

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

**Coleg Brenhinol Cerdd a Drama Cymru Cyfyngedig**

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**Annual Report and**

**Financial Statements for the year ended**

**31 July 2019**

# **Annual Report and Financial Statements for the year ended 31 July 2019**

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# ANNUAL REPORT

## Chair's report for the year ending 31 July 2019

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

This is my second full year as Chair and I am delighted and honoured to have announced in July 2019 that HRH The Prince of Wales was appointed the College's President. The College is immensely proud and appreciative of the committed interest and support we receive from His Royal Highness and for the regular opportunities provided to our students to perform for him and his guests. The Presidency was previously held by Lord Rowe-Beddoe who gave 15 years of exceptional service and who is continuing to work with the College in the newly-created role of Chairman Laureate. I would like to pay tribute to Lord Rowe-Beddoe who has always been a visionary supporter of the College's advancement and will continue to be so in his new role.

I would also like to thank the Principal and College staff for their unstinting commitment and professionalism which has delivered another successful year.

This Annual Report tells the story of the College through the following main sections:-

- Key Facts about the College.
- How the College uses its Resources to Generate Value.
- Funding Environment.
- Highlights of the Performance Programme.
- National Student Survey and Guardian League Table.
- Widening Access and Community Engagement.

### **Key Facts about the College**

#### **Student Body**

The College had 777 students in 2018/19:-

- 69% undergraduate and 31% postgraduate
- 74% from UK with 19% from Wales
- 18% from overseas countries outside the EU
- 8% from EU
- 49 different countries
- 20% declared a disability
- 16% declared non-white ethnicity

- 9% declared Welsh speaker
- 92% retention rate
- 82% of graduating students achieved first-class or upper second class awards

### **How the College uses its Resources to Generate Value**

Following the appointment of Professor Helena Gaunt as the new Principal in September 2018, the College has reviewed its strategy and identified the following strategic pillars:-

- Future-focused degrees offering outstanding student experience; delivered by world-class staff in a flourishing and inclusive community.
- A pioneering public programme, (performance, participation, learning), providing transformative experiences for diverse communities across Wales.
- A global position and international profile.
- An integrated research and enterprise environment incubating new work and innovating for the arts.
- A sustainable organisation.

The College uses the following resources to achieve these aims:-

- income from students (M£8.5), Higher Education Funding Council for Wales (M£3.6), philanthropy and fundraising (M£1.7) and other commercial sources (M£1.9);
- world class performance facilities such as the Dora Stoutzker Hall and Richard Burton Theatre;
- highly qualified, committed and talented staff;
- strong systems and processes;
- an ambitious and creative community with a keen sense of its identity;
- productive partnerships with leading industry organisations such as WNO, National Theatre and BBC.

The output from the deployment of its resources ensures knowledge, experience and opportunities to perform are provided to our students in order to provide a high quality workforce to the creative industries in Wales, the UK and internationally. The deployment of College resources enhances the employability and professionalism of our students so that our alumni successfully carry our name and reputation across the industry.

Finally, as well as providing high quality graduates to the creative industries, participation in higher education also provides wider benefits for individuals and society which have been outlined in the Department of Business Innovation and Skills (Research paper 146):-

- Wider benefits to society - include less crime, greater social cohesion and social mobility.

- Wider benefits to individuals – include more civic engagement and volunteering, less likely to commit crime, better educational parenting, longer life expectancy, less likely to drink excessively, less likely to smoke, less likely to be obese, more likely to engage in preventative care, better mental health, greater life satisfaction and better general health,
- Economic benefits to society – include increased tax revenues, faster economic growth, greater innovation and labour market flexibility, increased productivity of co-workers, reduced burden on public finances from better co-ordination with other social policy areas such as health and crime prevention,
- Economic benefits to individuals – include higher earnings, less exposure to unemployment, increased employability and skills development and increased entrepreneurial activity and productivity

### **Funding Environment**

The funding environment continues to be challenging following the material reduction in the expensive subject premium funding provided to the College by the Higher Education Funding Council for Wales (HEFCW). The table below shows how the College income streams have changed over the last 6 years with HEFCW income reducing and being replaced by tuition fee and commercial income streams.

Income	2012 – M£	2019 – M£	% Change
HEFCW	6.2	3.6	(42)
Tuition Fees	3.6	8.5	136
Philanthropy, Fundraising and other Commercial Sources	1.9	3.6	90

However, this year has seen significant progress as the Lord Murphy 'Review of Conservatoire and Performing Arts provision' was published in October 2018 and outlined below are the three recommendations and current progress:-

**Lord Murphy Recommendation 1** - *the revenue funding of the College should be increased by some £2.36 million, building up over a period of three years from 2017/18, and HEFCW should give consideration to writing off its interest free loan to the College.*

**Progress** - HEFCW was able to increase its grant to the College by M£1.8 of the recommended M£2.36 in 2019/20 while HEFCW has also indicated that it 'will be reviewing our funding more fully for academic year 2021/22, including the expensive subject premium, with some interim changes to be proposed for 2020/21.'

The impact of HEFCW implementing the Lord Murphy recommendations to the funding methodology would be a significant increase in HEFCW funding to the College which gives the potential for the College to achieve another material step-change in its activity going forwards, with a view to further extending its reach, impact and public value to Wales and beyond.

**Lord Murphy Recommendation 2** - *the College's autonomy should be reinstated, its name should be changed to 'The Royal Conservatoire of Wales', and its national role further developed.*

**Progress** – The College continues to develop its activity in North and West Wales through Regional Hubs of activity with partner institutions including Theatr Clwyd, Coleg Llandrillo, Galeri and Valero. The element of the recommendation relating to autonomy and the name change are both under review.

**Lord Murphy Recommendation 3** - *the College, subject to implementation of the recommendations on funding and governance, should plan to introduce contemporary-dance training at the undergraduate level during the next three years, whilst keeping under review any pressing need for expanded musical theatre provision.*

**Progress** – The College continues to review its courses to ensure they meet the current and future needs of the creative industries.

### **Highlights of the Performance Programme**

The College's Creative Programme delivered over 500 performances across the College's venues and at other locations across Wales, 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 and beyond, continuing to reach around 60,000 audience attenders. A number of highlights include those outlined below.

We opened the year with a week-long gamelan residency which involved all first year music students and design for performance students in gamelan and puppetry workshops. The week culminated in the foyer with a magnificent late evening Shadow Play (*Wayang Kulit*) performed by the Southbank Gamelan Players and master puppeteer Sujarwo Joko Prehatin. This was an excellent icebreaker for new students and has inspired planning for further mini-residencies to open the academic year in future.

A major highlight of the term was Nicola Benedetti's visit, supported by The Mosawi Foundation, which included an inspiring weekend of workshops for young people including a massed session in the concert hall and a performance of Mendelssohn's violin concerto with our String Soloists ensemble.

The season saw the start of an exciting new strand of programming presenting live performances of silent film scores, helping develop essential orchestral performance skills. Our first project celebrated the 125<sup>th</sup> anniversary of the pioneering early film comedian Harold Lloyd with a live performance of Carl Davis's score to the iconic silent film *Safety Last*, and opening with a fascinating interview with Harold's granddaughter, Suzanne Lloyd.

We presented two performances to mark the centenary of the end of WW1. *The Troth* told through contemporary Indian dance the moving story of Indian soldiers involved in the conflict; and US pianist Jason Moran's '*Harlem Hellfighters*' project commemorated how the black American band leader James Reese Europe brought jazz to Europe a century ago in the form of his regimental marching band from New York. Commissioned by the Kennedy Centre, RWCMD was one of only three performances of this project in the UK including the Barbican.

The Richard Burton Company had an outstanding season with highlights including Arthur Miller's *All My Sons* directed by David Bond, Tennessee Williams' *The Glass Menagerie*

directed by Fellow of the College Kevin McCurdy, and a visceral promenade production of Jim Cartwright's *Road* directed by Michael Fentiman. The company's work goes from strength to strength and the opportunity to give the UK premiere performances of Simon Stephens' *Rage* is testament to the esteem in which its work is held by the industry.

We hosted exceptional performances by two new Hodge International Chairs – Jeremy West (Historical Performance) and Gilad Hekselman (Jazz) and welcomed great performers from around the world including Syrian qanun player Maya Youssef, Indian flautist Rupak Kulkarni, and Norway's Tord Gustavsen with his beautiful, reflective piano playing. The creativity of women composers across genres was celebrated through a number of performances including the Symphony Orchestra's *Landscapes* concert in St. David's Hall which featured works by Lili Boulanger and Rhian Samuel.

The season closed with three sold out performances of our hugely popular Christmas on Broadway, and a specially commissioned and hugely memorable performance by students in the presence of HRH The Prince of Wales to celebrate his 70<sup>th</sup> birthday.

Spring 2019 opened with the Big Song Weekend: The Glories of Richard Strauss, presented in partnership with BBC Radio 3, featuring recitals by three exceptional young singers, accompanied by pianist Joseph Middleton, which were recorded for future broadcast.

The Orchestradventure! tour, which was only made possible through wide private sector support including The Prince of Wales's Charitable Fund, saw the Symphony Orchestra performing to over 3,000 school children in Cardiff, Llandudno and Builth Wells in a vivid programme of musical storytelling presented by Tom Redmond and including large-scale specially commissioned puppets.

The jazz programme focused on drummers with a visit by two great US artists, Jeff Ballard and Ari Hoenig. Students received masterclasses from these players along with the fantastic British duo Andrew McCormack (piano) and Jason Yarde (sax) and Mercury nominated Laura Jurd who brought her new large scale ensemble to the college in March.

A diverse music programme included an African music double bill with the great Bassekou Kouyaté from Mali alongside Catrin Finch & Seckou Keita's award-winning harp and kora duo; the dynamic virtuosity of Scotland's folk visionaries, Lau; and the heights of ecstatic Sufi singing with Rizwan-Muazzam Qawwali from Pakistan.

A focus on the cello saw Pieter Wispelwey work with the college's String Soloists, supported by the Biss family, and we were delighted that Sheku Kanneh-Mason made his first visit to the college performing Haydn with Sinfonia Cymru in March.

The Richard Burton Company explored lust and murder in two tales of doomed marriages in Helen Edmundson's adaptation of *Therese Raquin* and Sophie Treadwell's *Machinal*; and the NEW season showcased new writing with four new plays which transferred to The Gate.

The Spring season closed with Monteverdi's exquisite *Vespers* in Llandaff Cathedral whilst our Musical Theatre artists performed Stephen Sondheim's 'Company' at the Sherman Theatre.

Summer 2019 marked the start of our 70<sup>th</sup> anniversary season, celebrating the achievements of the college's students, past and present, along with special guests. We began with a focus on jazz with this year's AmserJazzTime Festival presenting an array of jazz alumni including Snowpoet (Chris Hyson), Hannah Grace and Rebecca Nash.

In June, Hodge International Chair for Jazz, Gilad Hekselman spent a week working with students on their own material and teaching his incredible compositions to student ensembles which led to two showcase performances in the Dora Stoutzker Hall and Vortex Jazz Club in London.

The musical theatre, opera and puppetry productions took a tour of Europe's most beautiful cities, starting in Paris with our production of Disney's glorious *The Hunchback of Notre Dame* which was our best selling production ever; Venice for Gilbert and Sullivan's classic comic opera *The Gondoliers* at The Sherman, supported by a gift from Richard Parry in memory of Marjorie Spencer; and Glutz, which turned the Anthony Hopkins Centre Courtyard into a Prague square full of strange characters and a living sculpture-filled mansion.

Llŷr Williams' tantalising new series of recitals 'Pictures in Music' opened in May with a programme of visually inspirational music for piano, including works by Debussy and Grieg; and this year's Steinway International Piano Series featured exceptional recitals by the great American pianist Jonathan Biss, the dazzling young Korean, Yeol Eum Son, Russia's Yulianna Avdeeva and Nikolai Demidenko and finally the young French soloist Cédric Tiberghien.

The Atmospheres festival in May presented a fascinating weekend of new music, sound and installations by our composers and special guests and we welcomed back BBC Cardiff Singer of the World for its mammoth biennial celebration of song in June. Some very special fringe events at the College including a lunchtime recital by 1995's Singer of the World Katerina Karnéus alongside performances by our own singers.

Summer Theatre highlights included three works written and directed by young women – Sarah Kane's game-changing *Crave*, Sonali Bhattacharyya's *Hundred Percent Positive Wellness* and *The Wolves* by Sarah DeLappe, which also toured to Theatr Clwyd with support from The Mosawi Foundation; and we continued our exploration of Lope de Vega's work with a new translation and production of his classic work *The Sicilian Courtesan*, supported by the Carne Trust, in the Richard Burton Theatre.

As the finale to an exceptional year of performance, the Stoutzker Prize-winning clarinettist Laura Deignan took centre stage with the RWCMD Symphony Orchestra at St. David's Hall in Mark-Anthony Turnage's jazz-inspired 'Riffs and Refrains', as part of an American-inspired programme which also included John Adams' exhilarating 'Short Ride in a Fast Machine' and Copland's Symphony No.3.

### **National Student Survey and Guardian University League Tables**

**National Student Survey (NSS)** - The most recent NSS results shows the College has a significantly reduced satisfaction score from 87% to 73%. Following a number of years of performance at or above Welsh and UK sector averages, including sector-leading scores in Drama, the 2019 results are poor, demonstrating a negative trend across all NSS questions, and in all courses. The College believes some of the reasons for the reduction include uncertainty over future funding and a high turnover of senior staff both of which are being addressed. However, the College is taking this fall very seriously and is introducing a suite of actions including further investment in staffing and its own student survey so that it can more rapidly identify the issues that may lead to a drop in satisfaction and take remedial action at an earlier date.

**Guardian University League Table** - The 2020 Guardian University League Table is a source of information for prospective students and is largely based on student experience of their



course, teaching and feedback. The College dropped from 1<sup>st</sup> to 4<sup>th</sup> in Drama which places it as the 2<sup>nd</sup> highest conservatoire while the Music Department also showed a small reduction from 32<sup>nd</sup> to 34<sup>th</sup>. Again, as in the NSS scores, the reductions are disappointing and a series of actions and investment is underway to remedy these issues.

### **Widening Access and Civic Engagement**

The College continued to deliver its Widening Access activities, this year reaching 10,815 participants – up 27% on 17/18 - through the presentation of over 210 workshops in at least 70 venues across 16 counties. 168 individual workshops were delivered in primary schools and 44 in secondary Schools, as well as a number in community and healthcare-related settings as part of the College's annual Concert Parties project featuring Year 1 voice students; most of our workshops were delivered by College students as part of their professional training and approximately 50% of the visits were to Communities First areas. Specific example of activities that were detailed in previous reports and which have been sustained or enhanced during 2018/19 include:

**OrchestrAdventure 2019** – included the RWCMD Symphony Orchestra, conductors and puppeteers performing in St David's Hall, Venue Cymru Llandudno and Builth Wells, completing our three-year programme - supported by UBS, Arts & Business Cymru, Western Power Distribution, the Gwendoline and Margaret Davies Charity, The Prince of Wales's Charitable Fund and the Experiencing the Arts Fund: Creative Collaborations, funded by Arts Council of Wales and Welsh Government - which integrated systematic outreach and workshops from RWCMD students in the months leading up to the concerts.

**Summer Schools** - The College ran 7 Summer Schools for young people in 2018/19 across the Music and Drama specialisms listed below. The content and delivery of these schools reflected and linked into those of the College's Junior Conservatoire, Young Actors' Studio and newly-established Young People's Production Arts masterclass series, which deliver intensive, specialist courses at weekends during term time for over 400 talented children and young people. To ensure the widest possible access to these courses, means tested bursaries are provided and, on average, 66% of our young musicians benefit from bursary support and over 50% of our young actors.

The Summer Schools delivered in 2019 were:-

- Drama School Experience in association with *Taking Flight* (16 to 20 years) - 3 days
- Theatre Workshops (11 to 13 years and 14 to 16 years) - 5 days
- Auditioning for Drama School: Process, Preparation and Masterclass (16 to 20 years) - 4 days
- Young People's Production Arts (11 to 16 years) - 5 days
- Junior Jazz (8 to 18 years) - 4 days
- Opera Workshop (18 plus) - 5 days
- Workshops for Young People with Experience of Care (11 to 18 years) – 5 days

**Community Assemblies** - Bute Chorus is the College's Community Choir which continues to rehearse every Saturday, providing an opportunity for anyone aged 18 years and over from the general public to sing in a choir and experience the well-documented benefits to well-being that singing together can bring. The Chorus delivers two public concerts and a series of open rehearsals throughout the year.

In 2018/19, the College also delivered a range of free, participatory instrument clubs linked to the Junior Conservatoire at weekends including an oboe, recorder, French Horn

Club,viola and bassoon. In association with the local charity *Making Music, Changing Lives*, a free weekly trumpet club and ensemble was also established, bringing together talented young musicians from Ely with those enrolled in the Junior Conservatoire.

A series of free, open instrument days for over 200 participants were held in 2018/19, reflecting a range of College's specialisms including brass band, pit band, cello, percussion, woodwind and harp. A major highlight was a day of free workshops given for young violinists from around Wales and the South west, as part of a very special weekend of activities featuring renowned international violinist, Nicola Benedetti.

**Community Engagement** - The College continues to promote an extensive public performance programme which consists of over 500 events per annum with a total target audience of over 60,000. This diverse programme ranges from comedy to cabaret, experimental theatre to film and encompasses a wide range of music genres. It also features professional theatre productions and literary events. In addition, across the year, the College delivers a range of free events aimed at the wider community, including weekly Jazztime foyer performances, tours of the building, exhibitions of theatre design, and children's arts festivals (featuring music performances and workshops delivered by students).

**Foyle Opera Rara Collection** – The College is developing an impressive portfolio of special collections and archives which include the College institutional archive, Drama Association of Wales (DAW) play-lending service and archives, Philip Wilby brass compositions, Alun Hoddinott manuscripts, Julian Bream manuscripts, the Mervyn Burtch archive and Paul Brown design portfolio. At the beginning of this academic year, we also acquired the Foyle Opera Rara Collection (FORC), following a major gift from The Foyle Foundation to do so. This will be a significant new research asset within the RWCMD library, providing us with an archive of exceptional quality and interest to enhance our learning resources for both the performing and academic community as well as the wider public.

The College continues to develop its audiences both for its existing music and theatre offer and by exploring new areas of programming. These include a new focus on contemporary work and world music, including Indian classical music and dance concerts marketed to achieve more diverse audiences.

- Relaxed Performances continued to 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 no pyrotechnics or strobe lighting is used.

- Signed performances also continued this year aimed at people who are deaf or hearing.

Our programme of accessible performances was supported by Western Power Distribution.

**Workshops and Collaborations** - examples held during the year include:-

**Acting** - College Sir Gar [workshop]; Bridgend College [workshop]; Bridgend Youth Theatre [workshop]; It's My Shout [advice/space]; Open Door [workshop]; Gower College scheduled for autumn 2019.

**Design** - two follow up ½day Puppetry workshop sessions delivered by BA3 students at Moorland Primary and Radnor Primary, Cardiff.

**Young Actors Studio (YAS)** - enhanced delivery of outreach activity including, Bridgend College, College Sir Gâr, Pembrokeshire College and Gower College. YAS in Pembrokeshire continues to be supported by Valero.

**North Wales** - as a part of our commitment to regional centres and pan Wales outreach, we will be supporting FE training in acting across North West Wales and moving forward will be looking to champion technical theatre and design training in collaboration with **Coleg Llandrillo**.

In June, our ongoing collaboration with **Theatr Clwyd** saw another drama transfer to **Mold** of "The Wolves" accompanied by drama workshops targeting North East Wales engagement with FE and schools sector.

National Eisteddfod, Cardiff Bay, August 2018: Puppet Marking Workshop & African Drumming Workshop.

Urdd Eisteddfod, Cardiff Bay, June 2019: Puppet Marking Workshop & African Drumming Workshop.

**Free Auditions** - although outside of our widening access role in Wales, the 'Open Door' scheme has led to an enriched culturally diverse recruitment over the last two years. In 2019 from the free auditions and subsidised travel arrangements. Offers to Twelve Open Door applicants and from those offered six acting students and one design student will start at the College in September.

**Open Door Wales** - the College is proceeding in collaboration with Open Door with the ambition to create a Wales based scheme centred initially in Cardiff with satellites centres in Swansea and the heads of the Valleys, and eventually covering all of Wales. The Scheme targets excellent students from diverse cultural, ethnic and socio-economic backgrounds and is central to Dramas Widening Access and Diversity strategy moving forward.

**Alumni Strategy** - in July 2018 the College launched its new Alumni Association to this year's graduating students at a special event which also marked the creating of a new Associate award for graduates who have made a significant contribution early in their chosen careers.

In the last year the College has grown the Association further. Private support meant that the College was able to invest in its Student Database so now every current student is asked at Registration if they would like to join the Alumni Association.

Building on our support network and aiming to support further our First Destination statistics, the Alumni Association offers graduates 1:1 careers advice and guidance, discounted Library, Box Office, Rehearsal space and invitations to special events and professional development sessions for up to 3 years after graduation. In February 2019 training was arranged for the Professional Development Co-ordinator, who leads on this work, in order that more tailored careers advice could be offered to students.

In March 2019, as part of the College's event in New York, an alumni reunion was held in collaboration with the New York Welsh Society. It was an opportunity for graduates based in New York to come together to form a support network and to build relationships with others from Wales now in New York. The resulting initiative for graduates to provide artistic input through the New York Welsh Society's monthly events as testament to this growing network.

In June 2019 the College published its first Alumni newsletter, targeting those yet to confirm their membership and announcing a Reunion Event, to be held at the end of September

2019. To date over 100 people have confirmed their attendance at this event and a further 300 people formally joined the Association as a direct response of the mailing.

The College will look to develop its alumni work further in 2019/20, including the building of further ambassador and network roles for graduates living overseas, further newsletters and reunion events and the planning of how the association can contribute towards individual giving in the medium term.

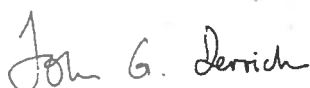
**Support Networks** - the College has continued to develop its training of staff in order to facilitate support networks, particularly in the protected characteristics as defined by the Equality Act. Working in partnership with our Hodge International Chair in Diversity and Equality (Uzo Iwobi), and through a Relationship Agreement with Race Council Cymru, specific training on Un-Conscious Bias has been delivered to key personnel involved in the recruitment of staff and students.

This relationship also enabled the College to host the finale of Black History Month in October 2018, Stonewell Youth Pride events, student-led focus groups to review previous actions and the emerging development of a new Strategic Equality Plan specifically for the College.

The College continues to manage students with specific learning needs and mental health support. Around 16% of students have a stated need, not unusual for those studying in the performing arts but much larger than the average across Higher Education. We continue to develop this area of support in order to make it relevant and responsive to individual student needs. Strong relationships have been developed between support staff and academic colleagues, meaning Individual Support now includes teaching approach advice and a collegiate Fitness to Study process has regularly supported and academically progressed students with complex personal experiences. Investment in the *Big White Wall* means that students and staff can access support and advice 24 hours a day and the College has commenced discussions with MIND Cymru about a developing Memorandum of Understanding and Wales-wide initiatives.

We have also revived our induction processes and established a more comprehensive opportunity for new students to hear about and engage with our institutional ethos from the very start of their training with us. In 2019 an additional day of sessions will introduce students as partners to our shared responsibilities around Equality and Diversity, Collaborative Practice, Community and Safety and Transition to RWCMD.

After a period of review, and in line with our ambition to build on student participation, the College has decided to appoint a Student Voice and Inclusion Officer. This new role will work to evaluate and enhance student representation and feedback mechanisms, particularly working to promote good relations and practices by acting as an advocate for those within our community with protected characteristics. The College is clear in its aspiration to be a sector leader for Equality and Diversity in the arts, rather than responding retrospectively.



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

25 November 2019

## **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 82% are Home/EU and 18% 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 high and is normally conducted by audition (Music and Acting), interview or portfolio submission (Stage Management, Arts Management and Theatre Design).

## **Public Benefit Statement**

### **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, businesses 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 need (i.e. 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. These include the Andrew Lloyd Webber Foundation, the Ashley Family Foundation, the Carne Trust, the Clive and Sylvia Richards Charity, the Colwinston Charitable Trust, the Gwendoline & Margaret Davies Charity, Universal Music UK Sound Foundation, the Darkley Trust, the Foyle Foundation, the Girdlers Company Charitable Trust, the Helen Rachael Mackaness Charitable Trust, the Hodge Foundation, the Leverhulme Trust, the Radcliffe Trust, the Lloyd George Asia 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.

In March 2019, the College co-hosted with Welsh Government a St David's Day Gala for 237 guests in the Rainbow Room at the top of NY's Rockefeller Centre. Catherine Zeta-Jones was the guest of honour and she was formally presented with her College Fellowship. The event was the College's first major fundraiser in America and succeeded in raising money for scholarships for Welsh and American students including two major new scholarships - Catherine Zeta-Jones Scholarship and the Sir Howard Stringer Scholarship.

The College is also grateful to a number of businesses including Valero, UBS, ABRSM, Penderyn Distillery, Liberty Living, the John Lewis Partnership, Hern & Crabtree, Bad Wolf, Catering Academy and Western Power Distribution that sponsor activity and to the growing number of individuals who fund scholarships, special projects and prizes, including the annual Stoutzker Prize. The Connect scheme, our regular giving scheme which supports student training experiences

and performance opportunities, also continues to grow year on year.

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 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

## **Community Engagement**

The College promotes an extensive public performance programme amounting to over 500 events in 2018/19 with a total audience of around 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 music performances & workshops delivered by students and professional theatre.

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.

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 2019**

The directors present their report and the audited financial statements of the Company for the year ended 31 July 2019. 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 4<sup>th</sup> in the UK in the Guardian University League Tables for 2020 while the Music course was ranked 34<sup>th</sup> across the HE sector.

#### **Highlights**

Overseas non EU student numbers continue to be around 18% 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 around 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.

HEFCW has reduced premium funding in previous years but 2018 saw the publication of the Lord Murphy review on performing arts and conservatoire provision in Wales. In 2019/20, HEFCW was able to partially implement the recommendations of Lord Murphy review but full implementation is required 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.



**Directors' report (incorporating Strategic report) for the year ended  
31 July 2019**

**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 2018/19 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 2019/20.

**Directors' report (incorporating Strategic report) for the year ended  
31 July 2019**

**Financial Results**

Outlined below are the key financial indicators:-

**Surplus of K£91**

*K£91 surplus (2018 - K£152) reduced slightly compared to 2017/18 but was in line with forecast.*

**Year-end cash stays relatively flat, reducing by K£32**

*K£6,490 (2018 - K£6,522) – reduced by K£32 which is relatively flat despite the repayment of first instalment of K£333 HEFCW capital loan.*

**Current ratio reduced to a still strong 3.7**

*3.7 (2018 – 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 has increased by 11.3%**

*K£15,672 (2018 - K£14,081) – due to an increase in most income streams including student fees, HEFCW grant and donations.*

**Expenditure increased by 11.9%**

*K£15,581 (2018 - K£13,929) – staff costs increased by 5% mainly due to increased pension cost while non pay increased by 26% due to dilapidations as well as specific pressures on Drama budgets during the year.*

**Net assets reduced by 13.7%**

*K£8,138 (2018 - K£9,424) – mainly due to an increase in pension liabilities which is due to the current economic environment.*

**Principal risks and uncertainties**

**HEFCW Conservatoire  
Premium Funding**

HEFCW has partially implemented the recommendations of the Lord Murphy review on performing arts and conservatoire provision by increasing conservatoire funding in 2019/20 but HEFCW is also consulting on a new funding methodology for 2020/21 onwards. The College will need to make its case for conservatoire funding to be fully increased to the level recommended by Lord Murphy.

**Directors' report (incorporating Strategic report) for the year ended  
31 July 2019**

**Recruitment of students**

The College is retaining its current level of undergraduate and postgraduate student numbers and overseas students 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. There is a risk that the level of debt accumulated by undergraduate students at the end of their studies will adversely influence their decision to undertake postgraduate studies.

**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 2018-19, this included scholarships and bursaries and project funding for initiatives such as the NEW 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 2019 (2018 – 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 2019. The positive moves by HEFCW during the year to partially implement the recommendations of the Lord Murphy review means the College's financial forecasts are stronger than for a number of years and avoid breaching its loan covenants. These improved circumstances indicate that the material uncertainty which cast doubt over the College's ability to continue as a going concern have now been removed. The financial statements do not include any adjustments that would be necessary if the College was unable to continue as a going concern.

## **Directors' report (incorporating Strategic report) for the year ended 31 July 2019**

### **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 2019 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:

John Derrick (Chair)  
Professor Helena Gaunt (Principal - ex officio)  
Professor Julie Lydon (Vice Chancellor - ex officio)  
Lloyd Pearce (Student President, resigned 31/07/19)  
Nia Thomas (Student President, from 01/08/19)  
Brian Weir (nominee of College Staff)  
Clare Hudson (USW Board, resigned 31/07/19)  
Jemma Terry (USW Board)  
Natasha Hale  
Manon Bonner Antoniazzi  
Aled Miles (from 01/12/18)  
Mario Ferelli (from 01/08/19)

### **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 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.

## **Directors' report (incorporating Strategic report) for the year ended 31 July 2019**

### **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, 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;

**Directors' report (incorporating Strategic report) for the year ended  
31 July 2019**

- 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.

The directors are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**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**

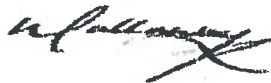
The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

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

**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**

25 November 2019

**Directors' report (incorporating Strategic report) for the year ended  
31 July 2019**

- (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.

## **TECHNICAL ANNEX - FINANCIAL STATEMENTS**

### **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 2019, and of the institution's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "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 (the "Annual Report"), which comprise: the Balance Sheet as at 31 July 2019; the Statement of Comprehensive Income and Expenditure for the year then ended; the Statement of Changes in Reserves for the year then ended; 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 group 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.



**Independent auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (the "institution")**

***Conclusions relating to going concern***

ISAs (UK) require us to report to you when:

- the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group and parent institution'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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and parent institution's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the institution's activities, students, suppliers and the wider economy.

***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 2019) is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

## **Independent auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (the "institution")**

In light of the knowledge and understanding of the institution and its 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 21, 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 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 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 is responsible for assessing the institution'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 intends to liquidate the institution or to cease operations, or has no realistic alternative but to do so.

#### ***Auditors' 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 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**

***Opinion on other matters prescribed in the Higher Education Funding Council for Wales ('HEFCW') Audit Code of Practice issued under the Further and Higher Education Act 1992 and the Financial Management Code issued under the Higher Education (Wales) Act 2015***

**Independent auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (the "institution") (continued)**

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;
- funds provided by HEFCW have been applied in accordance with the Memorandum of Assurance and Accountability, the Financial Management Code and any other terms and conditions attached to them; and
- funds provided by HEFCW have been used for the purposes for which they were received.

***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 institution, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



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

25 November 2019

**Independent auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (the "institution") (continued)**

- (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 2019**

	Notes	2019 £'000	2018 £'000
<b>Income</b>			
Tuition fees and education contracts	3	8,449	8,161
Funding body grants	4	3,587	3,201
Other income	5	1,851	1,444
Investment income	6	102	107
<b>Total income before endowments and donations</b>		<b>13,989</b>	<b>12,913</b>
Donations and endowments	7	1,684	1,168
<b>Total income</b>		<b>15,672</b>	<b>14,081</b>
<b>Expenditure</b>			
Staff costs	8	8,546	8,126
Other operating expenses		5,681	4,505
Depreciation	11	864	787
Interest and other finance costs	9	491	511
<b>Total expenditure</b>		<b>15,581</b>	<b>13,929</b>
<b>Surplus before other gains and losses</b>		<b>91</b>	<b>152</b>
Gain on disposal of fixed assets		0	11
Gain on investments	17	27	87
<b>Surplus for the year</b>		<b>119</b>	<b>250</b>
Actuarial gain/(loss) in respect of pension schemes	23	(1,459)	983
<b>Total comprehensive income/(expenditure) for the year</b>		<b>(1,340)</b>	<b>1,233</b>
Represented by:			
Endowment comprehensive income/(expenditure) for the year		86	115
Restricted comprehensive income/(expenditure) for the year		225	53
Unrestricted comprehensive income/(expenditure) for the year		(1,652)	1,065
		<b>(1,340)</b>	<b>1,233</b>
All items of income and expenditure relate to continuing activities			

**Statement of Changes in Reserves  
for the year ended 31 July 2019**

	Income and expenditure account		Revaluation reserve	Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2018</b>	2,543	889	4,173	9,424
Surplus/(deficit) from the income and expenditure statement	105	1,450	(2,896)	(1,340)
Pension Provision adjustment for prior year	0	0	53	53
Release of restricted funds spent in year	(19)	(1,225)	1,244	0
<b>Total comprehensive income/(expense) for the year ended 31 July 2019</b>	86	225	(1,599)	(1,287)
<b>Balance at 31 July 2019</b>	<b>2,629</b>	<b>1,114</b>	<b>2,574</b>	<b>8,137</b>

	Notes	2019 £'000	2018 £'000
<b>Non-current assets</b>			
Tangible assets	11	25,369	25,674
Heritage assets	11	500	0
		<u>25,869</u>	<u>25,674</u>
<b>Current assets</b>			
Trade and other receivables	12	234	179
Investments	13	2,491	2,416
Cash and cash equivalents		6,490	6,522
		9,216	9,117
Creditors: amounts falling due within one year	14	(2,503)	(2,246)
<b>Net current assets</b>		<u>6,713</u>	<u>6,871</u>
<b>Total assets less current liabilities</b>		<u>32,582</u>	<u>32,545</u>
Creditors: amounts falling due after more than one year	15	(16,311)	(17,178)
<b>Provisions</b>			
Pension provisions	16	(7,988)	(5,943)
Other provisions	16	(146)	0
<b>Total net assets</b>		<u>8,138</u>	<u>9,424</u>
<b>Restricted Reserves</b>			
Income and expenditure reserve - endowment reserve	17	2,629	2,543
Income and expenditure reserve - restricted reserve	18	1,116	889
<b>Unrestricted Reserves</b>			
Income and expenditure reserve - unrestricted		2,573	4,173
Revaluation reserve		1,819	1,819
		<u>8,137</u>	<u>9,424</u>
Share Capital		1	1
<b>Total Reserves</b>		<u>8,138</u>	<u>9,425</u>

The financial statements on pages 29 to 47 were approved by the Board on 25 November 2019 and signed on its behalf by:

*John G. Derrick*

**John Derrick**

**Chair of Board of Governors**

**Cash Flow Statement  
for the year ended 31 July 2019**

	Note	2019 £'000	Restated 2018 £'000	2018 £'000
<b>Cash flow from operating activities</b>				
Surplus for the year		91	152	250
<b>Adjustment for non-cash items</b>				
Depreciation	11	864	787	787
Gain on investments		(38)	(24)	(87)
Profit on disposal of fixed assets		0	0	(11)
Decrease/(Increase) in debtors	12	(55)	120	120
Increase in creditors	14, 15	175	(215)	(215)
LGPS Pension costs less contributions payable		651	512	512
<b>Adjustment for investing or financing activities</b>				
Investment income	6	(102)	(107)	(107)
Interest payable	9	337	344	344
Capital grant income	14	(169)	(169)	(169)
<b>Net cash inflow from operating activities</b>		<u>1,752</u>	<u>1,400</u>	<u>1,424</u>
<b>Cash flows from investing activities</b>				
Investment income		102	131	107
Payments made to acquire fixed assets		(1,058)	(371)	(371)
New deposits		(8)	(30)	(30)
		<u>(964)</u>	<u>(270)</u>	<u>(294)</u>
<b>Cash flows from financing activities</b>				
Interest paid		(337)	(344)	(344)
Repayments of amounts borrowed		(482)	(142)	(142)
		<u>(819)</u>	<u>(486)</u>	<u>(486)</u>
<b>Increase in cash and cash equivalents in the year</b>		<u>(31)</u>	<u>644</u>	<u>644</u>
Cash and cash equivalents at beginning of the year	19	6,522	5,878	5,878
Cash and cash equivalents at end of the year	19	6,490	6,522	6,522



## **Notes to the financial statements for the year ended 31 July 2019**

### **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 Lord Murphy review of performing arts and conservatoire provision was published in October 2018 and one of the recommendations was to increase revenue funding 'by some £2.36 million'. The Higher Education Funding Council for Wales has partially implemented that recommendation by increasing College funding by some £1.8 million for 2019/20. This provides the College with more certainty over future HEFCW funding and puts the College in a significantly improved financial position going forward. In 2018/19, the College again generated a small surplus for the year due in part to a supplementary grant from HEFCW.

The Directors have assessed the appropriateness of the going concern basis for the purpose of the financial statements for the year ended 31 July 2019 and on the basis of a revised Financial Strategy that was agreed in June 2019, the Board is able to confirm 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 2018 (continued)**

**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 2018 (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 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 the 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

**Heritage Assets**

Heritage assets are tangible assets with an historical, artistic, scientific, technological, geophysical or environmental quality that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental and historical associations.

Heritage assets acquired since College formation have been capitalised to the balance sheet at initial cost. Donated heritage assets are recorded at estimated valuation at the date of donation unless this is not practicable, in which case the appropriate disclosures are made of the nature and the extent of these donations.

Information on the valuation of Heritage assets is set out in note 11.

**Notes to the financial statements for the year ended 31 July 2018 (continued)**

**1 Accounting policies (continued)**

**Investments**

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

**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 2019**

		<b>2019 £'000</b>	<b>2018 £'000</b>
<b>3 Tuition fees and education contracts</b>	Notes		
Full-time home and EU students		<b>5,885</b>	5,617
Full-time international students		<b>1,906</b>	1,866
Short Course Fees		<b>667</b>	678
		<b>8,449</b>	8,161
<b>4 Funding body grants</b>		<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Recurrent grant</b>			
Higher Education Funding Council		<b>3,452</b>	3,066
Capital grant	14	<b>135</b>	135
		<b>3,587</b>	3,201
<b>5 Other income</b>		<b>2019 £'000</b>	<b>2018 £'000</b>
Catering		<b>577</b>	598
Other capital grants	14	<b>34</b>	34
Other income		<b>1,239</b>	812
		<b>1,851</b>	1,444
<b>6 Investment income</b>		<b>2019 £'000</b>	<b>2018 £'000</b>
Investment income on endowments	17	<b>70</b>	74
Other investment income		<b>32</b>	33
		<b>102</b>	107
<b>7 Donations and endowments</b>		<b>2019 £'000</b>	<b>2018 £'000</b>
New endowments	17	<b>8</b>	30
Donations with restrictions	18	<b>1,333</b>	989
Unrestricted donations		<b>342</b>	149
		<b>1,684</b>	1,168

**Notes to the financial statements  
for the year ended 31 July 2019**

	2019 £'000	2018 £'000
<b>8 Staff costs</b>		
Staff Costs		
Salaries	6,529	6,430
Social security costs	553	517
Other pension costs	1,463	1,179
<b>Total</b>	<b>8,546</b>	<b>8,126</b>

**Remuneration of directors and higher paid employees**

	£'000	£'000
(a) Directors		
Salary	198	128
Benefits	1	0
Pension contributions to LGPS	30	17
	<b>230</b>	<b>145</b>

The amounts for 2017-18 were lower than normal due to the appointment of an interim, part-time, Principal during the year.

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	137	69
Benefits	1	0
Pension contributions to LGPS	21	9
	<b>159</b>	<b>78</b>

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

	2019	2018
Academic	108	105
Other	75	75
	<b>183</b>	<b>180</b>

**Remuneration of the Principal of the College expressed as**

	2019
Basic salary as a ratio of the median basic salary of all staff	4.63
Total remuneration as a ratio of the total remuneration of all staff	4.63

**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.

The total expenses paid to or on behalf of Board members was £402 (2018 - £2,926).  
This represents travel and subsistence expenses incurred in attending meetings.

**Notes to the financial statements  
for the year ended 31 July 2019**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>9 Interest and other finance costs</b>		
Loan interest	337	344
Net charge on pension scheme (see note 23)	153	167
	<u>491</u>	<u>511</u>

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>10 Analysis of total expenditure by activity</b>		
Academic and related expenditure	8,604	7,858
Administration and central services	2,866	2,484
Premises	2,383	2,085
Residences, catering and conferences	558	561
Other expenses	1,171	941
	<u>15,581</u>	<u>13,929</u>

Other operating expenses include:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
External auditors' remuneration in respect of audit services	14	10
Operating lease rentals - other	106	103

**Notes to the financial statements  
for the year ended 31 July 2019**

**11 Tangible Assets**

	<b>Freehold Land and Buildings £'000</b>	<b>Leasehold Land and Buildings £'000</b>	<b>Plant and Machinery £'000</b>	<b>Fixtures, Fittings and Equipment £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>					
At 1 August 2018	27,893	2,318	3,414	1,194	34,819
Additions	0	0	299	260	558
Disposals	0	0	0	0	0
<b>At 31 July 2019</b>	<b>27,893</b>	<b>2,318</b>	<b>3,713</b>	<b>1,454</b>	<b>35,377</b>
<b>Consisting of:</b>					
Valuation	1,819	0	0		1,819
Cost	26,074	2,318	3,713	1,454	33,558
<b>At 31 July 2019</b>	<b>27,893</b>	<b>2,318</b>	<b>3,713</b>	<b>1,454</b>	<b>35,377</b>
<b>Accumulated depreciation</b>					
At 1 August 2018	4,268	1,230	2,903	744	9,145
Charge for the year	469	21	233	140	864
Disposals	0	0	0	0	0
<b>At 31 July 2019</b>	<b>4,737</b>	<b>1,251</b>	<b>3,136</b>	<b>884</b>	<b>10,008</b>
<b>Net book value</b>					
<b>At 31 July 2019</b>	<b>23,156</b>	<b>1,067</b>	<b>577</b>	<b>569</b>	<b>25,369</b>
At 31 July 2018	23,625	1,088	511	450	25,674

At 31 July 2019, freehold land and buildings included £2.684m (cost £865k, valuation £1.819m), (2018 - £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 £306k (2018 - £314k).

**Heritage Assets**

	<b>Heritage Assets £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>		
At 1 August 2018	0	0
Additions	500	500
Disposals	0	0
<b>At 31 July 2019</b>	<b>500</b>	<b>500</b>
<b>Consisting of:</b>		
Valuation	0	0
Cost	500	500
<b>At 31 July 2019</b>	<b>500</b>	<b>500</b>
<b>Net book value</b>		
<b>At 31 July 2019</b>	<b>500</b>	<b>500</b>
At 31 July 2018	0	0

Heritage assets are accounted for in accordance with the accounting policy set out in note 1.

The only large addition purchased during the year was the Foyle Opera Rara Collection for £500,000.

The College aims to maintain the condition of the collection by housing it within a designated and managed area. Items from the collection will be on public display in various temporary exhibitions. The College is currently in the process of cataloguing the collection.



**Notes to the financial statements  
for the year ended 31 July 2019**

**12 Trade and other receivables**

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Other trade receivables	138	56
Other receivables	5	5
Prepayments and accrued income	91	118
Amounts due from parent undertaking	0	0
	<u>234</u>	<u>179</u>

**13 Investments**

	2019 £'000	2018 £'000
Short term investment in shares	2,207	2,119
Short term bonds	284	297
	<u>2,491</u>	<u>2,416</u>

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

	2019 £'000	2018 £'000
Secured loans	155	149
Unsecured loans	542	333
Amounts owed to parent undertaking	0	18
Other creditors	205	214
Trade payables	48	84
Social security and other taxation payable	131	146
Accruals and deferred income	1,422	1,302
	<u>2,503</u>	<u>2,246</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.

	2019 £'000	2018 £'000
Other income	255	269
Deferred capital grants (see notes 4 and 5)	169	169
	<u>425</u>	<u>438</u>

Notes to the financial statements  
for the year ended 31 July 2019

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

	2019 £'000	2018 £'000
Deferred income	7,350	7,520
Secured loans	6,086	6,241
Unsecured loan	2,875	3,417
	<u>16,311</u>	<u>17,178</u>

Analysis of secured and unsecured loans:

	2019 £'000	2018 £'000
<b>Due within one year or on demand (Note 14)</b>	<u>697</u>	<u>482</u>
Due between one and two years	915	697
Due between two and five years	2,669	3,393
Due in five years or more	5,377	5,568
<b>Due after more than one year</b>	<u>8,961</u>	<u>9,658</u>
<b>Total secured and unsecured loans</b>	<u>9,658</u>	<u>10,140</u>
Secured loan repayable by 2041	6,241	6,390
Unsecured loan repayable by 2023	3,417	3,750
	<u>9,658</u>	<u>10,140</u>

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

	Interest	Repayment	Term	2019 £'000	2018 £'000
<b>Barclays Bank</b>					
All tranches	5.35%	Quarterly	33 years (to 2041)	5,921	6,086

**16 Provisions for liabilities**

	Defined Benefit Obligations £'000	Pension scheme provision under FRS102 £'000	Total Pension Provisions £'000
At 1 August 2018	154	5,789	5,943
Reduction in year	131	0	131
Reduction in year (see note 23)	0	1,914	1,914
<b>At 31 July 2019</b>	<u>285</u>	<u>7,703</u>	<u>7,988</u>

In addition a further provision of £146k has been made in respect of dilapidation remedial works on a workshop facility rec vacated by the College.

**Notes to the financial statements  
for the year ended 31 July 2019**

**17 Endowment Reserves**

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Year to 31 July 2019 Total	Year to 31 July 2018 Total
	£'000	£'000	£'000	£'000
<b>Opening Balances</b>				
Capital	367	1,973	2,340	2,222
Accumulated income	44	159	203	205
	<u>412</u>	<u>2,132</u>	<u>2,543</u>	<u>2,427</u>
<b>New endowments</b>	(0)	8	8	30
Investment income	11	59	70	74
Expenditure	7	(26)	(19)	(76)
Increase in market value of investments	4	23	27	87
	<u>22</u>	<u>64</u>	<u>86</u>	<u>115</u>
<b>Total endowment comprehensive income for the year</b>				
	<u>434</u>	<u>2,196</u>	<u>2,629</u>	<u>2,542</u>
<b>Closing Balances</b>				
	<u>434</u>	<u>2,196</u>	<u>2,629</u>	<u>2,542</u>
<b>Represented by:</b>				
Capital	372	2,004	2,376	2,339
Accumulated income	62	191	254	203
	<u>434</u>	<u>2,196</u>	<u>2,629</u>	<u>2,542</u>
<b>Analysis by type of purpose:</b>				
Scholarships and prize funds	434	2,196	2,629	2,542
	<u>434</u>	<u>2,196</u>	<u>2,629</u>	<u>2,542</u>
<b>Analysis by asset</b>				
Current asset investments			2,490	2,416
Cash and cash equivalents			139	126
			<u>2,629</u>	<u>2,542</u>

**18 Restricted Reserves**

Reserves with restrictions are as follows:

	Year to 31 July 2019 Total	Year to 31 July 2018 Total
	£'000	£'000
<b>Opening Balances</b>	890	837
<b>New donations</b>	1,450	989
<b>Expenditure</b>	(1,225)	(936)
	<u>225</u>	<u>53</u>
<b>Total restricted comprehensive income for the year</b>		
	<u>225</u>	<u>53</u>
<b>Closing Balances</b>	<u>1,116</u>	<u>890</u>

**Notes to the financial statements  
for the year ended 31 July 2019**

**18 Restricted Reserves (continued)**

	2019 Total £'000	2018 Total £'000
<b>Analysis of other restricted funds /donations by type of purpose:</b>		
Scholarships and prize funds	572	672
Specific projects	661	153
Other	217	164
	<b>1,450</b>	<b>989</b>

**19 Cash and cash equivalents**

	At 1 August 2018 £'000	Cash Flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	6,522	(31)	6,490
	<b>6,522</b>	<b>(31)</b>	<b>6,490</b>

**20 Lease obligations**

Total rentals payable under operating leases:

	2019 £'000	2018 £'000
<b>Payable during the year</b>	<b>106</b>	103
<b>Future minimum lease payments due:</b>		
Not later than 1 year	110	106
Later than 1 year and not later than 5 years	472	458
Later than 5 years	1,706	1,829
<b>Total lease payments due</b>	<b>2,287</b>	<b>2,393</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 2019

### 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

The TPS is a contributory "sector-wide" scheme for academic staff administered by the Teacher's Pension Agency on behalf of the Department for Education and Skills. The scheme, which does not have a fund but instead operates on a "pay-as-you-go" basis, is subject to actuarial valuation every five years for the purpose of determining the "sector-wide" contribution rates. The latest actuarial valuation of the scheme was as at 31 March 2016. The cost of pension increases is currently excluded from the valuation and neither employees nor employers contribute to this added value to the employee, which is met by the Exchequer.

The contribution rate during the year was 16.4%.

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the Consolidated Statement of Comprehensive Income and Expenditure is equal to the contributions payable to the scheme for the year.

#### 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:

	2019 % pa	2018 % pa
Discount rate/interest income on assets	2.25	2.75
Price Inflation (CPI)	2.25	2.30
Rate of increase in pensionable salaries	3.25	3.30

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.

	2019		2018	
	Males	Females	Males	Females
Pensioner aged 65	21.5	23.4	22.1	24.0
Active member aged 45	22.8	24.9	23.8	25.8

**Notes to the financial statements  
for the year ended 31 July 2019**

**23 Pension Schemes (continued)**

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

	2019 £'000	2018 £'000
Equities	8,142	7,406
Government bonds	1,433	1,291
Corporate bonds	1,397	1,142
Property	895	576
Cash	72	256
<b>Total</b>	<b>11,938</b>	<b>10,671</b>

**Analysis of the amount shown in the balance sheet for LGPS pensions:**

	2019 £'000	2018 £'000
Scheme assets	11,938	10,672
Scheme liabilities	(19,640)	(16,461)
<b>Deficit in the scheme – net pension liability recorded within pension provisions (Note 16)</b>	<b>(7,702)</b>	<b>(5,789)</b>

	2019 £'000	2018 £'000
Current service cost	777	714
Past service and administration charges	184	12
<b>Total operating charge</b>	<b>962</b>	<b>726</b>

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

	2019 £'000	2018 £'000
Interest cost	453	433
Expected return on assets	(300)	(266)
<b>Net charge to other finance income</b>	<b>153</b>	<b>167</b>
<b>Payments to the Fund</b>	<b>(464)</b>	<b>(381)</b>
<b>Charge to Income and Expenditure Statement</b>	<b>651</b>	<b>512</b>

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

	2019 £'000	2018 £'000
Gains on assets	519	769
Experience gain/(loss) on liabilities	(1,782)	214
Experience gain/(loss) on liabilities	(197)	214
	<b>(1,459)</b>	<b>1,197</b>

**Notes to the financial statements  
for the year ended 31 July 2019**

**23 Pension Schemes (continued)**

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

	2019	2018	2017	2016	2015
<b>Difference between actual and expected return on scheme assets:</b>					
Amount (£m)	519	769	470	660	550
<b>Experience losses/(gains) on scheme liabilities:</b>					
Amount (£m)	(1,782)	214	(1,402)	(1,500)	(980)

	2019 £'000	2018 £'000
<b>Cumulative actuarial loss recognised as other comprehensive income for LGPS</b>		
Cumulative actuarial losses recognised at the start of the year	1,403	2,386
Cumulative actuarial losses recognised at the end of the year	2,665	1,403

	2019 £'000	2018 £'000
<b>Analysis of movement in deficit for LGPS pension</b>		
<b>Deficit at beginning of year</b>	(5,788)	(6,260)
Contributions or benefits paid by the College	464	381
Current service cost	(777)	(714)
Other finance charge	(338)	(178)
Actuarial gain/ (loss) recognised in other comprehensive income	(1,262)	983
<b>Deficit at end of year</b>	<b>(7,702)</b>	<b>(5,788)</b>

	2019 £'000	2018 £'000
<b>Analysis of movement in the present value of LGPS</b>		
<b>Present value of LGPS at the start of the year</b>	16,461	15,928
Current service cost (net of member contributions)	777	714
Interest cost	453	433
Actual member contributions (including notional contributions)	171	148
Actuarial (gain)/loss	1,782	(214)
Actual benefit payments	(176)	(548)
Past service costs	172	-
<b>Present value of LGPS liabilities at the end of the year</b>	<b>19,640</b>	<b>16,461</b>

	2019 £'000	2018 £'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>	10,672	9,668
Expected return on assets	300	266
Actuarial gain on assets	519	769
Actual contributions paid by College	464	381
Actual member contributions (including notional contributions)	171	148
Actual benefit payments	(176)	(548)
Administration expenses	(12)	(12)
<b>Fair value of scheme assets at the end of the year</b>	<b>11,938</b>	<b>10,672</b>

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

	2019 £'000	2018 £'000
<b>Actual return on Scheme assets</b>		
Expected return on Scheme assets	300	266
Asset gain	519	768
	<b>819</b>	<b>1,034</b>

Estimated contributions for LGPS in the Financial Year 2019-20 is £531K assuming 95% member take up.

