b>97</b>
<b>Future minimum lease payments due:</b>		
Not later than 1 year	103	100
Later than 1 year and not later than 5 years	445	432
Later than 5 years	1,948	2,064
<b>Total lease payments due</b>	<b>2,496</b>	<b>2,596</b>

**21 Related Parties**

All transactions involving organisations in which a member of the Board may have an interest, are conducted in accordance with the College's financial regulations and normal procurement procedures. The University of South Wales maintains a Register of Interests for members of the Board.

**22 Ultimate Parent Undertaking**

The ultimate parent undertaking and controlling party is the University of South Wales, a Higher Education Corporation established under the Education Reform Act 1988. The results of the company have been incorporated in the University of South Wales' consolidated financial statements, which forms the largest and smallest group for which the Company's financial statements are consolidated, copies of which can be obtained from the following address:

University of South Wales  
Pontypridd  
Rhondda Cynon Taf  
CF37 1DL

## Notes to the financial statements for the year ended 31 July 2017

### 23 Pension Schemes

The College participates in two pension schemes, the Rhondda Cynon Taf Pension Funds (RCTPF), a local government pension scheme for non academic staff and the Teachers' Pension Scheme (TPS) for academic staff.

#### Teachers' Pension Scheme

TPS is a statutory contributory final salary scheme administered by the Teachers' Pensions on behalf of the Department of Education. Under the TPS, which is an unfunded scheme, employees and employers contributions are credited to the Exchequer under the arrangements governed by the Superannuation Act 1992. Every 5 years the Government Actuary's Department (GAD), using normal actuarial principles conducts an actuarial review of the TPA.

The assumptions and other data that have the most significant effect on the determination of the contributions levels are as follows:

Latest actuarial valuation	31 March 2012
Salary scale increases per annum	1.8% per annum

Valuation of the assets at date of last valuation £176.6 million (estimated future contributions together with notional investments held at 31 March 2012).

Following implementation of Teachers' Pensions (Employers Supplementary Contributions) Regulations 2000, the government actuary carried out a further review of the level of employer contributions. The contribution rate increased from 14.1% to 16.48% on 1 September 2015.

Contributions to TPS amounted to £483,000 in the year (2016 - £408,000) with £42,000 due at the year end (2016 - £42,000).

Under the definitions set out in Financial Reporting Standard 102 (FRS102) the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out the above information available on the deficit in the scheme and the implications in terms of the anticipated contributions rates.

#### Rhondda Cynon Taf Pension Scheme

The scheme is a defined benefit occupational pension scheme. Pre April 2014 benefits are linked to final pensionable salary and service at date of retirement (or date of leaving the scheme if earlier), post March 2014 benefits accrue on a Career Average Revalued Earnings (CARE) basis.

The scheme is valued every three years, the latest being undertaken by independent consulting actuaries, Aon Hewitt, as at 31 March 2016.

#### Assumptions

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	2017 %pa	2016 %pa
Price Inflation (CPI)	2.75	1.75
Rate of increase in pensionable salaries	3.3	2.75
Discount rate/interest income on assets	2.3	2.6

Assumptions for the current accounting period have been chosen with reference to the duration of the Employer's liabilities. This has been estimated as approximately 25.5 years.

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	2017		2016	
	Males	Females	Males	Females
Pensioner aged 65	22.2	24.1	23.1	26.0
Active member aged 45	23.9	25.9	25.3	28.4

**Notes to the financial statements  
for the year ended 31 July 2017**

**23 Pension Schemes (continued)**

The assets in the scheme are valued at fair value and comprise:

	2017 £'000	2016 £'000
Equities	7,200	6,124
Government bonds	831	839
Corporate bonds	950	986
Property	540	519
Cash	147	182
<b>Total</b>	<b>9,668</b>	<b>8,650</b>

	2017 £'000	2016 £'000
<b>Analysis of the amount shown in the balance sheet for LGPS pensions:</b>		
Scheme assets	9,668	8,650
Scheme liabilities	(15,928)	(13,540)
<b>Deficit in the scheme – net pension liability recorded within pension provisions (Note 16)</b>	<b>(6,260)</b>	<b>(4,890)</b>

	2017 £'000	2016 £'000
Current service cost	629	470
Past service and administration charges	13	-
<b>Total operating charge</b>	<b>642</b>	<b>470</b>

**Analysis of the amount charged to interest payable/credited to other finance income for LGPS pensions:**

	2017 £'000	2016 £'000
Interest cost	352	410
Expected return on assets	(229)	(280)
<b>Net charge to other finance income</b>	<b>123</b>	<b>130</b>
<b>Total profit and loss charge</b>	<b>765</b>	<b>600</b>

**Analysis of other comprehensive income for LGPS pensions:**

	2017 £'000	2016 £'000
Gains on assets	470	660
Experience loss on liabilities	(1,402)	(1,500)
	<b>(932)</b>	<b>(840)</b>



**Notes to the financial statements  
for the year ended 31 July 2017**

**23 Pension Schemes (continued)**

**History of experience gains and losses – LGPS pensions**

	2017	2016	2015	2014	2013
<b>Difference between actual and expected return on scheme assets:</b>					
Amount (£m)	470	660	550	(240)	600

<b>Experience (gains)/losses on scheme liabilities:</b>					
Amount (£m)	(1,402)	(1,500)	(980)	20	(480)

	2017 £'000	2016 £'000
<b>Cumulative actuarial loss recognised as other comprehensive income for LGPS</b>		

Cumulative actuarial losses recognised at the start of the year	1,880	1,040
Cumulative actuarial losses recognised at the end of the year	2,386	1,880

	2017 £'000	2016 £'000
<b>Analysis of movement in deficit for LGPS pension</b>		
<b>Deficit at beginning of year</b>	(4,890)	(3,750)
Contributions or benefits paid by the College	327	300
Current service cost	(629)	(470)
Other finance charge	(136)	(130)
Actuarial (loss) recognised in other comprehensive income	(932)	(840)
<b>Deficit at end of year</b>	<u>(6,260)</u>	<u>(4,890)</u>

	2017 £'000	2016 £'000
<b>Analysis of movement in the present value of LGPS</b>		
<b>Present value of LGPS at the start of the year</b>	13,540	11,180
Current service cost (net of member contributions)	629	470
Interest cost	352	410
Actual member contributions (including notional contributions)	149	140
Actuarial loss	1,402	1,500
Actual benefit payments	(147)	(150)
Past service costs	3	(10)
<b>Present value of LGPS liabilities at the end of the year</b>	<u>15,928</u>	<u>13,540</u>

	2017 £'000	2016 £'000
<b>Analysis of movement in the fair value of scheme assets</b>		
<b>Fair value of assets at the start of the year</b>	8,650	7,430
Expected return on assets	229	280
Actuarial gain on assets	470	660
Actual contributions paid by College	327	300
Actual member contributions (including notional contributions)	149	140
Actual benefit payments	(147)	(150)
Administration expenses	(10)	(10)
<b>Fair value of scheme assets at the end of the year</b>	<u>9,668</u>	<u>8,650</u>

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

	2017 £'000	2016 £'000
<b>Actual return on Scheme assets</b>		
Expected return on Scheme assets	229	280
Asset gain	470	660
	<u>699</u>	<u>940</u>

Estimated contributions for LGPS in the Financial Year 2017-18 is £310K assuming 95% member take up.