

RCM ANNUAL REVIEW AND FINANCIAL STATEMENTS

2016/17



Front cover

RCM Big Band December 2016

Patron

Her Majesty The Queen

President

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

Vice-Presidents

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The Most Revd and Rt Hon the Lord Archbishop of York

The Rt Hon the Lord Mayor of London

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Mr Humphrey Norrington OBE FRCM

Dame Janet Ritterman DBE HonDMus

Mr Ian Stoutzker CBE FRCM

Professor Lord Winston (appointed 2017)

Council independent members

The President

Professor Lord Winston (Chairman) (term completed July 2017)

Lord Black of Brentwood (Chairman) (appointed Chairman August 2017)

Mrs Jane Barker CBE (Deputy Chairman)

Mr Peter Dart

Mr Douglas Gardner

Mr Andrew Haigh

Sir George Iacobescu (appointed January 2017)

Ms Ruth Keatch

The Hon Richard Lyttelton

Ms Gillian Moore MBE FRCM (term completed July 2017)

Mr John Nickson

Mr Andrew Ratcliffe

Mr Geoffrey Richards HonRCM (appointed August 2017)

Lady Robey OBE (term completed July 2017)

Ms Alethea Siow

Mr Rhoderick Voremberg

Mr Bob Wigley

Council ex-officio or elected members

Professor Colin Lawson CBE FRCM (Director)

Professor Ashley Solomon HonRCM

Professor Vanessa Latache FRCM

Mrs Elly Taylor HonRCM

Mr Alex Fryer (Students' Union: term completed July 2017)

Mr Nathan Cho (Students' Union: elected July 2017)

Clerk to the Council

Mr Kevin Porter HonRCM (Deputy Director)

Finance and General Purposes Committee

Mrs Jane Barker CBE (Chairman)
Professor Lord Winston
Lord Black of Brentwood
Professor Colin Lawson CBE FRCM (ex officio)
Mr Douglas Gardner
Mr Rhoderick Voremberg

Audit Committee

Mr Andrew Ratcliffe (Chairman)
The Hon Richard Lyttelton
Mr Andrew Haigh
Mr John Heywood

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CHAIRMAN'S MESSAGE

In 2016/17 work begin in earnest on our ambitious More Music: Reimagining the Royal College of Music campus redevelopment. This exciting project will make our campus fit and ready for the future.

Our President, HRH The Prince of Wales, hosted a gala concert at Buckingham Palace in February in support of the campaign. It featured performances by students, alumni and our new Polonsky Visiting Professor of Violin Maxim Vengerov. Generous donations mean we that at 31 July 2017 we had raised 68% of our £40 million target.

In June I was delighted to plant the first spade in the ground in what will become our stunning new public areas. The More Music Campaign will provide two new performance halls, an interactive museum, extra practice and rehearsal spaces, more communal space for students, staff and visitors and an enlarged entrance hall to welcome and inspire our students, staff and visitors. As well as offering greatly improved facilities for our talented students from across the world, More Music looks to the future by making available further scholarships and bursaries to attract the finest aspiring musicians. It will also widen access to RCM Sparks, our community and educational outreach programme, and promote innovation through new academic appointments and digital resources.

As a further sign of our forward and outward thinking we have agreed to establish a new Joint Institute in China with the Shanghai Conservatory of Music. This will prepare the best high school students in China for a music conservatoire education. We cherish our heritage and will bring that into the future too by giving a new home to the RCM Museum. We have also started the process of digitising its entire collection of 25,000 extraordinary musical treasures.

We were sorry to say goodbye to Council members Lady Robey, Gillian Moore and Alex Fryer and I thank them for their contributions, but in turn we welcome Sir George Iacobescu, Geoff Richards and new Students' Union President Nathan Cho. As this will be my final Chairman's report I would like to say thank you to all who have made my time at the Royal College of Music so enjoyable over the last ten years.



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

Professor Lord Winston
Outgoing Chairman
23 November 2017

DIRECTOR'S REPORT

The Royal College of Music has surpassed itself and reached new heights this year. We are now ranked the top institution for performing arts in the UK and Europe, and second in the world (2017 QS World University Rankings). The quality of our teaching and our 'exemplary' Creative Careers Centre were also praised when we were awarded a gold rating in the Department of Education's new Teaching Excellence Framework (2017).

We are immensely proud when the achievements of our gifted student composers, conductors, singers and instrumentalists are recognised. This year alumna soprano Louise Alder won the Dame Joan Sutherland Audience Prize at the BBC Cardiff Singer of the World competition, while at the Kathleen Ferrier Awards alumnus baritone Julien Van Mellaerts won First Prize, and alumnus Gamal Khamis was awarded the Accompanist's Prize. RCM Junior Department composer Alexia Sloane and RCM alumna Dani Howard were both successful in Classic FM's 25th birthday commissions' competition.

Our President HRH The Prince of Wales conferred honours on conductor Sir John Eliot Gardiner, former RCM Director Dame Janet Ritterman, opera singer Sir John Tomlinson and composer Joseph Horowitz, who has recently retired after teaching composition at the College for more than 50 years. The RCM thrives as a diverse and global community and this academic year Maxim Vengerov joined us as Polonsky Visiting Professor of Violin, together with international professors Jianing Kong, Gitte Marcusson and Maurizio Malagnini.

Our tradition of welcoming students, professors and other staff from around the world continues, and will not change following the EU referendum. Current and incoming EU students (for entry in both 2017 and 2018) will be charged the same tuition fees as UK students throughout their programme and will be eligible for the same funding and support as current EU students. In 2016/17, more than £2.9 million was given in scholarships and other awards to 55% of the student body. Through our More Music campaign, we have ambitious plans to increase this to over 75% over the next five years.

Finally I wish to thank Professor Lord Winston whose tenure as Chairman during a period of transformational change comes to an end after ten years. We are delighted to welcome Lord Black of Brentwood as our new Chairman from August 2017.



A handwritten signature in black ink that reads "Colin Lawson". The signature is fluid and cursive.

Professor Colin Lawson CBE FRCM
Director
23 November 2017

FINANCIAL REVIEW

A sustainable future

Financial results for 2016/17

The Royal College of Music made a surplus before gains and losses of £10.7 million, however this included £9.0 million of donations made specifically for the courtyard redevelopment and legacy donations of £513,000. After adjusting for these restricted items, and £828,000 of related expenditure, the underlying surplus was £2.0 million (the comparable underlying surplus for 2015/16 was £827,000). In the interests of transparency it is important to analyse more closely some of the accounting entries in order to gain a clearer understanding of our financial results.

	2017 £000s	2016 £000s	2015 £000s
Surplus before gains and losses	10,699	2,508	1,930
Adjustments for restricted items			
<i>Deduct restricted donations</i>			
<i>Courtyard redevelopment</i>	(9,046)	0	0
<i>Legacy donations</i>	(513)	(1,681)	(1,590)
<i>Add back courtyard redevelopment expenditure</i>	828	0	0
Comparative surplus for the year	1,968	827	340

This table shows that after we remove restricted courtyard redevelopment and endowment legacy donations our underlying surplus for the year was £2.0 million which is reasonably in line with our expectations and, in the short term, surpluses at this level provide an essential source of funding for our More Music campaign.

Financial Sustainability Strategy

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

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

We achieved or exceeded these targets in the year, and we exceeded our target for operating cash in order to maintain sufficient cash to pay for the courtyard redevelopment. The main changes compared with 2015/16 were:

- student fee income was up by 3.7%, reflecting our continued strong student recruitment, although we are currently aiming to maintain static student numbers as we undertake major building works on our main campus;
- funding body grants increased by £1.9 million reflecting a significant change in HEFCE targeted funding for specialist institutions, a reflection of the high cost nature of our provision;
- funded research income rose by £357,000, reflecting increased award of grants;
- other operating income fell by £235,000; including a £195,000 reduction in income for residences, catering and conferences, because we have curtailed conference activities significantly during the courtyard redevelopment;
- investment income was up by £356,000, reflecting the first full year of the RCM's new investment strategy introduced in 2015, and an increasing level of restricted endowment assets;

- staff costs increased by £929,000 including additional government social security charges of £182,000. This increase reflected increased funded research activity, significant investment in new posts to support student one-to-one teaching and additional posts to support estates activities; and
- other operating expenses increased by £2.3 million, of which the major elements were an additional £626,000 for student scholarships and awards, an additional £828,000 for business as usual costs for the courtyard redevelopment and additional estates costs of £283,000, including the lease, refurbishment and running costs of new office accommodation at Jay Mews.

Staff

The RCM's teaching is undertaken mainly by hourly-paid professional musicians who provide one-to-one tuition for their students, with administration undertaken in the main by permanent, full-time staff. The RCM supports the National Pay Framework, with pay awards negotiated, on behalf of the RCM, by the Universities and Colleges Employers Association. The 2016/17 national pay settlement was agreed at 1.1% effective from 1 August 2016. The pay award for 2017/18 has been agreed at 1.7% and this was implemented by the RCM in September 2017.

Reserves

The accumulated unrestricted income and expenditure reserve of £25.6 million (£23.2 million at 31 July 2016) is the accumulated surplus generated from RCM activities, which is unrestricted in its use and available for the benefit of the RCM. This reserve is maintained to support our pension and other long-term liabilities and provide for capital projects not funded by donations. In recent years we have built up reserves in order to:

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

The RCM also holds a restricted income and expenditure reserve of £8.8 million, which includes £8.2 million of donations held specifically for the courtyard redevelopment.

Investment performance

The Investment Committee monitors the performance of the RCM's investment portfolios, which have a total value of £53.2 million (£52.0 million at 31 July 2016); there are three funds:

- Scholarship and Awards Fund £32.2 million (£30.6 million at 31 July 2016): an in-perpetuity fund for generating income for scholarships; it is not anticipated that there will be significant draw down of capital from the fund.
- General Fund £20.3 million (£20.7 million at 31 July 2016): a short/mid-term fund established to work in coordination with the RCM's working capital requirements and capital requirements, including the courtyard redevelopment.
- Junior Department Fund £691,000 (£668,000 at 31 July 2016): a long-term fund with the purpose of generating income for bursaries; it is not expected that there will be significant draw down of capital from the fund.

The investment strategy for each fund is:

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

The College's investment strategy is set by the Investment Committee to reflect our requirements. During the year, Newton Investment Management Ltd continued as the RCM's investment advisers. In 2016/17, we gained £694,000 (£3.8 million in 2015/16) on our investments and this is reflected in the statement of comprehensive income and expenditure. The value of and income from investments are important to the RCM's sustainability. They provide a source of income for scholarships and general expenditure and are a source of funding for capital projects.

RCM student accommodation

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

In 2013/14, we established a new company "RCM Business Enterprises Limited" (RCM BEL) which is a wholly owned RCM subsidiary. The RCM Scholarship Fund invested £1.7 million through RCM BEL in CLV (RCM) LLP which operates our student accommodation. This investment represents a 20% stake in CLV (RCM) LLP and it is held in order to generate additional income for student scholarships. In 2016/17, CLV (RCM) LLP made a deficit and there was no distribution. This was the first full year of operation and although RCM nominations were full, CLV struggled to sell direct let rooms. For 2017-18, the RCM has nominated 271 bedrooms and all have been let to RCM students; and all direct let rooms have been sold.

Funding of capital expenditure

Funds generated from the Prince Consort Village lease premium are being invested in the purchase of Markova House from English National Ballet. Markova House is 200 metres from our main Prince Consort Road Campus and will provide additional accommodation for teaching, research, practice, rehearsal as well as office and communal space. The purchase price is £15.3 million and the RCM exchanged contracts on this purchase in October 2015, with completion planned for spring 2019. RCM's other infrastructure projects include:

- South Building: four-year, £4 million refurbishment programme, in 2016/17, work focused on redeveloping the performance changing rooms, the Student Union and creating a new passenger lift;
- redevelopment of our courtyard: planning consent was granted by Westminster City Council in August 2015 and in March 2017 we appointed Gilbert Ash as our building contractors. Construction works commenced in June 2017, with completion planned for 2019/20;
- Amaryllis Fleming Concert Hall organ: the RCM commissioned renowned Dutch organ builder Flentrop Orgelbouw to build a new organ in the Amaryllis Fleming Concert Hall. This is a £1.2 million project and the new organ was installed in summer 2017 and will be operational by spring 2018;
- in February 2017, we relocated 37 staff to new office accommodation in Jay Mews. This accommodation has been taken on a short term lease and has released additional space for music in the Blomfield Building. The staff who relocated to Jay Mews will subsequently move to Markova House, when this becomes available.

Treasury

During the year there was a net cash inflow from operating activities of £7.2 million (£2.3 million in 2015/16) of this we spent £5.0 million on fixed assets in the year, related largely to the courtyard redevelopment and South Building refurbishment. We also transferred £1.0 million from cash to short-term deposits. Also in the year we received £513,000 in legacy donations (£1.6 million).

There is an outstanding loan balance, with the Royal Bank of Scotland, of £1.4 million at a fixed interest rate of 5.3%, with nine years remaining. This is charged to a general covenant on the RCM. Loan finance is required to support the More Music courtyard redevelopment and, in 2017, the RCM contracted with the Royal Bank of Scotland for a five-year rolling credit facility of up to £13 million.

Charities Act 2006 and principal regulator

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

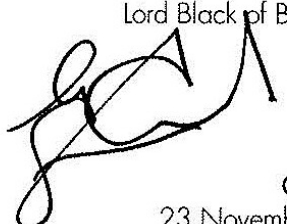
In 2016/17 we registered with the newly established Fundraising Regulator. Registration is currently on a voluntary basis and the RCM is committed to adhering to the Regulator's "Code of Fundraising Practice"

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

Conclusion

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

Lord Black of Brentwood



Chairman
23 November 2017

PROGRESS OF RCM STRATEGIC PLAN 2007 TO 2017

Transforming the College

Mission and principal objectives

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

Objects of the Royal College of Music

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

- 'the advancement of the Art of Music by means of a central teaching and examining body charged with the duty of providing musical instruction of the highest class, and of rewarding with academical degrees and certificates of proficiency and otherwise persons, whether educated or not at the RCM, 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 2017-27

The RCM approved a new Strategic Plan in 2017, which looks ahead across an initial planning period of three years to 2020, when existing major projects are due for completion – these are focused on our major estates plans, the opportunities that these create to support student learning, our public engagement and research, and the RCM's significant international and digital strategies:

- completion of the building redevelopment in the Bloomfield Building and occupation of Markova House, supported by the More Music Campaign, encompassing fundraising for strategic priorities and projects including capital redevelopment, scholarships, academic initiatives and Junior College/Sparks;
- enhancing the RCM as a European conservatoire in response to Brexit, which will involve a range of specific actions, evolving as the wider economic and political context develops;
- international initiatives, including in China collaborative projects to establish a joint institute with the Shanghai Conservatory and to establish training centres in Shenzhen and Shanghai; and
- development of digital initiatives, including establishing the learn.rcm virtual learning environment and the collaborative Virtual Conservatoire project with other conservatoires.

The Strategic Plan also looks ahead ten years to 2027. This period is necessarily more speculative, in part because of the significant changes taking place in the world, not least the UK's planned departure from the European Union. The Strategic Plan sets out our ten-year Vision for the RCM to 2027 and the guiding objectives and principles for ongoing initiatives in the main areas of the RCM's activity.

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

Outlook for 2017/18

The overall economic outlook is more uncertain than for a long time. The referendum decision to leave the EU presages an unprecedented period of political and economic uncertainty. The referendum will have far-reaching implications for the RCM, 20% of whose students and 74 staff are from the EU. The RCM is determined to achieve a sustainable surplus and

has set targets for income, savings and surplus as a percentage of turnover. The targets for our previous Financial Sustainability Strategy were exceeded and new financial sustainability targets were approved by Council for the period to 2021. The RCM's five-year financial forecasts were updated in May 2017, and these forecasts were tested using sensitivity analyses for a range of potential risks. Set against an uncertain economic background, acceptances to study at the RCM in 2017 are as high as ever from international, EU and UK students. We will continue to consolidate student numbers for 2017/18, as the RCM reaches its upper space constraints until the courtyard redevelopment and purchase of Markova House are delivered.

Principal risks and uncertainties

The RCM's risk management strategy and policy set out the respective roles of the RCM's Directorate, Council, Finance & General Purposes Committee and Audit Committee in managing risk. It also sets out the key controls and our approach to risk management. The RCM Risk Register identifies key risks, likelihood of occurrence, potential impact on the RCM and actions being taken to reduce and mitigate risks. The risks themselves are prioritised using a consistent scoring system. The Register is subject to annual review by the RCM Directorate and is monitored and up-dated throughout the year with an annual report on risk management presented to all the committees involved in managing risk, including the Council. The risk register was reviewed fully in October 2016 and again in February and June 2017. Currently two risks are scored red:

- failure to develop and deliver the courtyard redevelopment to the required quality and approved budget; and
- impact of Brexit puts recruitment of EU students at risk.

Amber risks are:

- construction activity in the courtyard causes unacceptable disruption to day to day learning, teaching and performance activities at RCM or Imperial College;
- impact of Brexit makes it harder to retain and recruit the most qualified staff;
- failure to achieve RCM fundraising targets in respect of the capital campaign;
- failure to achieve overseas student number targets/change of UKVI; and
- RCM suffers a debilitating cyber attack/security breach (new risk added in October 2017).

The RCM Council reviews annually key performance indicators and these were revised in autumn 2015 to reflect guidance from the HEFCE-supported national Financial Sustainability Strategy Group which has been developing a basis for monitoring and reporting institutional sustainability through an annual sustainability report (ASSUR). This year the annual HEFCE assessment of institutional risk was replaced by an annual provider review. There were no recommendations arising from the annual provider review and HEFCE's conclusion is that the RCM is 'not at higher risk' on financial sustainability, good management and governance matters and that it 'meets requirements' on 'quality and standards'. HEFCE publishes the quality and standards outcomes of the annual provider review and the entry for the RCM reads; "this provider fully meets HEFCE's requirements for quality and standards. This means that:

- qualification standards are reliable and reasonably comparable to those across the UK;
- the student academic experience is of high quality;
- student outcomes are generally good or excellent and the provider has demonstrated continuous improvement in relation to them."

In February 2014 the RCM had its most recent scheduled HEFCE Assurance Review visit which gave the RCM a clean bill of health on its governance, with no recommendations for the second time running (previous review 2008) – an unusual outcome for a university or college from such a review.

INSPIRATIONAL PROGRAMMES

Enhancing learning, teaching and research

Highest quality teaching found in the UK

The RCM was awarded a Gold rating in the Teaching Excellence Framework (TEF). The TEF assessed higher education institutions against a set of common criteria covering different aspects of teaching and learning. The award, which is valid for up to three years, was made on the basis of a submission consisting of two parts, a mixture of statistical evidence (metrics) and additional commentary submitted by each institution. Metrics are drawn from data sets including socio-economic and ethnic minority status of students; student satisfaction (National Student Survey); and post-graduation employment. The provider submission outlines the institution's approach to three main areas of student provision: teaching quality; learning environment; and student outcome and learning gain. The TEF assessment was carried out by peer review panels comprised of experts in teaching and learning, as well as student representatives. The TEF currently only relates to undergraduate learning and teaching (although it is planned that future iterations will address taught postgraduate programmes) and is intended to provide clear information to prospective students about where the best provision can be found. Based on the evidence available, the TEF Panel judged that the Royal College of Music delivers consistently outstanding teaching, learning and outcomes for its students, continuing 'it is of the highest quality found in the UK'. The reviewers' report noted in particular the RCM's excellent facilities and digital learning resources, intensive small group and one-to-one teaching, and processes for course design and assessment. The panel also recognised the support, skills and knowledge offered to students via the RCM's Creative Careers Centre, including the RCM Teaching Service, working with the community via our Sparks outreach programme, and our Professional Engagement Service.

Research and innovation

Thanks to a substantial grants from JISC and the Research Councils UK the RCM has established an online research repository using the EPrints platform customised for our use. This allows the RCM to be compliant with HEFCE Open Access requirements in respect of the next Research Excellence Framework in 2021 and, more importantly, will allow all types of research outputs to be assigned digital object identifiers and linked to full text and/or meta-data, allowing a full picture of RCM research activity for the first time. Staff will be able to update entries as their outputs are published, and their staff web-profiles will be updated automatically. The JISC grant also provides funding for developing open access storage of research data, and supports the digitisation of substantial amounts of historical video and audio material currently stored on out-dated tape media.

A full review of the RCM's research finance administration has been undertaken and this has catalysed development of new systems and processes for managing pre- and post-award finances as the volume of external bids and grants grows. One outcome of this exercise was the establishment of a new Research Administration and Finance Officer post.

In February the AHRC announced the award of £1 million to the RCM for a project investigating the impact of arts and culture on public health and wellbeing, from individual, social and economic perspectives. The project will be led by the Centre for Performance Science, an internationally distinctive partnership of the RCM and Imperial College, together with 10 national arts partners, six national health partners and the All Party Parliamentary Group for Arts and Health.

A second major AHRC grant of £665,000 was awarded in May for a three-year research partnership between the RCM and the University of Southampton for 'Music, Home and Heritage: Sounding the Domestic in Georgian Britain'. This project which commences in September has been designed by Dr Wiebke Thormählen, the RCM's Area Leader in History and Professor Jeanice Brooks and Dr Katrina Faulds from the University of Southampton. It explores how listening to and performing music affected the construction of home and family life in Georgian Britain. Taking specific country houses and music collections as the basis for a series of case studies, it will also explore new and innovative ways of integrating our understanding into the ways we interpret heritage today. Over the next three years the research team will work in collaboration with the British Library, National Trust, Sydney Living Museums and Buccleuch Living Heritage Trust. A range of musicians (who may well include RCM students and professors), dancers, and technical staff will explore musical genres such as dance music, oratorio and opera that linked familial leisure with forms of public entertainment.

MUSICAL PERFORMANCE

Bringing the notes to life

The performance programme at the RCM is integral to our learning and teaching, giving students the opportunity to test and develop their skills, training them for the professional life. We are recognised as having one of the richest programmes of any conservatoire in the world, regularly attended by a large number of supporters and public.

Autumn

The highlight of our autumn term were two performances of Ravel *Daphnis and Chloé* by the RCM Symphony Orchestra and Chorus conducted by Bernard Haitink. A week of chamber and orchestral music led by the violinist Thomas Zehetmair, ended with unforgettable performances of Beethoven and Mendelssohn. Other distinguished visitors included the Berlin Philharmonic Wind Quintet, Royal Winds from Holland, members of the Chamber Orchestra of Europe, and the ground-breaking ensemble, Ensemble Nikel. We also welcomed our new Visiting Professor of Conducting, Martyn Brabbins, who led performances of works by Beethoven and Brahms.

Spring

In the spring we featured an American music season, with music by Sousa, Barber, Copland, Carter, Adams, and a week dedicated to David Lang, who was our composer in residence. Our annual keyboard festival celebrated the music of Rachmaninov, and we presented our first Chamber Music Week, with study and performance throughout the RCM. Nicholas Collon led a riveting performance of Mahler's immense Sixth Symphony, and in combination with an RCM conference on the music of Weber, we joined with students from Utrecht for a performance of his works written for London.

Summer

A unique collaboration with Opera de Paris and Centre Musique Baroque de Versailles saw performances at the Bastille Opera in Paris and our own Britten Theatre of Rameau's opera-ballet *Les Fêtes d'Hébé* – the first staged performance in the UK since its composition in 1739. The summer continued with the first visit of our new Quartet in Residence, the Harlem Quartet, displaying their genre-breaking repertoire from the classics to jazz. The Festival of Percussion featured the drummer Benny Greb alongside the RCM Big Band. Orchestral performances included Shostakovich with the Venezuelan Rafael Payare, and stunning performances of Bartok and Dvorak with Jac van Steen. We also returned to Cadogan Hall for a series of solo and chamber concerts. The RCM International Opera School produced performances of Mozart *La finta giardiniera*, Handel *Faramondo*, in conjunction with the London Handel Festival, and, to round off the year, two operas by Chabrier and an unforgettable production of Poulenc *Les mamelles de Tirésias*.

We were delighted to welcome many distinguished visitors through the year for masterclasses, beginning with our new association with Maxim Vengerov, who gave classes including a concerto masterclass with full orchestra. Other visitors included Dame Gwyneth Jones, Stefan Dohr, Sir James Galway and Howard Shelley. Maxim Rysanov and many more, happy to share their exceptional knowledge and skill with our students.

CELEBRATING SUCCESS

Shining examples

In our endeavour to help exceptionally talented students achieve their full potential we treat each of them as a unique musician. We help each student develop a sense of direction and provide them with the means to transform their dreams into reality and a livelihood. Success at the RCM takes many different forms, from a small improvement discerned in an aspect of technique to the light-bulb moment which catapults a performer to international recognition. Each RCM student has individual successes to report, some very personal, others more public. We celebrate them all and show below a small selection of student success in 2016/17.

Composition

Tom Foskett-Barnes: completed a new audio-visual composition, *MIDWAY*, in collaboration with Sound and Music as part of his role as Composer in Residence with technology company ROLI

Piyawat Louilarprasert: organised the first Taceti Music and Arts Organisation Saxophone and Composition Festival in Bangkok; Selected as Composer in Residence for KulturKontakt Austria

Ákos Lustyik: worked on Hungarian short film *Sing (Midenki)* as Composer Assistant, which won the Oscar for Live Action Short Film at the 89th Academy Awards

Richard Miller: winner of the Royal Liverpool Philharmonic Orchestra's Christopher Brooks Composition Prize

Lara Poe: winner of the 2017 BMI Student Composer Awards and awarded the William Schuman Prize for the most outstanding score

Karim Younis: second prize winner at the Music and Cinema Lavagnino Competition 2016

Keyboard

Nikita Abrosimov (alumnus), Martin James Bartlett, Caterina Grewe (alumna) and Ilya Maximov (alumnus): competed in the 2017 Van Cliburn International Piano Competition

Martin James Bartlett and Maria Kustas: awarded piano scholarships from the 2017 Yamaha Music Foundation of Europe Scholarship Competition

Sten Heinoja: winner of Young Promising Musician of the Year 2016 from the Estonian National Culture Foundation

Angela Lau: winner of Woking Young Musician of the Year 2017

Jorge Nava: released his first solo album, *Russian Portraits*, featuring music by Mussorgsky, Rachmaninov and Prokofiev

Bertram Wee and Lynette Yeo: winners of the Strings and Keyboard Ensemble Prize in the Royal Over-Seas League Music Competition

Hyun Jung Won: first prize winner in the 15th Don Vincenzo Vitti International Music Competition

Percussion

Hyun-Gi Lee: runner up of the third Arts Club – Sir Karl Jenkins Music Award

Strings

Jamal Aliyev (cello): – winner of the third Arts Club – Sir Karl Jenkins Music Award; first prize winner in The Musicians' Company Prince's Prize Competition 2017; selected as a Young Classical Artists Trust (YCAT) artist; made his debut at the BBC Proms with the BBC Concert Orchestra

Laura Ayoub (violin): winner of the Arts Award in the 2017 Young Scot Awards as part of her duo, The Ayoub Sisters

Timothée Botbol (cello): grand special prize winner in the Il Agustín Aponte International Music Competition

Philip Nelson (double bass): third prize winner in the Solo Competition at BassEurope 2016 in Prague

Jobine Siekman (cello): third prize winner in the National Cello Competition at the Cello Biënnale Amsterdam 2016, where she performed Shostakovich's Cello Concerto no 1 with the Symphony Orchestra of the Conservatory of Amsterdam

Emily Sun (violin): first prize winner in the 2017 Bromsgrove International Musicians Competition

Vocal

Katie Coventry (mezzo soprano): winner of the intercollegiate Joaninha Trust Award; joined the English National Opera (ENO) Harewood Artists programme and made her ENO debut in *The Pirates of Penzance*

Julien Van Mellaerts (baritone): first prize winner in the Kathleen Ferrier Awards, accompanied by alumnus Gamal Khamis who won the Accompanist's Award

Feargal Mostyn-Williams (countertenor), Carly Owen (soprano), Polly Leech (alumna, mezzo soprano) and Sinead O'Kelly (alumna, mezzo soprano): selected as Young Artists at the National Opera Studio for the upcoming season

Rowan Pierce (soprano) and Nick Pritchard (alumnus, tenor): selected to join the Orchestra of the Age of Enlightenment's Rising Stars scheme

Ashlyn Tymms (mezzo soprano): named Outstanding Australian Musician in the Royal Over-Seas League Music Competition

Joel Williams (tenor) and Hugo Herman-Wilson (bass baritone): first prize winner and Audience Prize winner in the Somerset Song Prize 2017

Woodwind

Alenka Bogataj (flute): first prize winner in the Woodwind Category in the Svirél International Music Competition

Justin Sun (bassoon): winner of the Sussex Prize for Woodwind in the Royal Over-Seas League Music Competition

RCM in the press

Mats Zetterqvist (Principal Second Violin, Chamber Orchestra of Europe)

'To rehearse and perform a large scale symphony without a conductor is not a piece of cake, and the way the RCM students have met this challenge has been extraordinary. To see the devotion and passion in their eyes and to enjoy the wonderful result of the project is a great experience for me every time.'

Colin Anderson (Classical Source) on the RCM Symphony Orchestra conducted by Bernard Haitink

'The RCM Symphony Orchestra was inspired by its conductor, every gesture for the players, and I was absorbed by what I heard. Indeed it became curiously compulsive and remains potent – because the music is marvellous, Haitink knows how it all fits together, and the talented young musicians were so attentive to his every intimation. Even now, I am not sure I have done this performance justice!'

Richard Morrison (The Times) on the RCM International Opera School's production of *Les fêtes d'Hébé*

'This charming production – wittily staged, vividly designed and meticulously choreographed by Thomas Lebrun – perfectly captured the inconsequential élan of the original...the voices were young, but stylishly deployed, and in the pit Jonathan Williams encouraged spirited playing from the RCM Baroque Orchestra.'

LEARNING FOR ALL

Ensuring fair access

RCM Junior Department

The RCM Junior Department (RCMJD) offers advanced training at the highest level to young musicians aged eight to 18, providing individually-tailored programs of one-to-one instrument, voice and composition, supported by chamber music, orchestra, choir and musicianship. Since its inception, the RCMJD has evolved to meet the musical needs of our students and adapted to the changing educational and musical landscape. Entrance to the RCMJD is highly competitive by audition and we remain committed to ensuring successful applicants should not be prevented from coming to the RCMJD through financial hardship; in 2016/17 more than £200,000 of bursary support was accessed by families where there was the most need.

RCMJD students were involved in more than 100 concerts in 2016/17, performing in some of the finest venues, including the Royal Albert Hall, Wigmore Hall, the Globe Theatre, the 606 jazz club and Sandringham House for His Royal Highness The Prince of Wales. They have also benefitted from working with professional musicians of the highest calibre, including Oscar-nominated composer Mica Levi, RCM professors Mark Messenger and Simon Holt and Onyx Brass. Our successful creative partnership with the English National Ballet Youth Company has flourished, culminating in a collaborative project featuring ENB company dancers, orchestral musicians, youth company dancers, dancers from local schools and JD musicians in a stunning performance at Sadlers' Wells Theatre. Many of our students are members of leading ensembles including the National Youth Orchestra (NYO), National Children's Orchestras and National Youth Choirs of Great Britain. The current leader of the NYO is an RCMJD student and she will continue her musical studies at the senior RCM in autumn 2017. Our young musicians also enjoy significant success in national and international competitions. Several RCMJD students won prizes in the recent BBC Proms Inspire competition and current RCMJD student and blind composer Alexia Sloane won the Classic FM 25 competition, resulting in a commission for the Royal Liverpool Philharmonic Orchestra.

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

RCM Sparks

RCM Sparks is our ground-breaking learning and participation programme, providing opportunities for everyone to make or learn about music. Last year we ignited creativity in more than 3,000 members of the local community and trained 188 RCM students and graduates. Sparks workshops offer inspirational learning experiences for all, regardless of financial means, with free or subsidised places available for children meeting eligibility criteria, including children (and their families) eligible for pupil premium, 'looked-after' children (and their families), children who live in social housing, families eligible for housing benefit and/or working or family tax credit, families/individuals eligible for disability benefit and service families. In 2016/17, there were 549 different attendees at 94 workshops with 46% of attendees accessing free or subsidised places, up from 23% in 2013/14; 36% of attendees were non-white ethnic.

RCM Sparks continues to work closely with the Tri-Borough Music Hub as a strategic and delivery partner, bringing musical enrichment activities to schools and families in the London Boroughs of Westminster, Hammersmith & Fulham and Kensington & Chelsea; in 2016/17, we worked with more than 2,150 pupils from 43 different schools and a further 66 schools through Hub and partner related activity. The revised community access family programme Get, Set, Play rolled out a pilot to families in North Kensington, focusing activity around three community centres. The year-long free programme at weekends offers a welcoming, accessible, affordable and informal way for parents, grandparents or carers to learn music alongside their children and offer a pathway for a continuing musical journey. In 2016/17 it increased the proportion of participants from under-represented and disadvantaged groups who engage with the RCM, Royal Albert Hall (RAH) and Tri-Borough Music Hub. This helped to: bridge the gap and broker relationships with local families, their community centres and the Music Hub; provide a pre-grade 1 foundation programme for children and families from disadvantaged neighbourhoods; facilitate entry for those who struggle to access extracurricular and recreational activities after school, at weekends and during holidays; and opened doors to other RAH/RCM/Hub activities. One hundred and seventeen family members engaged with this programme, with 65 from access families (55%).

EMPLOYABILITY

Supporting talent and shaping futures

The RCM is a world-leader in career development for musicians. We emphasise the need for students to be confident and versatile communicators, not just in their professional engagements, but in everything they do.

The RCM's renowned Creative Careers Centre provides an unparalleled service. Recognised internationally for our innovative approach to supporting young musicians, we offer resources and guidance, bespoke career advice, workshops and presentations by industry specialists, plus a broad range of professional opportunities, including performances and teaching work. For many students, the Creative Careers Centre helps pave the way to a successful lifelong career in music. The Creative Careers Centre also leads on academic modules as part of our undergraduate and post-graduate degree programs, focusing on entrepreneurship and business-skills training.

Our dedicated team partners with leading consultants, reputable arts organisations and local communities, delivering unique career-building opportunities and a direct route to the music industry. We enable musicians to discover their professional identity, gain hands-on experience and new skills, develop an entrepreneurial mind-set and build a fulfilling professional portfolio. The skills and resources of the Creative Careers Centre are available to all students and alumni for up to five years after graduation.

RCM graduates are highly employable and in the last four years, Higher Education Statistics Agency surveys of those who graduated show 100% of RCM graduates, who completed the survey, were either in employment or further study six months after graduating. This ranked the RCM first across all UK universities.

The Creative Careers Centre's services include weekly one-to-one CV, biography, marketing and careers sessions, student/graduate-aimed job bulletins, arts administration work placements/internships, and regular workshops and presentations led by industry specialists. It also offers advice on self-promotion, and access to a wide variety of professional contacts and online resources.

Concert opportunities are provided at more than 40 venues, including some of London's most prestigious concert halls, churches, galleries and museums, as well as retirement homes and hospitals. During the last academic year, RCM musicians performed at such notable venues as St. Martin-in-the-Fields, Steinway Hall and the Elgar Room at the Royal Albert Hall. The Creative Careers Centre has continued to develop its strong partnership with the Royal Academy of Arts, supported by Dasha Shenkman. In the latest series - 'In Tune With' - both institutions co-created bespoke projects around exhibitions combining music and art.

The Creative Careers Centre also manages a thriving professional engagements service and musicians are hired by organisations and members of the public to perform at events, work as freelance orchestral and session players, accompanists, répétiteurs, chorus members and composers. Fees and contracts are negotiated by our specialist team to ensure industry-standard compliance. In 2016/17, more than 750 different musicians gained opportunities through the professional portfolio development schemes, with 700 performances.

An essential part of many musicians' careers, teaching is widely valued as a creative and worthwhile way to share your musical passion and expertise with a new generation and the Creative Careers Centre runs a popular teaching service which matches members of the public who want to learn with RCM students and graduate who are able to teach. Every week we receive requests for private music teachers of all types and last year 130 individuals received tuition via the service.

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

DEVELOPMENT AND ALUMNI ENGAGEMENT

Supporting access, excellence and opportunity

More Music: Reimagining the Royal College of Music

2016/17 was a momentous year for the More Music campaign and we received a number of significant contributions, which helped support young musicians and build on our existing strengths as we pursue our vision of access and excellence. In particular, we wish to recognise the support of our benefactors and also the work of senior volunteers and loyal supporters who have made the initial stage of the campaign a success.

By July 2017, more than £27 million (68% of the £40 million campaign target) had been secured in cash and pledges; £16 million to fund the building redevelopment (against a target of £25 million). In February we launched the public phase of our campaign with a gala concert at Buckingham Palace hosted by RCM President, His Royal Highness The Prince of Wales. The event featured violinist Maxim Vengerov (Polonsky Visiting Professor of Violin), alumnus conductor John Wilson and soprano Louise Alder, current student Emily Sun (violin), the RCM Symphony Orchestra and a selection of vocal students in a spectacular evening that showcased RCM music and musicians and raised more than £850,000 towards the campaign.

Another significant milestone took place in June when Director Professor Colin Lawson CBE and outgoing Chairman Professor Lord Winston broke ground in the courtyard to mark commencement of construction works. After ten years of planning, this was a momentous achievement. We still have much to achieve and as we enter the critical second phase of our campaign we call upon all of our supporters to help us to raise the remaining £13 million we need to complete our transformational journey and realise our vision.

Our More Music Campaign represents a once-in-a-generation opportunity to transform our facilities and invest in innovation, enhancing the way students and visitors experience the RCM for generations to come. As well as providing funds for the renovation of our physical buildings, the campaign will allow us to expand our scholarship and bursary provision and facilitate academic, artistic and digital innovations. For more information on our transformational redevelopment campaign, please visit www.rcm.ac.uk/moremusic

Our students – scholarships for talent

Since its foundation in 1883, the RCM has awarded scholarships to enable gifted students to forge their creative careers at the RCM and we remain committed to our founding principles: that those with talent should have the opportunity to study with us regardless of their means. In 2016/17, more than £2.9 million was given in scholarships and other awards to over 55% of the student body. We have ambitious plans to increase this to over 75% over the next five years. No student should be denied an RCM education for want of funds and every gift to our Scholarship & Awards Fund helps to transform lives of talented young musicians and we are immensely grateful to all the individuals, organisations, companies and charitable trusts who generously support our scholars. Particular thanks go to the Soiree d'Or committee, a group of volunteer supporters led by Lady Carr, for the enormous amount of work they do for our annual Soiree d'Or fundraising gala at the Victoria and Albert Museum. The 2016 gala which was held in December, raised over £250,000, all of which will go towards providing scholarships for a number of students.

Our global community

Our global alumni community is central to all that the RCM stands for and we are proud of all our graduates' achievements as they continue to influence all spheres of the music industry. Alumni are the RCM's greatest ambassadors with a growing network of more than 7,500 alumni living in 86 countries. We plan to extend further and develop our alumni programme and activities in the year ahead.

Our future – ongoing support

Continuing to grow our philanthropic income is essential. Regular gifts strengthen our future providing a reliable income stream to support the RCM and our students. We wish to thank everyone who has supported us this year and acknowledge the generosity shown by donors, friends, supporters, parents, leadership volunteers and the general public who attend our concerts, events and activities. From becoming an RCM Friend through to leaving a gift in your Will, every contribution truly makes a difference. With the recent significant developments in the More Music campaign, there has never been a more exciting time to join the RCM family. We look forward to expanding our pool of supporters over the coming year.

EQUALITY AND OPPORTUNITY

Committed to fairness

"Elite but not elitist, the College pursues further access and engagement locally, nationally and internationally, opening up online resources to a worldwide audience, thus redefining membership of the RCM community. The RCM now reflects the diversity of contemporary society in the UK and beyond and has integrated pre-tertiary provision and community engagement into the RCM's programmes and ethos from age 4 up." (RCM Strategic Plan 2017 to 2027)

In the community

The RCM Access Agreement enshrines key objectives, focusing on those from disadvantaged backgrounds or with disabilities, seeking to encourage applications, enable student participation and success; and raise aspiration to engage with music and study at higher education level. These are central to RCM's outreach activities, delivered by RCM Sparks and evidence indicates that the impact of our outreach work raises aspirations among the most disadvantaged groups, developing in them an interest in music and higher education. In 2016/17 RCM Sparks developed and implemented a revised community access programme providing an extended offer to families and young people: 'Get, Set, Play' was rolled out as a pilot to families in North Kensington and the year-long free programme offers a welcoming, accessible, affordable and informal way for parents, grandparents or carers to learn music alongside their children and provides a pathway for a continuing musical journey, increasing the proportion of participants from under-represented and disadvantaged groups who engage with the RCM, Royal Albert Hall and Tri-Borough Music Hub. A new strategic link with three local secondary schools, with higher than average free school meals/pupil premium data, was established, providing a three year rolling programme of bespoke support to each school.

Students

In 2016/17 the RCM's virtual learning environment (VLE), 'learn.rcm', went live to students. Training sessions on accessibility, led by the Digital Learning Manager and specialists from the Open University, were held for staff, and provided an opportunity to share good practice in teaching and supporting students with disabilities. Students with learning agreements (those with disabilities, including specific learning disabilities, health conditions and mental health issues) were invited to give feedback on learn.rcm and this was largely positive, with suggestions for improvements taken on board by the Digital Learning Manager. The Research Fellow in Music and Visual Impairment has been working with members of RCM ITC department to improve computing facilities for visually impaired users, and has acted as consultant on accessibility for the VLE.

A second successful RCM Women in Music day was held in March. Women composers and musicians were showcased, including the first public performance of a Fanny Mendelssohn sonata, previously believed lost; this was broadcast on BBC Radio 3. 'Women in Music' a new postgraduate module was developed and will be offered in 2017-18; it will enable students to gain an understanding of women's role in music, past and present, through a research-based performance project and professional placement alongside a female mentor.

Staff

The Human Resources team undertook reviews of maternity, paternity, adoption and parental leave policies, to ensure that they are compliant with legislative changes and the language is accessible and gender neutral. The team also undertook a full business process review of recruitment, selection and appointment systems to ensure that we embed best practice and embrace equality and diversity in every aspect of these processes.

Estate

The RCM's new hall of residence, Prince Consort Village completed its first full year of operation, and is fully accessible, with nine rooms designed specifically for disabled students. At our main Campus we opened our new Sesame bespoke wheelchair access lift which provides improved access into our main reception and front of house area; this is part of our More Music campus redevelopment which will see radical changes to the campus over the next few years and improve significantly step free access across our estate.

PROCUREMENT AND SHARED SERVICES

Obtaining value for money

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

- UCAS Conservatoires: admissions service created and owned by eight Music Conservatoires;
- Virtual Conservatoire: a collaboration with the Royal Academy of Music (RAM), and Conservatoire for Dance & Drama to develop: new teaching, learning and performance methodologies and spaces;
- National network of museums: in partnership with the RAM, Horniman Museum and University of Edinburgh, delivering scientifically refined records on more than 40,000 musical instruments;
- Ensemble Purchasing: a cost sharing company, owned by five higher education institutions, to provide shared procurement service to its members.
- Imperial College: provide services where both partners benefit from economies of scale from higher volumes, including catering, occupational health and student/staff health;
- Kingston City Group: universities' internal audit consortium owned by 15 members;
- London Universities Purchasing Consortium (LUPC): London-wide procurement consortium owned by higher education and third sector organisations;
- The Energy Consortium: a leader of collaborative energy procurement, particularly to universities and colleges;
- Exhibition Road Cultural Group: champions the collective view of its members, encouraging cross-fertilisation of audiences between members; running joint events; and sharing staff expertise; and
- Invest to Save: focuses on reducing carbon emissions for members in the Exhibition Road Cultural Group.

Good procurement practice is key to achieving value for money (VfM) and in 2016/17, tenders included:

- museum decant and storage to facilitate the courtyard redevelopment: the winning supplier was chosen on the basis of quality and cost for this critical project. Key risks were identified and mitigations agreed, with contractual documentation linking payment to clear milestones. Environmental storage conditions were tested to ensure the safety of our museum artefacts;
- special collections storage: a benchmarking exercise to ensure that our current storage supplier provides good VfM. We retained our existing supplier on similar pricing and enhanced contract documentation incorporating improved, terms and conditions;
- computer aided facilities management (CAFM) system: costs were evaluated over the full term of the contract and post-tender negotiations agreed terms and conditions that reflected our risk appetite. The winning bidder represented a 54% cost saving on contract value compared to other bidders; and
- cleaning services: by using an LUPC framework agreement we selected a supplier with strong sustainability credentials and addressed the risks of modern slavery in the supply chain. The specification reflected the changing nature of our estate and great importance was placed on quality of service and the supplier's ability to manage the service in a construction site environment.

Strong procurement practices are important for achieving VfM and in 2016/17 our program incorporated:

- training: procurement training was delivered to staff around the RCM with the aim to refresh basic procurement knowledge, and improve procurement practices across the RCM;
- strategy: a draft procurement strategy was produced reflecting RCM's updated strategic plan;
- procurement guidance: updated documentation was produced, including order form templates, specification writing and decision flow charts to help embed best practice throughout the RCM;
- contracts database: to store and maintain up-to-date contract documentation to help manage risks throughout the life of a contract; and
- annual procurement report: including best practice indicators: 40% of non-pay spend was through collaborative arrangements (sector benchmark 25%); annual procurement savings were 4.5% of non-pay spend (benchmark 3.5%); spend on procurement as a percentage of non-pay spend was 0.3% (benchmark 0.9%); net procurement savings were 4.2% of non-pay spend against a benchmark of 2.6%.

CARING FOR THE ENVIRONMENT

Making a difference

The RCM is committed fully to its responsibility for minimising the environmental, social and economic impacts of our operations and, as a small higher education institution, we aspire to be a centre of excellence in environmental management. In 2016/17 we:

- achieved re-accreditation of ISO 14001;
- undertook a review of our environmental policies;
- continued to support the Fairtrade Foundation - our catering outlets sold more than 8,000 Fairtrade products last year;
- purchased 100% of electricity from renewable generation;
- replaced two boilers with new energy efficient gas fired condensing boilers;
- upgraded approximately 15% of lighting across the estate with LED lighting including the Britten Theatre auditorium, four Opera rooms, the Recital Hall and over 10 office spaces;
- replaced all the radiators in the South Building and installed thermostatic radiator valves and controls on all floors (excepting the first floor); and
- upgraded the cooling system in the lower ground floor and basement of the South Building

Construction

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

At the design stage of each project environmental considerations are taken into account. For example, Prince Consort Village achieved its ambitious target of a BREEAM rating of Very Good; BREEAM is the world's leading sustainability assessment method for building projects which measures sustainable value in a range of categories including energy, ecology, carbon emissions and design durability. A BREEAM rating of Very Good has also been targeted for courtyard redevelopment.

Refurbishment of the South Building continues to provide opportunities to achieve our ambitions. In addition to previous installations of high rated acoustic walls, triple-glazed windows, waterless urinals, new efficient cooling systems, LED lighting and movement sensitive water taps, we have upgraded the roof in the South Building to provide increased thermal insulation.

All aspects of the RCM Environmental Policy are inter-linked with and form an integral part of our environmental management system. This includes all existing environmental policies, the environmental action plan and the Carbon Management Plan. The RCM produces regular environmental e-newsletters to update staff, students and other stakeholders on our environmental projects, including Fairtrade, carbon reduction and recycling. This encourages engagement and awareness of the RCM's own environment.

ESTATES

Providing fitting surroundings for gifted musicians

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

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

In order to support our vision we have embarked on an ambitious estates re-development programme. A number of projects have been delivered and more are planned over the next few years:

- in October 2015 contracts were exchanged on the purchase of Markova House which will provide additional accommodation for teaching, research, practice, and rehearsal, as well as office and communal space. We expect to achieve completion of contracts in September 2018;
- 2016/17, was the first full year of operation of Prince Consort Village, our new student accommodation, completed in March 2016, which provides 417 student bedrooms and 23 music practice rooms;
- in summer 2016 we removed the organ in the Amaryllis Fleming Concert Hall to facilitate the installation of a new organ in summer 2017, delivered a number of room refurbishment projects and room relocations to prepare the RCM for the start of the courtyard redevelopment and relocated the Library entrance and reception function to the Britten Theatre stairway plus minor redecorations;
- in September 2016 we completed Phase 3 of the South Building refurbishment which transformed BaRCM into the Exchange: an open plan student-facing office where Registry, Performance & Programmes, Faculties Administration, Finance, Academics and the Creative Careers Centre are located. Facilities also include a new reception desk, meeting room, kitchenette and two modular spaces for informal meetings. The former restaurant has been transformed to provide a new Student's Union bar and dining area; and
- *More Music: Reimagining the Royal College of Music*: a redevelopment of the courtyard is progressing well. Planning consent was granted in August 2015 and construction commenced in June 2017.

RCM FINANCIAL STATEMENTS

2016/17

CORPORATE GOVERNANCE & RESPONSIBILITIES OF COUNCIL

Good governance

Committee of University Chairs (CUC) Governance Code of Practice

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

Statement of primary responsibilities

The Council is responsible for:

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

Structure of corporate governance

The **RCM Council**, which meets at least four times a year, is responsible for the strategic direction of the RCM and for all major developments. In fulfilling its responsibilities for administration and management of the RCM's affairs, the Council approves the annual revenue and capital budgets and audited financial statements for each financial year prepared in accordance with relevant accounting standards. The Council's membership and powers are laid down in the RCM's Royal Charter and Statutes. The maximum number of Council members is 25, three of whom are elected from among RCM staff and at least 10 of whom are independent members. The President, Director and Students' Union President are *ex officio* members. The Chairman and Deputy Chairman are drawn from the independent members. For the purposes of the Charities Act 2011, members of the Council are trustees of the RCM

The Council has a **Finance and General Purposes Committee** (F&GPC) which meets at least four times a year. The F&GPC's responsibilities include monitoring performance in relation to approved budgets and oversight of the Directorate's risk management responsibilities. It also acts as **Remuneration Committee** for salaries and terms and conditions of the senior staff. The F&GPC scrutinise the annual financial statements ahead of consideration by Audit Committee and Council and also review minutes of the **Health and Safety Committee** in order to monitor compliance and practice on behalf of Council. The **Investment Committee** (at least two meetings a year) is an F&GPC sub-committee and is constituted formally with terms of reference and chaired by an independent member of Council. A **Courtyard Project Board** has been established to oversee the courtyard redevelopment building project, with a mix of Council, Directorate and expert membership.

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

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

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

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

Basis of financial statements

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

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

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

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

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

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

Accounting records

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

Internal control and risk management

The Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Council in the Charter and Statutes and the Memorandum of Assurance and Accountability with the HEFCE. The system of internal control is designed to manage rather than eliminate risk of failure to achieve policies, aims and objectives; therefore, it provides only reasonable and not absolute assurance of effectiveness. The internal control system is based on an on-going process designed to identify risks that might hinder realisation of our policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place during the year ended 31 July 2017 and up to the date of approval of the financial statements, and accords with HEFCE guidance. The Council has responsibility for reviewing the effectiveness of the internal control systems and the following processes have been established:

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

- training for managers with responsibility for areas involving high-level risk includes attendance at relevant workshops;
- an annual review conducted by the Directorate is presented in writing to the F&GPC for discussion, and reported to the Council; and
- the RCM receives an annual HEFCE assessment of institutional risk. Along with most HEIs we were judged '*not at higher risk*'.

The review of effectiveness of the internal control system is informed by reports from internal auditors, who operate to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports, which include their opinion on the adequacy and effectiveness of the system of internal control, with recommendations for improvement. The Council's review of effectiveness of the internal control system is also informed by the work of the Directorate, who are responsible for developing and maintaining the internal control framework, and by comments from the external auditors in their various reports.

Equality and opportunities

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

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

Further information on equality and opportunities at the RCM may be found on our public facing website <http://www.rcm.ac.uk/about/governance/strategy/accessdisabilitiesandequalopportunities/>.



Lord Black of Brentwood

Chairman

23 November 2017



Professor Colin Lawson CBE FRCM

Director

23 November 2017

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

Opinion

We have audited the financial statements of the Royal College of Music ("the College") and its subsidiaries ("the Group") for the year ended 31 July 2017 which comprise the consolidated and College statements of comprehensive income, consolidated and College statements of changes in reserves, the balance sheets for the group and the College, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2017 and of the Group's and the College's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Council are responsible for other information, which comprises the information included in the annual review, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Chairman's Message, Director's Report and Annual Review and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters required by the Higher Education Funding Council for England ("HEFCE") Audit Code of Practice

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Council

As explained more fully in the Council members' responsibilities statement set out on page 21, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the Group and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2017

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with Financial Reporting Standard 102 (FRS 102). The RCM is a public benefit entity, therefore it has applied the relevant public benefit provisions of FRS 102.

2. Basis of consolidation

The consolidated financial statements include the RCM and all its subsidiaries for the financial year ended 31 July 2017. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation. The consolidated financial statements do not include the income and expenditure of the Students' Union as the RCM does not exert control or dominant influence over policy decisions.

3. Parent company disclosure exemptions

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

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

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

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

- in determining whether leases entered into by the RCM as a lessor or a lessee are operating or finance leases the Council has assessed whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis;
- with regard to the lease granted by RCM to CLV for student accommodation at Prince Consort Village, the Council determined that this transaction was a service concession. However, each year the RCM will nominate bedrooms for students in the range of zero to 417 and the only liability which could fall on the RCM is any rental shortfall on its nominated rooms in each year. In this arrangement there are no payments which meet the definition of 'minimum lease payments', therefore no amount has been included on the balance sheet. As such the RCM has treated this as a property transaction, whereby the RCM has disposed of a building and entered into a series of lease transactions part of the consideration for which is preferential nomination rights. The value of these rights cannot be measured reliably and they are held as nil value in the balance sheet.
- in determining whether there are indicators of impairment of the RCM's tangible and investment assets, the Council have taken into consideration factors including economic viability and expected future financial performance of assets;
- in determining the estimate of the RCM Pension & Assurance defined benefit scheme obligation Council have reviewed the critical underlying assumptions (see note 27). Council also reviewed the critical assumptions used to estimate of the present value of the RCM's obligation in respect of the funding deficit plan for the USS pension scheme (see note 27); and
- the RCM has determined that donations received through the More Music courtyard redevelopment capital campaign have performance related conditions and these donations have been recognised as income where those conditions have been met.

5. Income recognition

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

Grant funding

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

Donations and endowments

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

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

Capital grants

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

Trade debtors

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

6. Accounting for retirement benefits

The principal pension schemes for the RCM's staff are the Universities Superannuation Scheme, Teachers Pension Scheme, RCM Pension and Assurance Scheme and National Employment Savings Trust. The accounting policies for each scheme are shown in note 27 to the financial statements.

7. Employment benefits

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

8. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the life of the lease.

9. Foreign currency

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

10. Fixed assets

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

Land and buildings

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

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

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

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

Musical instruments

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

Furniture and equipment

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

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

Investments

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

Financial assets

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

11. Finance costs and financial liabilities

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

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

12. Heritage assets

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

The RCM library holds collections of printed and manuscript music, books, letters and other archival collections. No valuation has been obtained for the collection as a whole, or individual items, for reasons of cost and practicality. Assets acquired before August 2009 have not been valued due to their scale and uniqueness; also valuation costs exceed the benefit derived to the users of the financial statements. Assets donated or purchased with a value of more than £2,000 since 1 August 2009 until 31 July 2014 are included in the financial statements where values have been reasonably obtainable. From 1 August 2014, assets donated or purchased with a value of £5,000 or more are capitalised. Preservation and management is explained in the Library Collection Development Policy, with policies for selection, donations, retention and disposal of heritage assets. The policy precludes disposal of any item unless it is a duplicate. Costs of preservation are funded from various sources including grants, donations and RCM funds.

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

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

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

13. Cash and cash equivalents

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

14. Provisions, contingent liabilities and contingent assets

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

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

15. Accounting for associates

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

16. Taxation

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

17. Reserves

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

Consolidated and RCM statement of comprehensive income

Year ended 31 July 2017

	Note	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £	RCM £	Consolidated £	RCM £
Income					
Tuition fees	1	11,991,355	11,991,355	11,567,799	11,567,799
Funding body grants	2	5,880,958	5,880,958	4,012,958	4,012,958
Research grants and contracts	3	914,849	914,849	557,454	557,454
Other income	4	2,061,571	2,061,571	2,297,404	2,297,404
Investment income	5	2,039,617	1,945,596	1,687,239	1,589,824
Total income before endowments and donations		22,888,350	22,794,329	20,122,854	20,025,439
Donations and endowments	6	3,996,684	3,996,684	4,296,643	4,296,643
Courtyard redevelopment donations	6	9,045,994	9,045,994	-	-
Total income		35,931,028	35,837,007	24,419,497	24,322,082
Expenditure					
Staff	7	13,276,633	13,276,633	12,347,659	12,347,659
Other operating expenses	8	10,268,331	10,266,274	7,920,532	7,920,197
Depreciation	10	1,367,393	1,367,393	1,316,082	1,316,082
Interest and other finance costs	9	228,129	228,129	229,691	229,691
Total expenditure		25,140,486	25,138,429	21,813,964	21,813,629
Surplus before gains and share of operating surplus of associates		10,790,542	10,698,578	2,605,533	2,508,453
Gain on disposal of tangible fixed assets		7,732	7,732	7,116	7,116
(Loss)/gain on disposal of investments		970,792	970,792	1,777,699	1,777,699
Change in fair value of investments		(276,562)	(276,562)	2,025,161	2,025,161
Share of operating (deficit)/surplus in associate	20	(186,200)	-	186,200	-
Surplus for the year		11,306,304	11,400,540	6,601,709	6,318,429
Actuarial loss in respect of pension schemes	27	(20,000)	(20,000)	(1,150,000)	(1,150,000)
Total comprehensive income for the year		11,286,304	11,380,540	5,451,709	5,168,429
Represented by:					
Restricted endowment comprehensive income for the year		1,401,987	1,496,223	4,125,032	3,763,660
Restricted comprehensive income for the year	21	8,217,513	8,217,513	2,000	2,000
Unrestricted comprehensive income for the year		2,434,121	2,434,121	(176,693)	(98,601)
Revaluation reserve comprehensive income for the year	23	(767,317)	(767,317)	1,501,370	1,501,370
		11,286,304	11,380,540	5,451,709	5,168,429

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

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

Courtyard redevelopment income consists of donations received specifically for the More Music campaign and is restricted in its use.

Consolidated and RCM statement of changes in reserves

Year ended 31 July 2017

	Note	Income and expenditure account			Revaluation reserve	Total reserves
		Endowment	Restricted	Unrestricted		
		£	£	£	£	£
Consolidated						
Balance at 1 August 2015		32,389,359	557,452	23,390,978	12,704,970	69,042,759
Surplus from the income and expenditure statement		4,125,032	2,000	2,474,677	-	6,601,709
Other comprehensive income		-	-	(1,150,000)	-	(1,150,000)
Transfers between revaluation and income and expenditure reserve		-	-	(1,501,370)	1,501,370	-
Total comprehensive income for the year		4,125,032	2,000	(176,693)	1,501,370	5,451,709
Balance at 1 August 2016		36,514,391	559,452	23,214,285	14,206,340	74,494,468
Surplus from the income and expenditure statement		1,401,987	8,217,513	1,686,804	-	11,306,304
Other comprehensive income		-	-	(20,000)	-	(20,000)
Transfers between revaluation and income and expenditure reserve		-	-	767,317	(767,317)	-
Total comprehensive income for the year		1,401,987	8,217,513	2,434,121	(767,317)	11,286,304
Balance at 31 July 2017		37,916,378	8,776,965	25,648,406	13,439,023	85,780,772
Royal College of Music						
Balance at 1 August 2015		32,389,359	557,452	23,312,886	12,704,970	68,964,667
Surplus from the income and expenditure statement		3,763,660	2,000	2,552,769	-	6,318,429
Other comprehensive income		-	-	(1,150,000)	-	(1,150,000)
Transfers between revaluation and income and expenditure reserve		-	-	(1,501,370)	1,501,370	-
Total comprehensive income for the year		3,763,660	2,000	(98,601)	1,501,370	5,168,429
Balance at 1 August 2016		36,153,019	559,452	23,214,285	14,206,340	74,133,096
Surplus from the income and expenditure statement		1,496,223	8,217,513	1,686,804	-	11,400,540
Other comprehensive income		-	-	(20,000)	-	(20,000)
Transfers between revaluation and income and expenditure reserve		-	-	767,317	(767,317)	-
Total comprehensive income for the year		1,496,223	8,217,513	2,434,121	(767,317)	11,380,540
Balance at 31 July 2017		37,649,242	8,776,965	25,648,406	13,439,023	85,513,636

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

Restricted reserves includes £8.2 million of donations received specifically for the More Music campaign: courtyard redevelopment.

Further analysis of endowments and restricted reserves are set out in notes 20 and 21.

Consolidated and RCM balance sheet

Year ended 31 July 2017

	Note	As at 31 July 2017		As at 31 July 2016	
		Consolidated £	RCM £	Consolidated £	RCM £
Non-current assets					
Fixed assets	10	27,301,975	27,301,975	23,710,864	23,710,864
Heritage assets	10,11	5,416,415	5,416,415	5,396,415	5,396,415
Investments	12	57,242,806	55,531,944	56,232,854	54,335,792
Investment in subsidiary company	13	-	1,710,862	-	1,710,862
		<u>89,961,196</u>	<u>89,961,196</u>	<u>85,340,133</u>	<u>85,153,933</u>
Current assets					
Trade and other receivables	14	5,295,741	5,033,088	4,841,505	4,672,873
Investments	15	10,000,000	10,000,000	9,000,000	9,000,000
Cash and cash equivalents		<u>10,379,365</u>	<u>10,374,852</u>	<u>11,104,893</u>	<u>11,098,353</u>
		25,675,106	25,407,940	24,946,398	24,771,226
Less: Creditors: amounts falling due within one year	17	(3,961,961)	(3,961,931)	(4,203,755)	(4,203,755)
Net current assets		21,713,145	21,446,009	20,742,643	20,567,471
Total assets less current liabilities		<u>111,674,341</u>	<u>111,407,205</u>	<u>106,082,776</u>	<u>105,721,404</u>
Creditors: amounts falling due after more than one year	18	(20,362,600)	(20,362,600)	(25,793,248)	(25,793,248)
Provisions					
Pension provisions	19	<u>(5,530,969)</u>	<u>(5,530,969)</u>	<u>(5,795,060)</u>	<u>(5,795,060)</u>
Total net assets		<u>85,780,772</u>	<u>85,513,636</u>	<u>74,494,468</u>	<u>74,133,096</u>
Restricted Reserves					
Income and expenditure reserve - endowment reserve	20	37,916,378	37,649,242	36,514,391	36,153,019
Income and expenditure reserve - restricted reserve	21	8,776,965	8,776,965	559,452	559,452
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		25,648,406	25,648,406	23,214,285	23,214,285
Revaluation reserve	23	<u>13,439,023</u>	<u>13,439,023</u>	<u>14,206,340</u>	<u>14,206,340</u>
		85,780,772	85,513,636	74,494,468	74,133,096
Total Reserves		<u>85,780,772</u>	<u>85,513,636</u>	<u>74,494,468</u>	<u>74,133,096</u>

The financial statements were approved and authorised for issue by the Governing Body on 23 November 2017 and were signed on its behalf on that date by:



Professor Colin Lawson, Director
Lord Black of Brentwood, Chair of Council

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



Consolidated cash flow

Year ended 31 July 2017

	Note	Year ended 31 July 2017 £	Year ended 31 July 2016 £
Cash flow from operating activities			
Surplus for the year		11,286,304	5,451,709
Adjustment for non-cash items			
Depreciation	10	1,367,393	1,316,082
Loss/(gain) on disposal of fixed asset investments		(970,792)	(1,777,699)
Gain on investments		276,562	(2,025,161)
(Increase) in debtors	14	(454,236)	(501,092)
Increase in creditors		(4,752,307)	2,899,781
Increase/(decrease) in pension provision	19	(264,091)	1,023,929
Receipt of donated equipment		(20,000)	(17,500)
Share of operating deficit/(surplus) in associate		186,200	(186,200)
Amortised lease income		(304,911)	(338,790)
Adjustment for investing or financing activities			
Investment income	5	(2,039,617)	(1,585,976)
Interest payable	9	87,036	96,914
Endowment income	6	(513,397)	(1,681,428)
Profit on the sale of fixed assets		(7,732)	(7,116)
Capital grant income		(364,974)	(361,006)
Net cash inflow from operating activities		<u>3,511,438</u>	<u>2,306,447</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		20,110	9,641
Capital grants receipts		0	91,193
Disposal of non-current asset investments		9,094,851	22,667,911
Withdrawal of deposits		-	3,000,000
Investment income	5	2,039,617	1,687,239
Payments made to acquire fixed assets		(4,970,881)	(4,515,690)
New non-current asset investments		(9,596,774)	(29,496,585)
New deposits		(1,000,000)	(5,000,000)
		<u>(4,413,077)</u>	<u>(11,556,291)</u>
Cash flows from financing activities			
Interest paid	9	(87,036)	(96,914)
Endowment cash received		513,397	1,643,928
Repayments of amounts borrowed		(250,250)	(250,250)
		<u>176,111</u>	<u>1,296,764</u>
Decrease in cash and cash equivalents in the year		<u>(725,528)</u>	<u>(7,953,080)</u>
Cash and cash equivalents at beginning of the year		11,104,893	19,057,973
Cash and cash equivalents at end of the year		10,379,365	11,104,893

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

Notes to the accounts for the year ended 31 July 2017

	Note	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £	RCM £	Consolidated £	RCM £
1 Tuition fees					
Full-time UG home and EU		2,863,186	2,863,186	2,922,948	2,922,948
Full-time PG home and EU		2,128,937	2,128,937	2,008,667	2,008,667
Part-time home and EU		192,792	192,792	182,277	182,277
Non-EU		4,676,639	4,676,639	4,470,898	4,470,898
Other		2,129,801	2,129,801	1,983,009	1,983,009
		11,991,355	11,991,355	11,567,799	11,567,799
2 Funding body grants					
Recurrent grant					
Basic		4,625,019	4,625,019	3,101,961	3,101,961
Research		457,918	457,918	461,794	461,794
HEIF		222,927	222,927	302,872	302,872
Specific grants					
Staff related inherited liabilities		21,172	21,172	26,328	26,328
Collaborative outreach		-	-	(1,339)	(1,339)
Other grants		428,746	428,746	-	-
Capital grants released in the year		125,176	125,176	121,342	121,342
		5,880,958	5,880,958	4,012,958	4,012,958
3 Research grants and contracts					
BIS research councils		691,245	691,245	457,913	457,913
UK-based charities		54,220	54,220	43,309	43,309
Government (UK and overseas)		29,330	29,330	6,266	6,266
Other		140,054	140,054	49,966	49,966
		914,849	914,849	557,454	557,454
4 Other income					
Residences, catering and conferences		379,378	379,378	574,215	574,215
Other capital grants		239,798	239,798	239,664	239,664
Other services rendered		470,316	470,316	476,990	476,990
Other income		972,079	972,079	1,006,535	1,006,535
		2,061,571	2,061,571	2,297,404	2,297,404
Other income includes £304,911 (2015/16: £338,790) for the lease premium for Prince Consort Village, recognised as income during the year.					
5 Investment income					
Investment income on endowment assets - unrestricted		512,000	512,000	282,692	282,692
Investment income on endowment assets - restricted		1,300,671	1,300,671	1,108,697	1,105,337
Other interest receivable		226,946	132,925	295,850	201,795
		2,039,617	1,945,596	1,687,239	1,589,824
6 Donations and endowments					
New endowments with restrictions	20	513,397	513,397	1,681,428	1,681,428
Restricted donations		1,240,445	1,240,445	283,838	283,838
Unrestricted donations		2,242,842	2,242,842	2,331,377	2,331,377
		3,996,684	3,996,684	4,296,643	4,296,643
Courtyard redevelopment donations		9,045,994	9,045,994	-	-
		13,042,678	13,042,678	4,296,643	4,296,643

Unrestricted donations include £1.5M from ABRSM for 2016/17 (£1.2M 2015/16).

Notes to the accounts for the year ended 31 July 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
7 Staff costs				
Salaries	11,022,716	11,022,716	10,282,152	10,282,152
Social security costs	986,750	986,750	804,881	804,881
Movement on USS provision	(113,833)	(113,833)	28,229	28,229
Other pension costs	1,381,000	1,381,000	1,232,397	1,232,397
	13,276,633	13,276,633	12,347,659	12,347,659

	Year ended 31 July 2017	Year ended 31 July 2016
	£	£
Emoluments of the Director		
Salary	237,518	228,144
Benefits in kind	1,374	1,416
Emoluments excluding pension contributions	238,892	229,560
Pension contributions*	4,326	1,435
Emoluments including pension contributions	243,218	230,995

*The Director is a member of USS, with an enhanced opt-out which commenced in April 2016. The employer contribution is, as a result, towards life assurance and incapacity cover only.

Emoluments of senior staff excluding Director	Headcount	Headcount
£100,000 to £109,999	1	1
£130,000 to £139,999	2	2
	3	3

Average staff numbers by major category :	FTE	FTE
Academic departments	101	102
Academic services	58	55
Administration and central services	90	85
	249	242

Compensation for loss of office payable to a senior post-holder:

	£	£
Compensation payable recorded within staff costs	-	89,701

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the RCM. This comprises members of Council and the executive directors. There was no compensation, for loss of office, paid to key management personnel during the year. The total remuneration of the RCM's seven executive directors included in 2016/17 for key management personnel was £876,513 (2015/16: £834,560).

Council Members

RCM Council members are trustees for charitable law purposes. All transactions involving organisations in which a member of Council may have an interest, included those listed below, are conducted in accordance with the RCM's financial regulations and procedures. Ex-officio and elected members of Council are RCM staff and as such are remunerated in the normal course of their duties. No other Council member received any remuneration or waived payments during the year or the previous year.

During the year, the RCM received services, from Florilegium (chamber music ensemble) of £6,000 (2015/16: £8,400). Professor Ashley Solomon is the Director of Florilegium and an elected member of the RCM Council and employed as the Head of Historical Performance at the RCM.

Notes to the accounts for the year ended 31 July 2017

	Note	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
8 Other operating expenses					
Academic and related expenditure		681,424	681,424	656,468	656,468
Research related expenditure		269,788	269,788	125,821	125,821
Residences, catering and conferences		395,981	395,981	434,871	434,871
Learning resources		425,307	425,307	393,888	393,888
Scholarship and awards		2,999,378	2,999,378	2,373,685	2,373,685
Grant to RCM Students' Union		35,739	35,739	33,744	33,744
Professional fees		525,500	525,500	471,499	471,499
Premises		1,672,489	1,672,489	1,389,077	1,389,077
Courtyard redevelopment		828,481	828,481	-	-
Other expenses		2,434,244	2,432,187	2,041,479	2,041,144
		10,268,331	10,266,274	7,920,532	7,920,197
Other operating expenses include:					
External auditors' remuneration in respect of audit services		34,992	34,992		
External auditors' remuneration in respect of audit related services		4,512	4,512	45,240	45,240
External auditors' remuneration in respect of non-audit services		9,441	8,279	8,649	8,649
Internal auditors' remuneration - internal audits		36,638	36,638	32,962	32,962
Operating lease rentals					
Land and buildings		57,915	57,915	1,005	1,005
Other		71,283	71,283	70,498	70,498
9 Interest and other finance costs					
Loan interest		87,036	87,036	96,914	96,914
Exchange differences		(9,932)	(9,932)	(27,923)	(27,923)
Interest payable		283	283	-	-
Net finance charge on pension schemes		150,742	150,742	160,700	160,700
		228,129	228,129	229,691	229,691

Net finance charge on pension schemes during 2016/17 comprises £61,742 (2015/16: £58,700) for the USS deficit provision and £89,000 (2015/16: £102,000) for RCM Pension Scheme.

Notes to the accounts for the year ended 31 July 2017

	Freehold land and buildings	Leasehold land and buildings	Musical instruments	Furniture and equipment	Assets in the course of construction	Heritage assets	Total	Total excluding heritage assets
	£	£	£	£	£	£	£	£
10 Fixed Assets: consolidated and RCM								
Cost or valuation								
At 1 August 2016	1,708,781	22,388,590	7,791,984	3,840,108	4,295,681	5,396,415	45,421,559	40,025,144
Additions	-	2,059,853	265,820	238,332	2,406,874	20,000	4,990,879	4,970,879
Disposals	-	-	(161,764)	-	-	-	(161,764)	(161,764)
At 31 July 2017	1,708,781	24,448,443	7,896,040	4,078,440	6,702,555	5,416,415	50,250,674	44,834,259
Depreciation								
At 1 August 2016	68,846	7,730,283	5,301,012	3,214,139	-	-	16,314,280	16,314,280
Charge for the year	2,847	739,799	370,457	254,290	-	-	1,367,393	1,367,393
Disposals	-	-	(149,389)	-	-	-	(149,389)	(149,389)
At 31 July 2017	71,693	8,470,082	5,522,080	3,468,429	-	-	17,532,284	17,532,284
Net book value								
At 31 July 2017	1,637,088	15,978,361	2,373,960	610,011	6,702,555	5,416,415	32,718,390	27,301,975
At 1 August 2016	1,639,935	14,658,307	2,490,972	625,969	4,295,681	5,396,415	29,107,279	23,710,864

The additions to leasehold land and buildings relate to the South Building and the assets in the course of construction relate to the Courtyard and the Organ replacement projects.

Notes to the accounts for the year ended 31 July 2017

	2017	2016	2015	2014	2013
	£	£	£	£	£
11 Heritage assets: consolidated and RCM					
Purchases					
Books and manuscripts	-	-	-	-	-
Busts and portraits	-	-	-	-	3,000
Instruments	-	-	-	10,000	-
Donations					
Instruments	20,000	-	14,880	53,585	-
Total acquisitions capitalised	20,000	-	14,880	63,585	3,000

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

A financial valuation took place in 2010/11 and most of the collection was examined by experts from Sotheby's and Bonhams and instruments valued at £4.4 million were added to the balance sheet in the 2010/11 accounts. After 2010/11 heritage assets were brought onto the balance sheet as at the date of receipt and the valuation may be undertaken by an external or internal expert depending on the type of asset.

Notes to the accounts for the year ended 31 July 2017

	Share of profits of associated undertakings	Loan to associate	Other fixed asset investments	Total
	£	£	£	£
12 Non-current investments: consolidated				
At 1 August 2016	186,200	1,710,862	54,335,792	56,232,854
Acquisition of shares - less movement in cash held by fund managers	-	-	9,601,686	9,601,686
Share of deficit	(186,200)			
Cost of disposals	-	-	(8,128,972)	(8,128,972)
Change in market value	-	-	(276,562)	(276,562)
At 31 July 2017	-	1,710,862	55,531,944	57,242,806

Non-current investments: RCM

	£	£
At 1 August 2016	54,335,792	54,335,792
Acquisition of shares - less movement in cash held by fund managers	9,601,686	9,601,686
Cost of disposals	(8,128,972)	(8,128,972)
Change in market value	(276,562)	(276,562)
At 31 July 2017	55,531,944	55,531,944

Non-current investments: consolidated

Funds managed by Newton Investment Management Limited:

Scholarships and awards fund			32,213,631	32,213,631
General fund			20,273,113	20,273,113
Junior department appeal fund			690,655	690,655
Newton's Investment Management Limited			53,177,399	53,177,399
Fund held by Charities Aid Foundation	-	-	79,545	79,545
ABRSM	-	-	2,275,000	2,275,000
Share of net assets in associated company	-	-	-	-
Investment in RCM Business Enterprises Limited	-	1,710,862	-	1,710,862
	-	1,710,862	55,531,944	57,242,806

Split of stock held by Newton Investment Management Limited:

Fixed interest stocks (listed)		12,845,010	12,845,010
Equities (listed) and unit trusts		39,963,836	39,963,836
Cash held by investment managers		368,553	368,553
		53,177,399	53,177,399

Other fixed assets investments are shown at market value as at 31 July 2017.

The share of net assets in the associated company represents the RCM's 20% share in net assets of CLV (RCM) LLP which when distributed will be used to fund scholarships and awards. In 2016/17, CLV (RCM) LLP made a deficit and there was no distribution.

Connected charitable institution

	Opening balance	Income	Expenditure	Change in market value	Closing balance
	£	£	£	£	£
Not consolidated					
ABRSM	(479,250)	12,292,000	11,113,500	(2,016,500)	(1,317,250)

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

13 Investment in subsidiary company

RCM has a 100% holding in RCM Business Enterprises Limited which holds a 20% share in the CLV (RCM) LLP which operates student accommodation in Ravenscourt Park (Prince Consort Village). Funds to purchase the 20% stake in CLV (RCM) LLP came from the RCM's restricted permanent endowments and all funds generated from the RCM BEL's 20% holding will be used to provide scholarships, prizes, fellowships and other related student support, to RCM students. The 20% stake represents a £1.7 million interest bearing loan.

Notes to the accounts for the year ended 31 July 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
14 Trade and other receivables				
Amounts falling due within one year:				
Other trade receivables	654,527	207,237	484,332	131,063
Other receivables	106,576	106,576	100,049	100,049
Prepayments and accrued income	3,771,638	3,771,638	3,757,124	3,757,124
Amounts due from subsidiary companies	-	184,637	-	184,637
Amount due from ABRSM	763,000	763,000	500,000	500,000
	<u>5,295,741</u>	<u>5,033,088</u>	<u>4,841,505</u>	<u>4,672,873</u>

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

15 Current asset investments				
Short term deposits	10,000,000	10,000,000	9,000,000	9,000,000
	<u>10,000,000</u>	<u>10,000,000</u>	<u>9,000,000</u>	<u>9,000,000</u>

	Year ended 31 July 2017		Year ended 31 July 2016	
	At 31st July 2017	Cash Flows	At 1st August 2016	
	£	£	£	
16 Cash and cash equivalents				
Consolidated	10,379,365	(725,528)	11,104,893	
	<u>10,379,365</u>	<u>(725,528)</u>	<u>11,104,893</u>	

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
17 Creditors: amounts falling due within one year				
Unsecured loans	250,250	250,250	250,250	250,250
Trade payables	580,036	580,036	691,979	691,979
Social security and other taxation payable	335,747	335,747	344,262	344,262
Accruals and deferred income	2,795,928	2,795,898	2,917,264	2,917,264
	<u>3,961,961</u>	<u>3,961,931</u>	<u>4,203,755</u>	<u>4,203,755</u>

Accruals and deferred income

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

Donations	55,521	55,521	302,270	302,270
Research grants received on account	233,416	233,416	519,279	519,279
	<u>288,937</u>	<u>288,937</u>	<u>821,549</u>	<u>821,549</u>

Notes to the accounts for the year ended 31 July 2017

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	RCM	Consolidated	RCM
Note	£	£	£	£
18 Creditors: amounts falling due after more than one year				
Deferred income	19,019,912	19,019,912	24,200,310	24,200,310
Unsecured loans	1,342,688	1,342,688	1,592,938	1,592,938
	<u>20,362,600</u>	<u>20,362,600</u>	<u>25,793,248</u>	<u>25,793,248</u>

Funds raised for the Courtyard redevelopment were treated as deferred income in 2015/16 (£4.5 million). These funds were released in 2016/17 as restricted donations for the courtyard redevelopment.

Analysis of secured and unsecured loans:

Due within one year or on demand	17	250,250	250,250	250,250	250,250
Due between one and two years		162,750	162,750	162,750	162,750
Due between two and five years		488,250	488,250	488,250	488,250
Due in five years or more		691,688	691,688	941,938	941,938
Due after more than one year		<u>1,342,688</u>	<u>1,342,688</u>	<u>1,592,938</u>	<u>1,592,938</u>
Total secured and unsecured loans		<u>1,592,938</u>	<u>1,592,938</u>	<u>1,843,188</u>	<u>1,843,188</u>
Unsecured loans repayable by 2026		1,592,938	1,592,938	1,843,188	1,843,188
		<u>1,592,938</u>	<u>1,592,938</u>	<u>1,843,188</u>	<u>1,843,188</u>

	Amount	Term	Interest rate	Borrower
	£		%	
Included in unsecured loans				
Royal Bank of Scotland	1,505,438	2026	5.30	RCM
HEFCE	87,500	2018	0.00	RCM
Total	<u>1,592,938</u>			

	Obligation to fund deficit on USS pension	Defined benefit obligations (Note 35)	Total pensions' provisions
	£	£	£
19 Provisions for liabilities			
Consolidated and RCM			
At 1 August 2016	(1,764,060)	(4,031,000)	(5,795,060)
Additions in 2016/17	52,091	212,000	264,091
At 31 July 2017	<u>(1,711,969)</u>	<u>(3,819,000)</u>	<u>(5,530,969)</u>

Pension enhancement

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

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

USS deficit

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

Notes to the accounts for the year ended 31 July 2017

	Restricted expendable endowments £	Restricted permanent endowments £	2017 Total £	2016 Total £
20 Endowment reserves: RCM				
Balance at start of the year	76,179	36,076,840	36,153,019	32,389,359
New endowments	-	513,397	513,397	1,681,428
Income	1,678,730	1,259,300	2,938,030	2,226,881
Expenditure	(1,660,729)	(1,441,928)	(3,102,657)	(2,450,236)
Increase in market value of investments	-	1,147,453	1,147,453	2,305,587
Total endowment comprehensive income for the year	18,001	1,478,222	1,496,223	3,763,660
Balance at the end of the year: RCM	94,180	37,555,062	37,649,242	36,153,019
Endowment reserves: consolidated				
RCM subsidiary	-	267,136	267,136	175,172
Share of net assets in associated company	-	-	-	186,200
Balance at the end of the year: consolidated	94,180	37,822,198	37,916,378	36,514,391
Analysis by type of purpose: consolidated				
Scholarships	14,041	34,587,101	34,601,142	33,377,244
Prizes	69,628	1,225,732	1,295,360	1,277,529
Junior fellowships	-	1,192,816	1,192,816	1,153,670
Instrument loans	-	209,597	209,597	199,337
Other	10,511	606,952	617,463	506,611
	94,180	37,822,198	37,916,378	36,514,391
Analysis by asset type: consolidated				
Investments	-	37,822,198	37,822,198	34,930,785
Share of net assets in associated company	-	-	-	186,200
Cash	94,180	-	94,180	1,397,406
	94,180	37,822,198	37,916,378	36,514,391

The purpose of the RCM endowment funds is to provide a source of income for scholarships 2016/17 more than 55% (50% in 2015/16) of the student body were in receipt of scholarship awards, prizes (a series of coveted RCM prizes awarded in a range of musical competitions), junior fellowships (awards offered competitively to aspiring, experienced musicians to enable them to gain experience, confidence and connections of the kind that help them to establish themselves professionally) and other awards.

Notes to the accounts for the year ended 31 July 2017

	Courtyard redevelopment	Scholarships & other donations	2017 Total	2016 Total
	£	£	£	£
21 Restricted reserves: consolidated and RCM				
Balance at 1 August 2016	-	559,452	559,452	559,452
New donations	9,045,994	-	9,045,994	-
Expenditure	(828,481)	-	(828,481)	-
Total restricted comprehensive income for the year	8,217,513	-	8,217,513	-
At 31 July 2017	8,217,513	559,452	8,776,965	559,452

Analysis of other restricted funds/donations by type of purpose

Courtyard redevelopment	8,217,513	-
Scholarships	547,352	547,352
Other	12,100	12,100
	8,776,965	559,452

These reserves are all held as cash and cash equivalents.

	31 July 2017		31 July 2016	
	Consolidated £	RCM £	Consolidated £	RCM £
22 Capital and other commitments				
Commitments contracted for	33,664,726	33,664,726	15,204,290	15,204,290
Commitments not yet contracted for but approved by Council:	13,809,589	13,809,589	31,282,175	31,282,175
	47,474,315	47,474,315	46,486,465	46,486,465

Provision has not been made for the capital commitments shown above at 31 July 2017.

23 Revaluation reserve

	Tangible assets	Heritage assets	Investments	Total
	£	£	£	£
Balance at 1 August 2016	4,494,359	4,926,000	4,785,981	14,206,340
Released on disposal of assets	-	-	(15,024)	(15,024)
Transferred to income and expenditure reserve	(314,096)	-	-	(314,096)
Unrealised loss on investments	-	-	(438,197)	(438,197)
Balance at 31 July 2017	4,180,263	4,926,000	4,332,760	13,439,023

24 Lease obligations Consolidated and RCM

	31 July 2017			31 July 2016
	Land and Buildings £	Other leases £	Total £	Total £
Total rentals payable under operating leases:				
Paid during the year	57,915	71,283	129,197	71,503
Future minimum lease payments due				
Not later than 1 year	138,505	76,011	214,516	64,005
Later than 1 year and not later than 5 years	279,020	89,021	368,041	4,020
Later than 5 years	875,355	-	875,355	876,360
Total lease payments due	1,292,880	165,032	1,457,912	944,385

25 Related party transactions

During the year, the RCM received services from Florilegium (chamber music ensemble) of £6,000 (2015/16: £8,400). Professor Ashley Solomon is the Director of Florilegium and an elected member of the RCM Council and employed as the Head of Historical Performance at the RCM. There were no other related party transactions during the year, other than normal transactions with the Associated Board of the Royal Schools of Music. No payments were paid to Council members for serving as Council members and there were no expenses paid to Council members other than routine expenditure on services provided for the Council members collectively.

26 Subsidiary undertakings

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

Notes to the accounts for the year ended 31 July 2017

27 Pension Schemes

Pension schemes and assumptions

The RCM has employees participating in the Teachers' Pension Scheme (TPS), Universities Superannuation Scheme Limited (USS), RCM Pension and Assurance Scheme (RCMP&AS) and the National Employment Savings Trust. In 2016/17 total employer's and employees' pension contributions were £2.4 million.

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

	TPS	USS	RCMP&AS
Assumptions used to determine contribution levels			
Investment returns per annum	5.06%	5.20%*	5.5% to 5.7%
Salary increase per annum	4.75%	RPI + 1%	2.75%
Pension increase per annum	2.00%	CPI	2.25% to 3.0%
Market value of assets at date of last valuation	£177 billion	£41.6 billion	£11.5 million
Scheme liabilities	£192 billion	£46.9 billion	£14.2 million
Shortfall	£15 billion	£5.3 billion	£2.7 million
Scheme specific funding level	98%	89%	79%
Date of last actuarial valuation	31-Mar-12	31-Mar-14	01-Aug-16 **
Date of next actuarial valuation	31-Mar-16	31-Mar-17	01-Aug-19
Employer's and employees' pension contribution rates			
Employer's contribution rate	16.48%	18%	not applicable
Employees' contribution rate	7.4% to 11.7%	8%	not applicable

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

** the actuarial valuation as at 1 August 2016 was completed in August 2017.

	Employer's £000s	Employees' £000s	2017 Total £000s	2016 Total £000s
RCM pension contributions				
Teachers' Pension Scheme	541	302	843	801
Universities Superannuation Scheme	827	401	1228	1056
RCM Pension & Assurance Scheme	323	-	323	323
National Employment Savings Trust	11	15	26	24
	1,702	718	2,420	2,204

Universities Superannuation Scheme

The RCM participates in the USS, a contributory, defined benefit scheme (with a salary threshold, above which a defined contribution scheme is available), which is valued every three years by professionally qualified independent actuaries using the projected unit method. Membership is automatic for support staff, although, members may choose to opt out of the scheme. Contribution rates are determined by the trustees on advice of the actuaries. The most recent actuarial valuation was at 31 March 2014, which was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of scheme assets was £41.6 billion and the value of the technical provisions was £46.9 billion giving a shortfall of £5.3 billion. Therefore the assets were sufficient to cover 89% of benefits which had accrued to members after allowing for expected future increases in earnings. The USS undertake interim valuations each year and at 31 March 2017 the value of scheme assets was £60.0 billion (£49.8bn, at 31 March 2016); liabilities £77.5 billion (£58.3bn); a funding shortfall of £17.5 billion (£8.5bn); giving a total funding level of 77% (85%).

Key assumptions are shown in the table above and in addition to those assumptions, USS assume a life expectancy for: a 65 year old male at 89.4 years; a 65 year old female at 91.6 years; a 45 year old male at 91.5 years; and a 45 year old female at 94.0 years.

In order to clear the deficit USS implemented a recovery plan which led to changes to member benefits and also to employer's and employees' contributions with effect from April 2016. From that date employer contributions increased from 16% to 18% and the employee contributions to 8%. The scheme now offers career re-valued benefits to all employees up to a salary threshold of currently £55,550 pa, with a defined contribution scheme available to all members and specifically for those with salary above the £55,550 pa threshold.

The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. Therefore, the RCM is exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Therefore, as required by section 28 of FRS 102 "employee benefits", RCM accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the statement of comprehensive income and expenditure, shown in note 7, represents the contributions payable to the scheme in respect of the accounting period. Since the RCM has entered into an agreement (the USS Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the RCM recognises a liability, shown in note 19, for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense.

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

Notes to the accounts for the year ended 31 July 2017

Assumptions provided by USS

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

Assumptions made by RCM

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

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

Teachers' Pension Scheme

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

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

Employee contributions are based on tiered contribution rates dependent on salary bandings based on a full-time equivalent and the contribution rates as at 31 July 2017 ranged from 7.4% to 11.7%. As part of the recovery plan employer contributions increased from 14.1% to 16.48% in September 2015.

National Employment Savings Trust (NEST)

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

RCM Pension & Assurance Scheme

The RCMP&AS is a closed scheme with 57 pensioners and 106 deferred members of whom 18 are current RCM employees. The Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, and in the intervening years, the actuary reviews progress of the Scheme. The most recent actuarial valuation was at 1 August 2016. At 1 August 2016 the scheme had a funding shortfall of £2.7 million and the RCM Council has agreed a recovery plan to pay off the shortfall over nine years and nine months from the effective date of the valuation, with a contribution of £26,900 per month until 30 April 2020 and an additional contribution of £24,000 per month from August 2019 to April 2026. The RCM accounts for the RCMP&AS in accordance with FRS 102 section 28.

Assumptions

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

	At 31 July 2017	At 31 July 2016
	%pa	%pa
Price Inflation (RPI)	3.20	2.70
Price Inflation (CPI)	2.40	1.90
Rate of increase in salaries	2.75	3.70
Rate of increase of pensions in payment for members in relation to post April 1997 service	3.20	2.70
Discount rate	2.50	2.30

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	Current age 65 Male	Current age 65 Female	Current age 45 Male	Current age 45 Female
At 31 July 2016	87.7	90.1	90.0	92.4
At 31 July 2017	87.6	89.7	89.7	92.0

Scheme assets and expected rate of return

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

	Fair value as at 31 July 2017 £000s	31 July 2016 £000s
Scheme assets		
Equities	3,446	3,241
Government bonds	3,645	3,665
Corporate bonds	2,785	2,736
Property	-	-
Cash	619	479,933
Total	<u>10,495</u>	<u>10,122</u>
	31 July 2016 % pa	31 July 2015 % pa
Weighted average expected long-term rates of return	2.5%	2.3%

Notes to the accounts for the year ended 31 July 2017

	Year Ended 31 July 2017	Year Ended 31 July 2016
Note	£000s	£000s
Analysis of the amount shown in the balance sheet:		
Scheme assets	10,495	10,122
Scheme liabilities	(14,314)	(14,153)
Scheme deficit: net pension liability shown in pension provisions	(3,819)	(4,031)
Current service cost	(12)	(8)
Past service costs	(44)	(18)
Total operating charge	(56)	(26)
Analysis of the amount charged to interest payable/credited to other finance income		
Interest cost	(322)	(416)
Expected return on assets	233	314
Net charge to other finance income	(89)	(102)
Analysis of other comprehensive income		
Experience loss on liabilities	(105)	(1,991)
Gain on assets	85	841
Total before deduction for tax	(20)	(1,150)
	31 July 2017 £000s	31 July 2016 £000s
Analysis of movement in the present value of liability		
Present value of liabilities at the start of the year	14,153	12,048
Past service cost recorded within other Comprehensive Income	44	18
Interest cost	322	416
Actuarial loss	105	1,991
Actual benefit payments	(310)	(320)
Present value liabilities at the end of the year	14,314	14,153
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	10,122	8,954
Expected return on assets	233	314
Actuarial gain on assets	85	841
Actual contributions paid by University	377	341
Administration expenses	(12)	(8)
Actual benefit payments	(310)	(320)
Fair value of scheme assets at the end of the year	10,495	10,122
Actual return on Scheme assets	318	1,155

28 Prior period adjustments

The College has restated the results and position at the end of the prior period to correct errors in the accounting for the following items:

- entries arising on consolidation of our subsidiary undertaking RCM BEL which have resulted in £353,170 additional investment and other income;
- reclassification of cash equivalents and short term investments, increasing short term investments and reducing cash and cash equivalents by £5 million;
- reclassification of £142,000 from research to other income;
- reclassification of £170,000 from other income to tuition fees; and
- reclassification of £258,000 consultancy from staff costs to other operating expenditure.