

RCM ANNUAL REVIEW AND FINANCIAL STATEMENTS

2015/16



Front cover

Vladimir Jurowski conducting the RCM Symphony Orchestra, April 2016. Photograph taken by Mr Chris Christodoulou

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Royal College of Music

Annual Review and Financial Statements 2015/16

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The Hon Richard Lyttelton

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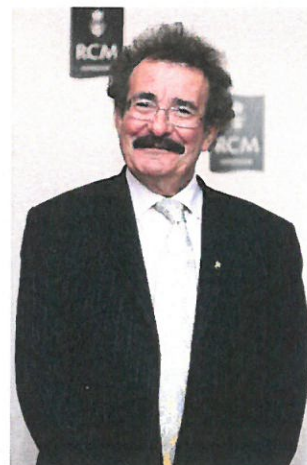
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CHAIRMAN'S MESSAGE

World-class facilities to support and enhance the student learning experience have been central to the Royal College of Music's ambitions throughout 2015/16. Our physical infrastructure must be the match of our exceptional teaching and an exciting agenda of development is underway. Prince Consort Village, which opened in March 2016, is RCM's superb new halls of residence, with 417 bedrooms and designed especially for the needs of musicians. Bedrooms are acoustically treated and there are spaces for informal concerts and 23 on-site, sound-proofed practice rooms are available to students 24 hours a day. Meanwhile, in the RCM's South Kensington home, a new Percussion Suite was officially opened by Dame Evelyn Glennie in November 2015 and we have also installed 11 sound-proofed Amadeus practice pods.



As well as enhancing the RCM's existing spaces, we were delighted to purchase an additional property in South Kensington, Markova House from English National Ballet, and it will be transformed into RCM Jay Mews to provide additional rehearsal space and new facilities for our academics, including a research centre for musicians' health and well-being. We exchanged contracts in October 2015 and ENB plan to transfer ownership to the RCM in early 2019. The More Music campaign goal of £40 million had achieved 54% of its target by mid October 2016. As well as providing funds for the renovation of our physical buildings, the campaign will allow us to expand our scholarship and bursary provision and facilitate academic, artistic and digital innovations. The philanthropic goal of £40 million will be matched by £40 million from the RCM. *The More Music: Reimagining the Royal College of Music* courtyard development has commenced and will include new performance and practice spaces, a new museum and new social and catering facilities for students, staff and visitors. The RCM continues to play an important role in musical education within our local community and in the year, more than 3,100 members of the local community participated in the RCM Sparks learning and participation programme and RCM students worked with more than 1,900 pupils at 42 local schools.

As part of the More Music Reimagining the RCM, in October 2016, the Heritage Lottery Fund announced support of £3.6 million to start a three-year project to redevelop the Museum, carry out extensive conservation work and allow digitisation of around 45,000 items. The RCM also became the first international music conservatoire to partner with Google Arts and Culture (formerly Google Cultural Institute). This partnership represents just one part of our extensive programme of digitisation activities making our resources and collections accessible to wider audiences.

Over the past year the RCM has unveiled its new visual identity. Developed by world-leading brand agency Landor at no cost to the RCM, our refreshed brand pays homage to our prestigious history and reinforces our values, while incorporating a more contemporary feel to reflect the RCM's innovative and forward-thinking outlook. I would like to thank Landor for their pro bono support in developing our new identity.

We were sorry to say goodbye to outgoing Council members Julian Metherell, Madeleine Mitchell and Eugene Marshall. I thank them all and especially recognise Julian's enormous contribution to the RCM. We welcomed Ruth Keatch to Council; she brings a wealth of skills and experience in the financial sector and is a keen amateur musician. Ruth is joined by the RCM's Head of Keyboard, Professor Vanessa Latache and new SU President and recent RCM graduate, Alex Fryer. I hope they enjoy their time on Council and am confident their input will be of great value.

Finally, I am delighted that our esteemed Director, Professor Colin Lawson, has been appointed a Commander of the Most Excellent Order of the British Empire (CBE) in the Queen's Birthday Honours List 2016 for his services to music and music education. Bravo!

A handwritten signature in black ink that reads "Lord Winston".

Professor Lord Winston
Chairman
24 November 2016

DIRECTOR'S REPORT

I am delighted to report that the Royal College of Music has been ranked the top conservatoire for performing arts in the UK, second in Europe and third in the world in the prestigious 2016 QS World University Rankings. Additionally, the RCM is the top UK specialist institution for music in the Complete University Guide 2017 and, for the third year running, the Higher Education Statistics Agency Survey announced that 100% of RCM survey respondents were in employment or further study six months after graduating. These outstanding achievements reinforce the RCM's reputation as a world-class institution for teaching and professional career development and I am delighted that our graduates continue to achieve international success with prestigious ensembles, orchestras and opera companies worldwide.



Our aim is to train gifted musicians from all over the world for international careers as performers, conductors and composers and nothing makes me happier than hearing of the success and achievements of our students. Violinist Emily Sun took the top prize at the Royal Over-Seas League and RCM students and alumni were in both winning groups of the Ensemble Sections. RCM composers have been selected for the London Philharmonic Orchestra's Young Composers programme and the London Symphony Orchestra's Panufnik Composers Scheme. RCM singers have been awarded First Prize at the Clonter Opera Singing Competition for the last two years and two of our students have been selected for The Royal Opera's Jette Parker Young Artists Programme. BBC Young Musician 2014 winner Martin James Bartlett performed for our Patron HM The Queen as part of the National Service of Thanksgiving for The Queen's 90th birthday and two RCM musicians made their BBC Proms debut over the summer.

The annual visit by our President, HRH The Prince of Wales is always a highlight and this year was no exception. World-renowned musicians and leading figures from across the arts and education received honours, including composer Steve Reich, conductors Vladimir Jurowski and Sir Roger Norrington and popular film and TV composer Barrington Pheloung.

In 2015, the Royal College of Music opened its doors to the First Lady of the People's Republic of China, Madame Peng Liyuan. RCM students and alumni performed for her and she was presented with a facsimile of the original manuscript of Mozart's highly influential Piano Concerto in C minor K491, which has been part of our collections for more than a century.

As Director of the RCM I am immensely proud of our diverse community of students and staff. Their exceptional talent and creativity makes a huge contribution to daily life and ensures that the RCM continues to be recognised as a world-class conservatoire. The EU referendum result in June means a period of uncertainty for the UK and for higher education in particular, but now more than ever the RCM's internationalism is a reminder that music is a language that has the power to transcend borders. This inspires me to focus on the RCM's long-term vision; to continue to demonstrate our connections to Europe and the rest of the world, strengthen our international partnerships and create opportunities for cultural exchange.

The RCM has a long tradition of welcoming students from all over the world, not least from our European neighbours. EU students, professors and other staff play an essential role in College life and this will not change following the EU referendum. Applications from EU students continue to be welcomed for 2017 entry and beyond. We have taken steps to reassure current and incoming EU students that the RCM does not plan to charge any higher fees than they are expecting to pay, for the duration of their existing programme. We have worked closely with Universities UK and Conservatoires UK and will continue to lobby zealously for the best representation of EU students and to safeguard the position of our EU professors and other staff, now and in the future.

A handwritten signature in black ink, which appears to read 'Colin Lawson'.

Professor Colin Lawson CBE FRCM
Director

24 November 2016

FINANCIAL REVIEW

A sustainable future

Financial results for 2015/16

The Royal College of Music made a surplus before gains and losses of £2.3 million (£1.9 million in 2014/15). This is the first year that the RCM's financial statements have been prepared in accordance with new accounting requirements (the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and Financial Reporting Standard - FRS 102) and in the interests of transparency it is important to analyse more closely some of the accounting entries in order to gain a clearer understanding of our financial results.

	New basis		Old basis			
	2016 £000s	2015 £000s	2015 £000s	2014 £000s	2013 £000s	2012 £000s
Surplus before gains and losses	2,333	1,930	1,200	872	1,579	1,584
Adjustments for restricted and non-cash items						
<i>Deduct</i> restricted legacy donations	-1,681	-1,590	n/a	n/a	n/a	n/a
<i>Add back</i> notional pension scheme interest charge	161	23	n/a	n/a	n/a	n/a
<i>Add back</i> movement on USS provision	28	997	n/a	n/a	n/a	n/a
Comparative surplus for the year	841	1,360	1,200	872	1,579	1,584

This table shows that after we remove restricted endowment legacy donations and notional pension scheme adjustments, our underlying surplus for the year was £841,000, which is reasonably in line with our expectations and also with previous years' surpluses, whilst still exceeding our target surplus of £300,000. Further information on changes in accounting policies can be found in note 27.

Financial Sustainability Strategy

The current RCM Financial Sustainability Strategy was approved in July 2013 by the RCM Council and included targets to:

- maintain operating cash in a range of 60 to 120 days (c£3 million to £6 million);
- achieve a five-year rolling average surplus of £300,000; and
- invest £1 million pa in approved infrastructure strategies.

We achieved all of these targets in the year and the main changes compared with 2014/15 were:

- student fee income was up by 2.7%, which was in line with our year-on-year fee increase. We are currently aiming to maintain static student numbers as we prepare for planned building works on our main campus;
- funding body grant income increased by £228,000 and the major factor in this increase was the new award of £303,000 HEIF funding. There were small cuts to grants in other areas;
- funded research income rose by £315,000, reflecting increased award of grants;
- other operating income is down by £143,000, reflecting reduced activity in this area as we prepare for building works to our main campus, for example, we did not host the BBC Proms Extra in summer 2016 in order to undertake works to replace our concert hall organ;

- investment income was down by £110,000, although this is mainly a reflection of timing differences for receipt of dividends as a result of changing our investment strategy in summer 2015;
- general and scholarship donations were down by £324,000, however, 2014/15 had been a particularly good year, with donations up £282,000 on 2013/14;
- staff costs fell by £157,000, however, this was mainly due to a fall in movement in our USS pension provision of £997,000 (a non-cash item). If this is excluded staff costs rose by £840,000, including an additional £300,000 for additional social security and pension charges;
- other operating expenses fell by £256,000 and the major factor in this fall was £254,000 reduction in rental costs, mostly related to our one-off temporary subsidised student accommodation in 2014/15;
- interest charges increased by £85,000, mainly due to notional interest on pension schemes, which increased by £138,000 (a non-cash item).

Staff

The RCM's teaching is undertaken mainly by hourly-paid professional musicians who provide one-to-one tuition for their students, with administration undertaken in the main by permanent, full-time staff. The RCM supports the National Pay Framework, with pay awards negotiated, on behalf of the RCM, by the Universities and Colleges Employers Association. The 2014/15 national pay settlement was agreed at 1% effective from 1 August 2015. The final offer for 2016/17 is 1.1% and this was implemented by the RCM in October 2016.

Reserves

The accumulated unrestricted income and expenditure reserve of £23 million is the accumulated surplus generated from RCM activities, which is unrestricted in its use and available for the benefit of the RCM. This reserve is maintained to support our pension and other long-term liabilities and provide for capital projects not funded by donations. In recent years we have built up reserves in order to:

- maintain the RCM's sustainability during a period of cuts in government grants and major change in the higher education sector; and
- support future capital projects, including purchase of Markova House, redevelopment of the courtyard and South Building and replacement of the Concert Hall organ.

Investment performance

The Investment Committee monitors the performance of the RCM's investment portfolios; there are three funds:

- Scholarship Fund: an in-perpetuity fund for generating income for scholarships; it is not anticipated that there will be significant draw down of capital from the fund.
- General Fund: a short/mid-term fund established to work in coordination with the RCM's working capital requirements.
- Junior Department Fund: a long-term fund with the purpose of generating income for bursaries; it is not expected that there will be significant draw down of capital from the fund.

The investment strategy for each fund is:

- Scholarship Fund: withdrawal rate of 3.5% (net of fees); a portfolio with a good probability of maintaining the real-term value of the fund, without assuming too high a risk profile;
- General Fund: a portfolio, which for part of the fund provides a similar income yield, growth and risk to the Scholarship Fund; and for part of the fund, a low risk income and/or growth return which is higher than bank/building society short-term deposit interest rates;
- Junior Department Fund: a portfolio with a good probability of maintaining the real-term value of the fund, and providing an income stream for bursaries without assuming too high a risk profile.

The funds' asset allocation is set by the Investment Committee to reflect our requirements. During the year, Newton Investment Management Ltd continued as the RCM's investment advisers. In 2015/16, we gained £3.8 million on our investments and this is reflected in the statement of comprehensive income and expenditure. The value of and income from investments are important to the RCM's sustainability. They provide a source of income for scholarships and general expenditure and are a source of funding for capital projects.

In 2013/14, we established a new company "RCM Business Enterprises Limited" (RCM BEL) which is a wholly owned RCM subsidiary. The RCM Scholarship Fund invested £1.7 million through RCM BEL in CLV (RCM) LLP which has redeveloped and is operating our newly opened student accommodation (Prince Consort Village) in Ravenscourt Park. This investment represents a 20% stake in CLV (RCM) LLP and it is held in order to generate additional income for student scholarships; it is expected that 2016/17, will be the first year in which we will receive a return on this investment.

RCM student accommodation

The RCM owns freehold land in Ravenscourt Park and appointed Campus Living Villages (CLV) to develop and operate this land for student accommodation. The RCM's new student accommodation, Prince Consort Village, opened in March 2016 and includes 417 student bedrooms and 23 music practice rooms. CLV have put together a 51 year program, which incorporated construction followed by a 50 year operating program. The project includes a lease premium to the RCM of £15.6 million (£12.6 million was received in 2013/14, with a further £3 million paid in 2015/16) and in return the RCM has granted a 51-year lease, which will be returned to the RCM on payment of a nominal fee (£1).

Funding of capital expenditure

Funds generated through the Prince Consort Village development are being invested in the purchase of Markova House from English National Ballet. Markova House is 200 metres from our main Prince Consort Road Campus and will provide additional accommodation for teaching, research, practice, rehearsal as well as office and communal space. The purchase price is £15.25 million and the RCM exchanged contracts on this purchase in October 2015, with completion planned for September 2018. RCM's other infrastructure projects include:

- South Building: four-year, £4 million refurbishment programme, in 2015/16, work focused on redeveloping the Exchange (a student facing support service) and the Student Union (incorporating a refectory and bar);
- redevelopment of our courtyard. Planning consent was granted by Westminster City Council in August 2015 and we placed the tender for construction in September 2016, with responses expected towards the end of 2016;
- Amaryllis Fleming Concert Hall organ: the RCM have commissioned renowned Dutch organ builder Flentrop Orgelbouw to build a new organ in the Amaryllis Fleming Concert Hall. This is a £1.1 million project, which commenced in summer 2016, with removal of the existing organ. The new organ will be installed in summer 2017 and the organ will be operational by spring 2018.

Treasury

During the year there was a net cash inflow from operating activities of £2.3 million (£1.7 million in 2014/15) and a decrease in total cash of £3.0 million (decrease £864,000 in 2014/15). This difference was mainly because of funds moved to long-term investments (£6.8 million), purchase of fixed assets (£4.4 million, including £3 million deposit for Markova House) capital donations and grants received in year (£2.8 million) legacy donations (£1.6 million), withdrawals from deposit (£3 million) and investment income (£1.6 million).

There is an outstanding loan balance, with the Royal Bank of Scotland, of £1.7 million at a fixed interest rate of 5.3%, with 10 years remaining. This is charged to a general covenant on the RCM. Loan finance is required to support More Music Courtyard redevelopment and the RCM placed a tender for bank borrowing in September 2016, with final responses expected towards the end of 2016.

Charities Act 2006 and principal regulator

In 2010, as a result of the Charities Act 2006, the HEFCE became the principal regulator of those English higher education institutions (HEIs) that are exempt charities and the HEFCE is expected to promote charity law compliance by the exempt charities for which they are responsible. Eighteen HEIs, including the RCM, are registered charities and monitored and regulated as charities by the Charity Commission; this is in addition to, and may duplicate elements of, the HEFCE's own accountability oversight.

In preparing this Operating and Finance Review we have followed HEFCE guidance and given careful consideration to the Charity Commission general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and on fee charging.

Conclusion

The Operating and Financial Review outlines the RCM's immense public benefit contribution through our extensive work in both music and higher education. This is supported by the RCM's widening participation and outreach work which is integral to our mission to enable talented students from all backgrounds to develop the musical skills, knowledge, understanding and resourcefulness which will equip them to contribute significantly to musical life in this country and internationally. It is recognised that music is an integral part of the fabric of our society and the intrinsic value of music for each individual is widely recognised by the different cultures that make up today's global society; the RCM's musical contribution to these different cultures is inestimable.

Professor Lord Winston



Chairman
24 November 2016

PROGRESS OF RCM STRATEGIC PLAN 2007 TO 2017

Transforming the College

Mission and principal objectives

The Royal College of Music provides specialised musical education and professional training at the highest international level for performers and composers, within an environment that stimulates innovation and research. This enables talented students from all backgrounds to develop the musical skills, knowledge, understanding and resourcefulness which will equip them to contribute significantly to musical life in this country and internationally.

Objects of the Royal College of Music

The Mission Statement supplements the objects of the RCM as set out in the 1883 Charter:

- 'the advancement of the Art of Music by means of a central teaching and examining body charged with the duty of providing musical instruction of the highest class, and of rewarding with academical degrees and certificates of proficiency and otherwise persons, whether educated or not at the College, who on examination may prove themselves worthy of such distinctions and evidences of attainment';
- 'the promotion and supervision of such musical instruction in schools and elsewhere, as may be thought most conducive to the cultivation and dissemination of the Art of Music in the United Kingdom'; and
- 'generally the encouragement and promotion of the cultivation of music as an art throughout the world'.

Strategic Plan

The RCM Strategic Plan sets out our Vision Statement to 2017 and plans for delivering this vision. When the Plan was approved, it was agreed to review it at its mid-point. The Directorate undertook this review in 2012/13 and the updated Strategic Plan was considered by academic and management committees before discussion and approval by Council in March 2013. As we come towards the end of this strategic planning cycle, the RCM has commenced the process of devising a new Plan for the period beyond 2017.

Priorities identified in the Strategic Plan are: access to an inspirational learning experience; artistic vision; research and innovation; communications; people; technology; estate; development; and finance. These priorities are complemented by detailed strategies and departmental operational plans, including: Learning and Teaching Enhancement Strategy; Artistic Strategy; Research Strategy; Human Resources Enhancement Strategy; ICT Strategy; Estates Strategy; Financial Sustainability Strategy; Sustainable Infrastructure Framework; and Risk Management Strategy. The Senate, F&GPC and Council monitor progress against priorities in the Strategic Plan.

In order to achieve the objectives identified in the Plan we establish specific priorities and targets for each year. The Directorate monitors and reports on progress against these annual targets, which are incorporated in an annual Corporate Planning Statement. Major initiatives during the period 2012 to 2017 include:

- *the Courtyard*: a new development including two new recital halls, a Museum and a visitor concourse. This is supported by a £40 million fundraising programme including £20 million for the capital development;
- *Prince Consort Village development*: new student accommodation, opened in March 2016;

- a review of pre-18 provision to integrate Sparks Juniors, Sparks and Junior College, and create a new Primary RCM, in order to enhance the RCM's access and progression agenda; and
- a review of marketing and communications in order to maximise our potential nationally and internationally, maintaining and enhancing our profile as a natural first choice for students and staff from around the world.

In setting the RCM's priorities and planning its activities the RCM Council has given careful consideration to the Charity Commission's general guidance on public benefit.

Outlook for 2016/17

The overall economic outlook is more uncertain than for a long time. On 23 June 2016, the UK voted to leave the EU and, in response, across the summer there was a period of political and economic activity, including establishment of a new government. The referendum will have far-reaching implications for the RCM, 20% of whose students and 74 staff are from the EU. Set against an uncertain economic background, acceptances to study at the RCM in 2016 are as high as ever from international, EU and UK students. We will continue to consolidate student numbers for 2016/17, as the RCM reaches its upper space constraints until the Courtyard project and Markova House are delivered. We are determined to achieve a sustainable surplus and have set targets for income, savings and surplus as a percentage of turnover. The targets for our previous Financial Sustainability Strategy were exceeded and new financial sustainability targets were approved by Council in July 2015 for the period to 2021 and were refreshed by the Directorate in spring 2016. The RCM's five-year financial forecasts were updated in July 2016, and these forecasts were tested using sensitivity analyses for a range of potential risks.

Principal risks and uncertainties

The RCM's risk management strategy and policy set out the respective roles of the Directorate, Council, Finance & General Purposes Committee and Audit Committee in managing risk. It also sets out the key controls and our approach to risk management. The RCM Risk Register identifies key risks, likelihood of occurrence, potential impact on the RCM and actions being taken to reduce and mitigate risks. The risks themselves are prioritised using a consistent scoring system. The Register is subject to annual review by the RCM Directorate and is monitored and up-dated throughout the year with an annual report on risk management presented to all committees involved in managing risk, including the Council.

The risk register was reviewed in October 2015 and revised again in May 2016, at which point two risks scored red were removed: 'reduction of HEFCE institution specific exceptional funding' (the outcome of this review in fact resulted in an increase in this funding stream) and 'failure to deliver the Prince Consort Village PFI' (opened March 2016). Two risks are currently scored red: 'Failure to develop and deliver the Courtyard project to the required quality and budget'; and 'Failure to achieve overseas student number targets/change in UKVI policy'.

The RCM's Council reviews annually key performance indicators. These were revised in autumn 2015 to reflect guidance from the HEFCE-supported national Financial Sustainability Strategy Group which has developed a basis for monitoring and reporting institutional sustainability through an annual sustainability report (ASSUR). The RCM receives an annual HEFCE assessment of institutional risk. Along with most HEIs, the RCM continues to be judged 'not at higher risk'. In February 2014 the RCM had a scheduled HEFCE Assurance Review visit which gave the RCM a clean bill of health on its governance, with no recommendations for the second time running (the previous such review was in 2008) – an unusual outcome for a university or college from such a review.

INSPIRATIONAL PROGRAMMES

Enhancing Learning and Teaching

Learn.rcm

During the academic year 2015/16 the RCM embarked on a three-year project to commission and embed a new Virtual Learning Environment (VLE) platform to support and enhance all our learning and teaching activities. VLEs are commonplace in secondary schools and universities around the world and our new system, [learn.rcm](#), will provide an additional dimension to the way in which our students and professors communicate with each other, especially when they are not in the RCM. Using any device connected to the internet, they will be able to share learning materials, provide and respond to feedback, manage classes and one-to-one lessons, submit and mark assessments and connect to other electronic resources and management systems. The RCM has appointed a Digital Learning Manager as part of the digital learning team, led by the Head of Undergraduate Programmes, to support staff and students in every aspect of the day-to-day use and development of the VLE. Once the system is launched in full at the beginning of the academic year 2016/17 it will link every student to their faculty pages and their individual programme of modules, and every professor will be able to add content and manage course activities from anywhere in the world. A major training programme run in conjunction with the Open University will help teaching and support staff maximise the VLE's potential to support and enhance learning, introduce innovations into teaching and support student study.

Masters programmes review

During 2015/16, the taught Masters programmes in performance and composition were reviewed and revised by the Senate Executive Committee, led by the Head of Postgraduate Studies. A Review Panel of RCM staff and students and external members drawn from other higher education institutions and the music industry spent a day interviewing staff and students. Their panel commended the Masters programmes team for implementing *'changes that will result in greater clarity of structure and a significant improvement [and] provide a better experience for students'*; they also praised *'the development of several innovative new modules which expand the curriculum in directions likely to improve preparation for the professional musical world'*.

Among the outcomes of the review is the implementation of a range of new modules that reflect changing needs of students, particularly as they prepare for careers in a rapidly changing music profession. The revised programme will offer modules in pedagogical and workshop skills, based on mentored practice in real-life situations, and will include new modules such as: the Personal Teaching Portfolio; the Conductor as Educator; and Creative Project Management. The panel also recommended that greater consideration is given to how the new learn.rcm will be used to deliver programmes; enhance feedback to and from students; and facilitate the achievement of goals for self-directed learning.

MUSICAL PERFORMANCE

Bringing the notes to life

The RCM's performance programme continues to go from strength to strength, and we were particularly pleased that HEFCE recognised this recently, writing that we displayed 'one of the richest and most intensive programmes of public performance of any conservatoire in the world ... a true area of strength.' The programme is designed to offer opportunities at all levels – training students for the professional life.

This year saw the introduction of *Orchestral Masterworks* – a four-year plan for the regular performance of core orchestral repertoire. For many students, their first experience is the RCM Chorus, and in the autumn term they were joined by RCM soloists and the RCM Director of Opera in a distinguished performance of works by Puccini and Mascagni. Juraj Valcuha led the RCM Symphony Orchestra in Mahler's Ninth Symphony, and Christoph Coin was the guest for our ninth International Festival of Viols. We celebrated the long history of composers at the RCM, from Britten to Mark-Anthony Turnage in a week of contemporary music performances, and we welcomed alumni Sir Thomas Allen and Sally Burgess in a performance of Walton's *Façade*.

In the spring, Håkan Hardenberger led the orchestra in a sparkling performance of the Janacek *Sinfonietta*, along with masterclasses in three contemporary trumpet concertos. We celebrated the 100th anniversary of the birth of Henry Dutilleux in a concert conducted by John Wilson, and we were delighted to welcome Steve Reich to the RCM for a number of performances of his works. Other festivals included the annual keyboard festival, celebrating the music of Spain.

The summer saw us outside the RCM, with an unforgettable performance of Stravinsky's *Firebird* at the Royal Festival Hall, with Diego Masson, part of the Philharmonia Orchestra's series, 'Myths and Rituals'. The orchestra also travelled to Gloucester Cathedral as part of the Cheltenham Festival, performing the world premiere of Howells Cello Concerto, recently completed. Vladimir Jurowski gave a marvellous performance of Strauss and Stravinsky, and our students also featured in chamber concerts at Cadogan Hall and the Wigmore Hall.

Masterclasses through the year were given by, amongst others, Stefan Dohr, John Lill, Andras Schiff, Ton Koopman, Mark Knopfler and Pinchas Zukerman. And in an extremely busy and successful year for opera, there were memorable productions of *Die Fledermaus*, *Handel Ariodante*, a residency with English Touring Opera, a remarkable collaborative project, 'Crime and Punishment' (six mini-operas written by RCM composition students), before the year rounded off with an impressive and thought-provoking production of *Hänsel und Gretel*.

The RCM is delighted to announce the appointment of globally renowned violinist Maxim Vengerov as Polonsky Visiting Professor of Violin. Maxim's first visit to the RCM as Polonsky Visiting Professor of Violin was for a public masterclass in September 2016.

CELEBRATING SUCCESS

Shining examples

In our endeavour to help exceptionally talented students achieve their full potential we treat each of them as a unique musician. We help each student to develop a sense of direction and provide them with a means for each to transform his or her dreams into reality, and a livelihood. Success at the RCM takes many different forms, from a small improvement discerned in an aspect of technique to the light-bulb moment which catapults a performer to international recognition. Each RCM student has individual successes to report, some very personal, others more public. We celebrate them all. A selection of successes for RCM students in 2015/16:

Composition

Amy Bryce and Benjamin Ashby – Selected for the London Symphony Orchestra's Panufnik Composers Scheme

Lillie Harris – Selected to join the Britten-Pears Young Artist Programme for composers and the Royal Scottish National Orchestra's first Composers Hub; Royal Scottish National Orchestra performed her work *remiscipate* in Edinburgh and Glasgow after it won the RSNO's Composers Hub Competition

Lillie Harris and Maeve McCarthy – Commissioned to write pieces for cross-cultural ensemble ShivaNova as part of the Women of the World Festival at King's Place

Nicholas Moroz – Awarded the Vaughan Williams Scholarship from the RVW Trust

Samuel Hall – Wrote the score for the winning film in the Shortlist Shorts Competition at London's Raindance Film Festival

Keyboard

Alexander Ullman (piano) – Awarded a Boise Foundation Scholarship

Chad Vindin (piano accompanist) – ROSL Accompanist's Award, Royal Over-Seas League Competition

Ilya Kondratiev (piano) – Winner, 2015 Intercollegiate Beethoven Prize

Laurence Long (organ) – Winner, Stand-out performance of any piece except Bach and Second Prize (Senior Category), Northern Ireland International Organ Competition

Luka Okros (piano) – First Grand Jury Prize, Concours Internationale de Musique de L'Orchestre Philharmonique de Maroc; First Prize, XIX Concurso Internacional de Piano de Valencia 'Premio Iturbi'; Gave his Wigmore Hall debut recital as 2014 winner of the UK's Jaques Samuel Intercollegiate Piano Competition

Martin James Bartlett (piano) – Made his BBC Proms debut, performing Gershwin's *Rhapsody in Blue* with Erix Whitacre and the Royal Philharmonic Orchestra; Performed for HM The Queen, The Duke of Edinburgh and other senior members of the Royal Family as part of the National Service of Thanksgiving for The Queen's 90th birthday in St Paul's Cathedral

Pavel Kolesnikov (piano) – Made his BBC Proms debut, performing Tchaikovsky's Piano Concerto no 2 with Ilan Volkov and the National Youth Orchestra of Scotland; Performed Rachmaninov's *Rhapsody on a Theme of Paganini* with the Toronto Symphony Orchestra

Sten Heinoja (piano) – Named Classic Star 2016 (Klassikatahed) on Estonian TV following a televised competition broadcast live on ETV and online

Vitaly Pisarenko (piano) – Third Prize, 2015 Leeds International Piano Competition

Percussion

Louise Goodwin (alumna) and Stephen Matthews – Performed in the world premiere of alumna Anna Meredith's *Smatter Hauler* at the BBC Proms, with Nicholas Collon and the Aurora Orchestra

Strings

Aleksandra Li (violin) – Winner, Yamaha Music Foundation of Europe Scholarship; Third Prize, Toruń International Violin Competition

Alexandra Isted, Anna Lee, Lasma Taimina (violinists), Lisa Bucknell, May Dolan, Bryony Gibson-Cornish (violists), Kristiana Ignatjeva, Zoe Saubat (cellists) and Jon Mikel Martínez Valgañón (double bass) – Selected for the London Symphony Orchestra String Experience Scheme

Carolina Blaskovic (violin) – First Prize, American Protégé International Competition

Catrin Meek (harp) – Winner, Nansi Richards Scholarship

Jian Ren (violin) – Awarded a Boise Foundation Scholarship

Vocal

Angela Simkin (alumna, soprano) and Simon Shibambu (bass baritone) – Selected to join the Jette Parker Young Artists Programme at the Royal Opera House, Covent Garden

Carly Owen (soprano) – First Prize and Audience Prize, 2015 London Welsh Singer of the Year Competition

Galina Averina (soprano) – First Prize, Bampton Classical Opera Young Singers' Competition; Second Prize, Handel Singing Competition

Huw Montague Rendall (baritone) – Sang Fiorello in Glyndebourne Festival Opera's production of Rossini's *Il barbiere di Siviglia*, making his BBC Proms debut in a concert performance of the opera; Performed in Garsington Opera's production of Britten's *Death in Venice*

Marie Lys (soprano) – Audience Prize and a Selma D and Leon Fishbach Memorial Prize, Handel Singing Competition; Performed the role of Asteria in Handel's *Tamerlano* at the Buxton Festival

Peter Aisher (tenor) – Schubert Society Singer Prize, London Song Festival Lieder Masterclass

Thobela Ntshanyana (tenor) – Winner, Clonter Opera Singing Competition

Woodwind

BLOCK4 (recorder quartet): Katie Cowling, Rosie Land, Emily Bannister (alumna) and Lucy Carr (alumna) – Gold Medal, 7th Chesapeake International Chamber Music Competition

Philip Attard (saxophone) – Winner (Woodwind, Brass and Percussion Section), Royal Over-Seas League Competition

RCM in the press

Vladimir Jurowski (Principal Conductor, London Philharmonic Orchestra)

'Working with the future generation of musicians from the RCM is an exceptionally rewarding experience; encouraging their commitment and guiding their musical development is of extreme importance to me. The students of the RCM Symphony Orchestra showed top-level musicianship throughout, with great promise for taking this with them to even higher levels.'

Dominic Lowe (Bachtrack) on the RCM International Opera School's *Die Fledermaus*

'Judging by the quality of these young players and singers, British opera will be in good hands for quite a while.'

Mark Berry (Seen and Heard International) on the RCM International Opera School's *Hänsel und Gretel*

'...much of the best opera in London is to be found at our conservatoires...it had been a little while since I had attended a Royal College of Music production; this made me realise just what I had been missing. Indeed, I think it was probably not only the best production I had seen there, but perhaps, all things considered – and there are always many things to consider when it comes to opera! – the best production of *Hänsel und Gretel* I had seen anywhere.'

RESEARCH AND INNOVATION

Enhancing the research environment

The RCM's first Research and Knowledge Exchange Manager joined us in September 2015, and we established a professional Research Office to support a wide-range of initiatives, including: supporting academic staff preparing major funding bids; managing projects and research events; and establishing systems to manage the outward face of research. In January 2016 the RCM was awarded a grant of £30,000 by the Higher Education Joint Information Systems Committee to fund a major audit of our research data assets, and also to develop our new RCM Online open access research repository. This system will eventually allow anyone to search and view research publications and other outputs produced by RCM academic and professorial staff and our doctoral students. Meanwhile, a new self-managed staff profile system is being developed as part of the RCM's new website. The site will incorporate a number of features that allow us to showcase the latest in research projects and innovations.

The Centre for Performance Science (CPS) has long enjoyed collaborations with Imperial College and in July 2016, the website of a joint RCM/Imperial College Centre for Performance Science was launched (www.PerformanceScience.ac.uk). The new Centre draws on dynamic collaborations across the two institutions, spanning the arts, medicine, engineering, natural sciences, and business and will help propel the work of the RCM's music scientists into a larger arena.

Among new research projects this year is the European Union Horizon 2020-funded 'Technology Enhanced Learning of Musical Instruments' (TELM), a collaboration between four European and one Canadian partner, in which the CPS has a £0.5 million share. Using the violin as a case study, CPS's involvement is to develop a pedagogical framework for a technology-enhanced system that embraces traditional methods of violin instruction and modern cognitive research on how people gain expertise and learn skills efficiently and effectively. CPS researchers also began work on a project funded by Tenovus Cancer Care: *Sing with Us* explores the psychosocial and psychobiological impact of singing in choirs on the health and wellbeing of patients, carers, and relatives affected by cancer. Working in partnership with the Royal Marsden NHS Foundation Trust and the London Cancer Alliance, a pilot study with 193 participants revealed that a single choir session reduced stress hormones and increased levels of immune proteins in people affected by cancer; recruitment for a new two-year study examining the effect of singing over several months has now begun.

Following the success of *Singing a Song in A Foreign Land*, a project tracing the musical legacy of composers and performers who fled Nazism to make new lives in the UK, the RCM won a Cultural Engagement award of £50,000 from the AHRC to conduct an intensive study of the musical legacy of the Berlin-born conductor and composer, Peter Gellhorn; this involved doctoral and performance students in the preparation and presentation of a series of workshops, performances, recordings and a final symposium. A series of editions of Gellhorn's music, recordings by RCM students of the composer's works never before heard, and oral history interviews with members of his family and his colleagues, will form the basis of a new web-based resource. The grant also enabled us to hold a one-day cultural engagement training day given by industry professionals for doctoral students from the RCM and from across the country.

Finally, a new project to develop an on-line catalogue of more than 400 historical musical instrument collections in the UK funded by the HEFCE, was launched in October 2015 and will run for two years. Entitled MINIM-UK (www.minim.ac.uk), the project is led by the Curator of the RCM Museum working with the Royal Academy of Music, the Horniman Museum and the University of Edinburgh. A partnership with Google will ensure that the content reaches the widest public through the Google Cultural Institute, which is working with a variety of institutions around the world to make important cultural materials accessible to everyone and to digitally preserve them to educate and inspire future generations.

LEARNING FOR ALL

Ensuring fair access

RCM Junior Department

The Royal College of Music Junior Department (RCMJD) offers advanced training at the highest level to young musicians aged eight to 18, providing individually-tailored programmes of one-to-one instrument, voice and composition, supported by chamber music, orchestra, choir and musicianship. Entrance to the RCMJD is highly competitive by audition and we remain committed to ensuring successful applicants should not be prevented from coming to the RCMJD through financial hardship; in 2015/16 more than £200,000 of bursary support was accessed by families where there was the most need.

RCMJD students were involved in more than 100 concerts in 2015/16, performing in some of the finest venues, including the Royal Albert Hall, Wigmore Hall, House of Lords, Buckingham Palace, Westminster Abbey and the 606 jazz club. They have also benefitted from working with professional musicians of the highest calibre, including JD alumni Mark-Anthony Turnage and Michael Collins. This year we formed a fruitful creative partnership with the English National Ballet Youth Company, and presented a collaborative project featuring ENB company dancers, orchestral musicians, youth company dancers, dancers from local schools and JD musicians in a stunning performance of Dance Journeys in the Britten Theatre. RCMJD students continue to dominate the orchestral lists of all major youth orchestras, including the NCO and the NYO. Four current RCMJD students and one RCMJD alumna were category finalists in the 2016 BBC Young Musician competition, with Ben Goldsheider reaching the grand final.

RCM Sparks

RCM Sparks is our ground-breaking learning and participation programme. It provides opportunities for everyone to make or learn about music at the RCM. In 2015/16 RCM Sparks ignited creativity in more than 3,100 members of the local community and trained 110 RCM students and graduates.

Sparks workshops offer inspirational learning experiences for all, regardless of financial means, with free or subsidised places on offer for children who meet certain eligibility criteria. This includes children who are eligible for pupil premium and their families, 'looked-after' children, children who live in social housing and their families, families who are eligible for housing benefit and/or working or family tax credit, families/individuals who are eligible for disability benefit and service families. In 2015/16, there were 545 different attendees at 32 workshops with 49% of attendees accessing free or subsidised places (23% in 2013/14, 41% in 2014/15); 32% of attendees were non-white ethnic.

RCM Sparks continues to work closely with the Tri-Borough Music Hub as a strategic and delivery partner, bringing musical enrichment activities to schools and families in the London Boroughs of Westminster, Hammersmith and Fulham and Kensington and Chelsea; in 2015/16, we worked with more than 1,900 pupils at 42 different schools. RCM Sparks work in early years with disadvantaged families has developed further this year with a weekly programme from children age 3-5, and their parent/carers, being positively received in a local community centre in North Kensington. Because of its success, this programme will roll out to another centre in 2016/17.

Sparks Juniors is an exciting collaboration between RCM Sparks and RCMJD which offers ten pupils a free three-year programme of high level tuition led by RCMJD staff and RCM student mentors. This year's new cohort saw the entry of four mini bass and saxophone players. Their programme includes instrumental lessons, training choir, musicianship and practical musicianship classes.

EMPLOYABILITY

Taking the lead

The RCM is a world-leader in career development for musicians and is home to the RCM Creative Careers Centre. RCM graduates are highly employable: over the last three years, Higher Education Statistics Agency surveys of those who graduated show 100% of RCM graduates, who completed the survey, were either in employment or further study six months after graduating. This ranked the RCM first across all UK universities.

The Creative Careers Centre is the RCM's flagship careers service. It offers bespoke career advice, guidance, referrals, resources and a broad spectrum of professional opportunities to students and graduates for up to five years after graduation. The Centre's services include weekly one-to-one biography, marketing, curriculum vitae and careers sessions, student/graduate-aimed job bulletins, arts administration work placements and internships, and regular workshops and presentations led by industry specialists. It also offers advice on self-promotion and provides access to a wide variety of professional contacts, all of which aids significantly our students and graduates preparation for a successful and lifelong career in music.

Concert opportunities are provided at more than 44 venues, including some of London's most prestigious concert halls, churches, galleries and museums, as well as retirement homes and hospitals. During the last academic year, RCM musicians have undertaken concert performances at such notable venues as St. Martin-in-the-Fields, Steinway Hall and the Elgar Room at the Royal Albert Hall. This year, the Creative Careers Centre has developed a number of new partnerships, including with the Royal Academy of Arts, with the kind support of Dasha Shenkman. This partnership has provided a unique range of music and art performances inspired by the Royal Academy's leading exhibitions. *Summer Sounds* offered creative performance opportunities for 15 RCM musicians and graduates who each linked short 'popup' style performances with artworks from the Royal Academy's renowned Summer Exhibition.

The Centre also manages a thriving Professional Engagements Service. Musicians are hired by organisations and members of the public to perform at events, work as freelance orchestral and session players, accompanists, répétiteurs, chorus members and composers. Fees and contracts are negotiated by the Centre's specialist team in order to ensure that they fall in line with industry standards. Last year, 573 different musicians gained opportunities through both the concerts and Professional Engagements Service. There were more than 900 performances, generating more than £170,000 of income for musicians.

Passionately driven by and constantly adapting to the parameters of an increasingly competitive and complex music industry, the Creative Careers Centre is now globally considered a leading light in the challenging field of student-professional transition.

DEVELOPMENT AND ALUMNI ENGAGEMENT

Supporting access, excellence and opportunity

The RCM is grateful to have received a number of substantial donations this year, all of which help support young musicians and build on our existing strengths as we pursue our vision of access and excellence.

More Music: Reimagining the RCM – building for the future

A key focus for fundraising has and will continue to be the RCM's most ambitious campaign to date. More Music: Reimagining the Royal College of Music will: strengthen the RCM's physical facilities; enhance our support for talented musicians; and facilitate academic, artistic and digital innovation. The philanthropic target of £40 million will be matched by £40 million from the RCM. By the end of the 2015/16 year, more than £19 million (almost half of the campaign target) had been secured in cash and pledges; £12.2 million to fund the building redevelopment (against a target of £20 million). As well as providing funds for the renovation of our physical buildings, the campaign will allow us to expand our scholarship and bursary provision and facilitate academic, artistic and digital innovations. We were delighted to receive significant contributions from the Heritage Lottery Fund, HEFCE, The Foyle Foundation and The Wolfson Foundation to name a few. We greatly appreciate the work of our senior volunteers and loyal supporters who have made this initial stage of the campaign a success.

Our students – scholarships for talent

The RCM has a rich heritage of musical patronage and named scholarships allowing donors to connect with young musicians from around the globe as they develop their talent at and beyond the RCM. In 2015/16, more than £2.3 million was awarded in scholarships to c50% of the student body. We are grateful for the continued commitment of the Soirée d'Or Committee, a dedicated group of supporters integral to the success of our annual gala at the Victoria and Albert Museum; in December 2015 this spectacular event raised more than £216,000 to support RCM musicians.

Regular giving – under-pinning our work

The RCM is becoming more reliant on multi-year gifts from our supporter groups. Our Friends and benefactors support all aspects of the RCM and our Circles for Excellence support RCM Sparks and scholarships. We are grateful for their ongoing commitment which is vital. We also thank all those who have remembered the RCM in their will and left a musical legacy for future generations to enjoy. The impact of legacy giving was demonstrated by gifts from The Burgan Estate and The Michael Rimmer Estate which supported our greatest campaign priorities – the Building Redevelopment and Scholarships.

Reaching out – alumni engagement

The RCM family across the globe continues to thrive and we are in contact with more than 6,000 RCM alumni living in 86 different countries who provided support in many ways. We look forward to expanding our alumni programme and activities in the year ahead.

We wish to acknowledge the great generosity shown by donors, friends, supporters, parents, leadership volunteers and the general public who attend our concerts, events and activities. We express our sincere gratitude for their ongoing support.

EQUALITY AND OPPORTUNITY

Committed to fairness

The RCM's strategic plan sets out a vision for providing access to an inspirational learning experience for the widest possible range of students, and serves as a mechanism to measure our compliance with the Equality Act 2010. The RCM Access Agreement enshrines key objectives, focusing on those from disadvantaged backgrounds or with disabilities, seeking to: encourage applications, enable participation and enable student success; and raise aspiration to engage with music and study at higher education level.

The RCM's outreach activities, delivered by RCM Sparks, are oriented to support study in music and other subjects in higher education generally, as well as to the RCM. Sparks continues to build on collaborative partnerships with the Tri-Borough Music Hub and IntoUniversity, and has also developed a new partnership, with Imperial College and the Royal College of Art, to provide an annual event for secondary schools bringing together science, art and music in a way that is innovative and engaging.

Monitoring and evaluation measures have been strengthened and we have exceeded our targets for recruitment of state school students (including students from state-funded specialist music schools). Evidence indicates that the impact of our outreach work raises aspirations among the most disadvantaged groups, developing in them an interest in music and in higher education generally.

The RCM held a successful Women in Music day on 8 March 2016, with workshops and concerts highlighting women composers and musicians. The lunchtime concert, featured the all-female Albany Trio, who played music by women composers. This included a world premiere of a piece by Judith Bingham, which was broadcast by BBC Radio 3.

Following changes to the funding position of the Equality Challenge Unit, RCM became a subscription member, and we participate in the Small Specialist Institutions Network, continuing to work on the particular issues affecting this sector.

The RCM Research Fellow in Music and Visual Impairment continued her work on the Musicians' Union (MU) Equalities Committee, recruiting RCM students with specific learning difficulties to assess the accessibility of a new MU website.

During the academic year 2015/16 the RCM embarked on a three-year project to commission and embed [learn.rcm](http://learn.rcm.ac.uk), a new Virtual Learning Environment (VLE) platform to support and enhance all our learning and teaching activities. The RCM Student Services Manager has been working with the RCM Digital Learning Manager to ensure that students with disabilities benefit from the new VLE and this is particularly important in light of changes to the Disabled Students Allowance (further information on [learn.rcm](http://learn.rcm.ac.uk) can be found on page 9).

RCM's new hall of residence, Prince Consort Village, opened in March 2016, and is fully accessible, with nine rooms designed specifically for disabled students. RCM has also installed a Sesame bespoke wheelchair access lift which will provide improved access into the RCM's main reception and front of house area.

SHARING SERVICES AND COLLABORATIONS

Benefitting from partnership

Shared services and collaborations are an important element of the RCM's operation as we seek to obtain value for money, in all senses of the term. We have a long and successful history of working with others, including:

- **UCAS Conservatoires:** UK-wide admissions service created and owned by eight British Music Conservatoires and managed by the Universities and Colleges Admissions Service (UCAS);
- **National network of museums:** the RCM, in partnership with the Royal Academy of Music, Horniman Museum and University of Edinburgh is creating a national network and virtual interface for 90 of the UK's musical instrument museums. The project will deliver scientifically refined records on more than 40,000 musical instruments;
- **Virtual Conservatoire:** a collaboration between the RCM, Royal Academy of Music and Conservatoire for Dance & Drama to create state-of-the-art, digitally integrated training and performance spaces; develop new teaching and learning methodologies; facilitate cutting edge artistic collaborations; encourage student-led practice; strengthen links with performing arts and digital technology industries; and disseminate good practice.
- **Ensemble Purchasing:** In March 2016, the RCM, Royal Academy of Music and Trinity Laban Conservatoire of Music and Dance established *Ensemble Purchasing*: a cost sharing company to provide shared procurement resources to its members. Subsequently the Royal College of Art and Regent's University joined. The company employs two professional procurement staff who provide procurement support to members;
- **partnership with Imperial College:** who provide a range of services where both partners benefit from economies of scale from higher volumes, including catering, occupational health and student/staff health;
- **Kingston City Group:** universities' internal audit consortium owned by 16 members (chaired by the RCM Deputy Director);
- **London Universities Purchasing Consortium (LUPC):** London-wide procurement consortium owned by higher education and third sector organisations;
- **The Energy Consortium:** one of the UK's leading providers of collaborative energy procurement, particularly to universities and colleges;
- **cleaning consortium:** established in 2011, with Heythrop College and the Royal College of Art, for cleaning services across four campuses;
- **Exhibition Road Cultural Group:** champions the collective view of its members, facilitating: joint projects, encouraging cross-fertilisation of audiences between members; running joint events; and sharing staff expertise;
- **1851 Invest to Save Project:** focusing on reducing carbon emissions for its members in the *South Kensington Cultural and Academic Estate*;

CARING FOR THE ENVIRONMENT

Making a difference

The RCM is fully committed to its responsibility for minimising the environmental, social and economic impacts of our operations and, as a small higher education institution, we aspire to be a centre of excellence in environmental management. In 2015/16 we:

- maintained ISO 14001 and BREEAM accreditations;
- undertook a review of our environmental policies;
- continued to support the Fairtrade Foundation - our catering outlets sold more than 7,750 Fairtrade products last year;
- purchased 100% of electricity from renewable generation; and
- participated in the Shred-it confidential recycling programme, recycling the paper equivalent of over 21 tonnes of paper over the last three years.

Construction

The RCM aims to incorporate environmental sustainability in all its construction projects and over the next few years we will deliver significant investment in our estate. We will complete the final phase of the South Building project, will redevelop the courtyard and will undertake a number of smaller projects which will all contribute to our sustainable construction ambitions.

At the design stage of each project environmental considerations are taken into account. For example, the design requirements for Prince Consort Village set an ambitious target to achieve a BREEAM rating of Very Good. BREEAM is the world's leading sustainability assessment method for building projects which measures sustainable value in a range of categories including energy, ecology, carbon emissions and design durability. The completed project is currently being assessed by BREEAM but is expected to achieve the targeted rating. This has been achieved through a range of environmental measures such as photovoltaic panels, LED lighting, green roofing systems and off site modular construction techniques. More than 25% of components came from recycled sources.

Refurbishment of the South Building has also provided opportunities to achieve our ambitions. We installed high rated acoustic walls, triple-glazed windows, waterless urinals, new efficient cooling systems, LED lighting and movement sensitive water taps, all of which will reduce our carbon emissions.

All aspects of the RCM Environmental Policy are inter-linked with and form an integral part of our environmental management system. This includes all existing environmental policies, the environmental action plan, BREEAM In-use and the Carbon Management Plan.

The RCM produces termly environmental e-newsletters to update staff, students and other stakeholders on our environmental projects, including Fairtrade, carbon reduction and recycling. This encourages engagement and awareness of the RCM's own environment.

RCM FINANCIAL STATEMENTS

2015/16

CORPORATE GOVERNANCE & RESPONSIBILITIES OF COUNCIL

Committee of University Chairs (CUC) Governance Code of Practice

The CUC published its Governance Code in December 2014 and the Clerk to the Council benchmarked RCM practice against each provision of the code; this was submitted to Council, Finance and General Purposes Committee and Audit Committee. Council and its committees undertook effectiveness reviews during 2014/15, the outcomes of which were reported to Council in March 2015. There were no areas of non-compliance and the Clerk produced an action plan responding to both the CUC Code and effectiveness reviews; all actions were completed within 2015/16, as reported to Council in July 2016.

Statement of primary responsibilities

The Council is responsible for:

- approving the mission and strategic vision of the RCM, long-term business plans, key performance indicators and annual budgets, and ensuring that these meet the interests of stakeholders;
- appointing the Director and putting in place suitable arrangements for monitoring his/her performance;
- ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest; and
- monitoring institutional performance against plans and approved KPIs, which are, where possible and appropriate, benchmarked against other institutions.

Structure of corporate governance

The **RCM Council**, which meets at least four times a year, is responsible for the strategic direction of the RCM and for all major developments. In fulfilling its responsibilities for administration and management of the RCM's affairs, the Council approves the annual revenue and capital budgets and audited financial statements for each financial year prepared in accordance with relevant accounting standards. The Council's membership and powers are laid down in the RCM's Royal Charter and Statutes. The maximum number of Council members is 25, three of whom are elected from among RCM staff and at least 10 are independent members. The President, Director and Students' Union President are *ex officio* members. The Chairman and Deputy Chairman are drawn from the independent members.

The Council has a **Finance and General Purposes Committee (F&GPC)** which meets at least four times a year. The F&GPC's responsibilities include monitoring performance in relation to approved budgets and oversight of the Directorate's risk management responsibilities. It also acts as **Remuneration Committee** for salaries and terms and conditions of the senior staff. The F&GPC scrutinise the annual financial statements ahead of consideration by Audit Committee and Council and also review minutes of the **Health and Safety Committee** in order to monitor compliance and practice on behalf of Council.

The **Investment Committee** (at least two meetings a year) and **Estates Committee** (at least three meetings a year) are F&GPC sub-committees. Each is constituted formally with terms of reference and chaired by an independent member of Council.

The **Audit Committee** reports directly to Council. It meets at least twice a year and has a key role in the RCM accountability framework. It advises the Council on effectiveness of the RCM's arrangements for risk management, control and governance,

efficiency and effectiveness (value for money) and for the management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE and other bodies. Meetings are held with external auditors (BDO LLP) to discuss audit findings, and with internal auditors (Kingston City Group) to consider internal audit reports and recommendations for improvement of the internal control system, together with management's responses and implementation plans. The Audit Committee considers the RCM's annual financial statements, taking into account the views of external and internal auditors, the F&GPC and Directorate, and makes recommendations to the Council. The Audit Committee also receives reports from the Value for Money Steering Group, which provides assurance that RCM has appropriate arrangements to achieve value for money.

A **Nominations Committee** makes recommendations to the Council for the appointment of new Council members and for honorary awards.

The **Senate** reports to the Council. It meets at least three times a year dealing with academic policies and quality assurance; sub-committees support its work.

The **Directorate** meets regularly and is responsible for managing the RCM in the context of the Strategic Plan and Mission Statement. The Directorate reviews and updates the RCM's Strategic Plan and produces annual planning statements and reviews, for consideration by Senate and F&GPC and for approval by Council. The Directorate are also responsible for implementing risk management policies and identifying and evaluating significant risks facing RCM for F&GPC's consideration.

Basis of financial statements

The Council is satisfied that the RCM has adequate resources to continue in operation for the foreseeable future; for this reason the 'going concern' basis continues to be adopted in preparation of the financial statements.

The Council reviews the annual sustainability report, incorporating key performance indicators which reflect guidance from the HEFCE Financial Sustainability Strategy Group. The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the RCM's financial position and enable it to ensure that financial statements are prepared in accordance with the Royal Charter, Statement of Recommended Practice: Accounting for Further and Higher Education and applicable accounting standards. The Council has also given careful consideration to the requirements contained in the Charities Act 2011 and in particular to the Charity Commission's guidance on public benefit.

Within the terms and conditions of the Memorandum of Assurance and Accountability between the HEFCE and the RCM, we are required to submit, to the HEFCE, a suite of accountability returns, including audited financial statements which give a true and fair view of the state of the RCM's affairs, and of its comprehensive income, changes in reserves, balance sheet and statement of cash flows for the year. In preparing the financial statements to, the Council has ensured that:

- suitable accounting policies are selected and applied consistently;
- reasonable and prudent judgements and estimates are made and applicable accounting standards are followed;
- the financial statements have been prepared on the going concern basis unless it is not appropriate to presume that the RCM will continue in operation;

Financial statements are published on the RCM's website in accordance with UK legislation governing preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. Maintenance and integrity of the RCM's website is the responsibility of the members of the Council and this responsibility extends to the ongoing integrity of the financial statements contained therein.

Through work undertaken on its behalf, by the F&GPC and Audit Committee, the Council believes that it has taken reasonable steps to:

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- ensure that HEFCE funds are used only for the purposes for which they have been given;
- secure the economical, efficient and effective management of the RCM's resources and expenditure; and
- safeguard the RCM's assets and prevent fraud.

Accounting records

All accounting records have been made available to the auditors for the purpose of their audit and all transactions have been properly reflected and recorded in the accounting records. All other records and related information which might affect the truth and fairness of the financial statements, including minutes of Council and other meetings, have been made available to the auditors. As far as the Council is aware, there is no relevant audit information of which the auditors are unaware.

Internal control and risk management

The Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Council in the Charter and Statutes and the Memorandum of Assurance and Accountability with the HEFCE. The system of internal control is designed to manage rather than eliminate risk of failure to achieve policies, aims and objectives; therefore, it provides only reasonable and not absolute assurance of effectiveness. The internal control system is based on an on-going process designed to identify risks that might hinder realisation of our policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place during the year ended 31 July 2016 and up to the date of approval of the financial statements, and accords with HEFCE guidance. The Council has responsibility for reviewing the effectiveness of the internal control systems and the following processes have been established:

- the Council meets at least four times per annum and considers the plans and strategic direction of the RCM;
- the Council receives minutes of each Audit Committee meeting, together with an annual report which provides an opinion as to the RCM's arrangements for risk management, internal control, governance, data quality and value for money;
- the Council receives regular reports from the Directorate on steps it is taking to manage risks, including progress reports on key projects;
- the F&GPC is responsible for oversight of risk management and the Audit Committee for keeping under review the effectiveness of risk management, control and governance arrangements;
- a system of key performance indicators has been developed and agreed; these are used to consider performance and make an overall assessment of institutional sustainability;
- a risk prioritisation methodology based on risk ranking has been established;

- a College-wide Risk Register is maintained and this is reviewed regularly by the Directorate, in order to identify and update the record of risks facing the RCM;
- training for managers with responsibility for areas involving high-level risk includes attendance at relevant workshops;
- an annual review conducted by the Directorate is presented in writing to the F&GPC for discussion, and reported to the Council;
- the RCM receives an annual HEFCE assessment of institutional risk. Along with most HEIs we were judged '*not at higher risk*'.

The review of effectiveness of the internal control system is informed by reports from internal auditors, who operate to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports, which include their opinion on the adequacy and effectiveness of the system of internal control, with recommendations for improvement. The Council's review of effectiveness of the internal control system is also informed by the work of the Directorate, who are responsible for developing and maintaining the internal control framework, and by comments from the external auditors in their management letter and other reports. In February 2014, we had a scheduled HEFCE Assurance Review visit which gave the RCM a clean bill of health on its governance, with no recommendations for the second time running (*the previous such review was in 2008*) – an unusual outcome for a university or college from such a review.

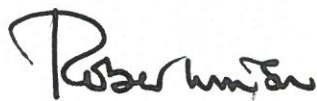
Equality and opportunities

The RCM is committed to its equal opportunities policy and aims to ensure that no student, member of staff or visitor is subjected to unfair discrimination. The Equality Act 2010 covers the following '*protected characteristics*': age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity; RCM policies, procedures and training programmes reflect the Act.

The RCM Access Agreement, for students, embodies the RCM's strategic plan for providing access to an inspirational learning experience for the widest possible range of students and serves as a mechanism to measure our compliance with the Equality Act. Key objectives, focus on disability, social deprivation and the black and minority ethnic population seeking to: encourage applications, enable participation and enable student success; and raise aspiration to engage with music and to study at higher education level.

Further information on equality and opportunities at the RCM may be found on our public facing website

<http://www.rcm.ac.uk/about/governance/strategy/accessdisabilitiesandequalopportunities/>.



Professor Lord Winston
Chairman
Date



Professor Colin Lawson CBE FRCM
Director
Date

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE ROYAL COLLEGE OF MUSIC

We have audited the financial statements of the Royal College of Music for the year ended 31 July 2016 which comprise the consolidated and RCM statement of comprehensive income, consolidated and RCM statement of changes in reserves, the balance sheets for the group and the RCM, the consolidated cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Council, as a body, in accordance with paragraph 154 of the Charities Act 2011 and the RCM's Charter and Statutes. Our audit work has been undertaken so that we might state to the Council 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 RCM and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditors

As explained more fully in the statement of responsibilities of the Council, the members of the Council are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and international standards on auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England (HEFCE). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate. In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the RCM have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Memorandum of Assurance and Accountability with the HEFCE.

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the RCM's affairs as at 31 July 2016 and of the group and RCM's income and expenditure, gains and losses, reserves and group cash flows for the year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters required by the HEFCE Audit Code of Practice

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



James Aston, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 25 November 2016
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2016

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS 102). The RCM is a public benefit entity, therefore it has applied the relevant public benefit provisions of FRS 102. The RCM is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the FEHE SORP 2015 has affected the reported financial position, financial performance and cash flows of the consolidated results of the RCM is provided in note 27.

2. Basis of consolidation

The consolidated financial statements include the RCM and all its subsidiaries for the financial year ended 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation. The consolidated financial statements do not include the income and expenditure of the Students' Union as the RCM does not exert control or dominant influence over policy decisions.

3. Parent company disclosure exemptions

In preparing the separate financial statements of the RCM, advantage has been taken of the following disclosure exemptions available in FRS 102:

- no cash flow statement has been presented for the RCM;
- no disclosure has been given for the aggregate remuneration of the key management personnel of the College as their remuneration is included in the totals for the group as a whole.

4. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the RCM Council have made the following judgements:

- in determining whether leases entered into by the RCM as a lessor or a lessee are operating or finance leases the Council have assessed whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis. With regard to the lease granted by RCM to CLV for student accommodation at Prince Consort Village, the Council determined that this transaction was a service concession. Each year the RCM will nominate bedrooms for students in the range of zero to 417 and the only liability which could fall on the RCM is any rental shortfall on its nominated rooms in each year. In this arrangement there are no payments which meet the definition of 'minimum lease payments', therefore no amount has been included on the balance sheet. As such the RCM has treated this as a property transaction, whereby the RCM has disposed of a building and entered into a series of lease transactions part of the consideration for which is preferential nomination rights. The value of these rights cannot be measured reliably and they are held as nil value in the balance sheet.
- in determining whether there are indicators of impairment of the RCM's tangible and intangible assets, the Council have taken into consideration factors including economic viability and expected future financial performance of assets;
- in determining the estimate of the RCM Pension & Assurance defined benefit scheme obligation Council have reviewed the critical underlying assumptions (see note 26). Council also reviewed the critical assumptions used to estimate of the present value of the RCM's obligation in respect of the funding deficit plan for the USS pension scheme (see note 26);
- the RCM has determined that donations received through the More Music Courtyard development capital campaign have performance related conditions and these donations should be held on as deferred income pending these conditions being met.

5. Income recognition

Fee income is stated gross of any expenditure which is not a discount and credited to the consolidated statement of comprehensive income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Investment income is credited to the statement of comprehensive income and expenditure on a receivable basis. Funds the RCM receives and disburses as paying agent on behalf of a funding body are excluded from the statement of comprehensive income and expenditure where the RCM is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the RCM recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate. Grants (including research grants) from non-government sources are recognised in income when the RCM is entitled to the

income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Donations and endowments with donor imposed restrictions are recognised in income when the RCM is entitled to the funds. Income is retained within "restricted reserves" until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the RCM is entitled to the funds. Investment income and appreciation of endowments is recorded in income in the year in which it arises as either restricted or unrestricted income according to the terms and restrictions for each individual endowment fund. There are four main types of donations and endowments identified within reserves:

- a) Restricted donations - the donor has specified that the donation must be used for a particular objective.
- b) 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 RCM.
- c) Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the RCM has the power to use the capital.
- d) Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

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

Trade debtors

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

6. Accounting for retirement benefits

The principal pension schemes for the RCM's staff are the Universities Superannuation Scheme, Teachers Pension Scheme, RCM Pension and Assurance Scheme and National Employment Savings Trust. The accounting policies for each scheme are shown in note 26 to the financial statements.

7. Employment benefits

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

8. 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 life of the lease.

9. Foreign currency

Transactions in foreign currencies are translated to the functional currency of the RCM at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised, in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

10. Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation and accumulated losses. Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Land and buildings

Leasehold land and buildings were valued on the basis of depreciated replacement cost at 31 July 1991 by Wilks, Head and Eve, Chartered Surveyors. Subsequent additions have been included at cost. Freehold buildings are included at cost. There is no indication of any impairment in the value of these assets. Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the RCM. Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated as follows:

Freehold buildings	50 years
Leasehold land and buildings	50 years or, if shorter, the period of the lease
Building improvements	20 years

No depreciation is charged on assets in the course of construction. Freehold land and buildings are the land for student accommodation and a residential property in London. Leasehold land and buildings are the Prince Consort Road campus; a 999 year lease, expiring in 2890, which is non-assignable. In the event that the RCM ceases to operate in accordance with its Royal Charter, the property reverts to the landlord.

The RCM owns freehold land in Ravenscourt Park and entered into an agreement with Campus Living Villages (CLV) for development and operation of its hall of residence, Prince Consort Village (PCV) which opened in March 2016. RCM granted a 51-year lease and in return received a lease premium of £15.6 million, which will be amortised over the period of the lease; the lease will be returned to the RCM after 51 years on payment of a nominal fee (£1). CLV put together a 51 year program, which incorporated construction followed by a 50-year operating program. The build cost of PCV was £24.1 million and, in order, to fund construction and provide the RCM lease premium, CLV contracted with M&G for an income strip, which will be repaid over 51 years. If CLV default on the repayments, there is no liability on the RCM to repay this debt to M&G. Each year the RCM will nominate bedrooms for students in the range of zero to 417 and the only liability which could fall on the RCM is any rental shortfall on its nominated rooms in each year. Because, in this arrangement there are no payments which meet the definition of 'minimum lease payments' therefore no amount has been included on the balance sheet. As such the RCM has treated this as a property transaction, whereby the RCM has disposed of a building and entered into a series of lease transactions part of the consideration for which is preferential nomination rights. The value of these rights cannot be measured reliably and so they are held at nil value in the balance sheet.

Musical instruments

Musical instruments were valued at estimated current cost for assets in their condition at 31 July 1998 or at cost for later additions or at valuation for donated instruments. Differences on valuation were credited to a revaluation reserve and are being released over each instrument's estimated remaining life, with assets depreciated over 10 to 20 years. Musical instruments costing less than £5,000 per individual item are written off to the income and expenditure account in the year of acquisition at cost.

Furniture and equipment

Furniture and equipment, including computers and software, costing less than £5,000 is recognised as expenditure in the year of acquisition at cost. All other equipment of £5,000 or more is capitalised at cost. Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each balance sheet. Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

General equipment, furniture and fittings	5 years
Computer and recording equipment	4 years

Investments

Non-current asset investments are held on the balance sheet at fair value. Investments in associates and subsidiaries are carried at cost less impairment in the RCM's financial statements. Current asset investments are held at fair value with movements recognised in the surplus or deficit for the year.

Financial assets

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

11. Finance costs and financial liabilities

Finance costs are charged to comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

12. Heritage assets

Heritage assets consist of reference material in the RCM library, the Museum of Music, portraits, performance archives and other works of art of significant historical interest to musicians. Heritage assets are not depreciated as their long economic life and high residual value mean, depreciation will not be material. Heritage assets valued at £5,000 and more are included where practicable in the financial statements.

The RCM library holds collections of printed and manuscript music, books, letters and other archival collections. No valuation has been obtained for the collection as a whole, or individual items, for reasons of cost and practicality. Assets acquired before August 2009 have not been valued due to their scale and uniqueness; also valuation costs exceed the benefit derived to the users of the financial statements. Assets donated or purchased with a value of more than £2,000 since 1 August 2009 until 31 July 2014 are included in the financial statements where values have been reasonably obtainable. From 1 August 2014, assets donated or purchased with a value of

£5,000 or more are capitalised. Preservation and management is explained in the Library Collection Development Policy, with policies for selection, donations, retention and disposal of heritage assets. The policy precludes disposal of any item unless it is a duplicate. Costs of preservation are funded from various sources including grants, donations and RCM funds.

The RCM museum collection comprises around 1,000 items, most of which are instruments or parts of instruments. The collection also includes archival material. A financial valuation took place in 2010/11 and most of the collection was viewed by experts from Sotheby's and Bonham's and instruments valued at £4.4 million were added to the balance sheet in the 2010/11 financial statements.

The Portraits and Performance History Collection (PPHC) is a collection of photographs, art, printed items and manuscripts dating from c1620 to present day and is available for viewing to members of the RCM, visiting researchers and members of the public. Portraits and other works of art are stated at valuation in the financial statements and are not depreciated. There is no reason to believe that there has been any impairment in the value of these assets. A majority of these works were donated to the RCM, though occasional purchases have been made over the years. No overall valuation was made of the collection, though many works of art were valued in 2005 and are included in the financial statements. Given the importance, size and uniqueness of the collection, it is not practicable to undertake valuations for the remaining collections acquired prior to August 2009, as costs will outweigh the benefits to the readers of the financial statements. The PPHC continues to accept donations and make purchases if materials complement and enhance existing holdings and can be accommodated in appropriate conditions. The RCM has adopted the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items of its collections.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material. There is a Museum Acquisitions and Disposals Policy, including instructions for selection, donations, retention and disposal of assets and the RCM has adopted the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items in the museum collection. The museum is accredited with the Museums, Libraries and Archives Council and adheres to national standards of care and access, including a specific budget for conservation which is applied to the upkeep of playable instruments and cleaning and care of the whole collection.

13. Cash and cash equivalents

Cash includes cash in hand, deposits and overdrafts. Cash equivalents are short term, highly liquid investments (deposits of 3 months or less) that are readily convertible to known amounts of cash with insignificant risk of change in value.

14. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when: the College has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

15. Accounting for associates

An entity is treated as an associated undertaking where the group exercises significant influence over its operating and financial policy decisions. In the group accounts, interests in associated undertakings are accounted for using the equity method of accounting. The consolidated income and expenditure account includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings. In the consolidated balance sheet the interest in associated undertakings are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition. The RCM's fully owned subsidiary RCM Business Enterprises Limited holds a 20% holding in CLV (RCM) LLP and this interest is accounted for using the equity method in the consolidated accounts.

16. Taxation

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

17. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which are held as a permanently restricted fund which the RCM must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and the RCM is restricted in the use of these funds.

Consolidated and RCM statement of comprehensive income

Year ended 31 July 2016

	Note	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £	RCM £	Consolidated £	RCM £
Income					
Tuition fees	1	11,397,923	11,397,923	11,102,839	11,102,839
Funding body grants	2	4,012,958	4,012,958	3,784,640	3,784,640
Research grants and contracts	3	699,813	699,813	385,339	385,339
Other	4	2,154,132	2,154,132	2,288,041	2,288,041
Investment income	5	1,585,976	1,585,976	1,704,510	1,704,510
Total income before endowments and donations		19,850,802	19,850,802	19,265,369	19,265,369
Donations and endowments	6	4,296,643	4,296,643	4,554,943	4,554,943
Total income		24,147,445	24,147,445	23,820,312	23,820,312
Expenditure					
Staff	7	12,605,901	12,605,901	12,468,172	12,468,172
Other operating expenses	8	7,662,290	7,661,955	7,932,811	7,932,186
Depreciation	10	1,316,082	1,316,082	1,264,095	1,264,095
Interest and other finance	9	229,691	229,691	225,568	225,568
Total expenditure		21,813,964	21,813,629	21,890,646	21,890,021
Surplus before other gains losses and share of operating surplus of associates		2,333,481	2,333,816	1,929,666	1,930,291
Gain on disposal of tangible fixed assets		7,116	7,116	14,925	14,925
Gain on disposal of investments		1,777,699	1,777,699	321,371	321,371
Change in fair value of investments		2,025,161	2,025,161	995,150	995,150
Share of operating surplus in associate	19	186,200	-	-	-
Surplus for the year		6,329,657	6,143,792	3,261,112	3,261,737
Actuarial loss in respect of pension schemes	26	(1,150,000)	(1,150,000)	(520,000)	(520,000)
Total comprehensive income for the year		5,179,657	4,993,792	2,741,112	2,741,737
Represented by:					
Restricted endowment comprehensive income for the year		3,946,012	3,759,812	2,552,677	2,552,677
Restricted comprehensive income for the year	26	2,000	2,000	-	-
Unrestricted comprehensive income for the year		(269,725)	(269,390)	376,278	376,903
Revaluation reserve comprehensive income for the year		1,501,370	1,501,370	(187,843)	(187,843)
		5,179,657	4,993,792	2,741,112	2,741,737

The statement of comprehensive income is in respect of continuing activities.

The accounting policies and notes form part of these financial statements.

Consolidated and RCM statement of changes in reserves

Year ended 31 July 2016

	Income and expenditure account			Revaluation reserve	Total reserves
	Endowment	Restricted	Unrestricted		
	£	£	£	£	£
Consolidated					
Balance at 1 August 2014	29,874,182	557,452	22,933,582	12,892,813	66,258,029
Surplus from the income and expenditure statement	2,552,677	-	708,435	-	3,261,112
Other comprehensive income	-	-	(520,000)	-	(520,000)
Transfers between revaluation and income and expenditure reserve	-	-	187,843	(187,843)	-
Total comprehensive income for the year	2,552,677	-	376,278	(187,843)	2,741,112
Balance at 1 August 2015	32,426,859	557,452	23,309,860	12,704,970	68,999,141
Adjustment to scholarship reserves	(37,500)	-	-	-	(37,500)
Balance at 1 August 2015 - restated	32,389,359	557,452	23,309,860	12,704,970	68,961,641
Surplus from the income and expenditure statement	3,946,012	2,000	2,381,646	-	6,329,658
Other comprehensive income	-	-	(1,150,000)	-	(1,150,000)
Transfers between revaluation and income and expenditure reserve	-	-	(1,501,370)	1,501,370	-
Total comprehensive income for the year	3,946,012	2,000	(269,724)	1,501,370	5,179,658
Balance at 31 July 2016	36,335,371	559,452	23,040,136	14,206,340	74,141,299
Royal College of Music					
Balance at 1 August 2014	29,874,182	557,452	22,935,982	12,892,813	66,260,429
Surplus/(deficit) from the income and expenditure statement	2,552,677	-	709,060	-	3,261,737
Other comprehensive income	-	-	(520,000)	-	(520,000)
Transfers between revaluation and income and expenditure reserve	-	-	187,843	(187,843)	-
Total comprehensive income for the year	2,552,677	-	376,903	(187,843)	2,741,737
Balance at 1 August 2015	32,426,859	557,452	23,312,885	12,704,970	69,002,166
Adjustment to scholarship reserves	(37,500)	-	-	-	(37,500)
Balance at 1 August 2015 - restated	32,389,359	557,452	23,312,885	12,704,970	68,964,666
Surplus from the income and expenditure statement	3,759,812	2,000	2,381,981	-	6,143,793
Other comprehensive income	-	-	(1,150,000)	-	(1,150,000)
Transfers between revaluation and income and expenditure reserve	-	-	(1,501,370)	1,501,370	-
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	3,759,812	2,000	(269,390)	1,501,370	4,993,793
Balance at 31 July 2016	36,149,171	559,452	23,043,496	14,206,340	73,958,459

The accounting policies and notes form part of these financial statements.

Consolidated and RCM balance sheet
Year ended 31 July 2016

	Note	As at 31 July 2016		As at 31 July 2015	
		Consolidated £	RCM £	Consolidated £	RCM £
Non-current assets					
Fixed assets	10	23,710,864	23,710,864	20,597,544	20,597,544
Heritage assets	10,11	5,396,415	5,396,415	5,396,415	5,396,415
Investments	12	56,232,854	54,335,792	45,414,350	43,703,488
Investment in subsidiary company	13	-	1,710,862	-	1,710,862
		<u>85,340,133</u>	<u>85,153,933</u>	<u>71,408,309</u>	<u>71,408,309</u>
Current assets					
Trade and other receivables	14	4,488,336	4,498,236	4,259,296	4,269,296
Investments	15	4,000,000	4,000,000	7,000,000	7,000,000
Cash and cash equivalents		<u>16,104,893</u>	<u>16,098,353</u>	<u>19,057,973</u>	<u>19,050,998</u>
		24,593,229	24,596,589	30,317,269	30,320,294
Less: Creditors: amounts falling due within one year	16	(4,203,755)	(4,203,755)	(4,029,267)	(4,029,267)
Net current assets		20,389,474	20,392,834	26,288,002	26,291,027
Total assets less current liabilities		105,729,607	105,546,767	97,696,311	97,699,336
Creditors: amounts falling due after more than one year	17	(25,793,248)	(25,793,248)	(23,926,039)	(23,926,039)
Provisions					
Pension provisions	18	(5,795,060)	(5,795,060)	(4,771,131)	(4,771,131)
Total net assets		<u>74,141,299</u>	<u>73,958,459</u>	<u>68,999,141</u>	<u>69,002,166</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	19	36,335,371	36,149,171	32,426,859	32,426,859
Income and expenditure reserve - restricted reserve	20	559,452	559,452	557,452	557,452
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		23,040,136	23,043,496	23,309,860	23,312,885
Revaluation reserve	22	<u>14,206,340</u>	<u>14,206,340</u>	<u>12,704,970</u>	<u>12,704,970</u>
		74,141,299	73,958,459	68,999,141	69,002,166
Non-controlling interest		-	-	-	-
Total Reserves		<u>74,141,299</u>	<u>73,958,459</u>	<u>68,999,141</u>	<u>69,002,166</u>

The financial statements were approved and authorised for issue by the Governing Body on 24 November 2016 and were signed on its behalf on that date by:

Professor Colin Lawson, Director
 Professor Lord Winston, Chair of Council

The accounting policies and notes form part of these financial statements.

Two handwritten signatures in black ink. The signature on the left is 'Colin Lawson' and the signature on the right is 'Lord Winston'.

Consolidated cash flow

Year ended 31 July 2016

	Note	Year ended 31 July 2016	Year ended 31 July 2015
		£	£
Cash flow from operating activities			
Surplus for the year		5,179,657	2,741,112
Adjustment for non-cash items			
Depreciation	10	1,316,082	1,264,095
Gain on disposal of fixed asset investments		(1,777,699)	(321,371)
Gain on investments		(2,025,161)	(995,150)
Increase in debtors	14	(229,040)	(64,487)
Increase in creditors	16,17	2,660,117	1,338,740
Increase/(decrease) in pension provision	18	1,023,929	1,324,443
Receipt of donated equipment		(17,500)	(14,880)
Share of operating (surplus)/deficit in associate		(186,200)	-
Amortised lease income		(338,790)	(338,790)
Adjustment for investing or financing activities			
Investment income	5	(1,585,976)	(1,704,510)
Interest payable	9	96,914	225,568
Endowment income	6	(1,681,428)	(1,589,751)
Profit on the sale of fixed assets		(7,116)	(14,925)
Capital grant income		(121,342)	(121,224)
Net cash inflow from operating activities		2,306,447	1,728,870
Cash flows from investing activities			
Proceeds from sale of fixed assets		9,641	17,529
Capital grants receipts		91,193	121,884
Disposal of non-current asset investments		22,667,911	42,091,408
Withdrawal of deposits		3,000,000	-
Investment income	5	1,585,976	1,704,510
Payments made to acquire fixed assets		(4,414,427)	(2,879,996)
New non-current asset investments		(29,496,585)	(42,112,201)
New deposits		-	(3,000,000)
		(6,556,291)	(4,056,866)
Cash flows from financing activities			
Interest paid	9	(96,914)	(225,568)
Endowment cash received		1,643,928	1,589,751
New unsecured loans		-	262,500
Repayments of amounts borrowed		(250,250)	(162,750)
		1,296,764	1,463,933
Decrease in cash and cash equivalents in the year		(2,953,080)	(864,063)
Cash and cash equivalents at beginning of the year		19,057,973	19,922,036
Cash and cash equivalents at end of the year		16,104,893	19,057,973

The accounting policies and notes form part of these financial statements.

Notes to the accounts for the year ended 31 July 2016

	Note	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
1 Tuition fees					
Full-time UG home and EU		2,922,948	2,922,948	2,617,710	2,617,710
Full-time PG home and EU		2,008,667	2,008,667	2,171,478	2,171,478
Part-time home and EU		182,277	182,277	102,311	102,311
Non-EU		4,470,898	4,470,898	4,620,646	4,620,646
Other		1,813,133	1,813,133	1,590,694	1,590,694
		11,397,923	11,397,923	11,102,839	11,102,839
2 Funding body grants					
Recurrent grant					
Basic		3,101,961	3,101,961	3,203,456	3,203,456
Research		461,794	461,794	419,938	419,938
HEIF		302,872	302,872	-	-
Specific grants					
Staff related inherited liabilities		26,328	26,328	38,683	38,683
Collaborative outreach		(1,339)	(1,339)	1,339	1,339
Capital grants released in the year		121,342	121,342	121,224	121,224
		4,012,958	4,012,958	3,784,640	3,784,640
3 Research grants and contracts					
BIS research councils		386,597	386,597	251,802	251,802
UK-based charities		38,329	38,329	121,817	121,817
Government (UK and overseas)		224,920	224,920	10,502	10,502
Other		49,967	49,967	1,218	1,218
		699,813	699,813	385,339	385,339
4 Other income					
Residences, catering and conferences		564,435	564,435	577,815	577,815
Other capital grants		239,664	239,664	244,654	244,654
Other services rendered		345,629	345,629	333,949	333,949
Other income		1,004,404	1,004,404	1,131,623	1,131,623
		2,154,132	2,154,132	2,288,041	2,288,041
Other income includes £338,790 for the lease premium for Prince Consort Villiage during the year. This was the same as the previous year.					
5 Investment income					
Investment income on endowment assets - unrestricted		282,692	282,692	474,835	474,835
Investment income on endowment assets - restricted		1,101,489	1,101,489	1,019,129	1,019,129
Other interest receivable		201,795	201,795	210,546	210,546
		1,585,976	1,585,976	1,704,510	1,704,510
6 Donations and endowments					
New endowments with restrictions	19	1,681,428	1,681,428	1,589,751	1,589,751
Donations with restrictions		283,838	283,838	310,520	310,520
Unrestricted donations		2,331,377	2,331,377	2,654,672	2,654,672
		4,296,643	4,296,643	4,554,943	4,554,943

Unrestricted donations include £1.2M from ABRSM for 2015/16 (£1.2M 2014/15).

Notes to the accounts for the year ended 31 July 2016

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
7 Staff costs				
Salaries	10,540,394	10,540,394	9,748,231	9,748,231
Social security costs	804,881	804,881	646,988	646,988
Movement on USS provision	28,229	28,229	997,459	997,459
Other pension costs	1,232,397	1,232,397	1,075,494	1,075,494
	12,605,901	12,605,901	12,468,172	12,468,172
			Year ended 31	Year ended 31
			July 2016	July 2015
Emoluments of the Director			£	£
Salary			228,144	215,866
Benefits in kind			1,416	1,565
Pension contributions			-	-
			229,560	217,431
Emoluments of senior staff			Headcount	Headcount
£100,000 to £109,999			1	-
£120,000 to £129,999			-	2
£130,000 to £139,999			2	1
£210,000 to £219,999			-	1
£220,000 to £229,999			1	-
			4	4
Average staff numbers by major category :			FTE	FTE
Teaching departments			102	102
Teaching support services			55	48
Administration and central services			85	83
			242	233
Compensation for loss of office payable to a senior post-holder:			£	£
Compensation payable recorded within staff costs			-	89,701

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the RCM. This comprises members of Council and the Executive directors. There was no compensation, for loss of office, paid to key management personnel during the year.

The total remuneration of the RCM's seven Executive directors included in key management personnel was £834,560 for the year.

Council Members

RCM Council members are the trustees for charitable law purposes. Due to the nature of the RCM's operations and the composition of the Council, being drawn from local, public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest, included those listed below, are conducted in accordance with the RCM's financial regulations and procedures. Ex-officio and elected members of Council are RCM staff and as such are remunerated in their normal course of their duties. No other Council member has received any remuneration or waived payments during the year or the previous year.

During the year, the RCM received services, from Florilegium (chamber music ensemble) of £8,400. Professor Ashley Solomon is the Director of Florilegium and an elected member of the RCM Council and employed as the Head of Historical Performance at the RCM.

Notes to the accounts for the year ended 31 July 2016

	Note	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
8 Other operating expenses					
Academic and related expenditure		590,158	590,158	583,585	583,585
Research related expenditure		192,131	192,131	273,141	273,141
Catering operating expenses		434,871	434,871	430,156	430,156
Learning resources		456,016	456,016	406,947	406,947
Scholarship and bursaries		2,373,685	2,373,685	2,550,715	2,550,715
Grant to RCM Students' Union		33,744	33,744	30,537	30,537
Professional fees		529,716	529,716	388,034	388,034
Premises		1,389,077	1,389,077	1,681,160	1,681,160
Other expenses		1,662,892	1,662,557	1,588,536	1,587,911
		7,662,290	7,661,955	7,932,811	7,932,186
Other operating expenses include:					
External auditors' remuneration in respect of audit services		45,240	45,240	47,448	47,448
External auditors' remuneration in respect of non-audit services		6,804	6,804	6,832	6,832
Internal auditors' remuneration - internal audits		32,962	32,962	32,689	32,689
Operating lease rentals					
Land and buildings		1,005	1,005	1,005	1,005
Other		70,498	70,498	92,965	92,965
9 Interest and other finance costs					
Loan interest		96,914	96,914	104,958	104,958
Exchange differences		(27,923)	(27,923)	16,626	16,626
Net finance charge on pension schemes		160,700	160,700	103,984	103,984
		229,691	229,691	225,568	225,568

Net finance charge on pension schemes during 2015/16 includes £58,700 (£23,000) for the USS deficit provision and £102,000 (£81,000) for RCM Pension Scheme.

Notes to the accounts for the year ended 31 July 2016

10 Fixed Assets: consolidated and RCM Cost or valuation	Freehold land and buildings		Leasehold land and buildings		Musical Instruments		Furniture and equipment		Assets in the course of construction		Heritage assets		Total 2016		Total excluding heritage assets	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
At 1 August 2015	1,708,781	21,514,337	7,483,475	3,600,226	1,322,246	5,396,415	41,025,480	35,629,065								
Additions	-	874,253	344,357	239,882	2,973,435	-	4,431,927	4,431,927								
Disposals	-	-	(35,848)	-	-	-	(35,848)	(35,848)								
At 31 July 2016	1,708,781	22,388,590	7,791,984	3,840,108	4,295,681	5,396,415	45,421,559	40,025,144								
Depreciation																
At 1 August 2015	65,999	7,034,197	4,976,025	2,955,300	-	-	15,031,521	15,031,521								
Charge for the year	2,847	696,086	358,310	258,839	-	-	1,316,082	1,316,082								
Disposals	-	-	(33,323)	-	-	-	(33,323)	(33,323)								
At 31 July 2016	68,846	7,730,283	5,301,012	3,214,139	-	-	16,314,280	16,314,280								
Net book value																
At 31 July 2016	1,639,935	14,658,307	2,490,972	625,969	4,295,681	5,396,415	29,107,279	23,710,864								
At 1 August 2015	1,642,782	14,480,140	2,507,450	644,926	1,322,246	5,396,415	25,993,959	20,597,544								

Notes to the accounts for the year ended 31 July 2016

	2016	2015	2014	2013	2012
	£	£	£	£	£
11 Heritage assets: consolidated and RCM					
Purchases					
Books and manuscripts	-	-	-	-	-
Busts and portraits	-	-	-	3000	-
Instruments	-	-	10000	-	-
Donations					
Instruments	-	14880	53585	-	347200
Total acquisitions capitalised	-	14,880	63,585	3,000	347,200

This table shows the analysis of acquisitions for the current and previous four years.

A financial valuation took place in 2010/11 and most of the collection was examined by experts from Sotheby's and Bonhams and instruments valued at £4.4 million were added to the balance sheet in the 2010/11 accounts.

After 2010/11 heritage assets were brought onto the balance sheet as at the date of receipt and the valuation may be undertaken by an external or internal expert depending on the type of asset.

Notes to the accounts for the year ended 31 July 2016

	Share of profits of associated undertakings	Loan to associate	Other fixed assets investments	Total
	£	£	£	£
12 Non-current investments: consolidated				
At 1 August 2015	-	1,710,862	43,703,488	45,414,350
Acquisition of shares - less movement in cash held by fund managers	186,200	-	29,496,585	29,682,785
Cost of disposals	-	-	(20,889,442)	(20,889,442)
Change in market value	-	-	2,025,161	2,025,161
At 31 July 2016	186,200	1,710,862	54,335,792	56,232,854
Non-current investments: RCM				
At 1 August 2015			£ 43,703,488	£ 43,703,488
Acquisition of shares - less movement in cash held by fund managers			10,632,304	10,632,304
Cost of disposals			-	-
Change in market value			-	-
At 31 July 2016			54,335,792	54,335,792
Non-current investments: consolidated and RCM				
Funds managed by Newton Investment Management Limited:				
Fixed interest stocks (listed)	-	-	10,553,819	10,553,819
Equities (listed) and unit trusts	-	-	40,079,005	40,079,005
Cash held by investment managers	-	-	1,356,696	1,356,696
Fund held by Charities Aid Foundation	-	-	71,272	71,272
ABRSM	-	-	2,275,000	2,275,000
Share of net assets in associated company	186,200	-	-	186,200
Investment in RCM Business Enterprises Limited	-	1,710,862	-	1,710,862
	186,200	1,710,862	54,335,792	56,232,854

Other fixed assets investments are shown at market value as at 31 July 2016.

Connected charitable institution

	Opening balance	Income	Expenditure	Change in market value	Closing balance
	£	£	£	£	£
Not consolidated					
ABRSM	(1,865,500)	11,034,500	10,789,750	1,142	(479,250)

The RCM has a 25% interest in the Associated Board of the Royal Schools of Music (ABRSM), which is carried at cost. The ABRSM is a registered charity (number 292182) and a company limited by guarantee (registered number 1926395) established by four royal schools of music for the benefit of music education. The ABRSM has no share capital and the liability of the members in the event of winding up is limited to £1 per member. In the event of winding up, the ABRSM's constitution requires its governing body to consider, in the first instance, transfer of surplus assets to another body that is equipped to carry on the work of ABRSM.

The share of net assets in associated company represents the RCM's 20% share in net assets of CLV (RCM) LLP which when distributed will be used to fund scholarships and awards.

13 Investment in associates

RCM has a 100% holding in RCM Business Enterprises Limited which holds a 20% share in the CLV (RCM) LLP which operates student accommodation in Ravenscourt Park (Prince Consort Village). Funds to purchase the 20% stake in CLV (RCM) LLP came from the RCM's restricted permanent endowments and all funds generated from the RCM BEL's 20% holding will be used to provide scholarships, prizes, fellowships and other related student support, to RCM students. Prince Consort Village opened in March 2016 and no distribution was made in 2015/16. It is expected that the first distribution will be in 2016/17.

Notes to the accounts for the year ended 31 July 2016

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£.
14 Trade and other receivables				
Amounts falling due within one year:				
Research grants receivables	-	-	5,797	5,797
Other trade receivables	131,163	131,063	161,432	161,432
Other receivables	100,049	100,049	91,601	91,601
Prepayments and accrued income	3,757,124	3,757,124	500,466	500,466
Amounts due from subsidiary companies	-	10,000	-	10,000
Amounts due from associate companies	-	-	3,000,000	3,000,000
Amount due from ABRSM	500,000	500,000	500,000	500,000
	<u>4,488,336</u>	<u>4,498,236</u>	<u>4,259,296</u>	<u>4,269,296</u>

Prepayments and accrued income includes the deposit of £3 million for the leasehold purchase of Marvoka House.

15 Current investments				
Short term deposits	4,000,000	4,000,000	7,000,000	7,000,000
	<u>4,000,000</u>	<u>4,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£.
16 Creditors : amounts falling due within one year				
Unsecured loans	250,250	250,250	250,250	250,250
Trade payables	691,979	691,979	632,177	632,177
Social security and other taxation payable	344,262	344,262	286,426	286,426
Accruals and deferred income	2,917,264	2,917,264	2,860,414	2,860,414
	<u>4,203,755</u>	<u>4,203,755</u>	<u>4,029,267</u>	<u>4,029,267</u>

Accruals and deferred income

Includes income which have been deferred until specific performance related conditions have been met, as follows.

Donations	302,270	302,270	51,758	51,758
Research grants received on account	519,279	519,279	168,186	168,186
	<u>821,549</u>	<u>821,549</u>	<u>219,944</u>	<u>219,944</u>

Notes to the accounts for the year ended 31 July 2016

	Note	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £	RCM £	Consolidated £	RCM £
17 Creditors : amounts falling due after more than one year					
Deferred income		24,200,310	24,200,310	22,082,851	22,082,851
Unsecured loans		1,592,938	1,592,938	1,843,188	1,843,188
		<u>25,793,248</u>	<u>25,793,248</u>	<u>23,926,039</u>	<u>23,926,039</u>

Funds raised for the Courtyard redevelopment are treated as deferred capital grants and shown above in deferred income 2016, £4.5 million (2015, £1.8 million)

Analysis of secured and unsecured loans:

	Note	2016 £	2016 RCM £	2015 £	2015 RCM £
Due within one year or on demand	16	250,250	250,250	250,250	250,250
Due between one and two years		162,750	162,750	250,250	250,250
Due between two and five years		488,250	488,250	575,750	575,750
Due in five years or more		941,938	941,938	1,017,188	1,017,188
Due after more than one year		<u>1,592,938</u>	<u>1,592,938</u>	<u>1,843,188</u>	<u>1,843,188</u>
Total secured and unsecured loans		<u>1,843,188</u>	<u>1,843,188</u>	<u>2,093,438</u>	<u>2,093,438</u>
Unsecured loans repayable by 2026		1,843,188	1,843,188	2,093,438	2,093,438
		<u>1,843,188</u>	<u>1,843,188</u>	<u>2,093,438</u>	<u>2,093,438</u>

	Amount £	Term	Interest rate %	Borrower
Included in unsecured loans				
Royal Bank of Scotland	1,668,188	2026	5.30	RCM
HEFCE	175,000	2018	0.00	RCM
Total	<u>1,843,188</u>			

	Obligation to fund deficit on USS pension	Defined benefit obligations (Note 35)	Total pensions* provisions
18 Provisions for liabilities			
Consolidated and RCM	£	£	£
At 1 August 2015	(1,677,131)	(3,094,000)	(4,771,131)
Utilised in year	-	-	0
Additions in 2015/16	(86,929)	(937,000)	(1,023,929)
Unused amounts reversed in 2015/16	-	-	0
At 31 July 2016	<u>(1,764,060)</u>	<u>(4,031,000)</u>	<u>(5,795,060)</u>

Pension enhancement

Assumptions for calculating the provision for pension enhancements on termination under FRS 102, are:

	Consolidated
Discount rate	3.50
Salary inflation	<u>3.00</u>

USS deficit

The obligation to fund the past deficit on the Universities' Superannuation Scheme (USS) arises from a contractual obligation with the scheme for total payments relating to benefits arising from past performance. In calculating the value of the USS provision the RCM management has used salary costs (adjusted for salary and headcount changes), the current funding rate and applied a discount rate to estimate the present value.

Notes to the accounts for the year ended 31 July 2016

	Restricted expendable endowments	Restricted permanent endowments	2016 Total	2015 Total
	£	£	£	£
19 Endowment Reserves: consolidated and RCM				
Capital	73,575	28,061,468	28,135,043	25,678,870
Accumulated income	-	4,291,816	4,291,816	-
Accumulated income - transfer from revenue to New endowment	-	(37,500)	(37,500)	4,195,312
Balance at start of the year	73,575	32,315,784	32,389,359	29,874,182
New endowments	-	1,681,428	1,681,428	1,589,751
Investment income	1,089,730	1,133,303	2,223,033	2,470,824
Expenditure	(1,087,126)	(1,363,110)	(2,450,236)	(2,374,320)
Increase in market value of investments	-	2,305,587	2,305,587	866,422
Total endowment comprehensive income for the year	2,604	3,757,208	3,759,812	2,552,677
Balance at the end of the year	76,179	36,072,992	36,149,171	32,426,859
Share of net assets in associated company		186,200	186,200	-
	76,179	36,259,192	36,335,371	32,426,859
Represented by:				
Capital	76,179	32,048,483	32,124,662	28,135,043
Accumulated income	-	4,024,509	4,024,509	4,291,816
Share of net assets in associated company	-	186,200	186,200	-
	76,179	36,259,192	36,335,371	32,426,859
Analysis by type of purpose:				
Scholarships	-	33,210,911	33,210,911	29,640,413
Prizes	71,198	1,236,438	1,307,636	1,234,995
Junior fellowships	-	1,124,956	1,124,956	1,060,293
Instrument loans	-	210,002	210,002	197,931
Other	4,981	476,885	481,866	293,227
	76,179	36,259,192	36,335,371	32,426,859
Analysis by asset type:				
Investments	-	34,751,765	34,751,765	31,701,443
Share of net assets in associated company	-	186,200	186,200	-
Cash	76,179	1,321,227	1,397,406	725,416
	76,179	36,259,192	36,335,371	32,426,859

The purpose of the RCM endowment funds is to provide a source of income for scholarships (in 2015/16 c50% of the student body were in receipt of scholarship awards), prizes (a series of coveted RCM prizes awarded in a range of musical competitions), junior fellowships (awards offered competitively to aspiring, experienced musicians to enable them to gain experience, confidence and connections of the kind that help them to establish themselves professionally) and other awards.

Notes to the accounts for the year ended 31 July 2016

	Donations	2016	2015
	£	Total £	Total £
20 Restricted Reserves: Consolidated and RCM			
Balance at 1 August 2015	557,452	557,452	557,452
New donations	2,000	2,000	-
Total restricted comprehensive income for the year	2,000	2,000	-
At 31 July 2016	559,452	559,452	557,452
Analysis of other restricted funds /donations by type of purpose			
Scholarships		547,352	547,352
Other		12,100	12,100
		559,452	559,452

These reserves are all held as cash and cash equivalents.

	31 July 2016		31 July 2015	
	Consolidated £	RCM £	Consolidated £	RCM £
21 Capital and other commitments				
Commitments contracted for	15,204,290	15,204,290	1,815,809	1,815,809
Commitments not yet contracted for but approved by Council:				
Courtyard building development	31,282,175	31,282,175	23,677,754	23,677,754
	46,486,465	46,486,465	25,493,563	25,493,563

Provision has not been made for the capital commitments shown above at 31 July 2016

	Tangible assets	Heritage assets	Investments	Total
	£	£	£	£
Balance at 1 August 2015	4,811,401	4,926,000	2,967,569	12,704,970
Released on disposal of assets	-	-	(1,700,941)	(1,700,941)
Transferred to income and expenditure reserve	(317,042)	-	-	(317,042)
Unrealised loss on investments	-	-	3,519,353	3,519,353
Balance at 31 July 2016	4,494,359	4,926,000	4,785,981	14,206,340

	31 July 2016			31 July 2015
	Land and Buildings £	Other leases £	Total £	Total £
23 Lease obligations				
Consolidated and RCM				
Total rentals payable under operating leases:				
Paid during the year	1,005	70,498	71,503	64,005
Future minimum lease payments due				
Not later than 1 year	1,005	63,000	64,005	64,005
Later than 1 year and not later than 5 years	4,020	-	4,020	4,020
Later than 5 years	876,360	-	876,360	877,365
Total lease payments due	881,385	63,000	944,385	945,390

24 Related party transactions

During the year, the RCM received services from Florilegium (chamber music ensemble) of £8,400. Professor Ashley Solomon is the Director of Florilegium and an elected member of the RCM Council and employed as the Head of Historical Performance at the RCM.

There were no other related party transactions during the year, other than normal transactions with the Associated Board of the Royal Schools of Music and reimbursement of travel and subsistence incurred by members of Council in the course of their duties.

25 Subsidiary undertakings

RCM Business Enterprises Limited is a subsidiary company (which is registered in England & Wales), wholly-owned or effectively controlled by the RCM. RCM Business Enterprises Limited is exempt from the requirements to audit individual accounts by virtue of the companies act 2006 s.479A.

Notes to the accounts for the year ended 31 July 2016

26 Pension Schemes

Pension schemes and assumptions

The RCM has employees participating in the Teachers' Pension Scheme (TPS), Universities Superannuation Scheme Limited (USS) and RCM Pension and Assurance Scheme (RCMP&AS); the RCM also offers membership to the National Employment Savings Trust for employees who are not eligible to join USS or TPS. In 2015/16 total employer's and employees' pension contributions were £2.2 million.

Under the definitions set out in FRS 102 section 28 "employee benefits", both USS and TPS are multi-employer defined benefit pension schemes. The USS have provided members with a standard methodology for calculating their share of the agreed funding deficit plan and we have used this methodology to account for these liabilities in line with FRS 102. The RCM is unable to identify its share of the underlying assets and liabilities of TPS and we have accounted for contributions to this scheme as though it is a defined contribution scheme.

	TPS	USS	RCMP&AS
Assumptions used to determine contribution levels			
Investment returns per annum	5.06%	5.20%*	5.5% to 5.7%
Salary increase per annum	4.75%	CPI**	3.2%
Pension increase per annum	2.00%	CPI	2.9% to 3.2%
Market value of assets at date of last valuation	£177 billion	£41.6 billion	£7.4 million
Scheme liabilities	£192 billion	£46.9 billion	£9.3 million
Shortfall	£15 billion	£5.3 billion	£1.9 million
Scheme specific funding level	98%	89%	80%
Date of last actuarial valuation	31-Mar-04	31-Mar-14	31-Jul-13
Date of next actuarial valuation	31-Mar-16	31-Mar-17	31-Jul-16
Employer's and employees' pension contribution rates			
Employer's contribution rate	14.1%	16%***	not applicable
Employees' contribution rate	7.4% to 11.7%	6.5% to 7.5%****	not applicable

* 5.2% in year 1 (1st April 2014) decreasing to linearly to 4.7% p.a. over 20 years

** CPI in year 1 (1st April 2014), CPI plus 1% in year 2, thereafter RPI plus 1%

*** Employers contribution rate will rise to 18% from 1st April 2016

**** Employee contribution rate will rise to 8% from 1st April 2016

	Employer's £000s	Employees' £000s	2016 Total £000s	2015 Total £000s
RCM pension contributions				
Teachers' Pension Scheme	513	288	801	739
Universities Superannuation Scheme	720	336	1056	910
RCM Pension & Assurance Scheme	323	-	323	323
National Employment Savings Trust	10	14	24	24
	1,566	638	2,204	1,996

Universities Superannuation Scheme

The RCM participates in the USS, a contributory, defined benefit scheme, which is valued every three years by professionally qualified independent actuaries using the projected unit method. Membership is automatic for support staff, although, members may choose to opt out of the scheme. Contribution rates are determined by the trustees on advice of the actuaries. The most recent actuarial valuation was at 31 March 2014, which was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of scheme assets was £41.6 billion and the value of the technical provisions was £46.9 billion giving a shortfall of £5.3 billion. Therefore the assets were sufficient to cover 89% of benefits which had accrued to members after allowing for expected future increases in earnings. The USS undertake interim valuations each year and at 31 March 2016 the value of scheme assets was £49.8 billion (£49.1bn, at 31 March 2015); liabilities £58.3 billion (£60.2bn); a funding shortfall of £8.5 billion (£11.1bn); giving a total funding level of 85% (82%).

Key assumptions are shown in the table above and in addition to those assumptions, USS assume a life expectancy for: a 65 year old male at 89.3 years; a 65 year old female at 91.5 years; a 45 year old male at 91.4 years; and a 45 year old female at 93.8 years.

In order to clear the deficit USS implemented a recovery plan which led to changes to member benefits and also to employer's and employees' contributions with effect from April 2016. From that date employer contributions increased from 16% to 18% and the employee contributions to 8%. The scheme now offers career re-valued benefits to all employees up to a salary threshold of £55,000 pa, with a defined contribution scheme available to all members and specifically for those with salary above the £55,000 pa threshold.

The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. Therefore, the RCM is exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Therefore, as required by section 28 of FRS 102 "employee benefits", RCM accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the statement of comprehensive income and expenditure represents the contributions payable to the scheme in respect of the accounting period. Since the RCM has entered into an agreement (the USS Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the RCM recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense.

FRS 102 distinguishes between a group plan and a multi-employer scheme. A group plan is a collection of entities under common control, typically, with a sponsoring employer. A multi-employer scheme is for entities not under common control and represents, typically, an industry-wide scheme such as that provided by USS. Accounting for a multi-employer scheme, where the employer has entered into an agreement with the scheme determines how the employer will fund a deficit and results in recognition of a liability for contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in that employers' surplus or deficit. The RCM is satisfied that the scheme provided by the USS meets the definition of a multi-employer scheme and has recognised the discounted fair value of contractual contributions under the funding plan in existence at the date of approving the financial statements. In calculating the value of the USS provision, along with all the associated accounting entries, the RCM has used the standard model provided to institutions by USS and we have incorporated the following assumptions in this model.

Assumptions provided by USS

• recovery period	1 August 2016 to 31 March 2031
• deficit contribution rate	2.2% to 31 March 2017; 2.1% thereafter
• employer contribution rate	18%

Assumptions made by RCM

• salary inflation	3.0% (cost of living and actuarial drift)
• staff turnover	4.0%
• discount rate	3.5% (high quality corporate bond)

Surpluses or deficits which arise at future valuations may impact on the RCM's future contribution commitment. A deficit may require higher contribution requirements, whereas a surplus could, perhaps, be used to reduce contribution requirements. USS is a 'last man standing' scheme and in the event of insolvency of any participating employer, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

Teachers' Pension Scheme

The TPS is a statutory, contributory, unfunded, defined benefit scheme, operating under the Teachers' Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972, with a notional asset value ascribed to the scheme in order to determine contribution rates.

The Government Actuary carries out formal actuarial reviews of TPS to ascertain the level of future contributions. The last review was carried out as at 31 March 2012 and at the date of this review the scheme had a funding shortfall of £15 billion and a recovery plan to pay off this shortfall was adopted. Key assumptions are shown in the table above, other assumptions include a real rate of return on investments of 3% and a real rate of salary growth of 2.75% above CPI.

Employee contributions are based on tiered contribution rates dependent on salary bandings based on a full-time equivalent and the contribution rates as at 31 July 2016 ranged from 7.4% to 11.7%. As part of the recovery plan employer contributions increased from 14.1% to 16.48% in September 2015.

National Employment Savings Trust (NEST)

The government set up NEST as a scheme that employers can use to meet their pension auto enrolment duties. This is a defined contribution scheme and is provided by the RCM for those staff who are not eligible to join TPS or USS. Currently employers contributions are 3% with employees at 5%.

RCM Pension & Assurance Scheme

The RCMP&AS is a closed scheme with 56 pensioners and 111 deferred members of whom 20 are current RCM employees. The Scheme is valued every three years by professionally qualified independent actuaries using the projected unit method. The most recent actuarial valuation was at 1 August 2013. In the intervening years, the actuary reviews progress of the Scheme. At 1 August 2013 the scheme had a funding shortfall of £1.9 million and the RCM Council agreed a recovery plan to pay off the shortfall over five years, with a contribution of £322,800 pa until May 2020. The actuary estimated that the deficit at 1 August 2016 was £X.X million. The RCM accounts for the RCMP&AS in accordance with FRS 102 section 28.

The last formal triennial actuarial valuation of the scheme was performed as at 1 August 2013 by a professionally qualified actuary.

Assumptions

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

	At 31 July 2016 %pa	At 31 July 2015 %pa
Price Inflation (RPI)	2.7	3.1
Price Inflation (CPI)	1.9	2.3
Rate of increase in salaries	3.7	4.1
Rate of increase of pensions in payment for members in relation to post April 1997 service	2.7	3.1
Increases to deferred pensions before retirement	1.9	2.3
Discount rate	2.3	3.5

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.

	Current age 65 Male	Current age 65 Female	Current age 45 Male	Current age 45 Female
At 31 July 2015	87.6	90.0	89.9	92.3
At 31 July 2016	87.7	90.1	90.0	92.4

Scheme assets and expected rate of return

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

	Fair value as at	
	31 July 2016 £000s	31 July 2015 £000s
Scheme assets		
Equities	3,241	2,729
Government bonds	3,665	2,915
Corporate bonds	2,736	2,431
Property	-	-
Cash	480	878
Total	10,122	8,954
Weighted average expected long-term rates of return	2.3%	3.5%

	Year Ended 31 July 2016 £000s	Year Ended 31 July 2015 £000s
Analysis of the amount shown in the balance sheet:		
Scheme assets	10,122	8,954
Scheme liabilities	(14,153)	(12,048)
Scheme deficit: net pension liability shown in pension provisions	<u>(4,031)</u>	<u>(3,094)</u>
Current service cost	(8)	(10)
Past service costs	(18)	(45)
Total operating charge	<u>(26)</u>	<u>(55)</u>
Analysis of the amount charged to interest payable/credited to other finance income		
Interest cost	(416)	(434)
Expected return on assets	314	327
Net charge to other finance income	<u>(102)</u>	<u>(107)</u>
Analysis of other comprehensive income		
Gain on assets	1,991	1,108
Experience loss on liabilities	(841)	(588)
Total other comprehensive income before deduction for tax	<u>1,150</u>	<u>520</u>
	31 July 2016 £000s	31 July 2015 £000s
Analysis of movement in the present value of liability		
Present value of liabilities at the start of the year	12,048	10,724
Past service cost recorded within other Comprehensive Income	18	45
Interest cost	416	434
Actuarial loss	1,991	1,108
Actual benefit payments	(320)	(263)
Present value liabilities at the end of the year	<u>14,153</u>	<u>12,048</u>
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	8,954	7,934
Expected return on assets	314	327
Actuarial gain on assets	841	588
Actual contributions paid by University	341	378
Administration expenses	(8)	(10)
Actual benefit payments	(320)	(263)
Fair value of scheme assets at the end of the year	<u>10,122</u>	<u>8,954</u>
Actual return on Scheme assets	<u>1,155</u>	<u>915</u>

Notes to the accounts for the year ended 31 July 2016

27 Change in accounting policies for transition to FRS102 and the 2015 SORP

These are the first financial statements prepared, by the RCM, in accordance with Financial Reporting Standards (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015. The accounting policies are laid out in the statement of principal accounting policies and have been applied in preparing: the financial statements for the year ended 31 July 2016; the comparative information for the year ended 31 July 2015; and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102 and SORP based statement of financial position, the College has adjusted amounts reported previously in financial statements, prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the College's financial position, financial performance and cash flows is set out in the following tables.

	01 August 2014		31 July 2015	
	Consolidated £	RCM £	Consolidated £	RCM £
Financial position				
Total endowments and reserves as originally reported	67,110,414	67,112,814	70,766,875	70,769,900
USS pension provision	(656,688)	(656,688)	(1,677,131)	(1,677,131)
Removal of general bad debt provision	14,486	14,486	12,959	12,959
Employee leave accrual	(210,183)	(210,183)	(103,562)	(103,562)
Total effect of transition to FRS 102	(852,385)	(852,385)	(1,767,734)	(1,767,734)
Total reserves as restated	66,258,029	66,260,429	68,999,141	69,002,166

	Year ended 31 July 2015	
	Consolidated £	RCM £
Financial performance		
Surplus for the year as originally reported	1,199,685	1,200,310
USS pension provision	(1,020,443)	(1,020,443)
Removal of general bad debt provision	(1,527)	(1,527)
Employee leave accrual	106,621	106,621
Investments gains	1,316,521	1,316,521
RCM pension increase in net interest expense	(26,000)	(26,000)
Net transfer on endowments	96,504	96,504
Endowments	1,589,751	1,589,751
Total effect of transition to FRS 102	2,061,427	2,061,427
Surplus for the year	3,261,112	3,261,737

Cash Flows

The only impact of the transition to FRS 102 on the RCM's cash flows is the reclassification of some short term investments to cash and cash equivalents.

FRS102 adjustments:

USS pension provision

The USS pension scheme is a multi-employer scheme. Under FRS102, the College's liability under an agreed deficit recovery plan is recognised on the balance sheet with interest costs from the discount rate unwinding and the release of provision as payments are allocated to deficit reduction included in the statement of comprehensive income.

RCM pension scheme

FRS 102 requires the recognition in profit or loss of a net interest cost (or income) on defined benefit pension schemes. This is calculated by multiplying the net pension liability (or asset) by the market yields on high-quality corporate bonds. The effect of this, when compared to previous UK GAAP, has been to reduce reported profits for the year ended 31 July 2015, because previous UK GAAP led to the recognition of finance income calculated by reference to the expected returns on the pension plan's specific assets, be they equities, properties or bonds. The change has had no effect on reported equity as the measurement of the net defined pension scheme liability (or asset) has not changed.

Removal of general bad debt provision

Debtor balances can no longer be provided against based on expectation. Under FRS 102 there must be objective evidence of impairment of the debtor balance. The effect on the 1 August 2014 balance sheet is a £14,486 decrease in the bad debt provision. For the year ended 31 July 2015 the bad debt provision has decreased by £12,959.

Employee leave accrual

As a result of the requirement to accrue for holiday that was earned but not taken at the date of the statement of financial position, there is an adjustment to reserves of £210,183 at the transition date and a charge of £103,562 to the income statement for the year ended 31 July 2015, recognising the increase in the holiday pay accrual over the year.