

**ROYAL WELSH COLLEGE
OF MUSIC & DRAMA
COLEG BRENHINOL
CERDD A DRAMA CYMRU**

Financial Statements and Annual Review

**Year ended
31 July 2020**

Royal Welsh College of Music and Drama Limited

Registered Company number 06013744
Registered Charity number 1139282

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Coleg Brenhinol Cerdd a Drama Cymru Cyfyngedig

Financial Statements and Annual Review

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Contents

Reference and administrative details	3
Chair's report	4 - 9
Trustees' Report (incorporating Strategic report)	10 - 18

Technical Annex – Financial Statements

Independent Auditors' report	19 - 21
Statement of Comprehensive Income and Expenditure	22
Statement of Changes in Reserves	23
Balance Sheet	24
Cash Flow	25
Notes to the financial statements	26 - 42

1. Reference and administrative details

Charity name Royal Welsh College of Music and Drama
Charity number 1139282
Company number 06013744

Chairman
Mr J Derrick

Secretary
Mr W Callaway

Principal address and registered office
Castle Grounds
Cathays Park
Cardiff
CF10 3ER

Independent auditors

External: KPMG LLP
3 Assembly Square,
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2. Chair's report for the year ending 31 July 2020

As the Chair of the Royal Welsh College of Music and Drama Limited - the National Conservatoire of Wales - it is my privilege to provide an Annual Report of the activities of the College over the last year.

2.1. Introduction

During my third year as Chair, I was delighted to announce two new Vice Presidents of the College - Sir Ian Stoutzker CBE FRWCMD and Philip Carne MBE FRWCMD. Philip and Sir Ian have both been closely involved in the life of the College for many years as audience members, advisers and philanthropists and I look forward to working with them in their new roles as Vice Presidents. I offer my continued thanks to our President, HRH The Prince of Wales, to Lord Rowe-Beddoe of Kilgetty, our Chairman Laureate, and all my fellow Trustees for their active and committed service.

The Covid 19 pandemic had a material impact on the College this year. Along with most of the UK's Higher Education sector the College closed its buildings to all students, staff and visitors on 20 March 2020 and remained closed until the end of the Academic year. All learning, teaching and assessment was immediately moved online and all public performances and commercial activities stopped.

Rapid work was undertaken to ensure the College's students were able to progress either to graduation or to the next year of study. Working closely with our parent company, The University of South Wales, as our degree validating University, extensive modifications to established assessment patterns were made without abandoning the core principle of 'fitness to practice' that has to be fulfilled. I'm delighted to report that all our students were able to complete their degree or fulfil requirements for progression to the next year through online work and assessment. The continued lockdown restrictions across the UK meant that we weren't able to hold our annual graduation celebration in July but the College staff are already planning to invite back this year's graduates for a double celebration in 2021!

Although the physical lights of the College were switched off from March to July – creativity and performance continued to thrive and an impressive body of work was produced and shared online throughout this period. Some of the highlights are referenced later in this report.

Careful plans to reopen the College with a blended learning model commenced early in the Summer and I'm delighted to report that the College was open on 21 September to welcome the Class of 2020/21.

Through the year, extensive work was undertaken to complete consultation on the College's first own Strategic Equality Plan and Equality Action Plan, this duty having previously fallen within the overarching documentation produced for the University of South Wales Group. The development was supported, in particular, by Prof. Uzo Iwobi, International Chair in Diversity and Special Advisor on Diversity to the First Minister of the Welsh Government. A focused piece was also undertaken to articulate an anti-racism action plan.

This year's Chair's Report tells the story of the College through the following main sections:

- 2.2 Key Facts about the College.
- 2.3 How the College uses its Resources to Generate Value.
- 2.4 Highlights of the Performance Programme.
- 2.5 National Student Survey and Guardian League Table.

- 2.6 Widening Access and Community Engagement.

2.2. Key Facts about the College

Student Body

In 2019/20 the College had 817 students (2018/19: 777):

- 73% undergraduate and 27% postgraduate (2018/19: 69% and 31%)
- 82% from UK with 22% from Wales (2018/19: 74% and 19%)
- 11% from overseas countries outside the EU (2018/19: 18%)
- 7% from EU (2018/19: 8%)
- 50 different countries (2018/19: 49)
- 17% declared a disability (2018/19: 20%)
- 19% declared non-white ethnicity (2018/19: 16%)
- 12% declared Welsh speaker (2018/19: 9%)
- 96% retention rate (2018/19: 92%)
- 92% of graduating students achieved first-class or upper second-class awards (2018/19: 82%)

2.3. How the College uses its Resources to Generate Value

The College's strategy was approved in 2019 and has the following strategic pillars:

- Future-focused degrees offering outstanding student experience and 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 business model (financial, operational, environmental, organisation and culture).

The College uses the following resources to achieve these aims:

- income from students (£8.7m), Higher Education Funding Council for Wales (£3.6m), philanthropy and fundraising (£1.8m) and other commercial sources (£1.1m);
- 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.

2.4. Highlights of the Performance Programme

This year, and despite the Covid pandemic, the Creative Programme delivered over 330 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 programme makes a major contribution to the cultural provision in south Wales and beyond, continuing to reach around 40,000 audience attenders. A number of highlights include those outlined below.

Autumn 2019 marked the College's 70th anniversary including a special Gala performance by musicians of the David Seligman Opera School and WNO Orchestra conducted by Carlo Rizzi. We celebrated the music and theatre of the era with the Jazz Big Band's celebration *Spirit of '4'* and a new production of William Inge's *Bus Stop*, as well as revealing treasures from the archives in an exhibition telling the story of the College and celebrating our alumni.

The academic programme opened with an immersive residency for first year music students with the Manchester Collective featuring Welsh violinist sisters Rakhi Singh and Simmy Singh, South African cellist Abel Selaocoe and drummer Sidiki Dembele.

The rest of the term offered a rich mix of new performance experiences including the dancers of Rambert2, appearing in partnership with Cardiff Dance Festival; London Sinfonietta's *Turning Points* telling the story of minimalism; Indian slide guitarist Debashish Bahattacharya; Skye piper *Brighe Chaimbeul*; a collaboration between three stars of world music with the AKA Trio; Fauré's Requiem at St David's Hall and a celebration of Clara Schumann's 200th anniversary with Lucy Parham and Lesley Sharp. We marketed many of these performances with a ticket offer under our 20/20 Visionaries banner, which successfully encouraged audiences to try something different.

We welcomed National Theatre Wales to the Richard Burton Theatre for the first time with their poignant touring production *Peggy's Song* and our own drama productions included Tom Stoppard's *Arcadia*, Aaron Posner's *Stupid F***ing Bird* and Patrick Marber's *Dealer's Choice*.

As part of our work to build family audiences we presented a series of events over half term including a special Halloween performance of *The Mystery of the Raddlesham Mumps*, Murray Lachlan Young's eccentric ghost story for ages 7 to 107; Raymond Briggs' *The Bear* and a fascinating lunchtime journey into new music and sound with the London Sinfonietta.

The Steinway International Piano Series launched in September with American pianist Simone Dinnerstein who gave a superb performance of Bach's *Goldberg Variations*, and was followed in November by Barry Douglas with a programme of Russian masterworks.

The Autumn jazz programme focused on the piano as we celebrated the 90th anniversary of the legendary Bill Evans with Norma Winstone and Nikki Iles, welcomed New Yorker Aaron Parks back with his quartet Little Big and experienced the striking new music Kit Downes created for his latest ECM album.

The year closed in traditional style with a Christmas season of entertainment for all the family which this year includes the animated film adaptation of *We're Going On A Bear Hunt* with live orchestra and a dazzling new Christmas on Broadway production.

Other events during the term included the Gould Piano Trio's lunchtime performance of the *Ghost Trio* alongside a new work it has inspired by RWCMD composer Derri Lewis; and Joseph Moog's special performance of Liszt's piano arrangement of the *Pastoral Symphony* as part of the Steinway International Piano Series.

We were particularly pleased to once again host *BBC Young Musician* in March, and we took the opportunity to celebrate the competition's enduring legacy by welcoming back previous winners Xhosa Cole, David Childs, Nicholas Daniel and Mark Simpson to perform and work with our students.

A special focus on Welsh musicians who are extending the boundaries of jazz and folk music included Tomos Williams' Indo-Welsh band Khamira celebrating the music of Miles Davis; guitarist Toby Hay and friends performing music from his stunning new album for custom made 12-string guitar; and pianist Huw Warren in the very special trio Quercus with Iain Ballamy on saxophones and the legendary singer June Tabor.

In the Richard Burton Theatre, we explored the power of visual and physical storytelling with two exceptional visiting productions: Theatre Re's ravishingly beautiful Edinburgh Festival hit, *Birth* and Tooth+Nail's *Hummingbird*, a haunting love story set in post-War America.

The Richard Burton Company performed a challenging programme including Michael Fentiman's new production of Simon Stephens' powerful story of alienation, *Motortown*; and John Donnelly's radical take on Molière's tale of deception and seduction, *Tartuffe*.

The final productions of the term including *Così Fan Tutte* directed by Martin Constantine, the NEW season, our musical theatre adaptation of Wedekind's *Spring Awakening* and Music Theatre Wales' international co-production of Philip Venables' award winning opera *Denis & Katya* had to be cancelled due to the Covid-19 lockdown. We were also unable to undertake our planned north Wales residency at Galeri in Caernarfon.

Instead, we began the process of adapting to working online, setting up Atmospheres Radio as a platform for our jazz and new music output. This enabled us to present both the *AmserJazzTime* and Atmospheres festivals on the station and stay connected to our audiences. As part of the *AmserJazzTime* festival we presented a live Zoom concert from Amsterdam with Dutch band Tin Men and the Telephone whose specially developed phone app enables audiences to interact with them live, making creative choices in real time.

A planned project with International Chair for Jazz, Gilad Hekselman, which was due to take place at the end of June, happened online and culminated in a truly exceptional final *AmserJazzTime* radio show of new work created by students on the project.

Similarly, we transformed our plans for a concert and chamber coaching by the Albion Quartet into a series of online coaching sessions for the String department. This included sessions on online presentation, passing on learning from Tamsin Waley-Cohen's *Living Room Live* events, to help prepare students for their final recitals which took place online.

As the finale of an extraordinary term, new Director of Music Tim Rhys-Evans hosted twelve *Lockdown Lowdown* Zoom Q&A sessions for students with a diverse array of international music stars including Dame Kiri Te Kanawa, Dennis Rollins, Claron McFadden, Errollyn Wallen, Skaila Kanga, and John Wilson. These were also made available to watch online over the summer.

2.5. National Student Survey

National Student Survey (NSS) - Following last year's significant drop in satisfaction score from 87% to 73%, the 2020 results have demonstrated a 1% improvement overall. Within this, Drama bounced back to previous levels of success (between 90% satisfaction in Stage Management to 100% satisfaction in Design). It has also been good to note improvement in the results for Student Voice and the Students' Union across the College. Music suffered a further fall in overall satisfaction, although this was at variance with individual scores across all the other NSS themes, where improvement ranged from +2% to +18%. The College has articulated a strategic action plan to address the particular issues in Music, to complement ongoing College wide approaches to quality enhancement. This plan for Music has included fresh direction and stability for the Department with a new Director of Music, a revalidation of the BMus programme scheduled for 2020/21, and a suite of targeted measures to address huge variations in scores between discipline areas for some NSS themes.

2.6. Widening Access and Community Engagement

Following the extremely successful Benedetti Sessions in 2018, our instrumental weekends supported by the Mosawi Foundation continued in November 2019 with the Superbrass Weekend. This exceptionally versatile ensemble offered a varied and entertaining range of opportunities for people to engage in workshops, performances and free events. The weekend built strongly on the College's profile amongst brass players and enthusiasts, particularly young people locally, as a place to hear the best brass musicians in the world, feeding into audience development for our wider programme.

Autumn 2019 also saw the establishment of On The Move, a new partnership with Hern & Crabtree which enabled 6,520 children in 27 schools to experience 38 brass and percussion concerts. Feedback from participating schools reflected impacts including increased confidence through participation in live music, fostering enthusiasm for music, enhancement of mental, physical and emotional health and a spirit of community and self-identity. These free workshops were coupled with complimentary tickets to lunchtime concerts at RWCMD and the partnership will continue with woodwind and vocal concerts in 2020/21.

In February we packed St David's Hall with primary school children for Beethoven: Musical Superhero. Celebrating the 250th anniversary of Beethoven's birth, this specially devised performance by the RWCMD Symphony Orchestra told the story of the great composer's life and music through an entertaining mix of music, narration, puppetry and audience participation.

The College's partnerships with BBC National Orchestra of Wales and Welsh National Opera continued to flourish, with 25 instrumental students and four conductors participating in placement schemes

and educational work. BBC NOW Ten Pieces Coaching Days provided RWCMD students with the opportunity to work with professionals coaching up to 200 school pupils in intensive orchestral projects.

In Drama our work on improving progression pathways and opening access to Higher Education continued including developing our YAS programme and partnerships with Merthyr Tydfil College and Open Door.

There were strong developments with our YPPA (Young People's Production Arts) which delivered a free online summer school this year. This was attended by 100 participants aged 11 – 18 who signed up for activities hosted via Zoom throughout the week. The six RWCMD staff and graduates who led the specialist sessions were joined by International Chair and BAFTA nominated Lighting Designer Tim Routledge for the Backstage Careers and Drama School Q&A session. Other activities included Introductory sessions in Lighting, Sound, Stage Management, Set Design and Costume Design and feedback from participants and parents has been overwhelmingly positive.

The Pre-College department also ran a series of online activities over the summer including a First Campus-funded summer school for a small group of care-experienced young people from SE Wales. Working each Wednesday over a five-week period, activities were designed to develop young people's confidence, wellbeing and life-skills.

2.7. Conclusion

In conclusion I just want to reflect on what's been a steep learning journey for us all this year and I want to thank the Principal and the staff for their resilience and flexibility as they worked night and day to ensure that the provision of the education stayed at the same high level virtually as it was physically. This year has tested all of us and we will continue to evolve and develop how we teach, how we engage and how we inspire. Necessity is the mother of invention and our new way of thinking should form the basis for new opportunities for students and colleagues alike.



John Derrick
Chair of Board of Governors

30 November 2020

3. Trustees' Report

This report constitutes the Strategic Report and the Directors' report required under the Companies Act 2006. The Directors confirm that the financial statements for the year ended 31 July 2020 have been prepared to comply with the Companies Act 2006 and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with applicable accounting standards.

3.1. Structure, governance and management

The Royal Welsh College of Music and Drama is a limited company and a registered charity. It is governed by its Articles of Association.

The charity's registered address is University of South Wales, Treforest, Pontypridd, CF37 1DL and the registered number is 1139282.

The members of the Board, listed below, 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.

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)
Nia Thomas (Student President, from 1 August 2019)
Brian Weir (nominee of College Staff, resigned 31 July 2020)
Lucy Hall (nominee of College Staff, appointed 8 October 2020)
Jemma Terry (USW Board)
Natasha Hale
Manon Bonner Antoniazzi
Aled Miles
Mario Ferelli
Roger Munnings, appointed 1 December 2019

3.2. Objectives and activities 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 just over 800 students of whom 89% are Home/EU and 11% from Overseas. Those students are the primary beneficiaries 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 interview or portfolio submission.

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 again had a strong year with regards to fundraising income, generating £1.85m - an increase from £1.68m in 2018/19. This was, in part, due to two major gifts received from The Mosawi Foundation and The Carne Trust. The Foyer was named the Carne Foyer in recognition of the gift from The Carne Trust, which will help to fund a number of strategic advancements over the coming period.

A special appeal was launched to grow the Student Hardship Fund in response to the growing number of requests from students experiencing financial hardship as a result of COVID 19. This Appeal raised over £50k and the fundraising campaign will continue so that financial and practical assistance can be offered to those who need it during the coming academic year.

The College would like reiterate its thanks to all members of the Connect and Friends Connect schemes as well as to the many individuals, business and charitable trusts who support scholarships, special projects, prizes and other College and student activities. A full list of supporters can be viewed on the College website: <https://www.rwcmd.ac.uk/support-us/thank-you>.

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

Widening Participation

One of 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 delivers an extensive programme of 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.

Responding to the Covid 19 restrictions our YPPA (Young People's Production Arts) group delivered a free Zoom online summer school this year which was attended by 100 participants aged 11 – 18 and the Pre-College department ran a series of online activities for a group of care-experienced young people from SE Wales.

The College continues to work 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.

Community Engagement

The College promotes an extensive public performance programme – this year again amounting to over 500 events with a total audience of around 40,000 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 *AmserJazztime* foyer performances, tours of the building, exhibitions of theatre design and music performances and workshops delivered by students and professional theatre.

3.3. Strategic report

Principal activities

The College's principal activity continues to be the delivery of conservatoire education and professional training.

Business review

The Covid-19 pandemic meant that the College closed its buildings to all students, staff and visitors in March 2020 and remained closed until the end of the academic year. All learning, teaching and assessment was able to continue online but all public performances and commercial activities stopped. The closure resulted in the loss of more than £300k of commercial income but this was fully mitigated by operational cost reductions over this period.

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 final recruitment position

for 2019/20 was in line with the overall College expectations although there was a slight shift in the balance meaning that the proportion of overseas students dropped from 18% to 11%.

Attracting higher numbers of overseas students remains a key strategic priority for the but the relevant strategic changes introduced earlier in the year were materially hindered by the worldwide disruption and uncertainties caused by the Covid-19 pandemic and so the expected recovery and growth of numbers in this area is not now expected to happen before September 2021.

Headlines

Prior to the closure of the performance venues in March the College had already attracted audience attendances of just less than 40,000 from more than 330 performances – this is a fundamental aspect of the student learning experience 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. Since September 2020 the College has been able to resume a performance programme for students – albeit that the social distancing requirements continues to prevent external paying customers to attend.

In 2019/20, HEFCW responded to the funding recommendations of the Lord Murphy review *Review of Conservatoire and Performing Arts provision*. HEFCW agreed to increase its grant to the College by £1.8m - so ending up £0.56m below that £2.36m recommended in the original report. The College continues to engage in constructive dialogue with HEFCW and there may be opportunities for additional funding in future years.

The College again had a strong year regarding fundraising income, generating £1.85m - an increase from £1.68m in 2018/19.

3.4. Financial risk management

Commitment to Best Practice in Governance

The College is committed to best practice in all areas of financial risk management and corporate governance, 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 ensuring an adequate 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 provides reasonable and not absolute assurance against material misstatement or loss.

Risk Management

The College maintains a risk management approach which considers business, operational, compliance and financial risks. The risk 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 2019/20 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 2020/21.

3.5. Financial Review

During the year the Charity had income of £15.4m (2019: £15.7m) and incurred expenditure of £15.4m (2019: £15.6m) resulting in a surplus, before gains and losses, of £0.035m (2019: £0.091m) for the year.

Net assets at 31 July 2020 were £7.8m (2019: £8.1m) reflecting the continued increase in pension provision, in respect of the LGPS scheme, which has now increased to £8.9m (2019: £8.0m).

Current assets at 31 July 2020 were £10.8m (2019: £9.2m). This large increase reflecting very tight cash management throughout the year and particularly following the introduction of the COVID-19 lockdown. HEFCW's agreement to defer payment of a loan instalment (£0.5m) due in the year has also contributed to the healthy cash position.

3.6. Principal risks and uncertainties

Continued impact of Covid-19 restrictions

It's already apparent that the College will continue to be impacted by the impact of the Covid-19 pandemic in 2020/21. Fewer overseas students will elect to come to the UK to study, a large proportion of the teaching programme will continue online for at least the autumn term and the College will be unable to open up performance to live audiences until 2021. So the Trustees anticipate another challenging year ahead.

Recruitment of students

The College's strategic plan targets a modest annual growth in its current level of undergraduate and postgraduate student numbers and overseas students while ensuring the quality of students remains high. Although the College has developed detailed actions together with a system of enhanced partnerships with other institutions to support these plans the Trustees now expect that the Covid-19 disruptions will hinder the planned growth in 2020/21 but remain confident that the position can be recovered in 2021/22 and subsequent years if conditions improve.

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.

Income generation

More than 40% of budgeted income from commercial activities was lost in 2019/20 as a direct consequence of the disruption and similar losses are now forecast in 2020/21 as these disruptions are expected to continue at least until the end of 2020. The College has continued to stay in close contact with its regular commercial customers and audiences and the Trustees remain confident that this income will recover quickly and strongly once the restrictions allow.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 July 2020 (2019 – nil).

3.7. Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Trustees' report (which includes the Strategic Report). The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period at least twelve months from the date of approval of these financial statements. After reviewing these forecasts the Board are of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the College will have sufficient funds to meet its liabilities as they fall due over the period of twelve months from the date of approval of the financial statements (the going concern assessment period). The directors have also discussed, with Barclays, amendments to certain financial performance covenants attached to the secured loan, which will enable the College to continue to operate without breaching any of these conditions. These discussions are nearing their conclusion and will be formalised into new legally binding arrangements with Barclays.

Consequently, the Board are confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern.

3.8. 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 Directors, 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 2020 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.

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 regular e-mails.

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 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 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;
- 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, KPMG LLP, were appointed in May 2020 and 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

30 November 2020

- (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 Board of Governors of the Royal Welsh College of Music and Drama Limited

Opinion

We have audited the financial statements of the Royal Welsh College of Music and Drama Limited ("the College") for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheets, the Cash Flow Statement and related notes, including the accounting policies in basis of preparation section.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020, and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the College or to cease their operations, and as they have concluded that the College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period"). We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the College's business model, and analysed how those risks might affect the College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 16 the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and College'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 they either intend to liquidate the group or the College or to cease operations, or have no realistic alternative but to do so.

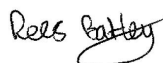
Auditors' responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Rees Batley
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

01 December 2020

**Statement of Comprehensive Income and Expenditure
for the Year Ended 31 July 2020**

	Notes	2020 £'000	2019 £'000
Income			
Tuition fees and education contracts	3	8,659	8,449
Funding body grants	4	3,620	3,587
Other income	5	1,128	1,851
Investment income	6	141	102
Total income before endowments and donations		13,548	13,989
Donations and endowments	7	1,845	1,684
Total income		15,393	15,673
Expenditure			
Staff costs	8	9,064	8,546
Other operating expenses		4,917	5,681
Depreciation	11	875	864
Interest and other finance costs	9	502	491
Total expenditure		15,358	15,582
Surplus/(Loss) before other gains and losses		35	91
Gain/(Loss) on investments	17	(148)	27
Surplus/(Loss) for the year		(113)	118
Actuarial gain/(loss) in respect of pension schemes	23	(192)	(1,459)
Total comprehensive income/(expenditure) for the year		(305)	(1,341)
Represented by:			
Endowment comprehensive income/(expenditure) for the year		(155)	86
Restricted comprehensive income/(expenditure) for the year		211	225
Unrestricted comprehensive income/(expenditure) for the year		(361)	(1,652)
		(305)	(1,341)

All items of income and expenditure relate to continuing activities

Royal Welsh College of Music and Drama Limited
 Financial Statements and Annual Review
 Year ended 31 July 2020

**Statement of Changes in Reserves
 for the year ended 31 July 2020**

	Income and expenditure account			Revaluation	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>	reserve	
	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2019	2,629	1,114	2,574	1,819	8,137
(Deficit)/Surplus for the year	(155)	211	(170)	0	(113)
Other comprehensive expenditure			(192)		(192)
Balance at 31 July 2020	<u>2,474</u>	<u>1,325</u>	<u>2,212</u>	<u>1,819</u>	<u>7,832</u>

Balance Sheet
as at 31 July 2020
(Company Registration: 06013744)

	Notes	2020 £'000	Restated* 2019 £'000
Non-current assets			
Tangible assets	11	24,917	25,369
Heritage assets	11	500	500
Other	11	135	0
		<u>25,552</u>	<u>25,869</u>
Current assets			
Trade and other receivables	12	211	234
Investments	13, 24	7,884	8,069
Cash and cash equivalents	24	2,742	913
		<u>10,837</u>	<u>9,216</u>
Creditors: amounts falling due within one year	14	(4,459)	(2,503)
		<u>6,378</u>	<u>6,713</u>
Net current assets		<u>6,378</u>	<u>6,713</u>
Total assets less current liabilities		<u>31,930</u>	<u>32,582</u>
Creditors: amounts falling due after more than one year	15	(15,227)	(16,311)
Provisions			
Pension provisions	16	(8,836)	(7,988)
Other provisions	16	(35)	(146)
		<u>7,832</u>	<u>8,137</u>
Total net assets		<u>7,832</u>	<u>8,137</u>
Restricted Reserves			
Income and expenditure reserve - endowment reserve	17	2,475	2,629
Income and expenditure reserve - restricted reserve	18	1,327	1,116
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		2,210	2,573
Revaluation reserve		1,819	1,819
		<u>7,831</u>	<u>8,137</u>
Share Capital		1	1
Total Reserves		<u>7,832</u>	<u>8,138</u>

*The 2018/19 balance has been restated and further information can be found in Note 24.

The financial statements on pages 22 to 42 were approved by the Board on 30 November 2020 and signed on its behalf by:



John Derrick
Chair of Board of Governors

Royal Welsh College of Music and Drama Limited
Financial Statements and Annual Review
Year ended 31 July 2020

**Cash Flow Statement
for the year ended 31 July 2020**

	Note	2020 £'000	Restated* 2019 £'000
Cash flow from operating activities			
Surplus/(Loss) before other gains and losses		34	91
Adjustment for non-cash items			
Depreciation	11	875	864
Gain on investments		37	(38)
Decrease/(Increase) in debtors	12	23	(55)
Increase in creditors	14, 15	1,263	175
LGPS Pension costs less contributions payable		664	651
Capital grant income	14	(169)	(169)
Adjustment for investing or financing activities			
Investment income	6	(141)	(102)
Interest payable	9	328	337
Short term financing	14	(585)	0
Net cash inflow from operating activities		<u>2,329</u>	<u>1,754</u>
Cash flows from investing activities			
Investment income		141	102
Movement in Investments		(185)	0
Payments made to acquire fixed assets		(423)	(1,058)
Bond payment to secure lease		(135)	0
New deposits		0	(8)
		<u>(602)</u>	<u>(964)</u>
Cash flows from financing activities			
Interest paid		(328)	(337)
Short term financing		585	0
Repayments of amounts borrowed		(155)	(482)
		<u>102</u>	<u>(819)</u>
Increase in cash and cash equivalents in the year		<u>1,829</u>	<u>(29)</u>
Cash and cash equivalents at beginning of the year	19, 24	913	942
Cash and cash equivalents at end of the year	19, 24	2,742	913

*The 2018/19 balance has been restated and further information can be found in Note 24.

		Restated* As at 1 Aug 2019 £'000	Cashflows £'000	Other Changes £'000	As at 31 Jul 2020 £'000
Analysis of changes in net debt					
Cash at bank and in hand	24	913	1,829	0	2,742
Debt due within one year		(697)	(155)	(605)	(1,457)
Debt due within more than one year		(8,961)	0	915	(8,046)
		<u>(8,745)</u>	<u>1,674</u>	<u>310</u>	<u>(6,761)</u>

Notes to the financial statements for the year ended 31 July 2020

1 Basis of Preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, modified by the revaluation of endowment investments, in accordance with the Companies Act 2006, as adapted to the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 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 FRS102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102). The principal accounting policies are set out below and have been applied consistently throughout the year.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Trustees' report (which includes the Strategic Report). The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period at least twelve months from the date of approval of these financial statements. After reviewing these forecasts the Board are of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the College will have sufficient funds to meet its liabilities as they fall due over the period of twelve months from the date of approval of the financial statements (the going concern assessment period). The directors have also discussed, with Barclays, amendments to certain financial performance covenants attached to the secured loan, which will enable the College to continue to operate without breaching any of these conditions. These discussions are nearing their conclusion and will be formalised into new legally binding arrangements with Barclays.

Consequently, the Board are confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern.

2 Accounting policies

Funding

The Directors have assessed the appropriateness of the going concern basis for the purpose of the financial statements for the year ended 31 July 2020 and on the basis of a revised Financial Strategy that was agreed in June 2019 and reviewed this year, 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 over the period in which students are studying 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. Donations with no restrictions are recognised in income when the College is entitled to the funds.

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 under the accruals method. 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.

Notes to the financial statements for the year ended 31 July 2020

2 Accounting policies (continued)

It is not possible to identify each institution's share of the underlying 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.

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.

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 that the asset becomes available for use.

All fixed assets are reviewed for indicators of impairment at each balance sheet date.

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.

Notes to the financial statements for the year ended 31 July 2020

2 Accounting policies (continued)

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. In subsequent periods, heritage assets are held at cost less any identified impairment.

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

Investments

Investments are held at fair value with movements recognised in income and expenditure.

Cash

Cash includes cash in hand and cash equivalents.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the financial statements for the year ended 31 July 2020

2 Accounting policies (continued)

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.

Loans

Loans received that either do not accrue interest or where interest is charged at less than a market rate are considered public benefit entity concessionary loans. These loans are recognised initially at the amount of cash received and are subsequently adjusted to reflect accrued interest payable.

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.

**Notes to the financial statements
 for the year ended 31 July 2020**

		2020	2019
	Notes	£'000	£'000
3 Tuition fees and education contracts			
Full-time home and EU students		6,371	5,885
Full-time international students		1,708	1,906
Short Course Fees		580	657
		8,659	8,448
4 Funding body grants		2020	2019
		£'000	£'000
Recurrent grant			
Higher Education Funding Council		3,485	3,452
Amortisation of Deferred Capital grant	14	135	135
		3,620	3,587
5 Other income		2020	2019
		£'000	£'000
Catering		361	577
Other capital grants	14	34	34
Other income		733	1,239
		1,128	1,850
6 Investment income		2020	2019
		£'000	£'000
Investment income on endowments	17	64	70
Other investment income		77	32
		141	102
7 Donations and endowments		2020	2019
		£'000	£'000
New endowments	17	0	8
Donations with restrictions	18	872	1,333
Unrestricted donations		973	342
		1,845	1,683

**Notes to the financial statements
for the year ended 31 July 2020**

	2020	2019
	£'000	£'000
8 Staff costs		
Staff Costs		
Salaries	6,784	6,529
Social security costs	581	553
Other pension costs	1,699	1,463
Total	9,064	8,545

Remuneration of directors and higher paid employees

	£'000	£'000
(a) Directors		
Salary	220	198
Benefits	2	1
Pension contributions to LGPS	34	30
	256	229

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

(b) Higher paid employees

	£'000	£'000
Emoluments of the Principal:		
Salary	152	137
Benefits	2	1
Pension contributions to LGPS	24	21
	178	159

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

	2020	2019
Academic	103	108
Other	84	75
	187	183

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

	2020	2019
Academic	241	243
Other	208	206
	449	449

Remuneration of the Principal of the College expressed as

	2020	2019
Basic salary as a ratio of the median basic salary of all staff	4.50	4.63
Total remuneration as a ratio of the total remuneration of all staff	4.50	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 £170 (2019 - £402). This represents travel and subsistence expenses incurred in attending meetings.

**Notes to the financial statements
 for the year ended 31 July 2020**

	2020	2019
	£'000	£'000
9 Interest and other finance costs		
Loan interest	328	337
Net charge on pension scheme (see note 23)	174	153
	502	490

	2020	2019
	£'000	£'000
10 Analysis of total expenditure by activity		
Academic and related expenditure	8,726	8,604
Administration and central services	3,180	2,865
Premises	2,005	2,383
Residences, catering and conferences	429	558
Other expenses	1,020	1,171
	15,360	15,581

Other operating expenses include:

	2020	2019
	£'000	£'000
External auditors' remuneration in respect of audit services	29	14
External auditors' remuneration in respect of non-audit services	3	14
Operating lease rentals - other	158	106

Notes to the financial statements
for the year ended 31 July 2020

11 Tangible Assets

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost or valuation					
At 1 August 2019	27,893	2,318	3,713	1,454	35,377
Additions	0	0	321	102	423
Disposals	0	0	0	0	0
At 31 July 2020	27,893	2,318	4,034	1,556	35,800
Consisting of:					
Valuation	1,819	0	0		1,819
Cost	26,074	2,318	4,034	1,556	33,982
At 31 July 2019	27,893	2,318	4,034	1,556	35,801
Accumulated depreciation					
At 1 August 2019	4,737	1,251	3,136	884	10,008
Charge for the year	469	21	253	132	875
Disposals	0	0	0	0	0
At 31 July 2020	5,206	1,272	3,389	1,016	10,883
Net book value					
At 31 July 2020	22,687	1,046	645	540	24,917
At 31 July 2019	23,156	1,067	577	570	25,369

Included in the net book value of fixed assets is aggregated interest capitalised of £298k (2019 - £306k).

Heritage Assets

	Heritage Assets £'000	Total £'000
Cost		
At 1 August 2019	500	500
At 31 July 2020	500	500

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 exhibits. The College is currently in the process of cataloguing the collection.

Other Assets

The College has placed a £135,000 bond payment as security against the lease of a workshop.

Notes to the financial statements
for the year ended 31 July 2020

12 Trade and other receivables

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	33	138
Other receivables	12	5
Prepayments and accrued income	148	91
Amounts due from parent undertaking	18	0
	<u>211</u>	<u>234</u>

13 Investments

	2020	Restated* 2019
	£'000	£'000
Short term investment in shares	24 2,056	2,207
Short term bonds and deposits	24 5,828	5,862
	<u>7,884</u>	<u>8,069</u>

14 Creditors : amounts falling due within one year

	2020	2019
	£'000	£'000
Secured loans	165	155
Unsecured loans	1,292	542
Amounts owed to parent undertaking	668	-
Other creditors	334	205
Trade payables	32	48
Social security and other taxation payable	121	131
Accruals and deferred income	1,847	1,422
	<u>4,459</u>	<u>2,503</u>

The 'Amounts owed to parent undertaking' includes £585,240, which represents a short term financing transaction, not accruing interest and that was repaid on 5 August 2020.

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.

	2020	2019
	£'000	£'000
Other income	158	255
Deferred capital grants (see notes 4 and 5)	169	169
	<u>327</u>	<u>424</u>

*The 2018/19 balance has been restated and further information can be found in Note 24.

**Notes to the financial statements
for the year ended 31 July 2020**

15 Creditors : amounts falling due after more than one year

	2020 £'000	2019 £'000
Deferred income	7,181	7,350
Secured loans	5,921	6,086
Unsecured loan	2,125	2,875
	15,227	16,311

Analysis of secured and unsecured loans:

	2020 £'000	2019 £'000
Due within one year or on demand (Note 14)	1,457	697
Due between one and two years	1,131	915
Due between two and five years	1,739	2,669
Due in five years or more	5,176	5,377
Due after more than one year	8,046	8,961
Total secured and unsecured loans	9,503	9,658
Secured loan repayable by 2041 *	6,086	6,241
Unsecured loan repayable by 2023	3,417	3,417
	9,503	9,658

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

	Interest	Repayment	Term	2020 £'000	2019 £'000
Barclays Bank					
All tranches	5.35%	Quarterly	33 years (to 2041)	5,748	5,921

* The terms of the secured loan agreement provides that the Bank may require the College to grant a charge on the land and buildings owned by the College if certain financial covenants are breached.
There is no charge currently registered in this regard and the Directors do not consider it likely that any charge will be required in the 12 months from the date of approval of the financial statements

16 Provisions for liabilities

	Defined Benefit Enhanced Provision £'000	Pension scheme provision under FRS102 £'000	Total Pension Provisions £'000
At 1 August 2019	285	7,703	7,988
(Reduction) in year	(95)	0	(95)
(Reduction) in year (see note 23)	0	943	943
At 31 July 2020	190	8,646	8,836

In addition, there is a provision for future dilapidation remedial works on College rented properties.

**Notes to the financial statements
for the year ended 31 July 2020**

17 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Year to 31 July 2020 Total	Year to 31 July 2019 Total
	£'000	£'000	£'000	£'000
Opening Balances				
Capital	372	2,004	2,376	2,340
Accumulated income	62	191	254	203
	<u>434</u>	<u>2,195</u>	<u>2,630</u>	<u>2,543</u>
New endowments	-	-	-	8
Investment income	10	54	64	70
Expenditure	(1)	(69)	(71)	(19)
Increase in market value of investments	(23)	(124)	(148)	27
Total endowment comprehensive income for the year	<u>(14)</u>	<u>(139)</u>	<u>(155)</u>	<u>86</u>
Closing Balances	<u>420</u>	<u>2,056</u>	<u>2,475</u>	<u>2,629</u>
Represented by:				
Capital	349	1,880	2,228	2,376
Accumulated income	71	176	247	254
	<u>420</u>	<u>2,056</u>	<u>2,475</u>	<u>2,630</u>
Analysis by type of purpose:				
Scholarships and prize funds	420	2,056	2,476	2,629
	<u>420</u>	<u>2,056</u>	<u>2,476</u>	<u>2,629</u>
Analysis by asset				
Current asset investments			2,343	2,490
Cash and cash equivalents			132	139
			<u>2,475</u>	<u>2,629</u>

18 Restricted Reserves

Reserves with restrictions are as follows:

	Year to 31 July 2020 Total	Year to 31 July 2019 Total
	£'000	£'000
Opening Balances	1,115	890
New donations	872	1,450
Expenditure	(661)	(1,225)
Total restricted comprehensive income for the year	<u>211</u>	<u>225</u>
Closing Balances	<u>1,326</u>	<u>1,115</u>

Notes to the financial statements
for the year ended 31 July 2020

18 Restricted Reserves (continued)

	2020	2019
	Total	Total
	£'000	£'000
Analysis of other restricted funds /donations by type of purpose:		
Scholarships and prize funds	631	572
Specific projects	68	661
Other	173	217
	872	1,450

19 Cash and cash equivalents

	Restated*		
	At 1 August	Cash	At 31 July
	2019	Flows	2020
	£'000	£'000	£'000
Cash and cash equivalents	913	1,829	2,742
	913	1,829	2,742

*The 2018/19 balance has been restated and further information can be found in Note 24.

20 Lease obligations

Total rentals payable under operating leases:

	2020	2019
	£'000	£'000
Payable during the year	110	106
Future minimum lease payments due:		
Not later than 1 year	158	110
Later than 1 year and not later than 5 years	700	472
Later than 5 years	3,464	1,706
Total lease payments due	4,322	2,288

21 Related Parties

As the College is a wholly owned subsidiary of the University of South Wales, the College has taken advantage of the exemption contained in FRS102 Section 33 and has therefore not disclosed transactions or balances with other wholly owned subsidiaries which form part of the Group (or investees of the Group qualifying as related parties).

There are no other related party transactions to be reported.

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 2020**

23 Pension Schemes

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

Teachers' Pension Scheme

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

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

Latest actuarial valuation 31 March 2016

Valuation of the assets at date of last valuation £196.1 million (estimated future contributions together with notional investments held at 31 March 2016).

The contribution rate increased from 16.48% to 23.68% on 1 September 2019.

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

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

Rhondda Cynon Taf Pension Scheme

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

The scheme is valued every three years, the latest being undertaken by independent consulting actuaries, Aon Hewitt, as at 31 March 2019.

Assumptions

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

	2020	2019
	% pa	% pa
Price Inflation (CPI)	2.20	2.25
Rate of increase in pensionable salaries	3.20	3.25
Discount rate/interest income on assets	1.45	2.25

At 31 March 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long term gap between RPI inflation and CPI inflation was reduced from 1.1% at the prior year end to 0.6% at this year end. The impact of this change is expected to have resulted in a £0.9m increase in the Fund's liabilities since the prior year end.

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 23.1 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.

	2020		2019	
	Males	Females	Males	Females
Pensioner aged 65	21.0	23.5	21.5	23.4
Active member aged 65	21.8	24.4	22.8	24.9

**Notes to the financial statements
for the year ended 31 July 2020**

23 Pension Schemes (continued)

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

	2020	2019
	£'000	£'000
Equities	9,183	8,142
Government bonds	1,616	1,433
Corporate bonds	1,575	1,397
Property	1,010	895
Cash	81	72
Total	<u>13,465</u>	<u>11,939</u>

	2020	2019
	£'000	£'000
Analysis of the amount shown in the balance sheet for LGPS pensions:		
Scheme assets	13,465	11,938
Scheme liabilities	(22,111)	(19,640)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 16)	<u>(8,646)</u>	<u>(7,702)</u>

	2020	2019
	£'000	£'000
Current service cost	982	777.4
Past service and administration charges	13	184.1
Total operating charge	<u>995</u>	<u>961</u>

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

	2020	2019
	£'000	£'000
Interest cost	442	453
Expected return on assets	(274)	(300)
Net charge to other finance income	<u>168</u>	<u>153</u>
Payments to the Fund	<u>(499)</u>	<u>(464)</u>
Charge to Income and Expenditure Statement	<u>664</u>	<u>650</u>

Analysis of other comprehensive income for LGPS pensions:

	2020	2019
	£'000	£'000
Gains on assets	803	519
Experience gain/(loss) on liabilities	(1,082)	(1,782)
Experience gain/(loss) on liabilities (Enhanced Provision on Termination)	88	(197)
	<u>(191)</u>	<u>(1,460)</u>

**Notes to the financial statements
for the year ended 31 July 2020**

23 Pension Schemes (continued)

History of experience gains and losses – LGPS pensions

	2020	2019	2018	2017	2016
Difference between actual and expected return on scheme assets:					
Amount (£m)	803	519	769	470	660

Experience losses/(gains) on scheme liabilities:

Amount (£m)	(1,082)	(1,782)	214	(1,402)	(1,500)
			2020		2019
			£'000		£'000

Cumulative actuarial loss recognised as other comprehensive income for LGPS

Cumulative actuarial losses recognised at the start of the year			2,665		1,403
Cumulative actuarial losses recognised at the end of the year			2,945		2,665

2020	2019
£'000	£'000

Analysis of movement in deficit for LGPS pension

Deficit at beginning of year		(7,701)	(5,788)
Contributions or benefits paid by the College		499	464
Current service cost		(982)	(777)
Other finance charge		(181)	(338)
Actuarial gain/ (loss) recognised in other comprehensive income		(279)	(1,262)
Deficit at end of year		<u>(8,644)</u>	<u>(7,701)</u>

2020	2019
£'000	£'000

Analysis of movement in the present value of LGPS

Present value of LGPS at the start of the year		19,640	16,461
Current service cost (net of member contributions)		982	777
Interest cost		442	453
Actual member contributions (including notional contributions)		187	171
Actuarial (gain)/loss		1,082	1,782
Actual benefit payments		(222)	(176)
Past service costs		-	172
Present value of LGPS liabilities at the end of the year		<u>22,111</u>	<u>19,640</u>

2020	2019
£'000	£'000

Analysis of movement in the fair value of scheme assets

Fair value of assets at the start of the year		11,938	10,672
Expected return on assets		274	300
Actuarial gain on assets		803	519
Actual contributions paid by College		499	464
Actual member contributions (including notional contributions)		187	171
Actual benefit payments		(222)	(176)
Administration expenses		(13)	(12)
Fair value of scheme assets at the end of the year		<u>13,466</u>	<u>11,938</u>

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

2020	2019
£'000	£'000

Actual return on Scheme assets

Expected return on Scheme assets		274	299.6
Asset gain		803	519.4
		<u>1,077</u>	<u>819</u>

Estimated contributions for LGPS in the Financial Year 2020-21 is £447k assuming 95% member take up.

**Notes to the financial statements
for the year ended 31 July 2020**

24 Prior Year Adjustment

During the preparation of the 2019/20 accounts it was identified that a number of investments in short-term bond and certificates of deposit with maturities greater than three months from the acquisition date had been classified as Cash and Cash Equivalents at 31 July 2019. A prior period adjustment has been posted to reclassify these balance as Current Investments.

This adjustment does not affect the overall net figures in the accounts, with the impact noted in the tables below

	Year ended 31 July 2019		As restated £'000
	As previously reported £'000	Adjustments £'000	
Current Investments			
Short term investment in shares	2,207		2,207
Short term bonds	284		284
Short term deposits	-	5,578	5,578
	<u>2,491</u>	<u>5,578</u>	<u>8,069</u>
Cash and cash equivalents			
Short term bonds	-		-
Short term deposits	5,578	(5,578)	-
Cash at bank and in hand	913		913
	<u>6,491</u>	<u>(5,578)</u>	<u>913</u>
Total	<u>8,982</u>	<u>0</u>	<u>8,982</u>
Balance Sheet Impact			
Investments	2,491	5,578	8,069
Cash and cash equivalents	6,491	(5,578)	913

This adjustment also impacts the cash and cash equivalents and the 'Movements in Investments' line in the cash flow statement