

RCM Annual Review and Financial Statements

2011/12



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President

His Royal Highness The Prince of Wales KG KT GCB OM AK QSO PC ADC

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Mr Ian Stoutzker CBE FRCM (Appointed 1999)

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Mr John Nickson (Appointed March 2012)

Mrs Victoria Sharp

Ms Alethea Siow

Mr Rhoderick Voremberg

Ex-officio or elected

Professor Colin Lawson FRCM (Director)

Professor Vanessa Latache FRCM (Professor)

Mr William Mival FRCM (Professor)

Mr David Harpham HonRCM (Administrative staff)

Mr Charles Bradley (Students' Association: July 2010)

Clerk to the Council

Mr Kevin Porter HonRCM (Deputy Director)

Finance and General Purposes Committee

Professor Lord Winston
Mrs Jane Barker
Lord Black of Brentwood
Professor Colin Lawson (ex officio)
Mr Nicholas Ward
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Royal College of Music Annual Review and Financial Statements 2011/12

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Chairman's message

Despite continuing uncertainties in the higher education funding environment, this has been a focused, productive and successful year in which the RCM has taken a leading role as advocate and lobbyist for the sector. Information meetings were held at the RCM with Universities Minister the Right Honourable David Willetts MP and other Conservatoire UK principals which proved very useful, and I am confident that the visibility of conservatoires has now increased radically within political circles. The RCM hosted the HEFCE Annual Conference on April 18 and received a great deal of positive feedback. Giving the keynote speech, David Willetts was fulsome in his praise of the RCM, whilst emphasising the importance of conservatoires in general:




'I'm delighted that HEFCE has chosen this wonderful venue for its annual conference. This great college has trained, amongst others, Gustav Holst, Ralph Vaughan Williams, Benjamin Britten and Joan Sutherland. Today, students from more than fifty countries have passed the sternest test of musicianship in order to develop their exceptional talents here. We are very fortunate that our higher education system includes specialist institutions like this one. And the conservatoire is a fascinating type of educational institution, with training at its heart. It is a good example of what we mean when we talk about the diversity of our higher education system. Diversity of mission, diversity of pursuit are among our greatest strengths, and this Government will do all it can to protect both.'

It is gratifying to have our achievements recognised in this way, especially in a year where we have achieved exceptional prominence in a range of arenas. RCM Junior Department student Laura van der Heijden was named BBC Young Musician 2012, following in the footsteps of 2010 winner and fellow RCM Junior Department student Lara Melda. Lara progresses to us as an undergraduate in autumn 2012. The Royal College of Music Chamber Choir achieved worldwide press coverage by entertaining the crowds at the Thames Diamond Jubilee Pageant celebrations, despite having to sing in torrential rain. The choir performed on board a barge with the London Philharmonic Orchestra, singing Last Night of the Proms-style British repertoire including *Land of Hope and Glory* and *Rule Britannia*. It provided the grand musical finale to the entire pageant, singing in front of Her Majesty The Queen and other members of the Royal family, including our President, His Royal Highness The Prince of Wales.

The Quality Assurance Agency also provided good news. Its key findings letter confirmed that threshold academic standards, quality of student learning opportunities and enhancement of student learning opportunities were all found to 'meet UK expectations' – the highest available judgement. I must thank the outstanding staff at the RCM, and also the exceptional Students' Association President Charles Bradley who did so much to achieve this impressive outcome.

My gratitude also goes to all the members of RCM Council. Among them we have expertise, experience and wisdom of the highest order which they bring to the service of the RCM with enormous generosity of spirit. The 25th anniversary of the opening of the Britten Theatre was celebrated on a number of occasions during the year, most memorably with a dinner in the Theatre itself. It was an honour to have among us Leopold de Rothschild, former Chairman of the RCM Council, and a leading light in the Centenary Fundraising Campaign which funded the Theatre. Sadly Leo died only a few weeks later, but his legacy remains alive in the activities of the countless organisations in which he was involved. Sir George Blunden, a member of Council from 1983 and Deputy Chairman from 1990-97, also died this year. Both were true friends to the RCM for many years and we remember both with gratitude and affection.

Professor Lord Winston



Chairman

21 November 2012

Director's report

As we approach the mid-point of our ten-year strategic vision, I can report that 2011/12 was a year of consolidation, review and planning, punctuated by a range of events, episodes and successes; all in all, one of the most memorable years to date of my Directorship.

During the summer months we began the reconfiguration of our Museum. As part of our commitment to the wider community and to life-long learning, the newly refurbished museum focuses upon creation and performance of music, the narrative illuminated by instruments, documents and works of art from the RCM's collections.

Developments include: new, narrative-based displays, telling the story of music and offering new insights into the RCM's collections; the opening up of the museum into a more flexible space for concerts, workshops and master-classes; a new programme of guided tours and outreach events; and a new temporary exhibition space, linked to major themes in the RCM's artistic and educational programmes. This exercise has served as a dry run for a more ambitious long-term project we are developing, one which aims to bring together and make accessible some of the most important items from our collections.

The increase in fees has so far had little impact on the RCM, but we continue to monitor the attractiveness to applicants of financially favourable alternatives, such as the major European conservatoires. Recruitment of overseas students and provision of local audition opportunities remain a vital part of the RCM's sustainability strategy, and auditions were held in Singapore, Hong Kong, Bangkok, Indiana, Boston, New York and China.

The RCM was successful in being made a strategic partner as part of a Tri-Borough Music Education Hub, awarded by Arts Council England to begin in September 2012 for three years. Our role will be to ensure that every child, in the London Boroughs of Westminster, Kensington & Chelsea and Hammersmith & Fulham, aged 5-18 has the opportunity to sing and learn a musical instrument, develop their skills, and to play with other children as part of an ensemble or choir. Arts Council England announced a nationwide network of 122 music education Hubs, which will see a significant shift in the way music education is delivered to children. The Tri-Borough Hub will be allocated £1.3 million by the Department for Education through Arts Council England to help deliver the work.



For the third year running, the Royal College of Music has been recognised as the UK's greenest conservatoire. The *People & Planet Green League* awarded the RCM a high 2:1 score, a mere half point from a first class classification. The RCM scored highly for its excellent environmental policy and management, and for its commitment to ethical investments, carbon management, Fairtrade and sustainable food, and renewable energy sources. The *People & Planet Green League* is the only comprehensive and independent league table of UK universities ranked by environmental and ethical performance. It is compiled annually by the UK's largest student campaigning network, *People & Planet*.

I am continually impressed at the musical impact made by our students and graduates, whether on concert platforms, in competitions, in schools or in the community. With more of our performances out and about, and the developing reach of RCM Sparks, our learning and participation programme, the RCM is increasingly seen as a key music provider at both regional and national level. Our gifted and hardworking students and staff are a source of great pride to us all, and I offer them my congratulations on their achievements.

Professor Colin Lawson

A handwritten signature in black ink, appearing to read 'Colin Lawson', written in a cursive style.

Director

21 November 2012

Financial review

A sustainable future

Financial results for 2011/12

The College made a surplus of £1.6 million, which exceeded our target of 3% of turnover. Included in the accounts, however, was a one-off legacy donation of £468,000 and a heritage asset donation of £347,000. During the last four years the College implemented a wide-ranging Sustainability Strategy, incorporating, increased international student recruitment, a programme of value for money reviews across all activities and sustainability targets for senior managers. In order to assess the success of the Strategy it is useful to consider the impact of one-off items on the College's finances and the income and expenditure account may be summarised as follows:

	2012	2011	2010	2009
	£000s	£000s	£000s	£000s
Income excluding one off items	18,864	19,010	17,663	16,783
Expenditure	(17,693)	(17,040)	(17,001)	(17,024)
Surplus scholarship fund income transferred back to endowments	(402)	(117)	(165)	(292)
Surplus/(deficit) before one-off items	769	1,853	497	(533)
One-off items				
Albert Frost Legacy	468	500	-	-
Kessler Viols	347	-	-	-
ABRSM	-	250	-	-
Donations	-	414	-	-
HEFCE matched funding	-	-	-	1,350
Retained surplus for the year	1,584	3,017	497	817

Albert Frost Legacy: the College is grateful to Mr Frost who left a part of his estate to the RCM. The legacy donation was £968,000 and was received in two financial years and Mr Frost's wish was for funds to be used to encourage teaching of string quartets. It is the College's intention to use the funds to support Mr Frost's wishes.

The Kessler Viols: The RCM has taken delivery of a remarkable collection of four unique and important instruments: the 'Kessler Viols' and we are grateful to Jane Kessler for this donation. The collection is displayed in our Museum.

Sustainability Strategy

Our Sustainability Strategy has three overriding targets:

- achieve HEFCE benchmark surpluses of 3% of turnover (£500,000pa);
- increase cash to 30 days cover (£1.4 million); and
- reinvest in our music, support and building infrastructure.

We have made good progress towards achieving these targets. However, there has been a significant change in the higher education funding regime since the RCM Council approved the Sustainability Strategy and an updated strategy is planned for 2012/13. This will:

- take account of changes in HE funding;
- redefine our target surplus (and cumulative reserves) target;
- redefine our cash target;
- review our capital strategies;
- review targets for scholarship income from endowment funds;
- update existing and identify new senior manager sustainability targets.

The success of our Sustainability Strategy can be measured against our ability to manage detrimental changes in funding and, in 2011/12, there were significant cuts in two funding streams.

- funding grants were £590,000 lower than in 2010/11; and
- the ABRSM donation was £700,000 down on the previous year.

Staff

The College's music teaching is undertaken mainly by hourly-paid professional musicians who provide one-to-one tuition for their students. The administration of the College is undertaken in the main by permanent full-time staff. The total full-time-equivalent number of staff was 183 during the year compared with 174 for the previous year.

The College is part of the national pay framework and pay awards are negotiated, on behalf of the RCM, by the Universities and Colleges Employers Association (UCEA). The national pay settlement for 2012/13 is still to be agreed and UCEA have so far tabled a pay offer, which has been rejected, of a 1% increase on all spine points effective from 1 August 2012.

Reserves

The accumulated revenue reserve is the accumulated surplus from the College's activities. The RCM has £19.9 million of accumulated revenue reserve which is unrestricted in its use and available for the benefit of the College. These reserves are maintained to support the RCM's pension and other long-term liabilities and provide for capital projects not funded by donations. In recent years the College has built up its reserves in order to:

- maintain the RCM's sustainability during a period of cuts in government grants and major changes in the higher education sector;
- replenish cash allocated to the Concert Hall development; and
- support future capital projects, including development of College Hall and the Prince Consort Road (PCR) campus.

The restricted and endowment fund of £29.1 million comprises donations with restrictions on the use of capital and income. The value of the revaluation

reserve at the year-end was £10.8 million. This relates wholly to land and buildings, heritage assets and musical instruments held by the College for the purposes of its activities as a conservatoire. The reserve was created when these assets were revalued for accounting purposes or where gifts were brought into the accounts at valuation.

Investment performance

The Investment Committee monitors the performance of the College's investment portfolios. There are three funds:

- College General Fund;
- Scholarship Fund (to provide scholarships to RCM students); and
- Junior Department (JD) Appeal (to provide bursaries for JD students).

The objective of each fund is to achieve long-term growth of fund assets in real-terms together with an escalation of income over a period of years. The asset allocation for the various funds is set by the Investment Committee to reflect the requirements of the College and to protect the value of the capital in the long term. During the year, Newton Investment Management Ltd continued as investment advisers to the RCM.

In 2011/12, the total value of investments increased by £2.5 million. In the year to 31 July 2012 the General and Scholarship Funds underperformed against their benchmarks with returns of 4.1 % and 5.7% respectively (*benchmarks 6.7% and 7.5%*). Long-term performance was healthier with three-year returns for the General and Scholarship funds of 11.5%pa and 11.2%pa (*benchmarks 10.6% and 10.4%*), and ten-year returns of 8.2%pa and 7.8%pa (*benchmarks 7.7% and 7.5%*).

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 capital for capital projects. The College will continue to seek improved performance against the benchmarks and is currently developing its Investment Strategy for the Scholarship Fund.

Treasury policy

The RCM Council approved an updated Treasury Management Policy in 2012. During the year there was a net cash inflow from operating activities of £1.7 million (*inflow £3.1 million, 2010/11*) and total cash increased by £710,000 (*increase £3.2 million*). The bank account had a credit balance of £1.9 million at 31 July 2012 (*£2.8 million*), with £4.0 million held on short-term deposits (*£1.3 million*). In 2010/11 the College earned £94,000 from interest on banking and short-term deposits (*£8,000 in 2010/11*). The RCM's outstanding loan balance is £2.3 million at a fixed interest rate of 5.3%, with 14 years remaining. It is not intended currently to enter into any further loans.

Funding of capital expenditure

In 2011/12 the RCM Council considered a feasibility report on the Courtyard development at the PCR Campus and approved the fundraising campaign budget, to raise funds for building works and related scholarships. As part of this project we will also consider options for refurbishing and reconfiguring the

South Building. During 2011/12 plans to develop student residential buildings at College Hall progressed, and we tendered successfully for legal and financial project advisers. The RCM plans to appoint a development partner in 2013. In the summer we relocated all departments based at Kensington Square to the PCR Campus, with refurbished and reconfigured open-plan accommodation created for support departments. At 31 July 2012 there were capital commitments of £8,000 in respect of practice room refurbishment.

A year-end review of depreciation identified a number of assets that had not been correctly depreciated in previous years and backdated depreciation of £208,000 was charged to the 2011/12 financial statements.

Charities Act 2006 and principal regulator


On 1 June 2010 HEFCE became the principal regulator of those higher education institutions (HEIs) in England that are exempt charities. This new responsibility results from the Charities Act 2006, which implements a government decision that all charities should be subject to regulation. All but 19 HEIs fall into this category and the HEFCE is expected to promote charity law compliance by the exempt charities for which they are responsible. These 19 HEIs, including the RCM, are registered charities and are 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 sought guidance from the HEFCE 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 its extensive work to widen participation in both music and higher education. Our widening participation and outreach work supports 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. Our work impacts far beyond the boundaries of music and it has long been 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 contribution of the College's music to these different cultures is inestimable.

Professor Lord Winston



Chairman

21 November 2012

Progress of RCM Strategic Plan 2007 to 2017 ***Never standing still***

Mission and principal objectives

The RCM 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 RCM's objects 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;'
- 'generally the encouragement and promotion of the cultivation of music as an art throughout the world.'

Strategic plan

In setting the RCM's objectives and planning its activities the Council has given careful consideration to the Charity Commission's guidance on public benefit. Our Strategic Plan identifies priority areas for the period 2007 to 2017:

- access to an inspirational learning experience;
- artistic vision;
- research and innovation;
- communications;
- people;
- technology;
- estate;
- finance.

In order to realise the Strategic Plan 2007 to 2017, these priority areas are complemented by detailed strategies for specific areas. The College has established key performance indicators, in order to measure achievement against these objectives and the College's performance against its benchmarks is reviewed each year by the Council.

Outlook for 2012/13

The overall economic outlook continues to be uncertain and there are likely to be on-going cuts in public spending over the life of the coalition government. The College is determined to achieve a sustainable surplus and has set targets for income, savings and surplus as a percentage of turnover. The targets to 2012/13 have already been exceeded. The College's five-year financial forecasts were updated in June 2012, and these forecasts were tested using sensitivity analyses for a range of potential risks. Set against an uncertain economic background, applications to study in the College in 2011 were higher than ever, as were registrations for 2011/12. Applications for 2012 are also robust. The College is charging £9,000 for home/EU undergraduate students in 2012 and the extra income from higher fees will partly compensate for the reduction of the government teaching grant.

The Universities Minister and HEFCE have committed publically to recognising the additional high costs associated with study at music conservatoires, the first time there has ever been so public a commitment. These high costs are currently recognised through HEFCE 'exceptional funding' and the HEFCE is currently reviewing this funding for 2013/14 onwards.

Principal risks and uncertainties

The College's risk management strategy and policy sets out the respective roles of the College's 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 College 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 updated throughout the year. An annual report on risk management is presented to all the committees involved in managing risk, including the Council. The principal risks to the College are:

- *Levels of HEFCE exceptional funding.* We have modeled the impact of HEFCE grant cuts and agreed target savings/additional income as part of an RCM Sustainability Strategy. Each senior manager has their own implementation plan, which is reviewed regularly by the Directorate.
- *Failure to achieve overseas student number targets and loss of UKBA highly trusted sponsor status.* Overseas student recruitment is stronger than it has ever been. The UKBA approach to awarding student visas may deter students from coming to the UK and we have made compliance with UKBA requirements a priority.
- *The Associated Board of the Royal Schools of Music (ABRSM) are reviewing the level of donation they make to the four Royal Schools.* In 2011/12 the ABRSM donation was cut by £700,000 and the Royal Schools are working with the ABRSM to manage this risk.

The College receives an annual HEFCE assessment of institutional risk. Along with most HEIs, the RCM continues to be judged '*not at higher risk*'.

Inspirational teaching ***Delivering excellence***

Curriculum Development

In 2011/12 the RCM launched a new *Learning & Teaching Enhancement Strategy (LTES)*, which sets out targets for different areas of the College's educational provision up to 2015. Under the headings 'Maximising RCM Resources', 'Innovative Programme Design' and 'Support for the Student Experience', the Strategy seeks to ensure that students become 'entrepreneurial, resourceful, flexible, and articulate musicians who can be advocates for their art'. The aim is to enhance how the College builds on the professional excellence of its Artistic Programme, the business and outreach skills of its Woodhouse Centre, and the research resources represented by the Centre for Performance Science (CPS) and the RCM Special Collections. As an example of the specific steps proposed within the *LTES*, the College is committed to developing online 'cradle to grave' learning portfolios for all students. Such a portfolio will ensure effective communication between the individual student, and key teachers and programme managers, and help students chart their own progress as musicians.

In 2012 the College launched a research project on its recital assessment practices entitled *Behind the Scenes*. Led by the Head of Academic Development & Undergraduate Programmes this project explored student and staff responses to the new assessment criteria established in summer 2011.

Programme Development

September 2011 saw the first cohort on the RCM's new MSc programme, with many of the MSc modules being taken as options by MPerf and MMus students, as well as by the MSc cohort. Applications for 2012/13 have remained buoyant confirming the demand among musicians for this kind of scientific investigation of performance. The development of an MEd programme is planned for launch in September 2014, with the enhancement of pedagogy training for all RCM students a declared aim of the *LTES*.

September 2011 also saw the launch of the collaborative BMus programme between the RCM and the Nanyang Academy of Fine Arts in Singapore. September 2012 will see the first students on this degree engaged in a specially designed placement at the RCM.

Doctoral programme review

In March 2012 the review of the RCM's doctoral programme approved the addition of PhD and MPhil qualifications to the College's existing DMus qualification. This addition sets out a clear choice of dissertation-based or practical portfolio-based options for research students, and clarifies the research goals and research training relevant to each student's interests. Fifteen students have been accepted onto the doctoral programme from September 2012, representing a significant increase in student numbers from previous years.

Musical performance

Bringing the notes to life

A feature of this year's performance schedule was an increasing number of major external events:

- as part of the Philharmonia's Bartók Festival *Infernal Dance*, the RCM Symphony Orchestra gave a concert at the Queen Elizabeth Hall;
- the RCM Symphony Orchestra's *Three Symphonies* concert was repeated at the Sheldonian Theatre in Oxford;
- the RCM Philharmonic's *The Genesis of Mahler 1* was repeated in Guildford Cathedral; and
- *Mikro-Bartók* was a unique six-hour event at the Royal Festival Hall, in which Senior College and Junior Department students performed the complete *Mikrokosmos*, a selection of other piano pieces and the complete violin duos.

In the autumn term the residency by English Touring Opera provided opportunities for RCM Opera School students and the RCM opera production, a Bizet Double Bill of *Le Docteur Miracle* and *Djamileh*, was a tremendous success.

A new initiative from EMI Classics saw the release of recordings by selected students from just two international conservatoires, the RCM and the Juilliard School, New York. In association with iTunes, the EMI Debut recordings are available world-wide, and feature four students from the RCM and three from Juilliard, providing international exposure for these young talents, and reflecting the highest quality of performance.

The spring term saw concerts around French and contemporary themes. Steve Reich's *Music for 18 Musicians* was performed by the New Perspectives Ensemble, there was a celebration of John Cage in a concert entitled *Variable Geometry* and a Composition for Screen Showcase. A two-month *Fête Française* brought a residency from major composer Pascal Dusapin and Debussy world premières for orchestra.

During the summer term, the Britten Theatre 25th anniversary celebrations included a production of *Le nozze di Figaro*, whilst Bernard Haitink returned to conduct the RCM Symphony Orchestra for two performances of Bruckner's Eighth Symphony in the Amaryllis Fleming Concert Hall. In collaboration with the Centre de musique baroque de Versailles, Paris Conservatoire and the Conservatoire d'Orsay, the instruments that featured in Louis XIV's 24 Violons du Roi were recreated and featured in concerts in Versailles, Hardelot, Montpellier and at the BBC Proms. In counterbalance, there was a renewed emphasis on contemporary music, notably through the radical project Great Expectations, a series of six new operas written by RCM composers.

Research and innovation

Integrating theory and practice

Research environment

2011/12 saw a series of research events that enhanced the RCM's profile as a place of interaction between performance theory and practice. The '*Brahms in the Home*' conference attracted a group of international participants, with presentations that will be captured in a book under contract with Cambridge University Press. The RCM's regular Grove Forum series was enhanced by using the College's newly refurbished museum space, with its exhibition facilities and online 'Discovery Zone'. These are designed to showcase research relating to RCM Special Collections, the subject of an RCM professors' conference in 2012. A newly formed ensemble, Variable Geometries, provided an enhanced opportunity for performers and composers to present their research into new music and new media.

Externally funded projects

During 2011/12 the RCM was successful in attracting two grants from the Arts and Humanities Research Council (AHRC). Assistant Head of Programmes, Natasha Loges, has been awarded research leave to explore the poetry of Brahms's song-settings, whilst two RCM research fellows, Tania Lisboa and Ingrid Pearson, and the lecturer Ivan Hewett are being funded to collaborate with the Open University on a *Listening Database* project. A further application to the AHRC was submitted in collaboration with University of Cambridge to investigate the use of genetic analytical methodologies to track the variance in sources in 17th century keyboard repertoire.

The RCM also received funding from the European Union to collaborate with institutions in Vienna, Paris, and Schwerin in performing and studying the music of émigré composer Hans Gál.

Preparation for the *Research Excellence Framework (REF)*

In 2012, we prepared a mock REF submission with external consultants to ensure that mentoring of staff researchers and internal professional development is undertaken to maximum effect. The RCM is also consulting with the University of London Computing Centre on the most effective means of setting up a repository for the RCM's research output.

Centre for Performance Science (CPS)

In spring 2012 the CPS launched its new strategy document, setting out its field of operation, key collaborations, and the remit of a new advisory group. In conjunction with the Conservatoires UK Research Forum the CPS submitted a large-scale bid to the AHRC entitled *Musical Impact*, designed to be the first large-scale longitudinal study of health and well-being in conservatoire students. Further collaborations involve development of a 'Performance Simulator' (with ARUP acousticians and Imperial College), and development of a Music and Science exhibition (with the Science Museum).

Shining examples

Public successes

It has been a year of outstanding competition successes for RCM students: Soprano Laura Wright released her debut solo album *The Last Rose* with Decca; RCM Junior Department student Laura van der Heijden was crowned BBC Young Musician 2012 - the 15-year-old cellist triumphed with a mesmerising performance of Walton's Cello Concerto at The Sage Gateshead; four RCM students were selected by EMI Classics to record albums as part of their new Digital Debut series - violinist Mari Poll, oboist Suzanne Thorn, pianist Elma Gasanov and countertenor Christopher Lowrey were chosen by a panel of judges and each recorded an EP-length album of repertoire selected by themselves.

Honorary awards 2012

Each year the RCM bestows a number of honorary awards and fellowships on individuals who have made an exceptional contribution to life at the RCM and the wider musical community. At his annual visit as President on 14 March, His Royal Highness The Prince of Wales conferred the following awards.

Doctor of Music RCM

Bryn Terfel (bass-baritone) (*conferred July 2012*)

Fellowship of the RCM

Benedict Cruft (violinist)
Sir Vernon Ellis (philanthropist)
Eiddwen HARRY (soprano, RCM vocal professor)
Simon Keenlyside (baritone)
Nicholas Sears (RCM Head of Vocal Studies)
Rick Wakeman (composer, songwriter and keyboard player)

Honorary Membership of the RCM

Hayley Clements (RCM Learning and Participation Manager)
John Gilhooly (Wigmore Hall Director)
Gary Purkiss (RCM Strategic Planning Accountant)
Richard Stilgoe (songwriter, lyricist and Orpheus Trust founder)
Elly Taylor (RCM Academic Registrar)

The President also presented the following major student prizes for the year 2010/11.

Queen Elizabeth The Queen Mother Rosebowl

Charlotte Harding (composer)

Tagore Gold Medals

Samuel Evans (baritone)
Katherine Woolley (French horn)

Employability

Taking the lead

Through the RCM's pioneering career support service based in the Woodhouse Professional Development Centre, RCM students and graduates (for five years after leaving) can access career advice, guidance, opportunities, networks and professional experience – the whole range of professional skills that musicians need to thrive in a highly competitive, fast-moving environment.

Central to the Woodhouse Professional Development Centre's comprehensive offering is access to the RCM's Professional Engagements Service, whereby specially selected and prepared RCM musicians perform external recitals, concerts and other events. By taking complete responsibility for their performances, the musicians gain 'real-life' experience as musicians, which is a crucial aspect of the RCM's professional musical training. One-third of the current student population and more than 200 RCM graduates regularly participate in a wide range of performance opportunities. In 2011/12, there were more than 750 such performance opportunities, with more than 270 students and 200 graduates involved. This generated earnings from performances of £175,000.

The range of performances promoted by the Woodhouse Professional Development Centre in 2011/12 was extensive. Among the highlights were regular recital series at several of London's museums and galleries including the Victoria and Albert Museum, the Science Museum and the Natural History Museum. Of particular interest were fortnightly Friday evening recitals at the National Gallery in which musical programmes were devised by RCM performers in response to certain works of art in the room. The performers spent a preparation day with an artist, being introduced to the artworks and the resulting programmes were extraordinarily personal and varied. Performances were a tremendous success with enthusiastic audiences who filled the rooms for every event. A recital series at the Royal Academy of Arts, supported by the Chairman of the Royal Academy, was repeated this year to great acclaim.

In addition to recital performances, RCM musicians were involved in numerous external engagements including performances at Buckingham Palace, Mansion House, City Hall, the House of Lords, Spencer House, the Supreme Court, embassies, banks, clubs, television, hotels and schools. These performances are a vital part of the training offered at the RCM, helping to prepare musicians for a successful career in music once they graduate.

Ensuring fair access

Removing barriers

'Fifty scholarships have been established, of which twenty-five confer a free education in music, and twenty-five provide, not only a free education, but also maintenance for the scholars. Of these scholarships, half are held by boys and half by girls. I observe with pleasure that the various districts from which the scholars are drawn indicate the wide-spread distribution of a taste for music, and an adequate cultivation of music throughout the United Kingdom. London, with its vast population, sends only twelve out of the fifty. The remaining thirty-eight come as follows: twenty-eight from fourteen different counties in England, two from Scotland, six from Ireland, one from Wales, and one from Jersey. The occupations of the scholars are as various as the places from which they come. I find that a mill girl, the daughter of a brickmaker, and the son of a blacksmith, take high places in singing, and the son of a farm labourer in violin playing. The capacity of these candidates has been tested by an examination of unusual severity.'

Extract from speech of HRH The Prince of Wales, at the opening of the Royal College of Music as reported in *The Times*, 8 May 1883.

The College believe its outreach activity, delivered by RCM Sparks, is its most effective contribution to widening participation in higher education, whether at the RCM or other universities. The College's plans are set out in detail in its published Access Agreement, approved by the Office for Fair Access.

The College's fair access admissions procedures provide auditions for all applicants and we take into account the educational and social background of applicants when making decisions about places. The College also offers financial support for students from disadvantaged backgrounds, including our scholarship programme which builds on the College's founding vision.

From 2012, when higher £9,000 fees are introduced for home/EU undergraduates, the government is implementing a new National Scholarship Programme and the RCM has been allocated four £3,000 scholarships, which will provide fee waivers for the first year of BMus study to four home students with household incomes of less than £42,600 (level set by the government). The College will match these with fee waivers of £3,000 a year for the second year of BMus study. We hope that this financial support will encourage applications from applicants from under-represented groups, and will reduce the strain of loans on students.

Learning for all *Including everyone – RCM Sparks*

RCM Sparks enjoyed another successful year igniting musical creativity in more than 4,000 children, young people and families. In the autumn, we welcomed teenagers for our *Film Music for Beginners* workshop, including a viewing of *The Matrix* at the Royal Albert Hall. This partnership continued later in the year with a families' weekend of activities, including a tour of the Royal Albert Hall, a viewing of *West Side Story* and creative workshops to construct their own version of this classic musical. Our spring term activities were linked to the *Fete Française*, working with children aged 6 upwards - as part of the RCM's access initiative, we offered 60% of tickets free of charge to participants identified as from disadvantaged backgrounds. Sparks also offered subsidised ticket offers to our Orchestra-in-a-Day workshops to encourage participants and their families to attend concerts at the RCM.

Summer Music, our annual series of events that runs alongside the BBC Proms saw more than 200 six to twelve year olds take part in live music-making at our Proms-related creative workshops. Around half of the participants went on to perform at BBC Proms Plus Family Introductions and attend a BBC Proms concert (making use of a special Sparks ticket offer). Twenty-five teenagers participated in a five day composition course, more than sixty music lovers of all ages took part in Discovery Sessions, exploring treasures from the RCM's Museum and Library as well as the Royal Albert Hall's extensive archive, and 80 family members enjoyed exclusive tours of the Royal Albert Hall.

Working alongside professional workshop leaders, more than 120 individual RCM students developed their skills and abilities by assisting at our creative workshops, helping to provide a fun and inspirational experience to all who attended.

RCM Sparks are delighted to be leading the RCM's role as strategic partner in the new Arts Council funded Tri-Borough Music Hub. The creation of the Hub involves the Tri-Borough partners the Royal Borough of Kensington & Chelsea, City of Westminster and London Borough of Hammersmith & Fulham – joined by the RCM, the Royal Albert Hall and Aurora Orchestra. As strategic leaders in the Tri-Borough Music Hub the RCM will work to ensure that every child aged 5-18 has the opportunity to sing and learn a musical instrument, develop their skills, and to play with other children as part of an ensemble or choir. This will enhance further RCM Sparks already well-established schools programme and help roll out previous good practice and develop new links within the local area.

Learning for all ***Including everyone – Junior Department***

In a year of considerable public success for our Junior Department students, cellist Laura van der Heijden followed in the footsteps of respected Junior Department pianist Lara Melda, two years earlier, by winning the coveted title of BBC Young Musician 2012.

Performance is central to the Junior Department provision, and during the year there were more than 80 large scale events including the Mayor's Jubilee Band in Her Majesty The Queen's Diamond Jubilee flotilla, Royal Albert Hall, LSO Brass Academy, and Southbank (part of the RCM piano faculty festivals). There were also performances in Hertfordshire, Hampshire, Essex and Powys as well as regular events at the RCM. *Sound Moves* and *Living Song*, respectively close collaborations with The Young Place and English Folk Dance and Song Society, continue the innovative approaches to composition and performance.

The Junior Department has more than 300 musicians of school age who benefit from specialist teaching and support from the wider RCM family. Most progress to the RCM and other conservatoires as undergraduates as well as to universities as music students. The RCM is grateful to the Music and Dance Scheme and other grant providers for providing financial support to individuals to support this training.

Our Sparks Juniors scheme for local primary school age beginners has completed a third successful year; a new cohort of young bassoonists and saxophonists joined the programme in September 2012. All were involved in choral performances with the wider Junior Department and in an instrumental concert during the year, attended by their families. Two-thirds of the current cohort sat music theory examinations with exemplary results and final year Sparks Juniors celebrated their time at the RCM in a special graduation event. These participants are now proceeding to secondary schools and many of them will join a new Sparks Juniors extension programme which secures high quality tuition for a further three years enabling participants to join a musicianship class, a paired instrumental lesson and the AKA choir, a local authority choir involving singers from surrounding Boroughs. We remain grateful to EMI Sound Foundation and to J Paul Getty Jnr Charitable Trust for their generous support.

Fundraising

Transforming lives

The RCM receives a government grant, and further income is raised from tuition fees and trading activities, but this does not cover all our costs and we are increasingly reliant on our valued family of support for our fundraised income, especially in a time of continuing economic uncertainty and government funding cuts. Last year, the Development Department raised £889,000 in donations and sponsorship from individuals, companies and charitable trusts and a further £1.9 million through legacy gifts.

Students to the College are recruited on the basis of their musical merits, abilities and potential, therefore a key figure is the number of scholarships we are able to award to students who would otherwise be unable to take up their places at the RCM. In 2011/12 we were delighted to continue a number of partnerships with major supporters of our scholarship programme, including the Leverhulme Trust and ABRSM, alongside dozens of other generous donors. Once again, we took part in the Big Give campaign last Christmas, and last autumn we launched the Dame Joan Sutherland scholarship in memory of one of the RCM's most distinguished alumni.

The College's annual gala fundraiser, the Soirée d'Or, was held at the V&A's Raphael Gallery with a stellar performance from RCM alumnus Julian Lloyd Webber. Its tremendous success is a tribute to the hard work of a dedicated committee chaired by Lady Carr and many loyal supporters. The fundraised income of £136,000 is a vital boost to our Scholarship Fund.

The RCM Friends go from strength to strength. We have more than 500 Friends, half of whom have supported us for more than five years. They enjoyed a varied calendar of events in the past year, and continued their enthusiastic attendance at our concerts, recitals and masterclasses. Our patron programmes also continue to thrive - following on from the success of the RCM Opera Circle and Patrons Circle, we launched a Piano Circle, which is comprised of more than 30 donors giving at this level.

Last year also saw a continued growth in the number of donations to RCM Sparks, our acclaimed learning and widening-participation programme, including new support from the Ernest Cook Trust and John Lyons Charity.

We also celebrated the 25th anniversary of our beloved Britten Theatre with a special calendar of events, including our *Nuit Fantastique* fundraising gala which raised more than £15,000. The evening was dedicated to the memory of Vice-President and former Chairman, Leo de Rothschild who chaired the campaign to build the theatre and sadly passed away before the event.

To all of the generous people and organisations that have helped us, we express our sincerest gratitude. There are far more than we have space to mention. Their support is invaluable and we are immensely grateful for their continuing commitment to our work.

Equality and opportunity

Committed to fairness

The College is committed to its equal opportunities policy. As a leading British conservatoire, we aim to provide musical education and professional training at the highest international level to meet the aspirations of as many as possible of those who have the ability and motivation to benefit. Students and staff are recruited on the basis of their musical merits, abilities and potential. The RCM aims to ensure that no student, member of staff or visitor to performances and other events is subjected to discrimination.

The College will not discriminate unfairly on the grounds of age, disability, sex, sexual orientation, gender reassignment, pregnancy and maternity, race, religion or belief, marriage and civil partnership, class or other such unjustifiable cause. The College will endeavour through equal opportunities action to create an environment in which students and staff give due respect to other people and their work or ideas.

The participation of students and staff with disabilities in all aspects of the academic, administrative and performing life of the RCM is encouraged and welcomed. The College has a disability statement that is intended to provide information to prospective students, current students and staff of the College about its arrangements to support students and staff with disabilities.

The College has maintained the Disability Symbol, awarded in 2010 by the Department for Work and Pensions. Employers who use the disability symbol make certain commitments to employing, keeping and training disabled people and developing their careers. To be awarded the symbol the College has to continually demonstrate that it either has in place or is working towards implementing procedures to support these commitments. By using the symbol it helps make it clear to disabled job applicants that the College welcomes applications from them and is positive about their abilities. It also shows existing employees that we value their contribution and will treat them fairly should they become disabled. By employing disabled staff we will be better placed to recognise, develop and deliver our services to disabled students and visitors.

In 2011 revised equal opportunities training (provided by the Advisory, Conciliation and Arbitration Service) for staff was introduced to reflect the changes introduced by the new Equality Act 2010.

Information on the College's equality objectives and regular reports on our progress can be found on the RCM website.

Caring for the environment

Making a difference

The RCM is committed fully 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 2012 we were awarded a 2:1 rating by the People and Planet Green League, the second highest ranking available and for the third year running are proud to be recognised as the UK's greenest conservatoire.

In 2011/12 we implemented the following environmental improvements:

- achieved Fairtrade university status, with our catering outlets selling more than 40,000 cups of Fairtrade tea and coffee;
- signed up to the Sustainable Fish Pledge and received a Good Food on a Plate Award in recognition of our sustainable catering practices;
- between August 2010 and February 2012, out of 22 tonnes of construction waste generated, 20 tonnes was recycled (93%);
- participated in a confidential waste recycling programme which equated to saving 21 trees;
- implemented 'intelligent' monitoring of printing which cut printing in the first three months of 2012 by 12,000 pages.

The College produces a termly environmental e-newsletter to inform staff and students of our environmental progress. Staff and students were also invited to plant sunflower seeds in the courtyard, encouraging engagement and awareness of the RCM's own environment. Environmental factsheets have been created and are displayed on the College intranet, providing key facts on our environmental achievements.

By the end of 2011 the College had achieved an 8% reduction in total carbon emissions through all its efficiency projects (including lighting, hand dryers, water saving and pipe and loft insulation). Our successful environmental work resulted in Toshiba selecting the College as a case study for their low energy light fittings and the College's use of LED lighting in the Museum and Parry Rooms was featured in estates publications: Lux magazine and FM World.

In July 2012, the College achieved BREEAM In Use accreditation, with 'Very Good' marks in all three areas of assessment. The College has adopted BREEAM (British Research Establishments Environmental Assessment Method) as its framework to drive forward the environmental agenda for new build projects, refurbishment of existing buildings and the operation of our estate.

Sharing services and collaborations

Benefitting from partnership

Shared services and collaboration are an important element of the RCM's operation as we seek to obtain value for money from all of our services and we have a long and successful history of working with others, including:

- *Conservatoires UK Admissions Service*: a UK-wide admissions service established and owned by eight British Music Conservatoires and managed by the UCAS (the RCM Deputy Director chaired the Steering Group which established this);
- *Kingston City Group (KCG)*: a southern universities shared internal audit consortium owned by 15 members (in 2011/12 the RCM Deputy Director was the Chair of KCG);
- *London Universities Purchasing Consortium (LUPC)*: a London-wide procurement consortium owned by 76 London HEIs and third sector organisations (in 2011/12 the RCM Director of Finance & Estates was the Chair of LUPC);
- *The Energy Consortium*: is regarded as one of the country's leading proponents and providers of collaborative energy procurement, particularly to universities and colleges;
- the *Exhibition Road Cultural Group*: champions the collective view of its 18 members. At its heart are: facilitating joint projects, encouraging cross-fertilisation of audiences between members; running joint events in the shared *public* space of Exhibition Road; and sharing staff expertise;
- *cleaning consortium*: in 2011 we tendered jointly with Heythrop College and the Royal College of Art for shared cleaning services across five campuses. The contract was rolled out to all sites by July 2011 and in 2011/12, we reaped financial and contract management benefits from this initiative;
- *1851 Invest to Save Project*: focusing on reducing carbon emissions for its members in the 'South Kensington Cultural and Academic Estate'.

The RCM has developed productive working relationships with other local HEIs; Imperial College London provide a range of services where we both benefit from economies of scale from higher volumes. These include: student/staff health; catering services and occupational health.

The government has encouraged universities to form collaborations and shared services in order to benefit from economies of scale. The College has developed this area enthusiastically and successfully and aims to widen further our collaborations in the coming years. In 2011, Universities UK (UUK) published a report 'Efficiency and effectiveness in higher education', which challenged universities to procure 30% of non-pay spend through shared services by 2014/15. As a result of our work the College already procures 20% of non-pay spend through shared services and is planning to move towards the UUK target by 2014/15.

Estates

Providing fitting surroundings for gifted musicians

The College was founded in 1883, and the main Blomfield building opened for teaching of music in 1894. Subsequent additions include the Concert Hall (1901), the South Building (1965) and the Britten Opera Theatre (1986). We have adopted an Estates Strategy which outlines how we will develop the Prince Consort Road (PCR) and College Hall campuses in order to support learning, teaching and research and to realise our artistic vision by providing:

- concert, opera and other performance spaces that reflect contemporary standards of sound insulation and lighting;
- well-resourced and comfortable teaching and practice rooms, appropriate to the needs of students;
- space for specialist areas: e.g. musical instrument workshops, the Museum of Musical Instruments, halls of residence, library, recording studios, percussion rehearsal space, electronic keyboard skills lab and dedicated computer rooms for composition and general ICT;
- flexible office space for academic and administrative staff;
- good quality student, staff and visitor social spaces, designed to provide a welcoming environment to all those using the College;
- events space that is maintained at a level which attracts clients from the music, educational, professional and commercial world.

The RCM has a systematic process to quantify the annual sum required for investment in our estate and this is incorporated in a 10-year operational plan.

In 2009, we completed transformational work on the Amaryllis Fleming Concert Hall and in 2011/12 events in the Hall attracted more than 26,000 visitors (including 10,000 from the BBC Proms).

In 2011/12 the RCM Council considered a feasibility report on the Courtyard development at the PCR Campus and approved the fundraising campaign budget, to raise funds for building works and related scholarships. As part of this project we will also consider options for refurbishing and reconfiguring the South Building. During the year plans to develop our student residential buildings at College Hall were progressed, and we tendered successfully for legal and financial project advisers. The College plans to appoint a development partner in 2013.

In the summer term we relocated all departments based at our Kensington Square offices to the PCR Campus, with refurbished and reconfigured open-plan accommodation created for support departments. As part of this project we created three offices from rooms previously used for storage and we achieved our overriding project objective of not converting any teaching or practice rooms into office space.

RCM Financial Statements

2011/12

Corporate governance and responsibilities of Council

CUC Governance Code of Practice

The Royal College of Music Council has adopted the 'Committee of University Chairmen Governance Code of Practice'.

Statement of primary responsibilities

The Council is responsible for:

- approving the mission and strategic vision of the College, 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;
- monitoring institutional performance against plans and approved KPIs, which are, where possible and appropriate, benchmarked against other institutions.

Structure of corporate governance

The Governing Body of the College, the **RCM Council**, which meets at least four times a year, is responsible for the strategic direction of the College and for all major developments. In fulfilling its responsibilities for the administration and management of the affairs of the College, the Council approves the annual revenue and capital budgets and presents audited financial statements for each financial year prepared in accordance with relevant accounting standards.

The membership and powers of the Council are laid down in the College's Royal Charter and Statutes. The maximum number of members of Council is twenty-five, of whom at least ten are independent members and three are elected from among the staff of the College. The President of the College, the Director of the College and the President of the Students' Association are *ex officio* members. The Chairman, the Deputy Chairman and the Honorary Treasurer are drawn from the independent members.

The Council has appointed a **Finance and General Purposes Committee** (F&GPC) which meets five times a year. The F&GPC has responsibilities for monitoring performance in relation to approved budgets and oversight of the Directorate's risk management responsibilities. It also acts as **Remuneration Committee** in relation to the salaries and terms and conditions of the senior staff. A subcommittee of the F&GPC, comprising the Honorary Treasurer and Deputy Chairman, is delegated to scrutinise the annual accounts ahead of consideration by the Council.

The F&GPC also reviews minutes of the **Health and Safety Committee** in order to monitor compliance and practice on behalf of Council.

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

The **Audit Committee** reports directly to the RCM Council. It meets three times a year and has a key role in the College's accountability framework. It advises the Council on effectiveness of risk management, control and governance arrangements. Meetings are held with the external auditors to discuss audit findings, and with the internal auditors to consider internal audit reports and recommendations for improvement of the College's internal control system, together with management's responses and plans for implementation. It receives reports from the **Value for Money Steering Group**, which provides assurance that the College has in place 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 and meets a minimum of three times per year. It deals with the College's academic policies and quality assurance and has a system of committees to support its work.

Accounting systems and accounts

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

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 accounts 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 of 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 Financial Memorandum agreed between the HEFCE and the RCM Council, the Council, through the Director (its designated officer), is required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit and cash flows for that year. In causing the financial statements to be prepared, 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.

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 College's resources and expenditure; and
- safeguard the College's assets and prevent fraud.

Accounting records

All accounting records, whether for financial reporting or any other purpose, have been made available to the auditors for the purpose of their audit and all transactions undertaken by the College have been properly reflected and recorded in the accounting records.

All other records and related information which might affect the truth and fairness of, or necessary disclosure in, the financial statements, including minutes of Council and relevant management meetings, have been made available to the auditors and no such information has been withheld. So 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 Financial Memorandum 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 only provides reasonable and not absolute assurance of effectiveness.

The internal control system is based on an on-going process designed to identify risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place during the year ended 31 July 2012 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 College;
- the Council receives minutes of each meeting of the Audit Committee, together with an annual report which provides an opinion as to the College's arrangements for risk management, internal control, governance, data quality and value for money;
- the Council receives regular reports from the Directorate on the steps it is taking to manage risks in their areas of responsibility, 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;
- an organisation-wide Risk Register is maintained;

- a system of key performance indicators has been developed;
- a risk prioritisation methodology based on risk ranking has been established;
- there is regular review of the Risk Register, involving the Directorate, in order to identify and update the record of risks facing the College;
- 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 review of effectiveness of the internal control system is informed by reports from the internal auditors (Kingston City Group), who operate to standards defined in the HEFCE Audit Code of Practice, contained in the HEFCE Financial Memorandum. The internal auditors submit regular reports, which include their opinion on the adequacy and effectiveness of the College's system of internal control, with recommendations for improvement.

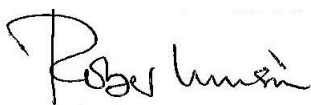
The Council's review of effectiveness of the internal control system is also informed by the work of the Directorate, who have responsibility for developing and maintaining the internal control framework, and by comments from the external auditors in their management letter and other reports.

Equal opportunities

The College is committed to its equal opportunities policy. As a leading British conservatoire, it aims to provide musical education and professional training at the highest international level to meet the aspirations of as many as possible of those who it deems to have the ability and motivation to benefit, with our students recruited on the basis of their musical merits, abilities and potential. The RCM aims to ensure that no student, member of staff or visitor to performances and other events is subjected to unfair discrimination (see section "Equality and opportunity" for details of our equalities policies and processes).

The new Equality Act 2010 came into force on 1 October 2010. The Act, which replaces all previous equality legislation, covers the following 'protected characteristics': age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity. College policies and procedures have been updated to reflect the new Act. In 2011 revised equal opportunities training (provided by the Advisory, Conciliation and Arbitration Service) for staff was introduced to reflect the changes introduced by the new Equality Act 2010.

Professor Lord Winston



Chairman

21 November 2012

Professor Colin Lawson



Director

21 November 2012

Report of the independent auditors to the RCM Council

We have audited the financial statements of Royal College of Music for the period ended 31 July 2012 which comprise the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, the Balance Sheet for the College, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College's Council, as a body, in accordance with paragraph 154 of the Charities Act 2011 and paragraph 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the College's Council members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the RCM Council and auditors

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

We have been appointed as auditor under section 144 of the Charities Act 2011 and section 124B of the Education Reform Act 1998 and report in accordance with regulations made under section 154 of the Charities Act 2011 and section 124B of the Education Reform Act 1998.

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. Those standards require us to comply with the Auditing Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 College has been properly applied only for the purposes for which it was received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the College's affairs as at 31 July 2012 and of its surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions";
- the financial statements have been prepared in accordance with the requirements of the Education Reform Act 1988 and the Charities Act 2011;
- income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the College has been applied only for the purposes for which it was received; and
- income has been applied in accordance with the College's statutes and where appropriate with the applicable Financial Memorandum with the Higher Education Funding Council for England.

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
- sufficient 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.



BDO LLP
Statutory Auditor
Gatwick
United Kingdom

Date: 22 November 2012

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

1. Accounting convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of heritage assets, musical instruments and certain land and buildings for which a cost is not readily ascertainable, and in accordance with both the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education (SORPFHE), and guidance published by the HEFCE. On matters where these sources are silent, particularly aspects which pertain to the RCM's registered charity status, guidance has been sought from the Charities SORP published in 2005.

2. Recognition of income

Grants received from the HEFCE during the year are included in income for the year unless designated for a specific purpose. Grants received for specific purposes are released to income as the related expenditure is incurred. Unspent grants are treated as deferred income. Grants applied to capital expenditure are included in deferred capital grants.

All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income from endowments not expended in-line with restrictions of the endowment is transferred from the income and expenditure account to endowments.

Donations, bequests or gifts with no specific terms attached, to their use, are taken as income to the income and expenditure account in the period in which it is reasonably certain that the income will be received. Expenditure incurred using these donations, bequests or gifts is accounted for in the period when it is incurred as either capital or revenue expenditure depending on the nature of the expenditure.

Income derived from student tuition fees is recognised in the period in which it is earned.

3. Tangible fixed assets

Land and buildings are stated at cost or valuation. Freehold buildings are depreciated over their expected useful lives of 50 years and leasehold land and buildings are amortised over 50 years, or, if shorter, the period of the lease. Building improvements are depreciated over their expected useful lives of 20 years. Land is not depreciated.

Freehold land and buildings are College Hall and a residential property in London. They are stated in the accounts at cost less depreciation.

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 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.

In accordance with transitional rules in FRS15 'Tangible Fixed Assets', book values of leasehold property were retained on implementation. There is no indication of any impairment in the value of these assets.

Where buildings are acquired from specific grants they are capitalised and depreciated as above and related grants are treated as deferred capital grants and released to income over the building's expected useful life.

Work on construction projects is expensed during the preparatory phase and capitalised, in-line with FRS 15 from the point of formal project approval. Assets in the course of construction are valued at current cost and depreciation is not provided until the asset is brought into use.

Musical instruments were valued either at estimated current cost for assets in their condition at 31 July 1998 or at cost for subsequent additions or at valuation for donated instruments. Differences on valuation were credited to a revaluation reserve and released over each instrument's estimated remaining life, with assets depreciated in the range of 10 to 20 years.

During the year there was a reconciliation of all instruments recorded on the fixed asset register against departmental records of instruments held by the College. Instruments on the register but no longer held were written off and items held but not on the register were valued and added to the register.

Furniture and equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life:

- general equipment, furniture and fittings 5 years
- computer and recording equipment 4 years

Tangible assets, impairment reviews are carried out if changes in conditions or events indicate the carrying amount of a fixed asset may not be recoverable.

4. Fixed asset investments

Heritage assets consist of reference material in the RCM library, the Museum of Instruments, portraits, performance archives and other works of art of significant historical interest to musicians. Heritage assets are not depreciated as given their long economic life and high residual value, depreciation would not be material. Heritage assets valued at £2,000 and more are included where possible in the accounts.

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 costs for obtaining valuations exceed the benefit

derived to the users of the accounts. Assets donated or purchased with a value more than £2,000 since 1 August 2009 are included in the accounts where values have been reasonably obtainable.

The 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 accounts.

Portraits and other works of art are stated at valuation in the accounts and are not depreciated. There is no reason to believe that there has been any impairment in the value of these assets.

The Portraits and Performance History Collection (PPHC) is a substantial collection of art, photographs, printed items and manuscripts dating from c1620 to present day and is available for viewing to members of the College, visiting researchers and members of the public.

A majority of these works were donated to the RCM, though occasional purchases have been made over the years. No overall valuation has been made of the collection, though many works of art were valued in 2005 and are included in the accounts. Given the importance, size and uniqueness of the collection, it is not feasible to undertake valuations for the remaining collections acquired prior to August 2009, as costs will outweigh the benefits to the readers of the accounts.

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 from the collection, unless it is a duplicate. Costs of preservation are funded from various sources including grants, donations and the College's own funds.

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.

The PPCH will continue to accept donations and make purchases if the materials complement and enhance existing holdings and can be accommodated in appropriate conditions and the College has adopted the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items in the Centre's collection.

The interest in the Associated Board of the Royal Schools of Music is carried at cost and the RCM believes the carrying value is not overstated.

5. Restricted and endowment funds

Restricted expendable funds are unspent balances of donations made to the RCM where the donor has specified the purpose of the donation.

Restricted permanent funds do not allow the capital to be used and require income generated to be used for the purpose for which funds were originally given. Work to establish the nature and purpose for these funds was completed in 2011/12 and no change of classification resulted. Work to verify the split between capital and accumulated income is on-going.

Under the SORPFHE general donations are recognised as income unless the donor states that funds are to be retained for the benefit of the College. Unrestricted endowments have no accumulated income segment as income arising in the year is utilised in the College's general activities.

New endowments are taken to the balance sheet through the statement of total recognised gains and losses. Investment income from endowments is recognised in the income and expenditure account when earned and, at the financial year-end, unspent balances are transferred to the appropriate endowment fund. Gains and losses on revaluation of endowment investments are recognised in the statement of total recognised gains and losses.

Work is on-going to establish the source and conditions of unrestricted permanent funds shown in note 17. These funds are held in an investment fund together with RCM fixed asset investments, with investment income split between investment income and restricted and endowment funds.

6. Managed investments

Managed investments are in the balance sheet at market value. Gains/losses on valuation are taken through the statement of recognised gains and losses.

7. Pension schemes

The RCM provides staff pension schemes through the Teachers' Pension Scheme (TPS), Universities Superannuation Scheme Limited (USS) and RCM Pension and Assurance Scheme (RCMP&AS). These are defined benefit schemes, which are externally managed and contracted out of the State Earnings Related Pension Scheme. Under FRS 17 'Retirement Benefits', the TPS and USS are multi-employer schemes and as the College is unable to identify its share of underlying assets and liabilities it has accounted for contributions as if the schemes were defined contribution and amounts charged to the income and expenditure account represent contributions payable for the accounting period. The College has adopted fully FRS17 for the RCMP&AS.

8. Foreign currency translation

Foreign currency transactions are recorded at the exchange rate ruling at the transaction date. Foreign currency monetary assets and liabilities are translated into sterling at year-end rates and resulting exchange differences are included in income and expenditure for the financial year.

9. Leased assets

Operating lease costs are charged on a straight-line basis over lease terms.

10. Liquid resources

Liquid resources comprise cash held on short-term deposit.

11. Taxation status

The College is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax.

12. Students' Association

In line with FRS2 'Accounting for Subsidiary Undertakings', the accounts do not include those of the RCM Students' Association as it is a separate legal entity in which the College has no financial interest and no control or significant influence over policy decisions.

13. HEFCE access to learning funds

These funds are open solely to students and the RCM acts as a paying agent.

14. FRS (Financial Reporting Standards)

All higher education institutions, including the RCM, must prepare annual financial statements based on FRS from 2015/16. The College mobilised the FRS project in July 2011 to ensure that this deadline will be met.

Income and expenditure account for the year ended 31 July 2012

	Notes	2012 £	restated 2011 £
Income			
Funding council grants	1	4,461,305	5,051,069
Academic fees and support grants	2	7,998,485	7,735,199
Research grants	3	36,928	48,660
Other operating income	4	4,709,198	5,071,992
Endowment and restricted income and interest receivable	5	2,473,557	2,267,467
Total income		19,679,473	20,174,387
Expenditure			
Staff costs	6	9,831,681	9,660,140
Other operating expenses	7	6,190,521	5,976,881
Depreciation	8	1,538,954	1,257,438
Interest and other finance costs		131,682	146,049
Total expenditure		17,692,838	17,040,508
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and before and after tax.		1,986,635	3,133,879
Surplus income from scholarship funds and donors transferred to endowment funds	17	(402,724)	(116,647)
Surplus for year retained within general reserves	19	1,583,911	3,017,232
Statement of historical cost surpluses and deficits for the year ended 31 July 2012			
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before tax.		1,986,635	3,133,879
Difference between historical cost depreciation charge and actual charge for the year calculated on the revalued amount	18	529,256	284,660
Historical cost surplus before tax		2,515,891	3,418,539
Historical cost surplus after tax		2,515,891	3,418,539

The income and expenditure account is in respect of continuing activities.

Funded research income from charities and investment income were previously shown in Note 4. These are now shown in notes 3 and 5 and figures for 2011 have been restated.

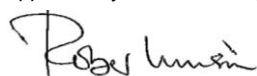
Statement of total recognised gains and losses for the year ended 31 July 2012

	Notes	2012 £	2011 £
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and after tax.		1,986,635	3,133,879
New endowments	17	1,933,591	2,226,522
Increase in value of endowment asset investments	11	307,989	1,795,425
Increase in value of fixed asset investments	10	18,982	830,877
Actuarial loss on RCM pension scheme	28	(1,529,000)	(143,000)
Revaluation reserve movement due to additions/(disposals) of fixed assets	18	(25,700)	(264,803)
Total recognised gains relating to the year		2,692,497	7,578,900
Prior year adjustment in 2011 to reflect addition of heritage assets		-	4,069,500
Total gains recognised since last annual report		2,692,497	11,648,400
Opening reserves and endowments		57,071,468	49,492,568
Total recognised gains relating to the year		2,692,497	7,578,900
Closing reserves and endowments		59,763,965	57,071,468

Balance sheet as at 31 July 2012

	Notes	2012 £	2011 £
Fixed assets			
Heritage and tangible assets	9	26,804,603	27,561,078
Investments	10	12,424,956	12,450,753
		39,229,559	40,011,831
Restricted and endowment assets			
Investments	11	26,930,864	24,389,640
Other	12	2,137,328	2,034,247
		29,068,192	26,423,887
Current assets			
Debtors	13	1,210,072	1,506,817
Cash at bank and in hand	21	1,908,731	2,775,895
Cash on deposit	21	4,000,000	1,300,000
		7,118,803	5,582,712
Creditors: amounts falling due within one year	14	(1,837,879)	(1,883,652)
Net current assets		5,280,924	3,699,060
Total assets less current liabilities		73,578,675	70,134,778
Creditors: amounts falling due after more than one year	15	(2,156,438)	(2,319,188)
Net assets excluding pension liability		71,422,237	67,815,590
Net pension liability	28	(3,481,000)	(2,182,000)
Net assets including pension liability		67,941,237	65,633,590
Deferred capital grants	16	8,177,272	8,562,122
Restricted and endowment funds			
Restricted expendable funds	17	109,950	103,426
Restricted permanent funds	17	25,738,248	23,201,716
Unrestricted permanent endowments	17	3,219,994	3,118,745
		29,068,192	26,423,887
Reserves			
Revaluation reserve	18	10,758,189	11,313,146
Accumulated revenue reserve			
Reserve before pension liability	19	23,418,584	21,516,435
RCM pension scheme liability	19	(3,481,000)	(2,182,000)
		30,695,773	30,647,581
Endowments and reserves		59,763,965	57,071,468
Total		67,941,237	65,633,590

Approved by Council and signed on its behalf on 21 November 2012 by:



Professor Lord Winston



Professor Colin Lawson

Statement of cash flows for the year ended 31 July 2012

	Notes	2012 £	restated 2011 £
Net cash inflow from operating activities as originally stated		-	3,533,805
Investment income from general endowments restated		-	(424,176)
Net cash inflow from operating activities	20	1,337,314	3,109,629
Returns on investments and servicing of finance			
Income from endowments	5	1,071,625	978,154
Investment income from general endowments	5	419,089	424,176
Other interest received	5	93,896	8,492
Interest paid		(131,682)	(146,049)
		1,452,928	1,264,773
Capital expenditure and financial investment			
Payments to acquire endowment asset investments	11	(5,988,041)	(6,105,329)
Realisation of endowment asset investments	11	5,235,510	3,969,808
Payments to acquire fixed assets	9	(459,709)	(570,589)
Net released from/(placed in) fixed asset investments	10	18,283	(130,435)
Deferred capital grants received	16	43,173	900,000
New endowments received	17	1,933,591	2,226,522
		782,807	289,977
Management of liquid resources			
Amounts placed on deposit	21	(2,700,000)	(1,300,000)
Financing			
Repayments of amounts borrowed	15	(162,750)	(162,750)
		(162,750)	(162,750)
Cash movement	21	710,299	3,201,629

Notes to the accounts for the year ended 31 July 2012

	Notes	2012 £	2011 £
1. Funding council grants			
HEFCE provided grants for the following purposes:			
Recurrent grants		4,272,755	4,852,297
Specific grants		67,821	81,281
Deferred capital grants	16	120,729	117,491
		4,461,305	5,051,069
2. Academic fees and support grants			
Higher education:			
UK students		1,881,542	1,964,143
Other EU students		875,766	769,550
Non-EU students		3,784,526	3,605,232
Other		214,068	190,870
Junior Department		1,242,583	1,205,404
		7,998,485	7,735,199
3. Research grants & contracts			restated
Research council		-	94
Charities		36,881	48,566
EU		47	-
		36,928	48,660
4. Other operating income			restated
Residences, catering and lettings		1,298,345	1,266,917
Other services rendered		308,574	309,541
Profit on sale of fixed assets		10,024	899
Released from deferred capital grants	16	307,294	352,258
ABRSM		1,000,000	1,700,000
Donations and other income		1,784,961	1,442,377
		4,709,198	5,071,992
5. Restricted and endowment income and interest receivable			restated
Restricted donations	17	888,947	856,645
Investment income on restricted endowments	17	966,793	888,275
Investment income on unrestricted endowments	17	104,832	89,879
Investment income		419,089	424,176
Other interest receivable		93,896	8,492
		2,473,557	2,267,467
Total restricted and endowment income and interest receivable as originally stated			1,843,291
Investment income on general endowments restated			424,176
Total restricted and endowment income and interest receivable as restated			2,267,467

Royal College of Music
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	2012 £	2011 £
6. Staff costs		
Wages and salaries	8,443,463	8,298,740
Social security costs	560,315	539,053
Pension costs (USS and TPS)	827,903	822,347
	9,831,681	9,660,140
	9,831,681	9,660,140
Director's emoluments		
Salary	186,265	165,000
Benefits in kind	1,931	201
Pension contributions	2,200	26,400
	190,396	191,601
	190,396	191,601

From 1 September 2006, the Director is required as part of his contract to live in a residence owned by the College. The costs associated with this residence in the year were £1,931 (2010/11: £201). There was an overpayment identified in the year relating to 2009/10, which was rectified in 2010/11.

In August 2011, the RCM ceased contributions to USS on behalf of the Director and the equivalent value of these contributions was incorporated into the Director's Salary

	Full time equivalents	Full time equivalents
Staff FTE by department		
Teaching departments	71	66
Teaching support services	36	36
Administration and central services	76	72
	183	174
	183	174

Remuneration of higher paid staff

	Headcount	Headcount
Staff, including the Director, who received remuneration in the following ranges were:		
£100,000-£109,999	2	1
£160,000 - £169,999	-	1
£180,000 - £189,999	1	-
	3	2
	3	2

Royal College of Music
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	Notes	2012 £	2011 £
7. Other operating expenses			
Catering		352,258	353,235
Academic departments		599,292	589,252
Learning resources		332,543	286,085
Scholarships and bursaries		1,616,605	1,633,617
Premises		1,659,664	1,412,581
Grant to RCM Students' Association		27,151	22,845
Financial services and professional fees		372,158	407,067
Other		1,230,850	1,272,199
		6,190,521	5,976,881
Other operating expenses include:			
External auditors' remuneration		30,600	40,200
External auditors' remuneration in respect of prior year		6,915	227
Internal auditors' remuneration - internal audits		29,041	28,229
External auditors' remuneration - non-audit		5,400	3,645
		1,538,954	1,257,438
8. Depreciation			
The depreciation charge has been funded by:			
Deferred capital grants released	16	428,023	469,750
Released from revaluation reserve	18	529,256	284,660
Financed internally		581,675	503,028
		1,538,954	1,257,438

A review of depreciation identified a number of assets that had not been correctly depreciated in previous years. The additional depreciation charge in the year for this backdated depreciation was £207,868.

9. Heritage and tangible assets

	Notes	Heritage assets	Land and buildings		Furniture and equipment	Musical instruments	Total	
		£	Freehold £	Leasehold £	£	£	£	
Cost or valuation								
Balance at 1 August 2011		4,967,750	4,356,640	20,185,345	2,727,974	6,712,820	38,950,529	
Additions		347,200	-	71,183	200,179	188,347	806,909	
Disposals		-	-	(1,281)	(22,339)	(43,998)	(67,618)	
At 31 July 2012		5,314,950	4,356,640	20,255,247	2,905,814	6,857,169	39,689,820	
Depreciation								
Balance at 1 August 2011		-	1,087,864	4,641,320	2,101,172	3,559,095	11,389,451	
Provided during the year	8	-	99,817	629,900	271,529	537,708	1,538,954	
Disposals		-	-	(1,094)	(24,594)	(17,500)	(43,188)	
At 31 July 2012		-	1,187,681	5,270,126	2,348,107	4,079,303	12,885,217	
Net book value at 31 July 2012		5,314,950	3,168,959	14,985,121	557,707	2,777,866	26,804,603	
Net book value at 1 August 2011		4,967,750	3,268,776	15,544,025	626,802	3,153,725	27,561,078	
							2012	2011
							£	£
Financial summary of heritage asset transactions								
Purchases								
Books and manuscripts						-	3,250	
Donations								
Instruments						347,200	-	
Disposals								
Carrying value						-	(38,500)	
Total heritage asset transactions						347,200	(35,250)	

Tangible assets - analysis of musical instruments

	Keyboards £	String £	Brass and woodwind £	Percussion £	Total £
Cost or valuation					
Balance at 1 August 2011	3,414,952	2,634,545	437,089	226,234	6,712,820
Additions	88,694	90,263	6,000	3,390	188,347
Disposals	(20,998)	(23,000)	-	-	(43,998)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2012	3,482,648	2,701,808	443,089	229,624	6,857,169
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
Balance at 1 August 2011	1,848,939	1,220,376	312,092	177,688	3,559,095
Provided during the year	174,386	336,250	18,163	8,909	537,708
Disposals	(15,200)	(2,300)	-	-	(17,500)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2012	2,008,125	1,554,326	330,255	186,597	4,079,303
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2012	1,474,523	1,147,482	112,834	43,027	2,777,866
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value at 1 August 2011	1,566,013	1,414,169	124,997	48,546	3,153,725
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

	Notes	2012 £	2011 £
10. Fixed asset investments			
Balance at 1 August 2011		12,450,753	11,635,674
Additions		2,108,424	2,115,695
Proceeds on disposals		(2,126,707)	(1,985,259)
Net gains on revaluation		18,982	830,877
Movements on cash		(26,496)	(146,134)
Balance at 31 July 2012		12,424,956	12,450,853

Investments held are analysed as follows:

Managed investments			
Fixed interest stocks (listed)		2,535,423	2,161,332
Equities (listed) and unit trusts		7,511,074	7,884,466
Cash held by investment managers	21	103,359	129,855
		10,149,856	10,175,653
Investment in subsidiary company		100	100
Interest in the ABRSM at cost	26	2,275,000	2,275,000
		12,424,956	12,450,753

The College owns 100% of the issued share capital of 100 ordinary £1 shares of RCM Development Fund Limited, a company registered in England and operating in the UK, whose principal activity was to raise funds for the College and which is now a dormant company.

The College 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 a winding up, the ABRSM's constitution requires its governing body to consider, in the first instance, the transfer of surplus assets to another body that is equipped to carry on the work of ABRSM.

11. Restricted and endowment funds - investments			
Balance at 1 August 2011		24,389,640	20,966,345
Additions		5,988,041	5,875,776
Proceeds on disposals		(5,235,510)	(3,969,808)
Net gains on revaluation	17	307,989	1,795,425
Movements on cash		1,480,704	(278,098)
Balance at 31 July 2012		26,930,864	24,389,640

Investments held are analysed as follows:

Managed investments			
Fixed interest stocks (listed)		8,239,439	6,988,154
Equities (listed) and unit trusts		16,333,639	16,523,575
Cash held by investment managers		2,306,633	825,928
		26,879,711	24,337,657
CAF fund investment		51,153	51,983
		26,930,864	24,389,640

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	Notes	2012 £	2011 £
12. Restricted and endowment funds - other assets			
Cash at bank		287,942	1,766,967
Cash on deposit		1,794,513	192,234
Debtors		54,873	75,046
		2,137,328	2,034,247
13. Debtors			
Amounts falling due within one year:			
Debtors		349,894	168,883
Prepayments and accrued income		860,178	1,092,339
HEFCE matched funding debtor		-	245,595
		1,210,072	1,506,817
14. Creditors: amounts falling due within one year			
Bank loans	15	162,750	162,750
Creditors		418,875	539,595
Balances with subsidiary undertaking		5,692	5,692
Social security and other taxation payable		288,836	251,012
Accruals		547,057	645,638
Deferred income		414,669	278,965
		1,837,879	1,883,652
15. Creditors: amounts falling due after more than one year			
Bank loans:			
Due within 1-2 years		162,750	162,750
due 2-5 years		488,250	488,250
due after more than 5 years		1,505,438	1,668,188
		2,156,438	2,319,188

RCM balances with subsidiary undertaking relate to RCM Development Limited (see Note 10).

This represents one loan which is at a fixed interest rate of 5.3%, with 14 years remaining.

	Notes	HEFCE £	Other £	Total £	
16. Deferred capital grants					
Balance at 1 August 2011		2,065,766	6,496,356	8,562,122	
Cash received		43,173	-	43,173	
Disposal of assets		-	-	-	
Released to income and expenditure	1,4	(120,729)	(307,294)	(428,023)	
Balance at 31 July 2012		1,988,210	6,189,062	8,177,272	
17. Restricted and endowment funds					
		Restricted expendable £	Restricted permanent £	Unrestricted permanent £	Total £
Balance at 1 August 2011		103,426	23,201,716	3,118,745	26,423,887
Capital movements					
New endowments/capital income		-	1,933,591	-	1,933,591
Gains in market value of investments	11	-	303,243	4,746	307,989
		-	2,236,834	4,746	2,241,580
Revenue movements					
Income for year	5	888,947	966,793	104,832	1,960,572
Expenditure for year		(882,423)	(667,096)	(8,329)	(1,557,848)
		6,524	299,697	96,503	402,724
Balance at 31 July 2012		109,950	25,738,248	3,219,994	29,068,192
Purpose of fund balances					
Scholarships		17,587	23,316,031	-	23,333,618
Prizes		76,706	1,038,332	-	1,115,038
Junior fellowships		-	944,712	-	944,712
Instrument loans		-	176,355	-	176,355
Other		15,657	262,818	-	278,475
Balance at 31 July 2012		109,950	25,738,248	3,219,994	29,068,192
18. Revaluation reserve		Land and buildings £	Heritage assets £	Musical instruments £	Total £
Balance at 1 August 2011		4,065,388	4,926,000	2,321,758	11,313,146
Additions		-	-	-	-
Disposal of assets		-	-	(25,700)	(25,700)
Released in year	8	(110,208)	-	(419,048)	(529,256)
Balance at 31 July 2012		3,955,179	4,926,000	1,877,010	10,758,189

	Notes	2012 £	2011 £
19. Accumulated revenue reserve			
Balance at 1 August 2011		19,334,435	15,344,666
Surplus from income and expenditure account		1,583,911	3,017,232
Increase in the value of fixed asset investments		18,982	830,877
Actuarial loss on RCM pension scheme	28	(1,529,000)	(143,000)
Release from revaluation reserve	18	529,256	284,660
Balance at 31 July 2012		19,937,584	19,334,435
Analysis of accumulated revenue reserve			
Reserve before pension liability		23,418,584	21,516,435
RCM pension scheme liability	28	(3,481,000)	(2,182,000)
Reserve including pension liability		19,937,584	19,334,435

			restated
20. Reconciliation operating surplus to net cash inflow from operating activities			
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and before and after tax.		1,986,635	3,133,879
Depreciation	9	1,538,954	1,257,438
Loss on the sale of fixed assets	9	24,430	268,827
Deferred capital grants released to income	16	(428,023)	(490,223)
Investment income and interest receivable	5	(1,584,610)	(1,410,822)
Interest payable		131,682	146,049
Reduction in revaluation reserve	18	(25,700)	-
Decrease in debtors	12,13	316,918	412,550
Decrease in creditors	14,15	(275,773)	(208,069)
Donation of heritage asset	9	(347,200)	-
Net cash inflow in the year from operating activities		1,337,314	3,109,629
Net cash inflow in the year from operating activities as originally stated			(3,533,805)
Investment income on general endowments restated			424,176
Net cash inflow in the year from operating activities as restated			(3,109,629)

	Notes	At 1 August 2011 £	Cashflows £	At 31 July 2012 £
21. Analysis of changes in net funds				
Endowment assets				
Balances at investment managers	11	825,928	1,480,705	2,306,633
Other balances	12	1,959,201	123,254	2,082,456
College current assets				
Cash at bank and in hand		2,775,895	(867,164)	1,908,731
Balances at investment managers	10	129,855	(26,496)	103,359
		5,690,879	710,299	6,401,178
Financing				
Loan: Due within one year	14	(162,750)	-	(162,750)
Loan: Due after one year	15	(2,319,188)	162,750	(2,156,438)
Cash on deposit		1,300,000	2,700,000	4,000,000
		4,508,941	3,573,049	8,081,990

	2012 £	2011 £
22. Access to learning fund		
Balance at 1 August 2011	57	155
HEFCE grants	6,574	6,373
	<hr/>	<hr/>
Disbursed to students	6,631	6,528
Administration charge	(5,999)	(6,280)
	(172)	(191)
	<hr/>	<hr/>
Balance at 31 July 2012	460	57
	<hr/> <hr/>	<hr/> <hr/>

Funding council grants are available solely to assist students and the RCM acts only as paying agent. Therefore grants and related disbursements are excluded from the income and expenditure account.

23. Capital commitments		
Provision has not been made for the following capital commitments at 31 July 2012		
Commitments contracted for	7,500	7,560
	<hr/>	<hr/>
Balance at 31 July 2012	7,500	7,560
	<hr/> <hr/>	<hr/> <hr/>

24. Lease obligations		
At 31 July 2012 the College had commitments under non-cancellable operating leases		restated
Land and buildings		
Expiring between one and five years	13,540	40,620
Expiring in over five years	1,005	1,005
	<hr/>	<hr/>
	14,545	41,625
	<hr/> <hr/>	<hr/> <hr/>
Other operating leases		
Expiring between one and five years	71,716	75,969
	<hr/> <hr/>	<hr/> <hr/>

The College identified an additional commitment in 2012 and this has been restated for 2011. This related to an operating lease that commenced in September 2010 for the rental of telephone equipment from De Lage Landen Leasing Limited.

25. Related party transactions	
<i>As far as the College is aware, there were no 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.</i>	

26. Share of net liability of associate

The interest in the ABRSM is carried at cost (note 12). The College's 25% share of the results of ABRSM for the year ended 31st January 2012, which is not consolidated in the 2012 accounts, are set out below.

	2012	2011
	£	£
Total income	9,291,000	8,917,750
Net income, after deducting charitable donations	383,750	344,250
Fixed assets	336,750	323,000
Current assets	4,294,250	4,264,750
Liabilities due within one year	(2,515,750)	(3,081,250)
Net assets before pension liabilities	2,115,250	1,506,500
Net pension liability	(2,684,250)	(1,389,500)
Net liabilities after pension fund deficit	(569,000)	117,000

27. Post balance sheet events

There are no post balance sheet events to report.

28. Pension Schemes

Pension schemes and assumptions

The College has employees participating in the Teachers' Pension Scheme (TPS), Universities Superannuation Scheme Limited (USS) and Royal College of Music Pension and Assurance Scheme (RCMP&AS). In 2011/12 total employer's and employees' pension contributions were £1.6 million.

Under the definitions set out in FRS 17 "Retirement benefits", both USS and TPS are multi-employer defined benefit pension schemes. The RCM is unable to identify its share of the underlying assets and liabilities of these schemes and we have used the exemption in FRS 17 and accounted for contributions as though they were both defined contribution schemes.

	TPS	USS	RCMP&AS
Assumptions used to determine contribution levels			
Investment returns per annum	6.50%	6.10%	5.70%
Salary increase per annum	4.50%	4.40%	4.20%
Pension increase per annum	not available	2.6% to 3.4%	2.5% to 3.2%
Market value of assets at date of last valuation	£163.2 billion	£32.4 billion	£5.7 million
Scheme liabilities	£166.5 billion	£35.3 billion	£7.1 million
Shortfall	£3.3 billion	£2.9 billion	£1.4 million
Scheme specific funding level	98%	92%	80%
Date of last actuarial valuation	31-Mar-04	31-Mar-11	31-Jul-10
Date of next actuarial valuation	c.31-Mar-15	31-Mar-14	31-Jul-13
Employer's and employees' pension contribution rates			
Employer's contribution rate	14.1%	14%	not applicable
Employees' contribution rate	6.4% to 8.8%	6.5% to 7.5%	not applicable

	Employer's £000s	Employees' £000s	2012 Total £000s	2011 Total £000s
RCM pension contributions				
Teachers' Pension Scheme	321	167	488	444
Universities Superannuation Scheme	507	248	755	743
RCM Pension & Assurance Scheme	323	-	323	323
	1,151	415	1,566	1,510

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 2004, with the next review due c.2015. At the date of the last review the scheme had a funding shortfall of £3.3 billion and a recovery plan to pay off this shortfall was adopted. Key assumptions are shown in the table above, other assumptions include: real rate of return 3.5% in excess of prices and 2% in excess of earnings; rate of real earnings growth is 1.5%; and gross rate of return 6.5%.

From January 2008 as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution was assessed at 19.75%, plus a supplementary contribution of 0.75% (to balance assets and liabilities as required by the regulations within 15 years), giving a standard contribution rate (SCR) of 20.5% (split 6.4% employees and 14.1% employers). The cost-sharing agreement is capped at 14% on employer contributions.

An interim actuarial review in 2006 did not recommend changes to the SCR and concluded, as at 31 March 2006, and using the above assumptions, that the Scheme's total liabilities amounted to £176.6 billion.

Universities Superannuation Scheme

The USS is a contributory, defined benefit scheme and is valued every three years by professionally qualified independent actuaries using the projected unit method. Contribution rates are determined by the trustees on advice of the actuaries. The most recent actuarial valuation was at 31 March 2011. In the intervening years, the USS actuary reviews progress of the USS scheme. At 31 March 2011 the scheme had a funding shortfall of £2.9 billion and the USS trustees implemented a recovery plan to pay off the shortfall by 31 March 2021. Membership is automatic for support staff, although, members may choose to opt out of the scheme. Key assumptions are shown in the table above, other assumptions include: assumed life expectations on retirement at 65 of men 23.7 to 25.6 years and women 25.5 to 27.6 years.

At the valuation date the prevailing employer contribution rate was 16% of salaries, whereas the contribution rate payable by the RCM was 14% of pensionable salaries. The actuary has confirmed that it is appropriate to take the pensions costs in the financial statements as equal to actual contributions paid during the year. Since 31 March 2011 global investment markets have fluctuated and the actuary estimates that the funding levels as at 31 March 2012 fell from 92% to 77% on the scheme specific basis; from 82% to 74% on an FRS 17 basis; from 68% to 56% on an expected gilt return basis; and from 57% to 46% on a buy-out basis.

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. Sensitivities for principal assumptions used to measure scheme liabilities are:

- investment return increase/decrease of 0.25%pa: liabilities decrease/increase by £1.6 billion;
- salary growth increase/decrease of 0.25%pa: liabilities increase/decrease by £0.6 billion;
- mortality rate increases by one year: liabilities increase by £0.8 billion.

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.

Royal College of Music Pension and Assurance Scheme

The RCM Pension and Assurance Scheme is a closed scheme with 55 pensioners and 124 deferred members of whom 31 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 31 July 2010. In the intervening years, the actuary reviews the progress of the Scheme. At 31 July 2010 the scheme had a funding shortfall of £1.4 million and the RCM Council agreed a recovery plan to pay off the shortfall over five years, with a planned contribution of £322,800 in 2012/13. Since July 2010 global investment markets have fluctuated and the actuary estimated that the deficit at 31 July 2012 was £3.5 million. The RCM accounts for the RCMP&AS in accordance with FRS 17 "Retirement benefits".

	2012 £000s	2011 £000s
Amounts recognised in balance sheet		
Assets at fair value	6,922	6,278
Present value of defined benefit obligation	(10,403)	(8,460)
Deficit	<u>(3,481)</u>	<u>(2,182)</u>
Amounts recognised in income and expenditure account		
Past service cost	(60)	(48)
Expected return on plan assets	374	346
Interest on pension obligation	(443)	(420)
Net amount recognised in income and expenditure account	<u>(129)</u>	<u>(122)</u>
Reconciliation of present value defined benefit obligation		
Balance at 31 July 2011	8,460	7,910
Past service cost	60	48
Transfers	(61)	-
Interest cost	443	420
Actuarial loss	1,665	385
Administration expenses	(7)	-
Benefits paid	(157)	(303)
Balance at 31 July 2012	<u>10,403</u>	<u>8,460</u>

	2012 £000s	2011 £000s	2010 £000s	2009 £000s	2008 £000s
Reconciliation of fair value plan assets					
Balance at 31 July 2011	6,278	5,643			
Expected return on assets	374	346			
Actuarial gain	136	242			
Employer contribution	359	350			
Transfers	(61)	-			
Administration expenses	(7)	-			
Benefits paid	(157)	(303)			
Balance at 31 July 2012	6,922	6,278			
Reconciliation of change in funded status					
Balance at 31 July 2011	(2,182)	(2,267)			
Pension expense	(129)	(122)			
Employer contribution	359	350			
Actuarial losses	(1,529)	(143)			
Balance at 31 July 2012	(3,481)	(2,182)			
Actual return on plan assets	510	588			
History of experience adjustments					
Defined benefit obligation	(10,403)	(8,460)	(7,910)	(7,463)	(5,922)
Plan assets	6,922	6,278	5,643	4,848	4,957
Deficit	(3,481)	(2,182)	(2,267)	(2,615)	(965)
Experience adjustments on scheme liability	105	154	250	(623)	1,126
Experience adjustments on scheme assets	136	242	389	(483)	(597)
Scheme assets and expected returns					
Equities	2,431	2,688	6.00%	7.50%	
Bonds	2,481	3,169	3.90%	5.30%	
Gilts	1,271	-	2.50%	4.00%	
Cash	739	421	0.50%	0.50%	
Total	6,922	6,278			
Assumptions					
Discount rate			3.90%	5.30%	
Retail price inflation			2.80%	3.50%	
Increases in deferment			2.30%	3.00%	
Post 97 increases in payment (capped at 5% pa)			2.80%	3.50%	
Expected return on assets			4.02%	5.70%	
Life Expectancy in years at age 65					
Males current age 65			87.7		
Females current age 65			90.0		
Males current age 45			89.8		
Females current age 45			92.3		

The overall expected return on assets is derived from a weighted average of the expected return from each of the main asset classes (which is a best estimate of the future investment return for that asset class at the accounting date).