

Royal Welsh College of Music and Drama Limited

Coleg Brenhinol Cerdd a Drama Cymru Cyfyngedig

**Financial Statements and Annual Review
Year ended 31 July 2021**

Registered Company number	06013744
Registered Charity number	1139282



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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,
Britannia Quay,
Cardiff,
CF10 4AX

Internal: TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

2. Chair's report for the year ending 31 July 2021

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

When this reporting year began, the College was just months into the Covid 19 pandemic, after closing its doors in March 2020. During that short time of seismic change, every essential measure was put in place to ensure that students could complete that academic year, and then continue to learn in the best possible way in a blended form through the whole of the next academic year. What followed was an extraordinary achievement – a credit to the whole College community pulling together.

From the darkness of lockdown and the global pandemic, we pledged to emerge stronger and more ambitious than before, with a resolve to be a beacon of light for the future of the professional industries and for wider communities in Wales and beyond. That was our promise to the world.

Not a moment was wasted putting that pledge into action, adapting and innovating to ensure that students could continue with their training and learn to thrive within unknown futures. We owe heartfelt thanks to our supporters for helping us to achieve this.

We made sure we secured as much essential face-to-face training as possible, while keeping everyone safe. The College reimagined ways to deliver our courses, using digital technology to transform our student and audience offer, which meant not only did we all learn a lot, but our students developed extraordinary agility, resilience and industry-readiness. We also reached wider than ever before – from free distribution of concerts to care homes across Wales to brighten those dark days with music, to ticket purchases as far afield as the US, Canada and Korea. Together we truly broke new ground.

During this time - my fourth year as Chair - it has been a privilege to welcome Professor Uzo Iwobi OBE as a new Vice President of the College. A font of equalities wisdom, Uzo was previously International Chair of Diversity and is a constant source of inspiration and encouragement as the College continues its journey to truly be a space for everyone. 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 dedication.

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 Vision, Strategy and Value.
- 2.4 Highlights of the Year.
- 2.5 Student Experience.

2.2. Key Facts about the College

Student Body

In 2020/21 the College had 807 students (2019/20: 817)

- 74% undergraduate and 26% postgraduate (2019/20: 73% and 27%)
- 75% from UK with 20% from Wales (2019/20: 82% and 22%)
- 19% from overseas countries outside the EU (2019/20: 11%)
- 6% from EU (2019/20: 7%)
- 56 different countries (2019/20: 50)
- 17% declared a disability (2019/20: 17% unchanged)
- 17% declared non-white ethnicity (2019/20: 19%)
- 12% declared Welsh speaker (2019/20: 12% unchanged)
- 95% retention rate (2019/20: 96%)
- 88% of graduating students achieved first-class or upper second-class awards (2019/20: 92%)

The Covid adaptations made this year for the student body continued to be significant. By Easter 2021, after staying open for face-to-face training and performance throughout the academic year, we took stock of some of these actions and impacts:

2.3. Vision, Strategy and Value

The College's vision is to change lives, transform and connect communities through the arts. The programmes of work for 2019-2024 are built on five strategic pillars:



The College uses the following resources to achieve these aims:

- income from students (£9.0m), Higher Education Funding Council for Wales (£4m), philanthropy and fundraising (£1.1m) and other 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 values and identity

- productive partnerships and collaborations with leading industry organisations such as WNO, National Theatre and BBC.

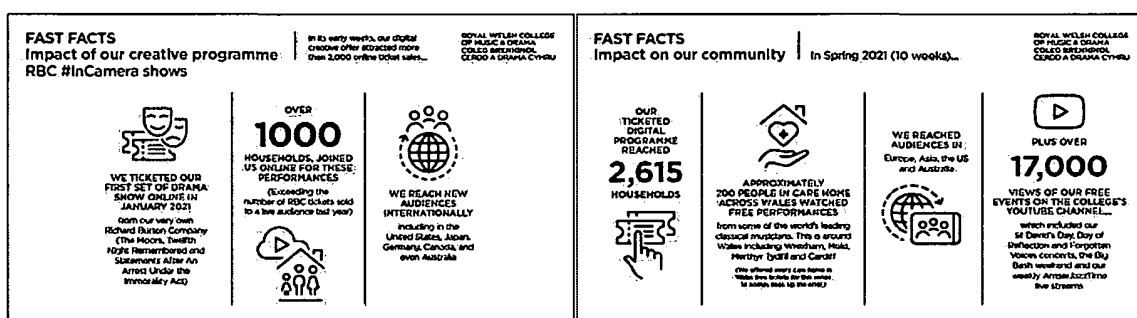
Making best use of these resources across the College community, RWCMD ensures knowledge, experience and opportunities to perform are provided to our students in order to provide a high-quality workforce to the creative industries in Wales, the UK and internationally. The deployment of the College's resources enhances the employability and professionalism of our students so that our alumni successfully carry our name and reputation across the industry.

2.4. Highlights of the Year

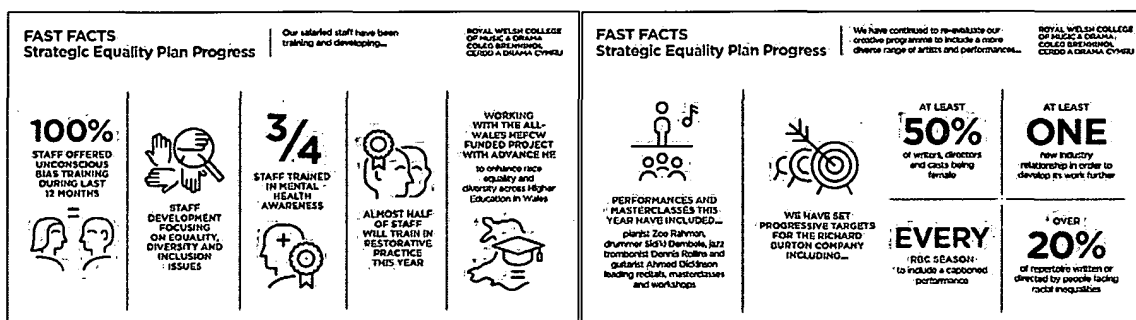
Although our doors were closed to audiences, the show did go on. The swift switch to digital proved an opportunity to rethink our offer and it meant that moments of live magic could be shared beyond our walls in new ways. These included Julia Plaut's *24 Pianos*, written and performed in celebration of the College's brand-new fleet of Steinway pianos, making the Royal Welsh College of Music and Drama the world's first Steinway-exclusive conservatoire. Performed on 24 pianos carefully positioned in the iconic Carne Foyer, it was a sight and sound to behold, and audiences unable to access the building applauded it from afar.

The digital imperative was also the catalyst for a shift in drama production, and this year saw the College's first *In Camera* season of short films. As well as ensuring directly relevant industry training experience for students, it broke new ground and set a high bar for future screen work.

Combining student excellence with the brilliance of visiting artists, we also launched an innovative and diverse creative programme. A stellar line-up of professional artists inspired students and online audiences alike and told us how much it meant to be able to perform at our uniquely placed venue during times when so many remained closed. It was also a real privilege to be able to share performances for free with care homes in Wales, to brighten an impossibly difficult time for all.



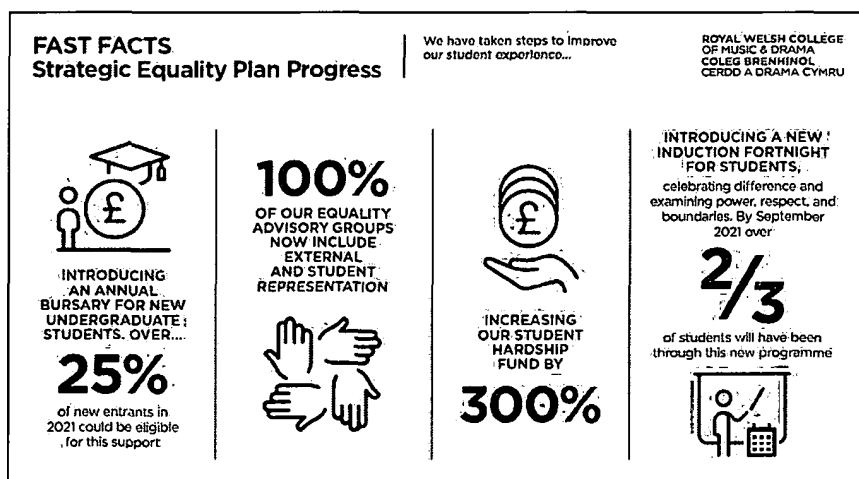
The College also implemented its new Strategic Equality Plan this year - including a new Anti-Racism Plan - and has already made good progress in a number of areas. There is much more to do, but the cross-College commitment to this work has given it strong foundations for the future. As well as reaching wider than ever before, we also diversified our audiences and set new targets for equality, diversity and inclusion through the creative programme – reflecting the College's ongoing commitment to this strategically important work.



2.5. Student Experience

130 of the 162 eligible students took part in the 2021 National Student Survey at RWCMD (80.24%), compared with 77.95% in 2020. This continues to measure well against participation rates across Wales, which saw 69.3% in 2021. Overall satisfaction has fallen from 73.74% in 2020 to 70.0% in 2021, with much of this decrease attributed to one course, where targeted action will now be implemented.

However, in Wales, overall satisfaction across the sector also fell in 2021 and the previous gap of over 10% between RWCMD and the Welsh average closed to 6 %. This is a marked achievement within the context of the global pandemic and subsequent impact on student learning experience. Most notably, the overall satisfaction in undergraduate music grew from 57.89% in 2020 to 63.86% in 2021. This is encouraging and would seem to suggest that the action planning previously established in response to the NSS by the College is continuing to gain momentum.



2.6. Forward Look

At the April 2021 Board meeting, the Directors received and approved an updated financial strategy for the College for the next five years. This reflected on the impacts of Covid-19 but also included proposals to invest boldly so that we can secure future income growth and empower the College's advancement and a sustainable and flourishing future.

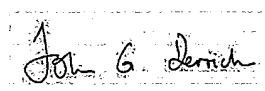
The approved new investment plan focuses on strengthening our core business and addresses key priorities over the next 18-24 months which include:

- Increasing our capacity to grow our degree programme/student community to achieve higher levels of sustainable income
- Introducing new market-tested courses considered to be vital for Wales, including a BA in Musical Theatre, a Foundation degree in Scenic Construction, an MA in Collaborative Performance, new areas in the BMus offer and specialisms in the Arts Management MA. We are also introducing Opera 360, a non-performing modular course, delivered largely online and with the potential to lead to an MA.
- Developing our working environment, culture and values. As well as finally investing in additional staff, this work includes progressing our strategy and agreed action plan to widen access and for Equality, Diversity and Inclusion, comprehensively covering student and staff recruitment, curriculum and pedagogies, creative programming, and how we engage proactively to develop relationships with more communities locally and across Wales.
- Growing our digital capacity to ensure that digital skills are embedded fully into our training for students where appropriate, and equally raising the College's profile and extending the new offer to audiences here and internationally
- Developing our Sustainability and Environmental policy in order to meet key commitments that include becoming carbon neutral by 2040 and making our 'Race to Zero' pledge ahead of the UN COP26 conference in November this year
- Expanding our campus, both to accommodate our greater student numbers and artistic output, and also to re-establish it as an important cultural, artistic and educational hub, re-vitalising the public realm in line with government recovery objectives.

2.7. Conclusion

In this most extraordinary year, it is remarkable that the College has managed to sustain a valuable student experience including daily face-to-face delivery, an impressive volume of productions and completion of all academic programmes as planned. The spirit of determination in building back stronger has been clear to witness, inspiring and powering innovation. Our audiences have stayed loyal and we have reached wider than ever before thanks to technology. As an influence in industry, we have led by example, sharing our knowledge to help others wherever we could and learning through collaboration.

I would like to thank the Principal and all our colleagues for this year, which will be remembered with mixed emotions by many. For RWCMD, through the darkest days of the pandemic, it was a year to be truly proud of.



John Derrick
Chair of Board of Governors
30 November 2021

3. Corporate structure, trustees and directors

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)

Dr Ben Calvert (Vice Chancellor - ex officio, from 1 September 2021)

Professor Julie Lydon (Vice Chancellor - ex officio, resigned 31 August 2021)

Rebecca Mercer (Student President, from 16 August 2021)

Nia Thomas (Student President, resigned 31 July 2021)

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

4. Trustees Report (incorporating Strategic 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 2021 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.

4.1. Strategic report

Financial Review

Principal activities

The College's principal activity continues to be the delivery of conservatoire education and professional training. In addition the College activities includes the provision of public performances and exhibitions and the maintenance and improvement of performance facilities for the benefit of the local community.

Financial strategy

Our financial strategy is designed to ensure the long-term financial viability and sustainability of the College through the creation of an operating environment in which staff are accountable and responsible for the efficient and effective stewardship of our resources.

We continue to maintain and build on our robust financial management in meeting the opportunities and challenges of a changeable conservatoire education landscape. To do this, we will continue to manage our cash carefully to support our strategic priorities and our ability to maintain and enhance our infrastructure. We will control costs, making sound strategic decisions on activities that are either financially sustainable or are in alignment with the College Strategic Plan.

The College has identified a number of key financial performance indicators that it monitors as part of its financial strategy. Performance over the last three years shows:

Key Performance Indicators	2020/21	2019/20	2018/19
Surplus/(deficit) before gains and losses - £000	(890)	34	91
Cash (including short term bonds) - £000	7,338	8,570	6,490
Net Assets - £000	7,354	7,832	8,138
Current ratio	2.7	2.4	3.7

Despite the challenges from the Covid pandemic which has impacted the last two years the underlying financial position remains strong with sufficient cash and net assets to continue to operate effectively in line with the College Strategy.

Financial prospects

The recruitment outlook for 2021/22 is now more encouraging, and we expect to see some recovery from the impacts of the Covid-19 pandemic next year. This together with a resumption of commercial activities indicates that income will start to grow again in 2021/22 enabling the College to begin to implement a new investment strategy described briefly in the Chair's report.

The investment strategy sets out plans to invest up to £1.3m per annum in the core academic provision – an approach which underpins the student recruitment growth strategy. This will deliver further

deficits in the next three years and reduce the cash reserves from £7.3m to £3m in 2022/23 before rebuilding from 2023/24.

Financial Performance 2020/21

- Income has decreased by 1% to £15,248k.
- Total expenditure has increased by 5% to £16,138k.
- Consequently a surplus of £35k has reduced to a deficit of £890k in 2020/21.
- Cash generated from operating activities decreased from £2,330k to £728k.
- Net assets decreased from £7,832k to £7,354k.

Income

A small increase in tuition fees, reflecting inflationary increases in non-regulated fees, and additional student support grants from Higher Education Funding Council for Wales were more than offset by decreases in commercial revenues and a lower level of funding from donations and endowments.

Expenditure

Most of the expenditure increase is attributable to staff cost increases - £385k being increases in pension charges and £193k from increased salaries and other on-costs related to unplanned challenges related to continuing to provide learning and teaching in a Covid-19 safe environment.

Cash generated from operating activities

The movement from a small surplus to a deficit of £890k accounted for £924k decrease in operating cash and the balance of £678k related to working capital movements including repayment of short term financing of £585k in August 2020.

Other significant movements in cash in the year included repayment of loans and interest to Higher Education Funding Council for Wales and Barclays of £1,776k.

Tangible fixed asset investments

The acquisition of digital technology continued in 2020/21 as we rolled out a programme of investment in media capture, recording and sharing capability across all our largest teaching and rehearsal spaces along with an investment in cameras and audio for recording and streaming in our venues. Over £210k has now been invested in these facilities.

Pensions

The deficit of the Rhondda Cynon Taff Pension Fund attributable to the Company on an FRS102 basis has increased from £8,836k to £9,725k.

4.2. Engaging with our stakeholders (section 172 (1) statement)

The Trustees (who are also Directors of The Royal Welsh College of Music and Drama Limited for the purposes of company law) have a duty to promote the success of the College for the benefit of its member having regards to the interests of our stakeholders, our students, our audiences, our employees, Higher Education Funding Council for Wales, our relationships with our suppliers and the impact of our operations on the communities in which we operate, and to ensure that we maintain a reputation for high standards of quality, care and business conduct.

All key Board decisions consider the impact on relevant stakeholders with a particular focus on providing a high quality service performance, outstanding community engagement, innovation, best practice in governance, workplace practices and responsible corporate citizenship. The Board endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and

the weight they give to different issues and where these views may not align, the Board will take the best course of action to promote the company's long-term success.

Our students

Our students are at the heart of our business and operations. We aim to attract, select and retain a diverse range of students to study at the College and create an environment that encourages and supports all students to actively engage and to realise their full potential.

Employees, employee involvement and Disabled Employees

The College's Strategic Equality Plan 2020-2025 includes a core objective to attract, retain and develop a diverse range of people to work for the College and to enable them to have access to open and transparent career development and progression. 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 is regularly 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.

Staff members also have a Director on the Board of Directors

Regulators

The College provided Higher Education services and as part of the USW Group works closely with Higher Education Funding Council for Wales who are the principal funding body for the majority of the College grant income. Regular qualitative and financial reports are submitted and the College's success is dependent on this open, robust and reciprocal relationship.

The College as a company and charity, also reports via Companies House and the Charity commission.

Suppliers

Our strong relationship with Suppliers ensures continuity of our operations and our ability to service our stakeholders to the highest possible standards. This includes suppliers of product and services across our education, public performance and venue and other commercial services. We treat our suppliers fairly and pay them within agreed timescales and always conduct ourselves professionally and to the highest possible standards. We work closely with our suppliers to ensure that they have effective controls in place to protect our students' (and stakeholders if applicable) health and safety and the security and privacy of their data.

Communities and environment

We play an active role in our communities, and we've outlined some of the highlights of the past year in section 6 of this report.

We recognise the global climate emergency and have joined the many organisations around the world calling for urgent action to tackle climate change. Specifically we have pledged to be 100% carbon neutral by 2040 – sooner if we can – and in the coming year we will share a comprehensive carbon roadmap for the College to explain the action we are taking to meet this pledge. We have also joined

forces with the Race to Zero, underlining our commitment to a healthy and resilient zero carbon recovery.

4.3. Energy and Carbon Reporting

UK Greenhouse gas emissions and energy use data for the year to 31 July 2021:

	2020/21	2019/20
Energy consumption used to calculate emissions (kWh)	2,262,000	2,298,000
Scope 1: emissions in metric tonnes CO₂e		
Gas consumption	268	233
Own transport	7	8
Scope 2: emissions in metric tonnes CO₂e		
Purchased electricity	232	326
Scope 3: emissions in metric tonnes CO₂e		
Own transport	14	9
Business travel in employee owned vehicles	22	22
Total gross emissions - Metric tonnes CO₂e	543	598
Intensity ratio – tonnes CO ₂ e per student	0.64	0.71

Qualification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting guidelines. We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2020 UK Government's conversion factors for Company Reporting

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes Co₂e per pupil, the recommended ratio for the sector.

Measures taken to improve energy efficiency

Since 2018 - all of the College's electricity has been sourced from green renewable sources and more than 60% of the conventional lighting installations have been replaced with LED. In 2021 the College has commenced the replacement of the fleet's diesel fuel vehicles with hybrid versions.

4.4. Principal risks and uncertainties

The College has identified a number of high-level strategic risks that it monitors on a regular basis. These include:

Recruitment and retention of students

The College's strategic plan targets annual growth in 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 and an investment strategy to support these plans. Strong controls are in place which include oversight by the Executive and close working and alignments of academic and marketing teams.

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. A new fundraising campaign, "Promise Addewid" was launched in September 2021 and is expected to be an important contributor to this across the next two years.

Income generation

The majority of income from commercial activities was lost in 2020/21 as a direct consequence of the Covid-19 pandemic. We have cautiously recommenced these activities since September 2021 and the initial response of our regular loyal commercial customers and audiences give the Trustees reasonably confidence that this income can recover quickly and strongly as long as the relaxation of restrictions can continue.

4.5. Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 July 2021 (2020 – nil).

4.6. 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 directors are of the opinion that, taking account of severe but plausible downsides, including continued impacts of COVID-19, the College will have sufficient funds through funding from its immediate parent, University of South Wales, if required, 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). As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The directors are currently in discussion with Barclays to finalise amendments to certain financial performance covenants attached to the secured loan, which will enable the College to continue to grow without breaching any of these conditions. The bank has agreed in principle to the amendments and the directors are confident that the new loan agreement with Barclays will be signed in the near future.

Consequently, the directors 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 basis.

4.7. Statement of Corporate Governance and Internal Control

Commitment to Best Practice in Governance

The College strives for governance to be undertaken in an open and accountable manner aims to comply with best practice within the higher education sector. This summary describes how the relevant principles of corporate governance are applied to the College.

The Board of Directors of the Royal Welsh College of Music & Drama Ltd is responsible to the Board of the University of South Wales which is the sole 'member' of the College. The committees of the Board of Governors of the University act as committees for the Boards of Directors of the College except insofar as the College has its own arrangements.

The Board of Directors carries the overall responsibility for ensuring there is a sound system of risk management, control and governance. The directors discharge this responsibility through the following elements:

- Effective review by the College board and relevant committees and Audit.
- Control systems which include policies, objectives and plans, management of key risks and opportunities, monitoring of financial and operational performance, physical safeguarding of assets, segregation of duties, authorisation and approval procedures, and information systems.
- An effective internal and external audit function.
- The identification and management of risk embedded in all business systems
- Regard for the Committee of University Chairs Code of Governance.

The College's approach for the effective management of risk is set out below:

- A focus on the active management of risk as an integral part of the management process within every part of the organisation.
- Clearly identifying risks of various kinds to the achievement of its objectives. These risks may be strategic or operational and may present potential implications for the College's reputation, its financial position or its day-to-day operations or any combination thereof.
- Actively encouraging all managers to consider risk implications of each major decision, contract or project as a normal part of their day-to-day work.
- Integrating risk management into the annual planning process which is how the Executive determine and co-ordinate the College's activities.
- The Principal and the senior management team endeavour to identify and focus on immediate and transient risks with strategic implications, which may change from week to week, as well as on the more substantial and permanent risks which are identified in the College's risk register.
- Managers are expected to link risk identification to action, whether in mitigation of the risk or in response to it.
- The Principal and the senior management team work with the College managers and their teams to encourage and support effective risk management as part of the day-to-day management of the institution, and specifically to help them to identify, evaluate, manage and report risks.
- The risk register identifies significant risks and contains details of:
 - the nature of the risk
 - its potential impact
 - the likelihood of the risk crystallising
 - the 'owner' of the risk
 - the control processes which manage the risk

- The College Board has agreed with its internal auditors' that their programme of work and the approach to internal control will be risk based: this includes business, operational and compliance risks as well as financial risk
- The University of South Wales' Audit Committee regularly reviews the adequacy of the process of risk management at the College as it continues to be developed

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks, that it has been in place for the year ended 31 July 2021 and in place up to the date of approval of the Financial Statements and Annual Review, that it is regularly reviewed by the Board and that it accords with the internal control guidance for directors on the UK Corporate Governance 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 2020/21 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.

4.8. 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.

4.9. 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.

4.10. 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 2021

5. Statement of Directors' responsibilities

The directors are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the income and expenditure for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for 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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

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

6. Objectives and activities for the public benefit

6.1. 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.

6.2. Fulfilment of Charitable Objectives

Beneficiaries:

The College has a higher education student population of just over 800 students of whom 81% are Home/EU and 19% from Overseas. Those students are the primary beneficiaries receiving high-quality training in a range of performing arts disciplines. Other beneficiaries extend to younger 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 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. The College's Strategic Equality Plan 2020-2025 includes a core objective "to attract, select and retain a diverse range of students to study at the College and create an environment that encourages and supports all students to actively engage and to realise their full potential". Within its undergraduate programmes demand for places is high and is normally conducted by audition interview or portfolio submission.

6.3. 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).

Development and fundraising:

The College employs a fundraising team (5.2 full time equivalents) to generate private sector income from individuals, businesses, trusts and foundations, and fundraising events, to help support core funds, scholarships, and other restricted projects. The Royal Welsh College of Music and Drama is registered with Fundraising Regulator and is therefore required to note in this report that no complaints have been received during the year in relation to fundraising. Across all fundraising activity, the College adheres to The Code of Fundraising Practice, including the guidance in relation to vulnerable donors.

The College again had a strong year with regards to fundraising income, particularly against the backdrop of the pandemic. Securing income for scholarships continues to be a particular priority to enable access, support financial need and, in doing so, to ensure greater diversity in our student community. We were delighted that Badwolf, alongside its scholarship of the Young People's Production Arts initiative, renewed its support of a diversity scholarship. This was matched by Arts & Business Cymru to provide two further awards to enhance the ethnic diversity of those entering our training and, in turn, the creative industries. The Andrew Lloyd Webber Foundation offered a new scholarship to support a student on our undergraduate Musical Theatre programme, commencing in September 2021, in addition to the full fees, post-graduate scholarship it already provides. The Leverhulme Trust continues to provide a major grant to support scholarships across several undergraduate and postgraduate courses in addition to Junior College bursaries.

Support continued to be generated for the College's Student Hardship Fund to help students facing financial hardship due to the pandemic and the first gifts were received into the College's new Bursary Fund, which will provide support of up to £1,200 per annum for first-year undergraduate students from the UK with household income of below £30,000 per annum from the 21-22 academic year.

Two significant grants were received from the Arts Council of Wales – from the second round of the Cultural Recovery Fund and the Connect & Flourish Scheme - along with the second instalment of a major gift from The Carne Trust to fund several strategic advancements over the coming period. A substantial legacy gift was received from the Estate of Phoebe Ida Phillips and work continues to be undertaken to attract new legacy pledges.

A new regular giving programme – The Chair's Circle – was launched to generate new, unrestricted income for the College and attract new donors and philanthropists into the College community. The College would like to reiterate its thanks to all new members of the Chair's Circle, to members of the Connect and Friends Connect schemes, to those who have pledged a legacy gift, as well as to the many individuals, business and charitable trusts who support scholarships, bursaries, 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>.

Widening Participation

A main vehicle for the delivery of the College's widening participation activity is its junior training programmes for young musicians, actors and production artists, as well as an extensive community engagement programme that includes an annual series of schools workshops, a community lesson scheme and a series of accessible workshops delivered both in college and in the community.

The Junior Conservatoire and Young Actors Studio made a welcome return to in-person delivery in the Autumn term 2020, adapting courses in line with a comprehensive range of C-19 safety protocols. In the Junior Conservatoire, a first season of online auditions proved popular, resulting in thirty-five new Advanced Course students and a 15% increase in student numbers overall. The Young Actors Studio ran at capacity numbers within the Covid-19 regulations.

All Junior Conservatoire and Young Actors Studio courses moved online for most of the Spring term due to the Tier 4 lockdown in Wales. Staff and students worked assiduously to ensure full continuity of learning and teaching and the delivery of a term that was every bit as busy, successful and enjoyable as it could be. In the Spring term, a series of schools workshops took place as part of three highly imaginative and innovative projects that were re-imagined for online delivery by undergraduate students and their tutors: the 'Synced' music workshop series, Schools Opera and Creative Music Workshops. Projects were delivered in fourteen primary schools that were situated mainly in local WIMD 1 or 2 areas and had remained open during the Tier 4 lockdown to support vulnerable children and the children of essential workers.

In July 2021 our summer schools again delivered the Young People's Production Arts programme, the Young Actors Studio Theatre Workshop and a three-day Creative Arts summer camp funded by First Campus that was run specifically for young carers or those with experience of care. Workshops encompassed music, production arts and drama and culminated in an informal sharing of work in the college's Dora Stouzker Hall.

The College continues to work closely with a range of arts disability groups including UCAN Productions and National Open Youth Orchestras to ensure that our education and training prepares conservatoire students for the diverse needs of the creative industries that they will enter on graduation.

Community Engagement

Although the College was closed to public audiences during this academic year, we used our new capacity for online streaming to broadcast an extensive programme of over 100 free and ticketed performances and productions by both students and visiting artists. These included 16 drama films and productions, 32 AmserJazzTime performances broadcast live from the Carne Foyer and free to watch on YouTube, and 9 piano and vocal recitals streamed #LiveFromTheDora which were made available free of charge to care homes across Wales. We also produced our Atmospheres and AmserJazzTime festivals as digital events.

Through the year, we gained over 40,000 views across free and ticketed broadcasts.

Independent auditor's report to the members 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 charitable company") for the year ended 31 July 2021 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2021 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- 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 charitable company 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 charitable company or to cease its operations, and as they have concluded that the charitable company'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 its 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the charitable company's business model and analysed how those risks might affect the charitable company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the charitable company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors as to the company’s high-level policies and procedures to prevent and detect fraud and the company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that tuition fee income is recorded in the wrong financial period, that fundraising income is incorrectly accounted for and the risk that the company’s management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the company wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals made to unrelated accounts, those made to unusual or seldom-used accounts, entries containing particular words in the description and postings made by individuals who do not typically make journal entries.
- Inspecting cash receipts in the period prior to and following 31 July 2021 to verify tuition fee income had been recognised in the correct accounting period.
- Sample testing fundraising revenue to assess whether it had been appropriately accounted for in accordance with relevant performance conditions and restrictions.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), from inspection of the company’s regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), charities legislation, distributable profits legislation, taxation legislation and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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 Trustees' Annual Report, which constitutes 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:

- the charitable company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' 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 17, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

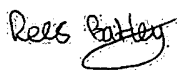
Auditor's responsibilities

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 charitable 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 charitable 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Rees Batley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
30 November 2021

**Statement of Comprehensive Income and Expenditure
for the Year Ended 31 July 2021**

	Notes	2021 £'000	2020 £'000
Income			
Tuition fees and education contracts	3	8,983	8,659
Funding body grants	4	3,998	3,620
Other income	5	1,123	1,128
Investment income	6	94	141
Total income before endowments and donations		14,198	13,548
Donations and endowments	7	1,051	1,845
Total income		15,248	15,393
Expenditure			
Staff costs	8	9,642	9,064
Other operating expenses		5,116	4,917
Depreciation	11	937	875
Interest and other finance costs	9	444	502
Total expenditure		16,138	15,359
(Loss)/Surplus before other gains and losses		(890)	34
Gain/(Loss) on investments	17	345	(148)
(Loss)/Surplus for the year		(544)	(114)
Actuarial gain/(loss) in respect of pension schemes	23	66	(192)
Total comprehensive income/(expenditure) for the year		(478)	(306)
Represented by:			
Endowment comprehensive income/(expenditure) for the year		366	(154)
Restricted comprehensive income/(expenditure) for the year		77	211
Unrestricted comprehensive income/(expenditure) for the year		(921)	(363)
		(478)	(306)
All items of income and expenditure relate to continuing activities			

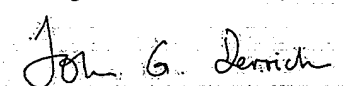
**Statement of Changes in Reserves
for the year ended 31 July 2021**

	Income and expenditure account			Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
Balance at 1 August 2020	2,475	1,326	2,212	1,819	7,831
Surplus/(Deficit) for the year	366	77	(987)	0	(544)
Other comprehensive income			66		66
Balance at 31 July 2021	<u>2,840</u>	<u>1,403</u>	<u>1,291</u>	<u>1,819</u>	<u>7,353</u>

Balance Sheet
as at 31 July 2021
(Company Registration: 06013744)

	Notes	2021 £'000	2020 £'000
Non-current assets			
Tangible assets	11	24,415	24,917
Heritage assets	11	500	500
Other	11	135	135
		<u>25,050</u>	<u>25,552</u>
Current assets			
Trade and other receivables	12	146	211
Investments	13	8,189	7,884
Cash and cash equivalents	24	<u>1,367</u>	<u>2,742</u>
		9,703	10,837
Creditors: amounts falling due within one year	14	(3,565)	(4,460)
Net current assets		<u>6,138</u>	<u>6,378</u>
Total assets less current liabilities		<u>31,187</u>	<u>31,930</u>
Creditors: amounts falling due after more than one year	15	(14,061)	(15,227)
Provisions			
Pension provisions	16	(9,539)	(8,836)
Other provisions	16	(234)	(35)
Total net assets		<u>7,354</u>	<u>7,832</u>
Restricted Reserves			
Income and expenditure reserve - endowment reserve	17	2,837	2,475
Income and expenditure reserve - restricted reserve	18	1,404	1,327
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		1,292	2,210
Revaluation reserve		<u>1,819</u>	<u>1,819</u>
		7,353	7,831
Share Capital		1	1
Total Reserves		<u>7,354</u>	<u>7,832</u>

The financial statements on pages 25 to 44 were approved by the Board on 30 November 2021 and signed on its behalf by:



John Derrick
Chair of Board of Governors

**Cash Flow Statement
for the year ended 31 July 2021**

	Note	2021 £'000	2020 £'000
Cash flow from operating activities			
(Loss)/Surplus before other gains and losses		(890)	34
Adjustment for non-cash items			
Depreciation	11	937	875
(Gain)/Loss on investments		(64)	37
Decrease in debtors	12	65	23
(Decrease)/Increase in creditors	14, 15	(566)	1,263
LGPS Pension costs less contributions payable		966	664
Capital grant income	14	(36)	(169)
Adjustment for investing or financing activities			
Investment income		0	(141)
Interest payable	9	320	328
Endowment capital		(3)	0
Short term financing	14	0	(585)
Net cash inflow from operating activities		728	2,330
Cash flows from investing activities			
Movement in Investments		104	(44)
Payments made to acquire fixed assets		(434)	(423)
Bond payment to secure lease		0	(135)
New deposits		3	0
		(327)	(602)
Cash flows from financing activities			
Interest paid		(320)	(328)
Short term financing		0	585
Repayments of amounts borrowed		(1,456)	(155)
		(1,776)	102
Increase/(Decrease) in cash and cash equivalents in the year		(1,375)	1,829
Cash and cash equivalents at beginning of the year	19	2,742	913
Cash and cash equivalents at end of the year	19	1,367	2,742

	As at 1 Aug 2020 £'000	Cashflows £'000	Other Changes £'000	As at 31 Jul 2021 £'000
Analysis of changes in net debt				
Cash at bank and in hand	2,742	(1,375)	0	1,367
Debt due within one year	(1,457)	(1,456)	(1,130)	(1,131)
Debt due within more than one year	(8,046)		1,130	(6,916)
	(6,761)	(2,831)	0	(6,680)

Notes to the financial statements for the year ended 31 July 2021

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 directors are of the opinion that, taking account of severe but plausible downsides, including continued impacts of COVID-19, the College will have sufficient funds through funding from its immediate parent, University of South Wales, if required, 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). As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The directors are currently in discussion with Barclays to finalise amendments to certain financial performance covenants attached to the secured loan, which will enable the College to continue to grow without breaching any of these conditions. The bank has agreed in principle to the amendments and the directors are confident that the new loan agreement with Barclays will be signed in the near future.

Consequently, the directors 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 basis.

Notes to the financial statements for the year ended 31 July 2021

2 Accounting policies

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.

Notes to the financial statements for the year ended 31 July 2021

2 Accounting policies (continued)

Accounting for retirement benefits

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

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.

Notes to the financial statements for the year ended 31 July 2021

2 Accounting policies (continued)

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. 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.

Notes to the financial statements for the year ended 31 July 2021

2 Accounting policies (continued)

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

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 2021**

			2021 £'000	2020 £'000
3	Tuition fees and education contracts	Notes		
	Full-time home and EU students		6,594	6,371
	Full-time international students		1,788	1,708
	Short Course Fees		601	580
			<u>8,983</u>	<u>8,659</u>
4	Funding body grants		2021 £'000	2020 £'000
	Higher Education Funding Council		3,746	3,485
	Amortisation of Deferred Capital grant	14	251	135
			<u>3,998</u>	<u>3,620</u>
5	Other income		2021 £'000	2020 £'000
	Catering		115	361
	Other capital grants	14	34	34
	Other income		974	733
			<u>1,123</u>	<u>1,128</u>
6	Investment income		2021 £'000	2020 £'000
	Investment income on endowments	17	62	64
	Other investment income		32	77
			<u>94</u>	<u>141</u>
7	Donations and endowments		2021 £'000	2020 £'000
	New endowments	17	3	0
	Donations with restrictions	18	672	872
	Unrestricted donations		375	973
			<u>1,051</u>	<u>1,845</u>

**Notes to the financial statements
for the year ended 31 July 2021**

8 Staff costs

	2021	2020
	£'000	£'000
Staff Costs		
Salaries	6,944	6,784
Social security costs	614	581
Other pension costs	2,084	1,699
Total	<u>9,642</u>	<u>9,064</u>

Remuneration of directors and higher paid employees

	2021	2020
	£'000	£'000
(a) Directors		
Salary	222	220
Benefits	3	2
Pension contributions to LGPS	37	34
	<u>261</u>	<u>257</u>

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

	2021	2020
	£'000	£'000
(b) Higher paid employees		
Emoluments of the Principal:		
Salary	152	152
Benefits	3	2
Pension contributions to LGPS	25	24
	<u>179</u>	<u>178</u>

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

	2021	2020
Academic	100	103
Other	81	84
	<u>181</u>	<u>187</u>

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

	2021	2020
Academic	231	241
Other	154	208
	<u>386</u>	<u>449</u>

Remuneration of the Principal of the College expressed as

	2021	2020
Basic salary as a ratio of the median basic salary of all staff	4.63	4.50
Total remuneration as a ratio of the total remuneration of all staff	4.63	4.50

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 £0 (2020 - £170).
This represents travel and subsistence expenses incurred in attending meetings.

**Notes to the financial statements
for the year ended 31 July 2021**

	2021 £'000	2020 £'000
9 Interest and other finance costs		
Loan interest	320	328
Net charge on pension scheme (see note 23)	125	174
	<u>444</u>	<u>502</u>

	2021 £'000	2020 £'000
10 Analysis of total expenditure by activity		
Academic and related expenditure	9,428	8,726
Administration and central services	3,139	3,180
Premises	2,144	2,005
Residences, catering and conferences	243	429
Other expenses	1,183	1,020
	<u>16,138</u>	<u>15,359</u>

Other operating expenses include:

	2021 £'000	2020 £'000
External auditors' remuneration in respect of audit services	30	29
External auditors' remuneration in respect of non-audit services	0	3
Operating lease rentals - other	158	110

Notes to the financial statements
for the year ended 31 July 2021

11 Tangible Assets

	Freehold Land and Buildings	Leasehold Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2020	27,893	2,318	4,034	1,556	35,801
Additions	0	0	513	32	545
Disposals	0	0	(43)	(67)	(110)
At 31 July 2021	27,893	2,318	4,504	1,520	36,235
Consisting of:					
Valuation	1,819	0	0		1,819
Cost	26,074	2,318	4,504	1,520	34,416
At 31 July 2021	27,893	2,318	4,504	1,520	36,235
Accumulated depreciation					
At 1 August 2020	5,206	1,272	3,390	1,017	10,884
Charge for the year	469	21	324	122	937
Disposals	0	0	0	0	0
At 31 July 2021	5,675	1,292	3,714	1,139	11,820
Net book value					
At 31 July 2021	22,218	1,026	790	382	24,415
At 31 July 2020	22,687	1,046	645	539	24,917

Included in the net book value of fixed assets is aggregated interest capitalised of £290k (2020 - £298k).

Heritage Assets

	Heritage Assets	Total
	£'000	£'000
Cost		
At 1 August 2020	500	500
At 31 July 2021	500	500

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.

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 2021**

12 Trade and other receivables

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade receivables	37	33
Other receivables	4	12
Prepayments and accrued income	75	148
Amounts due from parent undertaking	30	18
	<u>146</u>	<u>211</u>

The amounts due from parent undertaking are interest free and repayable on demand.

13 Investments

	2021 £'000	2020 £'000
Short term investment in shares	2,219	2,056
Short term bonds	5,971	5,828
	<u>8,189</u>	<u>7,884</u>

14 Creditors : amounts falling due within one year

	2021 £'000	2020 £'000
Secured loans	173	165
Unsecured loans	958	1,292
Amounts owed to parent undertaking	10	668
Other creditors	340	334
Trade payables	77	32
Social security and other taxation payable	118	121
Accruals and deferred income	1,890	1,847
	<u>3,565</u>	<u>4,460</u>

The amounts owed to parent undertaking are interest free and repayable on demand.

The Unsecured Loan is a public benefit entity concessionary loan.

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.

	2021 £'000	2020 £'000
Other income	314	158
Deferred capital grants (see notes 4 and 5)	286	169
	<u>600</u>	<u>327</u>

Notes to the financial statements
for the year ended 31 July 2021

15 Creditors : amounts falling due after more than one year

	2021 £'000	2020 £'000
Deferred capital grant	7,145	7,181
Secured loans	5,749	5,921
Unsecured loan	1,167	2,125
	<u>14,061</u>	<u>15,227</u>

Analysis of secured and unsecured loans:

	2021 £'000	2020 £'000
Due within one year or on demand (Note 14)	<u>1,131</u>	<u>1,457</u>
Due between one and two years	1,347	1,131
Due between two and five years	603	1,739
Due in five years or more	<u>4,966</u>	<u>5,176</u>
Due after more than one year	<u>6,916</u>	<u>8,046</u>
Total secured and unsecured loans	<u>8,047</u>	<u>9,503</u>
Secured loan repayable by 2041*	5,922	6,086
Unsecured loan repayable by 2023	<u>2,125</u>	<u>3,417</u>
	<u>8,047</u>	<u>9,503</u>

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

	Interest	Repayment	Term	2021 £'000	2020 £'000
Barclays Bank					
All tranches	5.34%	Quarterly	33 years (to 2041)	5,569	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 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	Other Provisions £'000	Total £'000
At 1 August 2020	190	8,646	35	8,871
(Reduction)/Increase in year	(4)	0	13	9
Increase in year (see note 23)	0	893	0	893
At 31 July 2021	<u>186</u>	<u>9,539</u>	<u>48</u>	<u>9,773</u>

Other Provisions includes future dilapidation remedial works on College rented properties, and redundancy costs.

**Notes to the financial statements
for the year ended 31 July 2021**

17 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Year to 31 July 2021	Year to 31 July 2020
	£'000	£'000	Total £'000	Total £'000
Opening Balances				
Capital	349	1,880	2,228	2,376
Accumulated income	71	176	247	254
	419	2,056	2,475	2,629
New endowments	-	3	3	-
Investment income	10	52	62	64
Expenditure	(7)	(38)	(45)	(71)
Increase in market value of investments	54	291	345	(148)
Total endowment comprehensive income for the year	57	309	366	(154)
Closing Balances	476	2,364	2,840	2,475
Represented by:				
Capital	403	2,174	2,577	2,228
Accumulated income	74	190	264	247
	476	2,364	2,840	2,475
Analysis by type of purpose:				
Scholarships and prize funds	476	2,364	2,840	2,475
	476	2,364	2,840	2,475
Analysis by asset				
Current asset investments			2,689	2,343
Cash and cash equivalents			152	132
			2,840	2,475

18 Restricted Reserves

Reserves with restrictions are as follows:

	Year to 31 July 2021	Year to 31 July 2020
	Total £'000	Total £'000
Opening Balances	1,327	1,115
New donations	671	872
Expenditure	(594)	(661)
Total restricted comprehensive income for the year	77	211
Closing Balances	1,404	1,327

**Notes to the financial statements
for the year ended 31 July 2021**

18 Restricted Reserves (continued)

	2021 £'000	2020 £'000
Analysis of other restricted funds /donations by type of purpose:		
Scholarships and prize funds	583	631
Specific projects	53	68
Other	35	173
	<u>671</u>	<u>872</u>

19 Cash and cash equivalents

	At 1 August 2020 £'000	Cash Flows £'000	At 31 July 2021 £'000
Cash and cash equivalents	2,742	(1,375)	1,367
	<u>2,742</u>	<u>(1,375)</u>	<u>1,367</u>

20 Lease obligations

Total rentals payable under operating leases:

	2021 £'000	2020 £'000
Payable during the year	158	110
Future minimum lease payments due:		
Not later than 1 year	167	158
Later than 1 year and not later than 5 years	720	700
Later than 5 years	3,275	3,464
Total lease payments due	<u>4,163</u>	<u>4,321</u>

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 Taff
CF37 1DL

Notes to the financial statements for the year ended 31 July 2021

23 Pension Schemes

The College participates in two pension schemes, the Rhondda Cynon Taff 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 Taff 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:

	2021	2020
	% pa	% pa
Price Inflation (CPI)	2.90	2.20
Rate of increase in pensionable salaries	3.90	3.20
Discount rate/interest income on assets	1.65	1.45

In response to the ongoing reform of RPI the actuary have changed their approach to setting the CPI assumption: an increase in the Inflation Risk Premium and a reduction in the long-term difference between RPI and CPI. The combined impact of this change is a circa £2.3m increase to the defined benefit obligation at 31 July 2021.

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.

	2021		2020	
	Males	Females	Males	Females
Pensioner aged 65	21.3	23.7	21.0	23.5
Active member aged 65	21.8	24.9	21.8	24.4

**Notes to the financial statements
for the year ended 31 July 2021**

23 Pension Schemes (continued)

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

	2021	2020
	£'000	£'000
Equities	12,710	9,183
Government bonds	2,162	1,616
Corporate bonds	2,173	1,575
Property	1,133	1,010
Cash	35	81
Total	18,211	13,465

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

	2021	2020
	£'000	£'000
Scheme assets	18,211	13,465
Scheme liabilities	(27,750)	(22,111)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 16)	(9,539)	(8,646)

	2021	2020
	£'000	£'000
Current service cost	1,293	982
Past service and administration charges	14	13
Total operating charge	1,307	995

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

	2021	2020
	£'000	£'000
Interest cost	326	442
Expected return on assets	(204)	(274)
Net charge to other finance income	122	168

Payments to the Fund	(462)	(464)
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Charge to Income and Expenditure Statement	966	699
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Analysis of other comprehensive income for LGPS pensions:

	2021	2020
	£'000	£'000
Gains on assets	3,314	803
Experience (loss) on liabilities	(3,241)	(1,082)
Experience (loss)/gain on liabilities (Enhanced Provision on Termination)	(7)	88
	66	(192)

Notes to the financial statements
for the year ended 31 July 2021

23 Pension Schemes (continued)

History of experience gains and losses – LGPS pensions

	2021	2020	2019	2018	2017
Difference between actual and expected return on scheme assets:					
Amount (£m)	3,314	803	519.4	769	470
Experience losses/(gains) on scheme liabilities:					
Amount (£m)	(3,241)	(1,082)	(1,782)	214	(1,402)

	2021 £'000	2020 £'000
Cumulative actuarial loss recognised as other comprehensive income for LGPS		
Cumulative actuarial losses recognised at the start of the year	2,945	2,665
Cumulative actuarial losses recognised at the end of the year	2,872	2,945

	2021 £'000	2020 £'000
Analysis of movement in deficit for LGPS pension		
Deficit at beginning of year	(8,645)	(7,702)
Contributions or benefits paid by the College	462	499
Current service cost	(1,293)	(982)
Other finance charge	(136)	(181)
Actuarial gain/ (loss) recognised in other comprehensive income	73	(279)
Deficit at end of year	<u>(9,538)</u>	<u>(8,645)</u>

	2021 £'000	2020 £'000
Analysis of movement in the present value of LGPS liabilities		
Present value of LGPS liabilities at the start of the year	22,111	19,640
Current service cost (net of member contributions)	1,293	982
Interest cost	326	442
Actual member contributions (including notional contributions)	226	187
Actuarial loss	3,241	1,082
Actual benefit payments	554	(222)
Present value of LGPS liabilities at the end of the year	<u>27,751</u>	<u>22,111</u>

	2021 £'000	2020 £'000
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	13,465	11,938
Expected return on assets	204	274
Actuarial gain on assets	3,314	803
Actual contributions paid by College	462	499
Actual member contributions (including notional contributions)	226	187
Actual benefit payments	554	(222)
Administration expenses	(14)	(13)
Fair value of scheme assets at the end of the year	<u>18,211</u>	<u>13,465</u>

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

	2021 £'000	2020 £'000
Actual return on Scheme assets		
Expected return on Scheme assets	204	274
Asset gain	<u>3,314</u>	<u>803</u>
	<u>3,518</u>	<u>1,076</u>

Estimated contributions for LGPS in the Financial Year 2021-22 is £440k assuming 95% member take up.