

# Royal College of Music



*A Midsummer Night's Dream 2009*

**Report and Accounts  
for the year ended 31 July 2009**

*Image: A Midsummer Night's Dream 2009  
RCM International Opera School Production Summer 2009  
Photo by Chris Christodoulou*

# Royal College of Music

## Financial Statements 2008/09

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Professor Colin Lawson FRCM (Director)

Mr Andrew Ball FRCM (Professor. Retired July 2009)

Ms Vanessa Latache (Professor)

Mr William Mival (Professor. Appointed July 2009)

Mr David Harpham HonRCM (Administrative staff)

Ms Mary Kelly (Students' Association. Retired July 2009)

Mr Ed Hallinan (Students' Association. Appointed July 2009)

### Clerk to the Council

Mr Kevin Porter HonRCM (Deputy Director)

**Finance and General Purposes Committee (previously Executive Committee)**

Lord Winston

Ms Jane Barker

Professor Colin Lawson (ex officio)

Mr Nicholas Ward

Mr Nigel Woolner

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# Royal College of Music

## Financial Statements 2008/09

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# Royal College of Music

## Financial Statements 2008/09

### Chairman's message

The Land without Music. It is now almost unimaginable that a little over a century ago, Britain was dubbed *Das Land ohne Musik* by German scholar Oskar Schmitz. The origins of this phrase, which he used as a book title, have been endlessly analysed, accepted by some, refuted by most. With hindsight, the insult may have helped to stimulate the revitalisation of music in Britain, to the extent that we are now regarded as a key player, admired worldwide for our creativity and open-mindedness, and our high levels of participation.

Consider London in 2009. Which other city rivals our capital's cultural offer in performing arts? Notwithstanding the burgeoning opportunities for disseminating and listening to music afforded by new technologies, there is a growing appetite for the incomparable magic of live performance. An estimated one hundred concerts take place every day of the year in London, featuring repertoire of staggering diversity, in a host of traditional and unusual venues, presented in formats from ultra-traditional to cutting-edge experimental. Which other capital city can boast two world-class opera companies, ten or more symphony orchestras, a clutch of world-class concert halls and, in the BBC Proms, the biggest music festival in the world by whichever measure you choose to apply: number of events, size of audiences, global reach via new media?

This vibrancy is not confined to London. Regional orchestras and opera companies are regional in name only; the best of them enjoy international activity with reputations to match. Consider, too, our choral tradition in which interest has never been more evident, from local choral societies to great English Cathedral choirs. Participation in music-making, from rock bands to amateur operatic societies, has never been stronger, despite the shamefully poor provision of music in many state schools. More than ever before, people are valuing the expressive outlet offered by performing or listening to music.

So where does the Royal College of Music fit into this cultural renaissance? Quite simply, the RCM is at its heart. Stanford, Holst, Ireland, Vaughan Williams, Tippett, Britten, Edwin Roxburgh, Julian Anderson and Mark-Anthony Turnage, each an incalculably important compositional influence, were, or are, on the staff of the RCM. Instrumental and vocal teaching at the RCM has always been of the highest possible calibre; the majority of RCM professors are active internationally, in demand for performances, masterclasses, coaching and adjudication. For more than a century, RCM graduates have populated the major orchestras, opera companies and chamber ensembles. Without the high-quality training offered by the RCM, these ensembles would be vastly diminished. Indeed, some would never have survived, or even existed.

Equally significant is the RCM's commitment to social inclusion which has meant that, from its foundation, no talented individual has been excluded from study on financial or social grounds. This approach has brought the College a very broad range of individuals who, together, have oxygenated what might otherwise become an unhealthily rarefied environment. This commitment was clearly articulated on 7 May 1883 when Prince Albert, opening the College as its first President, charged founder Director Sir George Grove with a specific responsibility: to ensure that the College played its part in 'bridging

over the gulf between different classes which it is the tendency of increased wealth and increased civilisation to widen'.

The following day The Times carried a lengthy leader on the same theme. 'The principle of *carrière ouverte aux talents* has seldom been illustrated in a more striking manner than the statement that among the fifty successful candidates, a mill-girl, the daughter of a brick-maker and the son of a blacksmith take high places in singing, while the son of a farm labourer excels in violin playing. In the wishes for the welfare of the new College expressed by its first President, we cannot but join cordially.' I am proud that this principle remains at the heart of the Royal College of Music's mission.

In times of global economic turbulence, our artistic compass is aimed at ensuring the sustainability of the Royal College of Music, so that it can continue its outstanding work. I am grateful for the wholehearted involvement of my fellow Council members in supporting the College's journey towards this goal. We are proud to be associated with an organisation where staff and students demonstrate daily the unwavering aspiration to excellence for which the Royal College of Music is rightly renowned.

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

Professor Lord Winston *Chairman*



# Royal College of Music

## Financial Statements 2008/09

### Director's report

The Royal College of Music has achieved great educational and artistic success this year against a backdrop of economic uncertainty. Inevitably, there has been a renewed focus on guaranteeing sustainability and forward plans are currently in place. Cuts in funding from the Higher Education Funding Council for England, together with the economic downturn and negative impact on investments, prompted all UK higher education institutions to review their income and expenditure forecasts. The RCM started this process early, and during 2008/09 implemented a programme of good housekeeping and judicious cost-cutting, while also identifying realistic ways to raise income from new sources, including new innovative programmes. Such measures mitigate some of the risk without unduly inhibiting progress towards key strategic targets.

We are pleased to report that impact on our development (fund-raised) income was less than feared, and I would like to thank our supporters – individuals, trusts, foundations and corporates – for their continued loyalty to the College. The 2008 Soiree d'Or held at the Victoria & Albert Museum was an especially starry affair, producing a contribution to our scholarships fund of some £140,000. It has been particularly gratifying to learn that some individuals, faced with difficult decisions, have chosen to prioritise the RCM in their portfolio of giving. This welcome affirmation gives us great confidence. New leadership in the Development Department is already bearing fruit and we look forward to enlarging our supporter group across its different strands.

An outward and visible sign of our confidence was provided by the reopening in March 2009 of the refurbished Concert Hall. It was renamed the Amaryllis Fleming Concert Hall in memory of the late cellist whose influence as an RCM alumna and professor is legendary. We are grateful to the Fleming Family & Foundation, the Garfield Weston Foundation and other donors who made this stunning transformation possible. Students making music in this space are now rewarded with a performance environment which not only replicates the best professional conditions, but also matches their own exceptional gifts with its ambience, acoustic and soundproofing.

The approval by the Privy Council of revised Charter and Statutes in July 2009 has the effect of extending our degree-awarding powers. This development strengthens our hand in developing programmes with a wider range of qualification outcomes which will better match the aspirations and needs of students, as well as taking the College into new music-related fields, and opening up new possibilities for partnerships and collaborations. These curriculum developments will lead to new programmes starting in the academic year 2010/11 and 2011/12.

During the year, visits were made to Taipei, Seoul, Singapore, Hong Kong, Tokyo, Moscow, Beijing, Shanghai, Hong Kong, Singapore, New York and Boston. These trips have provided opportunities to applicants to audition nearer home, led to new partnerships with some of the world's leading conservatoires in China and Singapore, and deepened existing partnerships elsewhere in the world. Memoranda of agreement were signed with conservatoires in Beijing and Shanghai and our articulated bachelor/master's programme with Princeton University has begun exceptionally well.

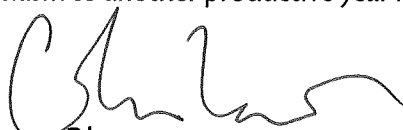
Professional collaborations and partnerships are the lifeblood of a conservatoire. They are the most effective means of connecting students with the profession, illustrating at first-hand artistic standards and workplace behaviours, and allowing them to experience real-life, real-time music-making with top performers. ENO Evolve is a ground-breaking scheme led by the English National Opera (ENO) Music director Edward Gardner, whereby RCM students shadow ENO Orchestra members and work alongside them in rehearsals. Each student is assigned a mentor from the orchestra who is their point of contact across the programme. Our partnership with the BBC Symphony Orchestra has drawn our two organisations ever closer, with consequent opportunity for students. Other performance partnerships with the Philharmonia Orchestra's *Vienna: City of Dreams* series, Cadogan Hall's *Rising Stars* recitals and South Bank Centre's Stockhausen Festival *Klang* have further enriched our students' experience. Meanwhile, over 800 engagements in museums, galleries, medium-sized venues, hospitals, schools, nurseries, prisons and residential homes have allowed our chamber ensembles and soloists to flex their musical muscles and hone vital communication skills.

Visiting musicians continue to bring a valued extra dimension to the learning and teaching at the RCM. Major visitors this year have included Sir Roger Norrington, Esa-Pekka Salonen and the dynamic young conductor and RCM alumnus John Wilson who, later in the year, dazzled at the Proms in a programme of music from MGM musicals. The RCM International Opera School has continued to burnish its international reputation. The RCM's unparalleled schedule of masterclasses continues as ever to add lustre to the RCM experience.

The impact of RCM Sparks, our learning and participation programme, deepened further this year and some important links with the flourishing RCM Junior Department were set in train. Among a range of Sparks activities, including taking the acclaimed Musicians of the Future programme out to local state schools for its fourth year, the team extended its reach by providing an ambitious programme of happenings for all ages to complement the BBC Proms. BBC Proms Plus series has made its home at the RCM since summer 2008, when it used the Britten Theatre each day for pre-Proms talks. In summer 2009, BBC Proms Plus took over the Amaryllis Fleming Concert Hall for daily events, bringing more than 12,000 people over our threshold.

If competition successes and graduate destinations are a measure of success, then this year the RCM has again excelled. Our musicians swept the board at the Kathleen Ferrier Competition, the most important vocal contest in the UK: soprano Sarah-Jane Brandon took First Prize, Monica Bancos the Second, and Stephen Meakins the Accompanists' Prize. Madeleine Pierard won First Prize in the Royal Over-Seas League Vocal Competition and Ruby Hughes took first place and Anna Huntley second in the 2009 Handel Singing Competition. Of our pianists, Alexey Chernov won first prize at the Scriabin International Piano Competition in Grosseto while Junior Department student Asagi Nakata (13) won First Prize in her age category in the International Franz Liszt Competition in Weimar. These triumphs are but the glinting tip of an impressive iceberg of successes.

During the year we bade farewell to a number of colleagues including Simon Powell, Director of Finance & Estates, to whom we are most grateful. In turn, we welcomed Samir Savant to the new post of Director of Development and Marcus McDonald as Director of Finance & Estates. As the executive of the Royal College of Music, my colleagues and I greatly appreciate the support and guidance provided by the RCM Council and we look forward with enthusiasm to another productive year in 2009/10.



Professor Colin Lawson *Director*

# Royal College of Music

## Financial Statements 2008/09

### Operating and Financial Review

#### Mission and principal objectives

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

#### Objects of the Royal College of Music

The Mission Statement supplements the objects of the Royal College of Music as set out in the 1883 Charter:

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

#### Strategic plan

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

Our Strategic Plan has identified a number of priority areas for the period 2007-2017:

- Access to an inspirational learning experience
- Artistic vision
- Research and innovation
- Communications
- People
- Technology
- Estate
- Finance

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

### **Outlook for 2009/10**

The overall economic outlook continues to be uncertain and it is probable that there will be cuts in public spending over the life of the next government. The College has set itself a target of achieving a sustainable 3% surplus on turnover by 2012/13 and identified additional income targets and/or potential savings, with reviews being led by the Directorate. The College will update its five-year financial forecasts by the end of November 2009 and these forecasts will be tested using sensitivity analysis for a range of potential funding cuts. Set against this uncertain economic background, applications to study in the College in 2008/09 were strong and initial registration data for 2009/10 show further improvements on 2008/09.

### **Principal risks and uncertainties**

The College's risk management strategy and policy (which can be found at <http://www.rcm.ac.uk/cache/fl0014392.pdf>) sets out the respective roles of the College's Directorate, the Council, the Finance and General Purposes Committee and the Audit Committee in risk management. It also sets out the key controls and the approach to risk management.

The risk register identifies the key risks, the likelihood of them occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. The risks themselves are prioritised using a consistent scoring system. The register is subject to a significant annual review by the Directorate and is then monitored and up-dated throughout the year. An annual report on risk management is presented to all the committees involved in risk management, including the Council. The two principal risks to the College are:

- Levels of Higher Education Funding Council for England (HEFCE) funding are uncertain as the government seeks to cut public expenditure. Uncertainty is increased further, given the proximity to the general election. The HEFCE has already implemented sector-wide grant cuts of £65 million for 2009/10, and is currently consulting on additional cuts of £59 million for 2010/11. As part of these sector-wide cuts, the College was notified of a £60,000 cut to its 2009/10 teaching grant and has been given indicative figures, showing a further cut of £117,000 in 2010/11. In 2009/10, the College's Council will consider an updated Finance Strategy, which will outline how the RCM will mitigate finance risks.
- The level of scholarships offered to students. The College believes that in order to remain a world class institution it must not only have excellent facilities but also be able to attract the best students globally and this requires resources from which scholarships can be awarded. The College has identified that fundraising is key to this strategy and that a failure to achieve it will be a risk to the College's reputation in the medium term. In May 2009, the College appointed a new Director of Development and during 2009/10 he will be developing strategies to mitigate this risk.

## **Estates**

The College was founded in 1883, and the main Blomfield building opened for teaching of music in 1894. Subsequent additions have included the Concert Hall in 1901, the 1965 Building and the Britten Opera Theatre in 1986.

With the general increase in ambient noise in London, performances in the Concert Hall were prone to interruption and the College completed a major refurbishment of the Concert Hall between May 2008 and March 2009. In addition to visible improvements such as new carpet, seating and decorations, the following transformations took place:

- the hall was soundproofed;
- acoustic technicians dramatically improved the acoustics for performers and audiences;
- a brand new air-conditioning and temperature management system was installed;
- new state-of-the-art lighting and a “one-touch” recording system (linked to the RCM’s award-winning studios) was introduced.

The Concert Hall re-opened in March 2009 and during the spring and summer hosted a number of successful performances by College students. In August and September 2009 it was used by the BBC for its pre-proms events, which attracted more than 12,000 visitors over six weeks.

Space for all activities is at a premium and in 2008/09, the College agreed a three year lease for premises in Kensington Square. In January the Centre for Performance Science, Junior Department and Finance Department relocated to these new premises, this move releasing space for teaching in the Blomfield Building.

The College owns a site in the Goldhawk Road, London, which currently has accommodation for 170 students together with practice rooms. The condition of the accommodation needs to be brought up to date and the College is currently evaluating its options for the site.

In 2009/10, the Council will consider an updated Estates Strategy, which will outline how the RCM estate will support further the College’s mission and principal objectives.

## **Fundraising**

There are three main strands to the College’s fundraising strategy:

- The first is to seek funding to provide scholarships to students by way of donations. The College received £892,000 in the year from donations and also provided more scholarship funding from its existing restricted permanent fund income of £810,000. This allowed the RCM to fund student scholarships of £1.3 million. This is 28% of fees paid by students in the Senior College and one key objective is to increase this to 60% by 2017.
- The second strand concentrates on providing funds for capital projects. The College completed the Concert Hall Refurbishment project in 2008/09 and this was funded by a mix of donations, HEFCE capital grant and RCM reserves.
- As a third strand, the College is seeking support for continuing costs of certain of its activities including its outreach activities.

Eligible donations will be enhanced by a matched funding scheme introduced by the HEFCE, whereby any gifts of money received in the three years from August 2008, will be increased by 50% up to a maximum of £1.3 million over the period. In 2008/09 the College accrued its full-allowance of £1.3 million of matched funding.

## Access

Learning and teaching is at the heart of the RCM mission and it is important that, regardless of their means, the College can recruit the most talented students from anywhere in the world. As outlined above a key aim is to fund 60% of tuition fees from scholarship funds by 2017.

Since its establishment in 1882, the RCM has had a strong commitment to fair access. At the time it was founded the intention was that it should offer scholarships to home students. The aim was to ensure access for the very best regardless of means and Foundation Scholarships are still offered at entry to talented students to help with the payment of undergraduate tuition fees.

Furthermore, the RCM aims to raise aspirations and attainment in order to encourage applications to higher education. To support this objective the College set aside £28,000 for bursaries in 2008/09 and actually spent £37,000 - providing bursaries to 36 UK students and 4 EU students. These bursaries are aimed at removing financial barriers to RCM study by assisting with the extra living costs in London. There are two types of bursary:

- non-standard bursaries of £1,000 pa awarded to all home students assessed to receive 85% or more of the maintenance grant; and
- Euro-bursaries of £350 pa awarded to all non-UK EU students assessed to have a family residual income of under £25,000.

The College also awards a significant number of merit-based scholarships, which are worth up to full-fees and all applicants are considered for them – undergraduate, postgraduate, home, EU and overseas. Any student who auditions in person for a place at the RCM will automatically be considered for a scholarship or study award and they do not need to complete a separate application to be considered for this. Information regarding RCM scholarships and bursaries is available on-line on the RCM website.

## Outreach

The College has a significant track record in organising outreach activities – both to excite an interest in music in the target groups for the activity and to provide professional experience for its students. Many of these activities are aimed at raising aspirations and attainment and encouraging students from under-represented groups to apply to higher education. The College now plans to focus more of its outreach activity on improving access to the RCM and to higher education, especially from under-represented groups. The College's outreach plans and milestones are set out in the tables below.

Much of the College's outreach activity is located in its local borough of Kensington and Chelsea - a diverse multicultural and multi-lingual inner-London borough. It is the second smallest local authority geographically in the UK, yet the most densely populated. The total population is currently estimated to be 178,000, although turnover is estimated to be in excess of 20% each year. The area displays remarkable diversity and contrasts, including ethnic and linguistic diversity and wide socio-economic disparities; almost half the population was born outside the UK (the second highest nationally). There are

pockets of high deprivation - while seven wards in Kensington and Chelsea are among the least deprived nationally, two wards are among the 10% most deprived in England. There are around 1,000 households living in temporary accommodation, additionally one in five households has dependent children.

In Kensington and Chelsea's maintained schools, just over half of pupils speak English as an additional language, compared to around 10% nationally; pupils speak more than 100 languages other than English, and over a third of pupils on roll are not fully fluent in English, requiring specialist support. Sixty per cent of children attending Kensington and Chelsea schools qualify for free school meals, more than double the national average. Some schools also experience very high turnover of pupils – this is often the result of the movement of travellers, migrant workers, families in temporary accommodation and asylum seekers and refugees.

In order to reflect the borough context in RCM outreach and widening participation activities, the following initiatives have been put in place:

- **RCM Sparks Juniors:** 80% of participants recruited are from lower socio-economic backgrounds and/or have English as an additional language
- **Igniting Creativity series – Summer Programme:** 60% of participants are recruited from lower socio-economic backgrounds and/or have English as an additional language
- **Igniting Creativity series – Sunday Sessions:** 60% of participants recruited are from lower socio-economic backgrounds and/or have English as an additional language.

In order to reach these targets the RCM works closely with the local borough in order to identify schools with a higher than average number of free school meals (FSM) (at both national and borough level) and English as an additional Language (EAL). Pupils will then be recruited directly from schools meeting these criteria using the FSM and EAL register.

#### Sparks Juniors

Widening participation objectives motivated the establishment of the RCM Sparks Juniors project. For it to succeed, it is important that students and their parents are prepared to commit to sustained study and practice over the duration of the programme and, aside from widening participation criteria, selection also assesses this commitment. Students are selected following a series of in-school workshops where children work creatively using classroom percussion, body percussion and singing. Children are identified by their musical recall, creative input and enthusiasm – this is cross-referenced to school data relating to the FSM and EAL register and following discussions with the class teacher. Consideration is then given to whether the children and their families will be able to commit to the weekly sessions in order to gain the most from the experience and so not to impact on the learning of others involved in the group teaching. In 2009/10, 100% of participants recruited were from lower socio-economic backgrounds and/or have EAL, exceeding the College's target.

#### Partnerships with state schools

Brentfield School is one of the state schools with which the College has a partnership and is where the Brentfield Enrichment Project is based. It is a large primary school in a disadvantaged area of north-west London. The school is in the top 20% of the most deprived schools in the UK; 93.2% of children are from ethnic minority groups of which 50% are from either asylum seeker or refugee families; 63.8% speak English as an additional

language and eight out of ten pupils are drawn from a council ward which is significantly deprived; 53.8% of pupils are entitled to free school meals.

### Equal opportunities

The Royal College of Music is committed to a policy of equal opportunities. 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 whom it deems to have the ability and motivation to benefit.

As an institution described at its foundation as one whose doors were to be 'thrown open to the whole world', the RCM acknowledges and welcomes influences from diverse social and artistic traditions. The College seeks to foster excellence in everything in which it is involved.

The RCM has agreed an Equal Opportunities Policy that aims to ensure that no student, member of staff or visitor is subjected to unfair discrimination. The College will not discriminate unfairly on the grounds of age, disability, marital status, race, religion, class, gender, sexual orientation 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.

Students are recruited on the basis of their merits, abilities and potential and any review of selection criteria and procedures will ensure that consideration is given to equal opportunities issues.

### Financial results for 2008/09

The College returned a surplus for the year of £817,000, which included a one-off item of £1.3 million for HEFCE matched funding (see section on fundraising). The College's income and expenditure for the year ended 31 July 2009 may be summarised as follows:

	2009	2008
	£000s	£000s
Income excluding HEFCE matched funding	16,783	16,261
HEFCE matched funding	1,350	0
Expenditure	(17,024)	(15,758)
Surplus scholarship fund income transferred back to endowments	(292)	(171)
<b>Retained surplus for the year</b>	<b>817</b>	<b>332</b>

The current year's surplus of £817,000 compares to a surplus of £332,000 in 2007/08. Major changes include:

- *tuition fee income*: the College had a successful year with a full complement of students at all levels, which is reflected in increased fee income of £464,000 (9% more than the previous year);



- *funding council grant income*: increased by £1.4 million, which is mainly accounted for by HEFCE matched funding of £1.3 million;
- *staff costs*: increased by £800,000, which is 9% higher than the previous year. Most of this increase was due to the 5.0% annual pay award (see below).

## Staff

The College's music teaching is mainly undertaken by hourly-paid professional musicians who provide a number of hours per week 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 182 during the year compared with 186 for the previous year.

Staff costs in the year were affected by the 5.0% increase agreed in the nationally negotiated pay framework. The College is part of the national pay framework and pay awards are negotiated, on behalf of the College, by the Universities and Colleges Employers Association (UCEA). The pay settlement for 2009/10 is still to be agreed and UCEA tabled the employers' proposals on the wide range of issues raised by the trade unions and put forward a final pay offer of a 0.5% uplift to all points on the national pay spine, effective from 1 August 2009.

## Reserves

The College has £13.4 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 College's pension and other long-term liabilities, provide a cushion against exceptional financial events and provide for capital projects not funded by donations.

The Restricted and Endowment Fund (£19.5 million) comprises donations with restrictions on the use of the capital and income. The fund currently contains £2.5 million which was previously classified as general endowments. An application will be made during 2010 to the Charity Commission to transfer the remaining unrestricted permanent fund to the accumulated revenue reserves of the College, as it is considered that items comprising the fund are unconstrained. Funds to the value of £16.9 million relate to endowments given for scholarships. The purpose of these donations were verified during the year however work is ongoing to disclose the split of capital and accumulated income.

The value of the Revaluation Reserve at the year end was £7.9 million. This relates wholly to land and buildings 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 accounts purposes or where gifts were brought into the accounts at valuation. The accumulated revenue reserve is the accumulated surplus from the College's activities.

## Investment performance

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

- College General Fund;
- Scholarship Fund (to provide scholarships to RCM students -see section on Access);

- Junior Department Appeal (to provide bursaries for JD students – see section on Outreach).

The overall objective of each fund is to achieve long-term growth of the Fund's assets in real terms together with an escalation of income over a period of years.

During the year Newton Investment Management Ltd continued as investment advisers to the College. The asset allocation for the various funds has been 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 the Investment Committee changed the asset allocation for the Scholarship and General Funds, by introducing a real return element (RPI +2%) into each of these funds. The real-return element of the asset allocation is 20% for the General Fund and 10% for the Scholarship Fund.

During the year, the total value of investments decreased by £3.8 million (excluding withdrawals). Newton provided information on the performance of each of the funds, over the short and long-term. The performance for the 12 months to 31 July 2009 was disappointing as all three funds underperformed their benchmark with returns of: -8.1% for the General Fund (*benchmark -3.0%*); -6.8% for the Scholarship Fund (*benchmark +0.9%*); and -10.4 for the Junior Department Appeal (*benchmark -5.9%*). Long term performance is also disappointing with all three funds underperforming against the benchmark over both three and five year periods.

The value and income from investments are important to the sustainability of the College. They provide a source of income for scholarships, general expenditure and a source of capital for capital projects. In the early part of 2009/10, there has been a recovery of the capital value of investments and the College will continue to seek improved performance against the benchmarks.

### **Treasury policy**

Treasury management is the management of the College's banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College deposits surplus cash in the money market with approved banks.

During the year there was a net cash outflow from operating activities of £397,000 (outflow of £476,000 in 2007/08) and a reduction in total cash of £2.8 million (reduction of £601,000 in 2007/08). The College has completed a major refurbishment programme for its Concert Hall and this was funded through a combination of HEFCE Capital Grant, donations, sale of long-term investments and cash. Now this project is completed it is planned to increase cash levels in 2009/10.

During 2008/09 the College earned £117,000 from interest on banking and money market balances, compared to £142,000 in 2007/08.

In 2006/07 as part of a refinancing exercise, the College received a loan of 2006/07 of £3.3 million repayable over 20 years. This loan was originally secured partly on the Goldhawk Road site and partly on the fixed assets of the College and this was the position at 31 July 2009. Following the year end this security was changed to a general covenant on the College. It is not intended currently to enter into any further loans.

## **Funding of capital expenditure**

The College had a capital commitment of £490,000 at the year end, which was made up of retention on the Concert Hall Project and Summer Works. These costs will be met from the normal cash-flow.

## **Charities Act 2006 and principal regulator**

By the end of 2009, the HEFCE expects to be the principal regulator of those higher education institutions (HEIs) in England that are exempt charities. All but 18 HEIs fall into this category. This new responsibility results from the Charities Act 2006, which implements a government decision that all charities should be subject to regulation. The HEFCE are expected to promote compliance with charity law by the exempt charities for which they are responsible.

The 18 English HEIs are registered charities, including the RCM, and are currently 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. At some future date, it is likely that the registered-charity HEIs will be made exempt so that all HEIs become subject to the same monitoring and regulatory processes – by the HEFCE as principal regulator.

In preparing this Operating and Finance Review the College has 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 has outlined the College'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 the College's mission, which is 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. However, our work impacts far beyond the boundaries of music. 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.

# Royal College of Music

## Financial Statements 2008/09

### Corporate Governance and Responsibilities of the 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 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 up to twenty are independent members and three are elected from among the staff of the College. The President of the College, HRH The Prince of Wales, sits within these numbers and 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 of the Council are drawn from the independent members.

The Council has appointed a **Finance and General Purposes Committee (F&GPC)** (also known as the Executive Committee). It meets six times a year. Among the responsibilities discharged by the F&GPC are monitoring of 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 **Investment Committee** (two meetings per annum) and the **Estates Committee** (three meetings per annum) are subcommittees of the F&GPC. Each is formally constituted with terms of reference and chaired by an independent member of Council.

The **Audit Committee** reports directly to 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 system of internal controls, together with management's responses and plans for implementation.

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

The **Board of Professors**, the College's 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. It 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 College's financial position and enable it to ensure that the accounts are prepared in accordance with the Royal Charter, the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable accounting standards. The Council has also given careful consideration of the requirements contained in the Charities Act 2006 and in particular to the Charity Commission's general guidance on public benefit.

Within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England (HEFCE) and the Council of the RCM, 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;
- judgements and estimates are made that are reasonable and prudent; and
- applicable accounting standards have been 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 funds from the HEFCE are used only for the purposes for which they have been given, in accordance with conditions laid down by the Funding Council;
- secure the economical, efficient and effective management of the College's resources and expenditure; and
- safeguard the assets of the College and prevent fraud.

### **Accounting records**

All the accounting records, whether for the purposes of financial reporting or any other purpose, have been made available to the auditors for the purpose of their audit and all the 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 the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the 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 2009 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 system of internal control. The following processes have been established:

- the Council meets 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, to identify and keep up to date the record of risks facing the organisation;
- 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 written form to the F&GPC for detailed discussion, and reported to Council.

The review of effectiveness of the system of internal control is informed by reports from the internal auditors (Kingston City Group), who operate to standards defined in the HEFCE Accountability and Audit Code of Practice. 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 system of internal control 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. Students are recruited on the basis of their musical merits, abilities and potential.

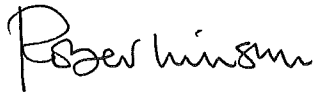
The RCM aims to ensure that no student, member of staff or visitor to performances and other events is subjected to unfair discrimination and it has agreed a Race Equality Policy, which commits it to:

- creating a positive and inclusive atmosphere where there is a shared commitment to respect diversity and difference, challenge and prevent racism and discrimination, and encourage good relations between people of different racial groups;
- creating and retaining a workforce that includes different ethnic backgrounds
- attracting a motivated and loyal workforce, where employees from all racial groups are valued, and are encouraged, supported and enabled to reach their full potential;
- making full use of skills and perspectives those from different racial groups when running the College, delivering the curriculum, and supporting students and staff;

- proactively tackling race discrimination and promoting race equality by mainstreaming it in the relevant function of the College.

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. As a leading British conservatoire, the College 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 have the ability and motivation to benefit. 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.

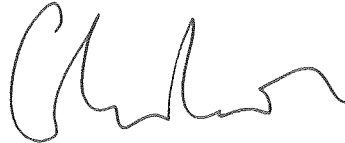
Lord Winston



Chairman

25 November 2009

Professor Colin Lawson



Director

25 November 2009



# Royal College of Music

## Financial Statements 2008/09

### Report of the independent auditors to the Council of the Royal College of Music

We have audited the Financial Statements of the Royal College of Music ("RCM") for the year ended 31 July 2009 (the 'financial statements') which comprise the income and expenditure account, balance sheet, cash flow statement, statement of total recognised gains and losses and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the RCM Council, in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable UK law and accounting standards. Our audit work has been undertaken so that we might state to the RCM Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the RCM Council for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the RCM Council and auditors

The responsibilities of members of Council for preparing the Chairman's Statement, Director's Report, Operating and Financial Review, Statement of Corporate Governance and Responsibilities of Council and financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK accounting standards (UK Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Corporate Governance and Responsibilities of the Council on pages 19 to 23 of the financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education

We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Higher Education Funding Council for England.

We also report to you whether the information in the Chairman's Statement, the Director's Report, the Operating and Financial Review and the Statement of Corporate Governance and Responsibilities of Council is consistent with the financial statements.

In addition we report to you if in our opinion the College has not kept adequate accounting records, if the College's financial statements are not in agreement with the accounting records and returns, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. This information comprises only the Chairman's Statement, Director's Report, Operating and Financial Review and Statement of Corporate Governance and Responsibilities of Council. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Statement of Corporate Governance and Responsibilities of Council) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to other information.

### **Basis of opinion**

We conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the RCM Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the College's affairs as at 31 July 2009 and of the College's 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 2007 Statement of Recommended Practice: Accounting for Further and Higher Education;
- the information given in the Chairman's Statement, Director's Report, and Operating and Financial Review is consistent with the financial statements for the year ended 31 July 2009;
- in all material respects, income from the funding council, grants and income for specific purposes and from other restricted funds administered by the College during the year ended 31 July 2009 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with the College's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
London

*26 November 2009*

# Royal College of Music

## Financial Statements 2008/09

### 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 Higher Education Funding Council for England (HEFCE). On matters where these sources are silent, particularly aspects of the College which pertain to its registered charity status, guidance has been sought from the Statement of Recommended Practice: Charities published in 2005.

#### 2. Recognition of Income

Grants received from HEFCE during the year have been 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 accordance with the 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 recorded as income in the income and expenditure account. The 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 tuition fees from students is recognised in the period in which it is earned and includes all the fees chargeable to them.

In the year the College changed its accounting policy with regard to recognition of donation income from the ABRSM. Previously income was recognised on a cash-received basis. For 2009/10 the accounting treatment was changed to an accruals basis and, in accordance with FRS3, a prior year adjustment was made.

#### 3. Tangible Fixed Assets

##### a. Land and buildings

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.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and are released to income over the expected useful life of the buildings.

Work on planned future construction projects is expensed during the preparatory phase but is capitalised in accordance with FRS 15 'Tangible Fixed Assets' from the point when the decision is taken to proceed with the project. Assets in the course of construction are valued at current cost and no depreciation is provided until the asset is brought into use.

b. Musical Instruments

Musical instruments have been valued either at their estimated current cost for assets in their condition at 31 July 1998 or at cost for subsequent additions or at valuation for donated instruments. The differences on valuation have been credited to a revaluation reserve to be released over the estimated remaining life of the instruments. These assets are depreciated over periods ranging from 10 to 20 years.

During the year a reconciliation of musical instruments recorded on the fixed asset register to instruments held and tracked by Performance Department was undertaken. Instruments no longer held were written off and other items were added to the fixed asset register as a prior year adjustment. At present, no depreciation has been charged on these additional items. The remaining instruments will be valued in the 2009/10 year and brought into the accounts.

c. Furniture & Equipment

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 as follows:

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

A review for impairment of a tangible asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

#### 4. Fixed Asset Investments

(a) Heritage Assets

Heritage Assets relate to certain displayed portraits and other works of art, which are of significant historical interest to musicians, and which 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 College holds a wealth of reference material in the RCM library and the Museum of Instruments consists of an internationally renowned collection of musical instruments and associated documentation. Portraits and performance archives are held in the Centre for Performance History. With the exception of the Heritage Assets, the above collections have not been valued in the accounts as the cost of analysis or the cost of valuations would be onerous in comparison with any benefit to be derived by users of the accounts.

**(b) Associated Board of the Royal Schools of Music (ABRSM)**

In the accounts of the College, the interest in the ABRSM is carried at cost. The College does not believe that the carrying value is overstated.

**5. Managed Investments**

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

**6. Restricted and Endowment Funds**

Restricted and endowment funds have been restated to reflect the adoption of the SORPFHE.

Restricted expendable funds represent the unspent balance of donations made to the College where the donor has specified the purpose of the donation.

Restricted permanent funds do not allow the capital to be used and require the income generated to be used for the purpose for which the money was originally given. Work to establish the nature and purpose for all funds within the total restricted permanent funds balance was completed in the year and no change of classification resulted. Work to verify the split between capital and accumulated income is ongoing.

Under the SORPFHE general donations must be recognised as income unless the donor states that the funds are to be retained for the benefit of the College. Unrestricted endowments have no accumulated income segment, since all income arising in the year is utilised in the College's general activities.<sup>1</sup>

New endowments are treated as capital introduced and are taken to the balance sheet through the statement of total recognised gains and losses. Investment income earned on endowments is recognised in the income and expenditure account when earned and unspent balances at the end of the financial year are transferred to the appropriate endowment fund. The gains/losses on the revaluation of endowment investments are recognised in the statement of total recognised gains and losses.

**7. Pension Schemes**

The three pension schemes for the College's staff are the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme Limited (USS) and the Royal College of Music Pension and Assurance Scheme (RCM Pension Scheme). The schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme.

Under the definitions set out in FRS 17 'Retirement Benefits', the TPS and the USS are multi-employer pension Schemes. The College is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly, the College has accounted for its contributions as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions

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<sup>1</sup> Further work was undertaken on the balances in this category in the year and it has been determined that an application will be made during 2010 to the Charity Commission to transfer the remaining unrestricted permanent fund to the accumulated revenue reserves of the College, as it is considered that items comprising the fund are unconstrained.

payable to the scheme in respect of the accounting period. The College has adopted fully FRS17 for the RCM Pension Scheme.

## **8. Foreign Currency Translation**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

## **9. Leased Assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

## **10. Liquid Resources**

In the context of the statement of cash flows, liquid resources comprise cash held on short-term deposit.

## **11. Taxation Status**

The College is a registered charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988. The College is exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Charitable 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 accordance with FRS2 'Accounting for Subsidiary Undertakings', the accounts do not include those of the Royal College of Music 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. Access Funds**

The College acts as a paying agent for HEFCE Access grants which are solely available for students.

# Royal College of Music

## INCOME AND EXPENDITURE ACCOUNT for the year ended 31 July 2009

	Notes	2009 £	2008 £
<b>INCOME</b>			
Funding council grants	1	6,145,559	4,723,438
Academic fees and support grants	2	5,426,864	4,963,260
Research grants	3	442,606	434,598
Other operating income	4	4,229,703	4,267,966
Endowment and restricted income and interest receivable	5	1,887,977	1,872,124
<b>Total income</b>		<b>18,132,709</b>	<b>16,261,386</b>
<b>EXPENDITURE</b>			
Staff costs	8	9,487,282	8,686,952
Depreciation	9	1,118,842	908,008
Other operating expenses	10	6,303,640	5,897,996
Interest and other finance costs	11	114,294	265,448
<b>Total expenditure</b>		<b>17,024,058</b>	<b>15,758,404</b>
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and before and after tax.	12	1,108,651	502,982
Surplus income from scholarship funds and donors transferred to endowment funds	21	(291,617)	(171,312)
Surplus for year retained within general reserves	23	817,034	331,670

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

## STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS for the year ended 31 July 2009

		2009 £	2008 £
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before tax.		1,108,651	502,982
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22, 23	(226,086)	230,974
Historical cost surplus before tax		882,565	733,956
Historical cost surplus after tax		882,565	733,956

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2009

	Notes	2009 £	2008 £
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and after tax.		1,108,651	502,982
New endowments	21	71,835	175,000
Other capital movements on endowment assets	21	-	4,254
(Decrease)/increase in value of endowment asset investments	15	(2,460,062)	(2,416,986)
(Decrease)/increase in value of fixed asset investments	14	(1,305,385)	(1,429,138)
Actuarial (loss)/gain on RCM pension scheme	26	(1,734,000)	302,000
Revaluation reserve movement in respect of fixed asset additions	22	-	-
Transfer of former RCM Society Bank Account to the College	23	-	3,896
Addition of musical instruments at valuation in earlier years	13	-	1,109,560
Prior year adjustment to reflect change in ABRSM treatment	17	-	575,000
Total recognised gains relating to the year		<u>(4,318,961)</u>	<u>(1,173,432)</u>
Total gains and losses recognised since last annual report		<u><u>(4,318,961)</u></u>	<u><u>(1,173,432)</u></u>
Reconciliation:			
Opening reserves and endowments		45,124,760	46,298,192
Total recognised gains relating to the year		(4,318,960)	(1,173,432)
Closing reserves and endowments		<u><u>40,805,800</u></u>	<u><u>45,124,760</u></u>

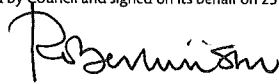


# Royal College of Music

## BALANCE SHEET as at 31 July 2009

	Notes	2009 £	(restated) 2008 £
<b>FIXED ASSETS</b>			
Tangible assets	13	23,820,198	18,877,204
Investments	14	12,022,273	13,767,917
		<u>35,842,471</u>	<u>32,645,121</u>
<b>RESTRICTED &amp; ENDOWMENT ASSETS</b>			
Fixed asset investments	15	18,726,554	21,013,516
Other endowment assets	16	774,577	584,225
		<u>19,501,131</u>	<u>21,597,741</u>
<b>CURRENT ASSETS</b>			
Debtors	17	2,480,979	894,341
Cash at bank and in hand		-	289,303
Cash on deposit		-	1,636,532
		<u>2,480,979</u>	<u>2,820,176</u>
<b>CREDITORS: amounts falling due within one year</b>	18	<u>(3,135,984)</u>	<u>(1,530,561)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(655,005)</u>	<u>1,289,615</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>54,688,597</u>	<u>55,532,477</u>
<b>CREDITORS: amounts falling due after more than one year</b>	19	<u>(2,644,687)</u>	<u>(2,807,437)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>52,043,910</u>	<u>52,725,040</u>
<b>NET PENSION LIABILITY</b>	26	<u>(2,615,000)</u>	<u>(965,000)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>49,428,910</u>	<u>51,760,040</u>
<b>DEFERRED CAPITAL GRANTS</b>	20	<u>8,623,111</u>	<u>6,635,280</u>
<b>RESTRICTED &amp; ENDOWMENT FUNDS</b>			
Restricted Expendable Funds	21	114,368	116,081
Restricted Permanent Funds	21	16,905,007	18,765,092
Unrestricted Permanent Endowments	21	2,481,756	2,716,568
		<u>19,501,131</u>	<u>21,597,741</u>
<b>RESERVES</b>			
Revaluation reserve	22	7,941,484	8,167,570
Accumulated revenue reserve	23	13,363,184	15,359,449
		<u>21,304,668</u>	<u>23,527,019</u>
<b>ENDOWMENTS AND RESERVES</b>		<u>40,805,799</u>	<u>45,124,760</u>
<b>TOTAL</b>		<u>49,428,910</u>	<u>51,760,040</u>

Approved by Council and signed on its behalf on 25 November 2009 by:



Lord Winston



Prof. Colin Lawson

**STATEMENT OF CASH FLOWS**  
for the year ended 31 July 2009

	Notes	2009 £	2008 £
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	24	(456,394)	(475,751)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Income from endowments		971,945	1,044,295
Other interest received		24,001	108,174
Interest paid		(114,294)	(265,448)
		<u>881,652</u>	<u>887,021</u>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire endowment asset investments	15	(6,083,970)	(4,837,939)
Realisation of endowment asset investments	15	5,384,766	4,042,447
Payments to acquire tangible fixed assets	13	(6,217,199)	(2,188,392)
Receipts from sale of fixed assets	13	-	25,000
Net released from/(placed in) fixed asset investments	14	(326,402)	1,436,421
Capital grants received	20	2,460,575	172,265
Endowments received	21	71,835	175,000
		<u>(4,710,396)</u>	<u>(1,175,198)</u>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Amounts released from/(placed on) deposit		1,636,532	325,491
<b>FINANCING</b>			
Repayments of amounts borrowed	19	(162,750)	(162,750)
		<u>(162,750)</u>	<u>(162,750)</u>
<b>CASH MOVEMENT</b>	25	<u>(2,811,356)</u>	<u>(601,187)</u>

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 1. FUNDING COUNCIL GRANTS

The funding body, the Higher Education Funding Council for England (HEFCE), provided grants for the following purposes:

	2009 £	2008 £
Recurrent teaching grant	4,479,643	4,236,678
HR Strategy	-	173,093
Inherited staff liabilities	81,052	79,250
Conservatoire UCAS Admission System for Music	-	39,022
Higher Education Innovation Fund	196,933	74,641
Other specific grants	37,931	120,754
HEFCE Matched Funding grant	1,350,000	-
	<u>6,145,559</u>	<u>4,723,438</u>

Funding Council Grants includes accrued income of £1,350,000 in respect of the HEFCE Matched Funding scheme, payable to the College over the next 3 years.

### 2. ACADEMIC FEES AND SUPPORT GRANTS

	2009 £	2008 £
UK higher education students	1,460,152	1,216,324
Other European Union students	614,751	509,046
Non European Union students	2,207,789	2,148,195
Other	121,381	98,249
Junior Department	1,022,791	991,446
	<u>5,426,864</u>	<u>4,963,260</u>

### 3. RESEARCH GRANTS

	2009 £	2008 £
HEFCE	323,042	356,160
Grants from research councils	119,564	78,438
	<u>442,606</u>	<u>434,598</u>

The figures in Note 3 reflect Research Grants provided by HEFCE and research councils. Other research activity funded by charities continues to be included under Grant Income within Note 4.

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 4. OTHER OPERATING INCOME

	Notes	2009 £	2008 £
Grant income from charities		188,350	368,108
Catering and residences		755,396	905,572
Other services rendered		287,488	289,275
Profit on sale of fixed assets		-	12,561
Released from deferred capital grants	9, 20	472,744	457,527
Donations and other income		2,525,725	2,234,923
		<u>4,229,703</u>	<u>4,267,966</u>

In the 2008 accounts, donations of £1,175,000 were received from ABRSM. In the 2009 accounts, donations of £1,250,000 were received from ABRSM.

In 2008, catering income and associated costs were shown gross. Due to the nature of the contract, the net cost of catering has been shown in the 2009 accounts.

### 5. RESTRICTED AND ENDOWMENT INCOME AND INTEREST RECEIVABLE

	Notes	2009 £	2008 £
Restricted donations	21	892,031	719,655
Investment income on restricted endowments	21	855,186	902,769
Investment income on unrestricted endowments	21	116,759	141,526
Other interest receivable		24,001	108,174
		<u>1,887,977</u>	<u>1,872,124</u>

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 6. DIRECTOR'S EMOLUMENTS

	2009 £	2008 £
Salary	124,537	124,537
Benefits in kind	1,609	1,212
Pension contributions	18,721	17,435
	<hr/>	<hr/>
Total emoluments	144,867	143,184
	<hr/> <hr/>	<hr/> <hr/>

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 £1,609 (2008: £1,212).

### 7. REMUNERATION OF HIGHER PAID STAFF

The number of staff, including the Director, who received remuneration in the following ranges was:

	2009 Number	2008 Number
£80,001 - £90,000	1	1
£90,001 - £100,000	3	3
£100,001 - £110,000	1	1
£140,001 - £150,000	1	1
	<hr/>	<hr/>
	6	6
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 8. STAFF COSTS

	2009 £	2008 £
Wages and salaries	8,233,397	7,581,343
Social security costs	521,464	473,957
Pension costs	732,421	631,652
	<u>9,487,282</u>	<u>8,686,952</u>

### STAFF COSTS BY DEPARTMENT

	2009 Full time Equivalents	2008 Full time Equivalents	2009 £	2008 £
Teaching departments	71	73	4,459,242	4,138,455
Teaching support services	39	42	1,632,946	1,359,824
Administration and central services	58	59	2,890,270	2,772,736
Premises	14	12	504,824	415,937
	<u>182</u>	<u>186</u>	<u>9,487,282</u>	<u>8,686,952</u>

The members of Council other than the Director and the staff members did not receive payment from the College apart from the reimbursement of travel and subsistence expenses incurred in the course of their duties.

### 9. DEPRECIATION

The depreciation charge has been funded by:

	Notes	2009 £	2008 £
Deferred capital grants released	20	472,744	457,527
Released from revaluation reserve	22, 23	226,086	230,974
Financed internally		420,012	219,507
		<u>1,118,842</u>	<u>908,008</u>

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 10. OTHER OPERATING EXPENSES

	Notes	2009 £	2008 £
Catering operating expenses		79,676	267,091
Academic departments		764,990	688,931
Learning resources		251,726	218,712
Scholarships and bursaries		1,493,121	1,376,773
Premises costs		1,413,759	1,175,254
Grant to RCM Students' Association		20,054	24,898
Other expenses		2,113,296	2,135,023
Loss on disposal of fixed assets and write off of musical instruments		124,242	-
Bad debts		42,776	11,314
Total		<u>6,303,640</u>	<u>5,897,996</u>

In 2008, catering income and associated costs were shown gross. Due to the nature of the contract, the net cost of catering has been shown in the 2009 accounts.

Other operating expenses include:

Auditors' remuneration - external auditors		40,876	35,838
Auditors' remuneration in respect of prior year - external auditors		6,520	28,586
Auditors' remuneration - internal audits		30,031	25,123
Auditors' remuneration - non-audit related fees		6,762	2,235
Hire of plant and machinery - operating leases		4,163	2,444
Hire of other assets - operating leases		1,005	1,005
		<u>107,657</u>	<u>105,231</u>

### 11. INTEREST AND OTHER FINANCE COSTS

	Notes	2009 £	2008 £
Bank loans not wholly repayable within five years	19	114,294	261,397
Other finance costs arising from the pension scheme liabilities		-	4,051
Total		<u>114,294</u>	<u>265,448</u>

### 12. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

	2009 £	2008 £
College's surplus for the year	1,108,651	502,982
Surplus on continuing operations for the period	<u>1,108,651</u>	<u>502,982</u>

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 13. TANGIBLE ASSETS

Notes	Land and buildings		Furniture & Equipment £	Musical Instruments £	Total £
	Freehold £	Leasehold £			
Cost or Valuation					
Balance reported at 1 August 2008	4,265,681	13,944,144	1,863,467	5,985,455	26,058,747
Prior year adjustment earlier years	-	-	-	1,109,560	1,109,560
Balance restated at 1 August 2008	4,265,681	13,944,144	1,863,467	7,095,015	27,168,307
Additions	66,007	5,633,687	328,753	188,752	6,217,199
Disposals	-	-	-	(420,464)	(420,464)
At 31 July 2009	4,331,688	19,577,831	2,192,220	6,863,303	32,965,042
Depreciation					
Balance reported at 1 August 2008	785,918	2,870,728	1,343,031	3,291,426	8,291,103
Provided during the year	9 98,941	551,356	250,539	218,006	1,118,842
Disposals	-	-	-	(265,101)	(265,101)
At 31 July 2009	884,859	3,422,084	1,593,570	3,244,331	9,144,844
Net book value at 31 July 2009	3,446,829	16,155,747	598,650	3,618,972	23,820,198
Restated net book value at 1 August 2008	3,479,763	11,073,416	520,436	3,803,589	18,877,204

The freehold land and buildings comprise the College's hall of residence and a residential property in London. They are stated in the accounts at cost less depreciation.

The leasehold land and buildings relate to the College's main site in Prince Consort Road, London. The property is held on a 999 year lease, expiring in the year 2890, which is non-assignable. In the event that the College ceases to operate in accordance with the 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.

The leasehold land and buildings additions include £104,695 of assets in the course of construction relating mainly to work on the new boiler plant at the main site. The freehold land and buildings additions include £19,776 of assets in the course of construction relating to minor building works at College Hall. These assets are included at current cost and no depreciation is provided until the asset is brought into use.

Musical instruments have been included in the accounts at an insurance valuation as at 31 July 1998 (by an independent valuer, Charles Beare of J & A Beare Ltd, Dealers, Restorers and Makers of Stringed Instruments), or cost for subsequent additions, or valuation for later donated instruments.

During the year a reconciliation of musical instruments recorded on the fixed asset register to instruments held and tracked by Performance Department was performed. As a result, £124,242 of instruments no longer held have been written off. A further 409 items are to be added to the fixed asset register and of these, 194 string, woodwind, keyboard and brass instruments have been included at their 2007 values or at internal estimates. The string instruments were valued by Tim Ingles of Sotheby's, except for the double basses which were valued by an independent valuer, Thomas Martin; the woodwind and brass instruments were valued by Daniel Bangham of Wood, Wind and Reed, Cambridge. Keyboards have been included at internal estimates of present value. The total prior year adjustment is £1,109,560. At present, no depreciation has been charged on these items. The remaining instruments are considered to be of low value, however these will be valued in the 09/10 year and brought into the accounts.

In accordance with FRS 3 "Reporting Financial Performance" a prior year adjustment has been made to the comparative figures for 2007/08.

In accordance with the transitional rules set out in FRS15 "Tangible Fixed Assets", the book values of the leasehold property and the musical instruments were retained on implementation. There has been no indication that there has been any impairment in the value of these assets.

Tangible fixed assets are financed as follows:-

	Notes	2009 £	2008 £
Revaluation reserve	22	7,046,484	6,163,011
Deferred capital grants	20	8,623,111	6,635,280
Internal funds		8,150,603	4,969,353
Total		23,820,198	17,767,644



## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 14. FIXED ASSET INVESTMENTS

	Notes	2009 £	2008 £
Investment in subsidiary company		100	100
Heritage assets		933,500	933,500
Interest in the ABRSM at cost	31	<u>2,275,000</u>	<u>2,275,000</u>
		3,208,600	3,208,600
Managed investments		<u>8,813,673</u>	<u>10,559,317</u>
Total		<u><u>12,022,273</u></u>	<u><u>13,767,917</u></u>

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.

Since 2007 Heritage Assets has included a part of the College collection of art which is of significant historical interest to musicians. These artworks comprise items on display at 9 November 2005 which were valued for insurance purposes at £895,000 by Seymours, Art Advisers and Valuers and £38,500 for a subsequent addition at cost. There is no reason to believe that there has been any impairment in the value of these assets. In accordance with the transitional provisions of FRS 15, no value has been placed on the other Heritage Assets held by the College when this FRS was implemented.

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. The ABRSM is an international examining body that offers a system of graded music examinations in 80 countries around the world. The company is also a provider of professional development for instrumental and singing teachers. A subsidiary of the ABRSM is engaged in the production and sale of music publications.

Managed investments reflect the stock market portfolio transferred as part of the unencumbered assets donated by the Prince Consort Foundation to the College on 30 June 2007 and the transfer of assets related to general endowment reserves with no conditions attached to the use of the capital into revenue reserves in line with SORP 2007 in the 2008 accounts.

	2009 £	2008 £
Balance as at 1 August 2008	10,559,317	12,820,781
Additions	3,457,340	2,138,360
Proceeds on disposals	(3,130,938)	(3,620,655)
Net (losses)/gains on revaluation	(1,305,385)	(1,429,139)
Movements on cash	(766,661)	649,970
Balance at 31 July 2009	<u><u>8,813,673</u></u>	<u><u>10,559,317</u></u>

Investments held are analysed as follows:

	Notes	2009 £	2008 £
Managed investments			
Fixed interest stocks (listed)		1,716,734	1,994,970
Equities (listed) and unit trusts		6,991,695	7,692,442
Cash held by investment managers	25	<u>105,244</u>	<u>871,905</u>
		<u><u>8,813,673</u></u>	<u><u>10,559,317</u></u>

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 15. RESTRICTED AND ENDOWMENT FUNDS - FIXED ASSET INVESTMENTS

	Notes	2009 £	2008 £
Balance as at 1 August 2008		21,013,516	22,863,223
Additions		6,083,970	4,837,939
Proceeds on disposals		(5,384,766)	(4,042,447)
Net (losses)/gains on revaluation	21	(2,460,062)	(2,416,986)
Movements on cash		(526,104)	(228,213)
Balance at 31 July 2009		<u>18,726,554</u>	<u>21,013,516</u>
Investments held are analysed as follows:			
		2009 £	2008 £
Managed investments			
Fixed interest stocks (listed)		5,102,646	5,418,302
Equities (listed) and unit trusts		13,217,486	14,659,038
Cash held by investment managers		364,709	890,813
		<u>18,684,841</u>	<u>20,968,153</u>
Other investments			
Investment in a CAF fund		41,713	45,363
Total		<u>18,726,554</u>	<u>21,013,516</u>

General endowments for which no conditions were attached to the use of the capital are now included in the Fixed Asset Investments of the College (see Note 14).

### 16. RESTRICTED AND ENDOWMENT FUNDS - OTHER ASSETS

	2009 £	2008 £
Cash at bank	96,436	93,002
Cash on deposit	602,756	422,430
Debtors	75,560	75,251
Creditors	(175)	(6,458)
Total	<u>774,577</u>	<u>584,225</u>

# Royal College of Music

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 17. DEBTORS

	2009 £	2008 £
Amounts falling due within one year:		
Debtors		172,962
Prepayments and accrued income		146,379
HEFCE Matched Funding Debtor		-
		<hr/>
Reported total as at 31 July 2008		319,341
Prior year adjustment to reflect change in ABRSM treatment		575,000
		<hr/>
Restated total as at 31 July 2008		894,341
		<hr/> <hr/>
Amounts falling due within one year:		
Debtors	221,723	172,962
Prepayments and accrued income	909,256	721,379
HEFCE Matched Funding Debtor	155,250	-
	<hr/>	<hr/>
Total	1,286,229	894,341
Amounts falling due after one year:		
HEFCE Matched Funding Debtor	1,194,750	-
	<hr/>	<hr/>
Total	2,480,979	894,341
	<hr/> <hr/>	<hr/> <hr/>

During the year there was a change in accounting policy relating to the treatment of ABRSM donations from a cash received to an accruals basis. The amount is not material on the income and expenditure account in 2008 but does have a material impact on the balance sheet and as such the debtor figure has been restated. The balance due from ABRSM at the balance sheet date was £675,000 and this is included in prepayments and accrued income.

### 18. CREDITORS: amounts falling due within one year

	Notes	2009 £	2008 £
Bank overdraft		1,413,048	-
Bank loans	19	162,750	162,750
Creditors		460,818	509,556
Balances with subsidiary undertaking		5,692	5,692
Social security and other taxation payable		184,550	(1,283)
Accruals		561,996	670,763
Deferred income		347,128	183,083
		<hr/>	<hr/>
Total		3,135,982	1,530,561
		<hr/> <hr/>	<hr/> <hr/>

The College balances with subsidiary undertaking relate to RCM Development Limited (see Note 14).

The bank overdraft is the amount drawn down at 31 July 2009 on a facility of £2m to provide additional working capital for cash outflows relating to the Concert Hall development project. This facility is unsecured.

In the 2008 and 2009 accounts, there were no material balances between the College and ABRSM as at the balance sheet date.

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 19. CREDITORS: amounts falling due after more than one year

	2009 £	2008 £
Bank loan	<u>2,644,687</u>	<u>2,807,437</u>
Due within 1-2 years	162,750	162,750
due 2-5 years	488,250	488,250
due after more than 5 years	<u>1,993,687</u>	<u>2,156,437</u>
	<u>2,644,687</u>	<u>2,807,437</u>

The College took out a long term loan in 1994 for £4,000,000 at a fixed interest rate of 10.5% which was secured as £3,500,000 on the freehold of the College Hall residence and £500,000 on the College's general endowment fund. Repayment of the loan was effected by annual amounts of £200,000.

On 16 October 2006, agreement was reached with the College bankers to replace this loan with a new loan at a fixed interest rate of 5.3%. The cost of dissolving the original loan was £655,000 and this amount was added to the outstanding balance of £2,600,000, making a total for the new loan of £3,255,000 which is being repaid by quarterly instalments over 20 years. Security for the new loan continues as previously.

### 20. DEFERRED CAPITAL GRANTS

	Notes	HEFCE £	Private funding £	Total £
Balance at 1 August 2008		1,349,434	5,285,846	6,635,280
Cash received		1,066,575	1,394,000	2,460,575
Released to income and expenditure	4	(113,043)	(359,701)	(472,744)
Balance at 31 July 2009	13	<u>2,302,966</u>	<u>6,320,145</u>	<u>8,623,111</u>

Under the 2007 Statement of Recommended Practice, donations towards the cost of purchase or construction of a tangible fixed asset other than land are to be classified as deferred capital grants.

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 21. RESTRICTED AND ENDOWMENT FUNDS

	Notes	Restricted Expendable £	Restricted Permanent £	Unrestricted Permanent £	Total £
Balance reported 1 August 2008		116,081	18,765,092	2,716,568	21,597,741
New endowments/capital income		-	71,835	-	71,835
(Losses)/gains in market value of investments	15	-	(2,133,716)	(326,346)	(2,460,062)
Capital Movements		-	(2,061,881)	(326,346)	(2,388,227)
Income for year	5	892,031	855,186	116,759	1,863,976
Expenditure for year		(893,744)	(653,390)	(25,225)	(1,572,359)
Revenue Movements		(1,713)	201,796	91,534	291,617
Balance at 31 July 2009		<u>114,368</u>	<u>16,905,007</u>	<u>2,481,756</u>	<u>19,501,131</u>
Purpose of fund balances:-					
		Restricted Expendable £	Restricted Permanent £	Unrestricted Permanent £	Total £
Scholarships, bursaries and prizes		114,368	16,741,388	-	16,855,756
Instrument loans		-	163,619	-	163,619
Unrestricted use of income		-	-	2,481,756	2,481,756
Balance at 31 July 2009		<u>114,368</u>	<u>16,905,007</u>	<u>2,481,756</u>	<u>19,501,131</u>

The SORP requires restricted permanent funds to be split into capital and accumulated income. Work to verify the split on the Restricted Permanent Funds is ongoing and as such this presentation has not been adopted for the 2009 accounts.

The 2007 SORP requires unfettered donations to be recognised as income unless the donor states that the funds are to be retained for the benefit of the institution. Funds formally classified as 'general endowments' have been treated as unrestricted permanent funds whilst work was undertaken to establish the source and conditions of this balance. It has been determined that an application will be made during 2010 to the Charities Commission to transfer the remaining unrestricted permanent fund to the accumulated revenue reserves of the College, as it is considered that items comprising the fund are unconstrained.

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 22. REVALUATION RESERVE

	Notes	Land and buildings £	Heritage assets £	Musical instruments £	Total £
Balance reported 1 August 2008		4,396,013	895,000	1,766,997	7,058,010
Prior year adjustment earlier years for assets brought in at valuation	13	-	-	1,109,560	1,109,560
Balance restated at 1 August 2008		4,396,013	895,000	2,876,557	8,167,570
Released in year	9	(110,209)	-	(115,877)	(226,086)
Net Revaluation Amount at 31 July 2009		4,285,804	895,000	2,760,680	7,941,484

### 23. ACCUMULATED REVENUE RESERVE

	Notes	2009 £	restated 2008 £
Balance restated as at 1 August 2008/balance as at 1 August 2007		15,359,449	15,345,047
Surplus/(deficit) from income and expenditure account		817,034	331,670
Prior year adjustment re change in accounting policy on ABRSM donations	17	-	575,000
(Decrease)/increase in the value of fixed asset investments		(1,305,385)	(1,429,138)
Transfer of former RCM Society bank balance		-	3,896
Actuarial (loss)/gain on RCM pension scheme	26	(1,734,000)	302,000
Release from revaluation reserve	22	226,086	230,974
At 31 July 2009		13,363,184	15,359,449
Analysis of accumulated revenue reserve carried forward:-			
Reserve before pension liability		15,978,184	16,324,449
RCM pension scheme liability	26	(2,615,000)	(965,000)
Reserve including pension liability		13,363,184	15,359,449

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 24. RECONCILIATION OF OPERATING SURPLUS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Notes	2009 £	2008 £
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and before and after tax.		1,108,651	502,982
Depreciation	9	1,118,842	908,008
Loss/(profit) on the sale of fixed assets	10 / 4	155,363	(12,561)
Deferred capital grants released to income	4	(472,744)	(457,527)
Investment income and interest receivable	5	(995,946)	(1,152,469)
Interest payable	11	114,294	265,448
(Increase)/decrease in debtors	17	(1,586,947)	38,404
Increase/(decrease) in creditors	18	102,094	(568,036)
Net cash outflow in the year from operating activities		<u>(456,394)</u>	<u>(475,751)</u>

### 25. ANALYSIS OF CHANGES IN NET FUNDS

	Notes	At 1 August 2008	Cashflows	At 31 July 2009
<b>Cash</b>				
Endowment assets				
Balances at investment managers	15	890,813	(526,104)	364,709
Other balances	16	515,432	183,760	699,192
College current assets				
Cash at bank and in hand		289,303	(289,303)	-
Balances at investment managers	14	871,905	(766,661)	105,244
College current liabilities				
Bank overdraft	18	-	(1,413,048)	(1,413,048)
		<u>2,567,453</u>	<u>(2,811,356)</u>	<u>(243,903)</u>
<b>Financing</b>				
Loan: Due within one year	18	(162,750)	-	(162,750)
Loan: Due after one year	19	(2,807,437)	162,750	(2,644,687)
Current Assets Investments				
Cash on deposit		1,636,532	(1,636,532)	-
		<u>1,233,798</u>	<u>(4,285,138)</u>	<u>(3,051,340)</u>

## NOTES TO THE ACCOUNTS For the year ended 31 July 2009

### 26. PENSION SCHEMES

The College has employees participating in and contributing towards the Royal College of Music Pension and Assurance Scheme, the Teachers' Pension Scheme (TPS) and the Universities Superannuation Scheme Limited (USS).

#### THE TEACHERS' PENSION SCHEME (TPS)

##### *Introduction*

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local education authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers, and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Because of the mutual nature of the scheme, the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

##### *The Teachers' Pension Account*

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts, are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

##### *Valuation of the Teachers' Pension Scheme*

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that the accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.



## NOTES TO THE ACCOUNTS For the year ended 31 July 2009

### 26. PENSION SCHEMES (CONTINUED)

The last valuation of the TPS related to the period 1<sup>st</sup> April 2001 to 31<sup>st</sup> March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

#### UNIVERSITIES SUPERANNUATION SCHEME (USS)

The College participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second pension (S2P). The assets of the scheme are held in a separate fund, administered by the trustee, Universities Superannuation Scheme Limited. USS has over 130,000 active members and the College has approximately 90 active members participating in the scheme.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

## NOTES TO THE ACCOUNTS For the year ended 31 July 2009

### 26. PENSION SCHEMES (CONTINUED)

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality                      PA92 rated MC YoB tables – rated down 1 year

Female members' mortality                    PA92 rated MC YoB tables – no age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65                      22.8 (24.8) years

Males (females) currently aged 45                      24.0 (25.9) years

At the valuation date, the value of assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provision relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the pay sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic salary, experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

## NOTES TO THE ACCOUNTS For the year ended 31 July 2009

### 26. PENSION SCHEMES (CONTINUED)

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime has fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 76%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

Surpluses or deficits which arise at future valuations may impact on the College's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

<b>Assumption</b>	<b>Change in assumption</b>	<b>Impact on scheme liabilities</b>
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

USS is a "last man standing" scheme so that in the event of insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers.

## NOTES TO THE ACCOUNTS For the year ended 31 July 2009

### 26. PENSION SCHEMES (CONTINUED)

The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The contribution rate payable by the College was 14% of pensionable salaries.

#### ROYAL COLLEGE OF MUSIC PENSION AND ASSURANCE SCHEME, formerly The Legal and General (L&G) Scheme

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the College are charged to the income & expenditure account or the statement of total recognised surpluses and deficits in accordance with FRS 17 'Retirement Benefits'. The difference between the fair value of the assets held in the RCM Pension Scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the College's balance sheet as a pension scheme asset or liability as appropriate.

With effect from 1<sup>st</sup> August 2007, the College decided that the liability for future service for members of the Scheme should be provided by the University Superannuation Scheme.

A formal valuation of the RCM Pension Scheme was carried out and the shortfall is being recovered over a period of 4 years and 3 months. The College will make a contribution of £123.6k in 2009/10.

#### FRS 17

The following information is based upon a full actuarial valuation of the fund at 31 July 2009, by a qualified independent actuary.

	At 31 July 2009	At 31 July 2008	At 31 July 2007
Inflation	3.70%	3.90%	3.30%
Rate of increase in salaries	4.70%	4.90%	4.30%
Rate of increase for pensions	3.70%	3.90%	3.30%
Discount rate for liabilities	6.00%	6.60%	5.80%

## NOTES TO THE ACCOUNTS For the year ended 31 July 2009

### 26. PENSION SCHEMES (CONTINUED)

The assets and the expected rates of return were:

	Long-term rate of return expected at 31 July 2009	Value at 31 July 2009	Long-term rate of return expected at 31 July 2008	Value at 31 July 2008	Long-term rate of return expected at 31 July 2007	Value at 31 July 2007
		£'000		£'000		£'000
Equities	8.00%	3,201	8.00%	3,190	7.75%	3,337
Bonds	5.40%	1,622	5.90%	1,751	5.50%	1,780
Cash	0.50%	25	5.00%	16	5.75%	38
Total market value of assets		4,848		4,957		5,155

	Years ended 31 July				
	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Market value of assets	4,848	4,957	5,155	4,498	3,777
Present value of scheme liabilities	7,463	5,922	6,507	6,446	5,752
Deficit in the scheme	(2,615)	(965)	(1,352)	(1,948)	(1,975)

The market value of assets is based on valuation statements as at 31 July 2009 provided by Legal and General, and the balance of the Trustees' bank account held with Barclays Commercial Bank. The value of scheme liabilities is based on the preliminary results of the actuarial valuation of the scheme as at 1 August 2007 adjusted to 31 July 2009 and further adjusted to take account of actual increases in pensionable earnings, deferred pensions and pensions in payment, allowance for the discretionary increase of 5.5% awarded on non-GMP pension earned before 6 April 1997 and material changes brought about by transfers into or out of the Scheme.

Analysis of the amount charged to income and expenditure account

	31 July 2009 £'000	31 July 2008 £'000
Service cost	-	-
Past service cost	31	18
Total Operating Charge	31	18

## NOTES TO THE ACCOUNTS For the year ended 31 July 2009

### 26. PENSION SCHEMES (CONTINUED)

Analysis of net interest on pension liabilities	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
Expected return on pension scheme assets	360	360
Interest on pension liabilities	(387)	(376)
	<hr/>	<hr/>
Net interest	(27)	(16)
	<hr/>	<hr/>

#### Amount recognised in the statement of total recognised gains and losses (STRGL)

	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
Actual return less expected return on pension scheme assets	(483)	(597)
Experience gains and losses arising on the scheme liabilities	(623)	1,126
Changes in financial and demographic assumptions underlying the present value of liabilities	(628)	(227)
	<hr/>	<hr/>
Actuarial gain/(loss) to be recognised in STRGL	(1,734)	302
	<hr/>	<hr/>

The cumulative actuarial loss taken to the STRGL since the formation of the scheme is £2,011k.

#### Movement In deficit during the year

	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
Deficit in scheme at 1 August	(965)	(1,352)
Movement in year:		
Current service charge	-	-
Contributions	142	119
Past service costs	(31)	(18)
Net interest / return on assets	(27)	(16)
Actuarial gain or loss	(1,734)	302
	<hr/>	<hr/>
Deficit In Scheme at 31 July	(2,615)	(965)
	<hr/>	<hr/>

## NOTES TO THE ACCOUNTS For the year ended 31 July 2009

### 26. PENSION SCHEMES (CONTINUED)

Changes in present values of liabilities during the year	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
Liabilities as at start of the year	5,922	6,507
Current service cost	-	-
Employee contributions	-	-
Interest cost	387	376
Actuarial loss (gain) on liabilities due to experience	623	(1,126)
Actuarial loss (gain) on liabilities due to assumption changes	628	227
Benefits paid	(128)	(80)
Past service cost	31	18
	<hr/>	<hr/>
Liabilities as at end of the year	7,463	5,922
	<hr/>	<hr/>
Changes in the fair value of assets during the year	Year Ended 31 July 2009 £'000	Year Ended 31 July 2008 £'000
Fair value of assets as at the start of the year	4,957	5,155
Expected return on assets	360	360
Actuarial gain (loss) on assets	(483)	(597)
Contributions by the College	142	119
Contributions by the members	-	-
Benefits paid (including expenses)	(128)	(80)
	<hr/>	<hr/>
Fair value of assets as at the end of the year	4,848	4,957
	<hr/>	<hr/>
Actual return on assets	(123)	(237)

## NOTES TO THE ACCOUNTS For the year ended 31 July 2009

### 26. PENSION SCHEMES (CONTINUED)

#### History of Experience Gains and Losses

		Years ended 31 July			
	2009	2008	2007	2006	2005
Difference between the expected and actual return on assets	(483)	(597)	(30)	105	395
% of scheme assets	(10.0%)	(10.1%)	(0.6%)	2.3%	10.5%
Experience gains and losses on scheme liabilities	(623)	1,126	67	327	46
% of scheme liabilities	(8.3%)	19.1%	1.0%	5.1%	0.8%
Total amount recognised in STRGL	(1,734)	302	593	80	(333)
% of scheme liabilities	(23.2%)	5.1%	9.1%	1.2%	(5.8%)

#### *Employer's and employees' total contributions*

	Year Ended 31 July 2009 £	Year Ended 31 July 2008 £
Contributions to TPS	440,946	383,730
Contributions to RCM Pension Scheme	141,575	131,104
Contributions to USS	617,728	511,626
Total	1,200,249	1,026,460



## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 27. ACCESS FUNDS

	2009 £	2008 £
Balance brought forward at 1 August	1,531	1,455
HEFCE grants	8,666	15,876
	<hr/>	<hr/>
Disbursed to students	10,197	17,331
Administration charge	(9,468)	(14,920)
	(260)	(880)
	<hr/>	<hr/>
Balance carried forward at 31 July	469	1,531
	<hr/> <hr/>	<hr/> <hr/>

HEFCE Access grants are available solely for students: the College acts only as a paying agent.

The above balances are included in current creditors.

### 28. CAPITAL COMMITMENTS

As at 31 July 2009 the College had capital commitments of £490,237 (2008: £4,884,402). Of this amount, £257,225 relates to the College's Summer Works programme and replacement of the boiler system. The remaining commitments were in respect of the practice rooms, electrical transformer and air-handling system, and Concert Hall project at Prince Consort Road.

The College will meet these commitments from normal operating activities and the reserves of the College.

### 29. FINANCIAL COMMITMENTS

At 31 July 2009 the College had annual commitments under non-cancellable operating leases as follows:

	2009 £	2008 £
<u>Land and buildings</u>		
Expiring in over five years	1,005	1,005
	<hr/>	<hr/>
<u>Other Operating Leases</u>		
Expiring between one and five years	4,163	2,444
	<hr/> <hr/>	<hr/> <hr/>

### 30. RELATED PARTY TRANSACTIONS

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, a payment for professional charges of £31,136 to Eversheds LLP, of which Council Member during the year John Hall is a solicitor and partner, and costs of £7,437 incurred by the College in respect of the Stockhausen Festival at the Southbank Centre, of which Council Member Gillian Moore is Head of Contemporary Culture.

## NOTES TO THE ACCOUNTS for the year ended 31 July 2009

### 31. SHARE OF NET LIABILITIES OF ASSOCIATE

The interest in the ABRSM is carried at cost (see Note 14).

The College's 25% share of the results of ABRSM for the year ended 31st January, which is not consolidated in the 2009 accounts, are set out below:-

	2009 £	2008 £
Total income	8,951,000	7,554,250
Net income, after deducting charitable donations	<u>411,750</u>	<u>32,250</u>
Fixed Assets	274,500	335,750
Current Assets	3,541,750	2,762,750
Liabilities due within one year	(2,643,750)	(2,264,500)
Liabilities due after more than one year	(6,000)	0
Net assets before pension liabilities	<u>1,166,500</u>	<u>834,000</u>
Net pension liability	(1,318,000)	(1,230,750)
Net liabilities after pension fund deficit	<u>(151,500)</u>	<u>(396,750)</u>

### 32. POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.