



Annual Review and Financial Statements Year ended 31 July 2011



Front cover – photograph taken by Mr Chris Christodoulou HonRCM

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Ms Alethea Siow (Appointed July 2010)

Mr Rhoderick Voremberg (Appointed March 2011)

Mr Nigel Woolner (Chairman of Estates Committee)

Ex-officio or elected

Professor Colin Lawson FRCM (Director)

Miss Vanessa Latache FRCM (Professor)

Mr William Mival FRCM (Professor)

Mr David Harpham HonRCM (Administrative staff)

Mr Charles Bradley (Students' Association: Re-appointed July 2011)

Clerk to the Council

Mr Kevin Porter HonRCM (Deputy Director)

Finance and General Purposes Committee

Lord Winston
Mrs Jane Barker
Lord Black of Brentwood
Professor Colin Lawson (ex officio)
Mr Nicholas Ward
Mr Nigel Woolner

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Chairman's Message

This has been a good year for the Royal College of Music, despite the inclement financial environment in which all UK higher education institutions are operating. Deep cuts to HE funding, both in-year and future, have made all HEIs nervous but the RCM's rigorous sustainability strategy, launched in 2009, has been highly effective in containing expenditure and encouraging new revenue streams. Thus we end the year with a heartening surplus and I congratulate all the staff who made this outcome possible.



It would be naïve to suggest that the worst is over as cuts are likely to bite ever more deeply in the next few years. Our sustainability strategy continues to provide a reassuring framework for the future, the priority being always to ensure that the richness of the RCM individual student experience is unaffected. In common with many other HEIs, we have set our UK/EU undergraduate fees at £9,000 for those entering the College in September 2012. We realise that this near three-fold increase is a big step but if we are to maintain the highest quality of learning, teaching, performance and research, despite the cuts, we have no choice. Training professional musicians of international calibre is a lengthy, expensive process and we are determined to sustain our commitment to delivering the highest possible standards in a global marketplace.

With this in mind, we are looking strategically at improving study, performance and accommodation facilities for our students. Over the next few years, our much-loved Blomfield building, with its thick walls and sound-proofed rooms, will be returned to its original purpose: music. The necessarily burgeoning administration has begun to inhabit these teaching rooms, so we are turning the tide. We are working on plans to relocate much of our administration to the more modern, yet less acoustically efficient, South Building and create additional, purpose built accommodation in the Courtyard for music. This is an exciting and ambitious development, and the next few months will be spent finalising a solution for the site which will provide better circulation and social space, improved access to the collections, new performance and teaching spaces, and extra practice rooms. Alongside this, we will improve our student accommodation offer in Goldhawk Road. Though popular with students, College Hall needs upgrading if we are to make available to students the accommodation they expect and deserve, with the associated practice, performance and study facilities they have a right to expect.

We are seeing unprecedented demand for places at the RCM and the standard of the very best candidates improves continually. Overall, this is encouraging, but we are beginning to discern that fewer high-quality UK undergraduate candidates are coming to us from the maintained sector. There are exceptions, of course, including those who have benefitted from an excellent local music service or high-quality private lessons. We believe that this trend is a direct result of the reduction of high-quality music provision in most schools and we are involved in lobbying government to draw to their attention the pitfalls of such a short-sighted approach. Our Junior Department and RCM Sparks programmes, especially Sparks Juniors, are attempting to address this issue, but our concern about the future of music in the UK grows as we observe the ever-rising achievements of musicians from overseas, and especially from our European neighbours. We rejoice in the rich cultural diversity of our international student body – 53 nations in 2010/11 – but not if this exhilarating mix results from a dearth of home-grown talent.

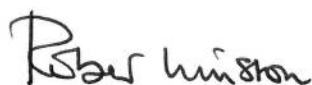
The UK and London in particular, is the most vibrant arts culture in the world. Without the throughput of our own talented performing artists, constantly animating the arts scene, that reputation will surely be jeopardised.

Encouragingly, we know that RCM graduates are going on to successful careers as musicians. We know this from our strong links with alumni, who keep us in touch with their progress and achievements. Many have careers that are public and we can hear and watch them, buy their recordings and read their reviews. Our supremacy in the field of alumni employment was confirmed when 100% of those students graduating in summer 2010 were found by the Higher Education Statistical Agency's survey 'Destinations of leavers from higher education' to be working in music. That is what we are here to do: to ensure that the achievements of the next generation of RCM graduates match, if not exceed, those of former generations. Thus will RCM graduates play their part in consolidating the College's unique role in the unfolding history of music, and help to affirm the UK's reputation as the most powerful artistic and cultural magnet in the world. Because of our commitment to improving the student experience, we are redoubling our development and fundraising endeavours in order to realise our estate aspirations. We have formed a Development Steering Group to advise the RCM on fundraising for future major capital projects. The group comprises members of the RCM Council, including the Chairman, and one external member, and is supported by the RCM's own development Department. The group is currently looking to recruit a Chairman to lead the RCM's major gift fundraising activity.

My work as Chairman is greatly enriched by the active support of Council members, who as a group bring a wide range of experience, expertise, contacts and wisdom to the College. This year we bade a reluctant farewell to Geoffrey Crossick whose masterly understanding of higher education was enormously helpful during this time of unparalleled challenge in the sector. Sir Michael Parkinson also stepped aside from the Council in order to help with our development activities, not least as the 'face' of the RCM Friends. We are enormously grateful to them both for their distinctive contributions. Charles Bradley, President of the Students' Association, picked up the baton seamlessly from Ed Hallinan, and continues the dynamic and productive relationship that Council has developed with the College's student body.

We welcomed four new members to Council this year: Dr Munira Mirza, Andrew Haigh, Alethea Siow and Rhoderick Voremberg. They represent a broad spectrum of interests and have already made significant contributions to the work of Council, mirroring the dedication and commitment to excellence that our students show us every day.

Professor Lord Winston



Chairman

23 November 2011

Director's Report

Uncertainty remains the keynote of the UK higher education environment so the focus this year, as last, has been on ensuring the College's financial sustainability. Thanks to our sustainability strategy, I can confirm that we are quietly optimistic in the face of financial challenge, confident that the student experience at the RCM remains as strong, rich and varied as ever. The year has been characterised by two important new appointments, Artistic Director and Director of Programmes & Research, which impact directly and positively on all our students. With these appointments firmly embedded, our planning to 2017 and beyond embodies a further increase in our commitment to students. Some of this commitment is in the form of bricks and mortar, essential if we are to provide surroundings that match our students' talent and aspirations.



The appointment of Professor Amanda Glauert as Director of Programmes & Research has prompted a review of our academic management structure and given new impetus to our research. Under Professor Glauert's leadership, and working with academic and curatorial colleagues, the RCM has embarked on a programme of making its unique collections more accessible and stimulating for students, staff and visitors. By autumn 2011 our Museum of Instruments will have a new look, with themed displays and performance space, all supported by new technology. By forging such explicit links between the collections, curriculum and performance programme, the dynamic relationships between research, theory and practice at the RCM become more evident by the day. Stephen Johns became RCM Artistic Director at the beginning of the year, bringing with him a lifetime's experience, most recently as Head of A&R at EMI Classics. He has brought a new focus to programming, with more off-site concerts and a range of new initiatives which give students more artistic and operational responsibility in presenting their performances. In the 150th anniversary year of the 1851 Great Exhibition, one of the most notable of these new approaches was the innovative Great Exhibitionists series which we hope will become a permanent feature of the RCM's performance programme.

Our international relations continue to be strengthened by a strategic approach to recruitment and partnerships. We conducted auditions in Beijing, Shanghai, Tokyo, Singapore and Moscow and a Partnership and Student Exchange Agreement was signed with Kyoto City University of Arts. A collaborative BMus was validated for delivery by Nanyang Academy of Fine Arts (NAFA), Singapore. Following a 3-year NAFA diploma, students will undertake years 3 and 4 of an RCM degree, taught in Singapore. Auditions for entry in August 2011 have been conducted by RCM staff. Validation of the programme took place in Singapore, with a panel of RCM staff and external colleagues led by the Deputy Director. At Easter I signed the RCM/NAFA agreement with the President of NAFA, in the presence of the Singapore Prime Minister, the Minister for Education and Second Minister for Defence, the UK High Commissioner-designate and the NAFA Chairman.

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Of course, it is our students who bring the RCM to life and this year has seen a clutch of public successes which affirm our high place in world-class music-making. Of five finalists in the renowned Tchaikovsky Competition in Moscow, two were from the RCM. Indeed, of the 29 competitors accepted from many hundreds of applicants, four were from the RCM, forming the largest group from any single conservatoire. The RCM shone at the prestigious Kathleen Ferrier Prize, with Kitty Whately taking the coveted first prize, and also triumphed at the 2010 ROSL awards. This is the tip of the iceberg and we are equally proud when our students demonstrate artistic leadership in other contexts; the classroom or shopping mall, the residential home or hospital. What matters is changing lives, and no RCM student leaves us without the tools, the experience and the will to do just that.

It is gratifying to see the already large numbers of RCM supporters on the increase. This growth is evident in the greater numbers regularly attending our concerts and other events, and in the ever-extending list of people who support the College both financially and in kind. Whether as audience member or supportive parent, RCM Friend or Circle member, corporate sponsor or scholarship donor, the support given to our students in a range of ways is of incalculable importance to us. I am personally very thrilled to note the growing numbers of young people engaging with us. Our Saturday Juniors, our pupils in RCM Sparks, visitors to our Museum and the whooping and cheering audience members at our special schools' matinees: thank you all for the music you make with us. Your presence in our College day-by-day not only brings us great pleasure but also gives us cause for optimism about the future of music.

By any measure this has been a successful year for the RCM; in the current climate, this is an achievement from which we should all feel satisfaction. I would like to thank especially our professors for the inspiration, insight and dedication they bring to the RCM's core business of developing the professional musicians of tomorrow; to my administrative, managerial and directorate colleagues who tackle mounting piles of administration efficiently and uncomplainingly; to all who support us; and, of course, to our students who constantly challenge, surprise and inspire us – and remind us of the unique power of music to express the inexpressible, refresh our spirits and transform our lives.

Professor Colin Lawson



Director

23 November 2011

Financial Review

A sustainable future

Financial results for 2010/11

The College had a good financial year, due in part to continued implementation of the College's Financial Sustainability Strategy (including a reduction of £260,000 in staff costs) and improved recruitment of overseas students (up by £829,000). However, the accounting surplus for the year of £3.0 million also includes a number of one-off donations (£1.2 million) without which our surplus would have been significantly lower.

In 2008/09, before HEFCE matched funding, the College made an operating deficit. As a result of this deficit and the beginning of HEFCE funding cuts, the College made an early start on sustainability plans. This began to bear fruit in 2009/10, with a positive surplus of £497,000, close to our target surplus of 3%. In 2010/11, the College significantly exceeded its sustainability targets, in particular because of strong overseas recruitment, which has not been repeated fully in 2011/12. The College also has estate development plans, described below, which will involve significant costs in 2011/12. Taken together with sharp cuts in HEFCE grants, the College is forecasting a planned deficit in 2011/12, which will be managed by the strong cash position created by the good outturn for 2010/11.

The College's income and expenditure for the year ended 31 July 2011 may be summarised as follows:

	2011 £000s	2010 £000s	2009 £000s
Income excluding one off items	19,674	17,663	16,783
Expenditure	(17,040)	(17,001)	(17,024)
Surplus scholarship fund income transferred back to endowments	(117)	(165)	(292)
Surplus/(deficit) before one-off items	1,853	497	(533)
One off items			
Albert Frost Legacy	500	-	-
ABRSM	250	-	-
Donations	414	-	-
HEFCE matched funding	0	-	1,350
Retained surplus for the year	3,017	497	817

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Albert Frost Legacy: the College is grateful to Mr Frost who left a part of his estate to the College. Mr Frost's wish was that the funds should be used to encourage the teaching of string quartets. It is the College's intention to establish a permanent expendable trust in the name of Mr Frost to support his wishes.

ABRSM: The ABRSM makes annual donations to four Royal Schools of Music; however, in 2010/11, the ABRSM made an additional one-off donation of £250,000.

Donations: The College has been successful in implementing the government initiative to increase giving to English universities. However, the £414,000 increase in 2010/11 was largely due to higher than anticipated legacy income and as such cannot be guaranteed from year-to-year.

The College has executed early implementation of a rigorous sustainability strategy in preparation for major cuts in higher education funding that are in train or to come. These will include:

- cuts of £761,000 to our HEFCE recurrent grants;
- a cut in HEFCE capital grant of more than £955,000;
- a range of actions by the UKBA in relation to overseas students that will limit overseas recruitment;
- a strong probability of further major cuts to government grants from 2012/13 onwards.

We are also continuing to invest significantly in our estate and Council has agreed a budget of £780,000 to take forward a major redevelopment of our College Hall student accommodation. In 2011/12, Council will also be considering further development of the Prince Consort Road Campus.

Taking these cuts together with capital projects and the establishment of the Albert Frost Trust, it is probable that the College will have a planned deficit in 2011/12, which made it even more important to achieve a healthy surplus in 2010/11.

Staff

The College's music teaching is mainly undertaken by hourly-paid professional musicians who provide one-to-one tuition for their students. The administration of the College is undertaken in the main by permanent full-time staff. The total full-time-equivalent number of staff was 174 during the year compared with 179 for the previous year.

The College is part of the national pay framework and pay awards are negotiated, on behalf of the College, by the Universities and Colleges Employers Association (UCEA). The pay settlement for 2010/11 was 0.5%. The national pay settlement for 2011/12 is still to be agreed and UCEA have tabled a pay offer of £150 flat payment to all points on the national pay spine, effective from 1 August 2011.

Reserves

The accumulated revenue reserve is the accumulated surplus from the College's activities. The College has £18.9 million of accumulated revenue reserve which is unrestricted in its use and available for the benefit of the College. These reserves are maintained to support the College's pension and other long-term liabilities and provide for capital projects not funded by donations. A fair amount of reserves are tied up in fixed assets (including heritage assets), which we need to maintain in order to operate.

In recent years the College has built up its reserves in order to

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

The restricted and endowment fund (£26.9 million) comprises donations with restrictions on the use of capital and income. The fund currently contains £3.1 million which was previously classified as general endowments. An application was made during 2010 to the Charity Commission to transfer the remaining unrestricted permanent fund to the accumulated revenue reserves of the College, as it is considered that items comprising the fund are unconstrained. We are still discussing this with the Charity Commission and our auditors.

The value of the revaluation reserve at the year-end was £11.3 million. This relates wholly to land and buildings, heritage assets and musical instruments held by the College for the purposes of its activities as a conservatoire. The reserve was created when these assets were re-valued for accounting purposes or where gifts were brought into the accounts at valuation.

Investment performance

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

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

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

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During the year, Newton Investment Management Ltd continued as investment advisers to the College. The asset allocation for the various funds has been set by the Investment Committee to reflect the requirements of the College and to protect the value of the capital in the long term.

During the year, the total value of investments increased by £4.2 million. Newton provided information on the performance of each of the funds, over the short and long-term. The performance for the 12 months to 31 July 2011 was good as all three funds outperformed their benchmark with returns of: 16% for the General Fund (*benchmark 13.6%*); 16.1% for the Scholarship Fund (*benchmark 13.7%*); and 16.3% for the Junior Department Appeal (*benchmark 16.1%*). However, long-term performance is disappointing with all three funds underperforming against the benchmark over both three and five year periods.

The value and income from investments are important to the sustainability of the College. They provide a source of income for scholarships, general expenditure and a source of capital for capital projects and the College will continue to seek improved performance against the benchmarks.

Treasury policy

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

During the year there was a net cash inflow from operating activities of £4.0 million (inflow of £1.4 million in 2009/10) and an increase in total cash of £3.2 million (increase of £2.7 million in 2009/10). The College's main bank account had a positive balance of £2.3 million at the end of 2010/11 (overdrawn by £152,000, 2009/10). In 2008/09 the College undertook a major refurbishment programme for its Concert Hall and this was funded through a combination of HEFCE Capital Grant, donations, sale of long-term investments and cash. Following completion of that project we have taken action to increase our levels of cash and have set a target, in our Financial Sustainability Strategy, of achieving a minimum cash cover of 30 days by 2012/13. This target was achieved by 31 July 2011.

During 2010/11 the College earned £8,000 from interest on banking and money market balances, compared to £1,000 in 2009/10.

The College's outstanding loan balance is £2.5 million at a fixed interest rate of 5.3%, with 15 years remaining. This is charged to a general covenant on the College. It is not intended currently to enter into any further loans.

Funding of capital expenditure

As at 31 July 2011 the College had capital commitments of £8,000 (2009/10: £20,000) in respect of installation of thermostatic radiator valves. The College will meet these commitments from normal operating activities and the reserves of the College.

Charities Act 2006 and principal regulator

On 1 June 2010 HEFCE became the principal regulator of those higher education institutions (HEIs) in England that are exempt charities. This new responsibility results from the Charities Act 2006, which implements a government decision that all charities should be subject to regulation. All but 19 HEIs fall into this category and the HEFCE is expected to promote compliance with charity law by the exempt charities for which they are responsible.

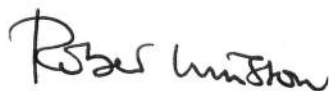
Nineteen English HEIs are registered charities, including the RCM, and are currently monitored and regulated as charities by the Charity Commission. This is in addition to, and may duplicate elements of, the HEFCE's own accountability oversight. At some future date, it is likely that the registered-charity HEIs will be made exempt so that all HEIs become subject to the same monitoring and regulatory processes – by the HEFCE as principal regulator.

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

Conclusion

The Operating and Financial Review has outlined the College's immense public benefit contribution through its extensive work to widen participation in both music and higher education. Our widening participation and outreach work supports the College's mission, which is to enable talented students from all backgrounds to develop the musical skills, knowledge, understanding and resourcefulness which will equip them to contribute significantly to musical life in this country and internationally. However, our work impacts far beyond the boundaries of music. It has long been recognised that music is an integral part of the fabric of our society and the intrinsic value of music for each individual is widely recognised by the different cultures that make up today's global society. The contribution of the College's music to these different cultures is inestimable.

Professor Lord Winston



Chairman

23 November 2011

Inspirational Teaching *Delivering excellence*

Leadership

The appointment of Professor Amanda Glauert as Director of Programmes & Research has brought new impetus to learning, teaching and research at the RCM. Taking a more integrated approach, a key aim has been to develop curricula in a way that draws upon and refers to items from the outstanding collections that the College owns – books, manuscripts, early printed music, portraits, instruments and other items. Thus the printed page springs to life for our students, as they experience the cultural and historical contexts of repertoire, technique and performance practice by means of original source materials.

The programmes team has also been restructured ready for academic year 2011. Dr Elisabeth Cook becomes Head of Academic Development and Undergraduate Programmes, a role giving broad cross-programme leadership to new curriculum initiatives and the development of a fresh Learning and Teaching Enhancement Strategy - which includes overhauling assessment criteria. Dr Natasha Loges becomes Assistant Head of Programmes, with responsibility for developing the RCM's virtual learning environment as well as key areas of BMus delivery.

Programme development

During the year, a new master's programme was launched; an MSc in Performance Science. This unique programme, which builds on the founding vision of the RCM, is aimed at researchers, performers and educators who want to develop a deeper understanding of musical performance. It explores issues such as musicians' health and wellbeing, musical development, and effective learning and teaching. It has proved a popular new addition, with nine students expected to join the course in September 2011.

A new venture was a collaborative BMus which was validated for delivery by Nanyang Academy of Fine Arts in Singapore.

Junior Department

Three hundred and forty two students aged between 8 and 18 formed the RCM's Junior Department (JD) in 2010/11. Each JD student followed a unique timetable designed to develop holistic musical skills as well as instrumental or vocal accomplishment. A programme of more than 70 concerts included performances by orchestras, choirs, ensembles, instrumentalists, singers and composers in London and further afield: Anglesey, Hertfordshire, Brighton, Oxford, and for HRH The Prince of Wales. A highlight was the participation of the JD Chamber Choir at the final of the King James' Bible Competition at Temple Church in May, with the recording broadcast on BBC R3. The long-established 'Sound Moves' collaboration, with dancer/choreographers from The Place, continued into its twelfth successful year.

The Sparks Juniors Scheme, which gives ten promising local children from Year 4 the chance to learn an instrument within the JD, enjoyed its second successful year with the addition of guitarists to horn players and percussionists from its first year. These students are taught by regular JD teachers and participate in the choir. Read more about the work of RCM Sparks on pages 23-25.

Musical Performance

Bringing the notes to life

The student experience

To develop into a mature artist, every aspiring professional musician needs access to rich and varied performance experiences. Lessons, practice and rehearsal are essential ingredients of a musician's training, but the experience of performance is qualitatively different. Providing each RCM student with appropriate and rewarding performance opportunities is an exciting challenge which the Performance & Programming department shares with individual faculties. The result is a remarkably diverse season's programme, featuring a range of repertoire on offer which most professional concert venues would find hard to match. Streaming selected concerts from the Amaryllis Fleming Concert Hall increased our global audience and was greatly appreciated by a variety of stakeholders.

Performances

The year began with two resounding performances by the RCM Chorus and Symphony Orchestra of Beethoven's Symphony no 9, its message of universal brotherhood particularly apt as our new intake of students came together for the first time. Later in the autumn Vladimir Ashkenazy returned to conduct the RCM Orchestra in moving performances of Brahms' Symphony no 1 and the Schumann Piano Concerto, the latter with soloist Sofya Gulyak, RCM student and winner in 2009 of the Leeds Piano Competition.

The year ended with a public rehearsal of Mahler's Symphony no 5 conducted by Lorin Maazel, a remarkable and fascinating insight into this music, and a recorded programme for the BBC as part of the Proms Plus of music by Debussy, played by the RCM Symphony Orchestra and conducted by Sian Edwards.

The now well established International Festival of Viols took place in November, and included masterclasses and performances from the remarkable Jordi Savall and Christoph Coin. Featuring for the first time at the RCM was the beautiful Kessler Viol collection, recently gifted to the RCM, and now displayed in the RCM Museum. This Festival was complemented by contemporary performance events such as *New Perspectives* and *From the Soundhouse*. The Director took part in a new series of Professors' Concerts, of which collaboration with other London conservatoire staff was a feature.

Following a successful RCM collaboration at the Sydney Conservatorium in October, a group of historical performance students from Sydney visited the College in the summer for joint classes and concerts.

Opera

December saw an uproarious and witty production of Offenbach's opera *Orpheus in the Underworld*, celebrating the 150th anniversary of the can-can, with RCM singers and orchestra revelling in the spicy score and comic production, brilliantly directed by Liam Steel. Further projects by the RCM International Opera School included critically acclaimed performances of Handel's *Rodelinda* as part of the London Handel Festival, Mozart's *Così fan tutte*, and a week of performances of Gilbert and Sullivan's *Patience*,

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directed by Donald Maxwell, at the Musée d'Orsay in Paris as part of its Pre-Raphaelite exhibition.

Projects

Spring Term brought three noteworthy large-scale projects. The RCM Symphony Orchestra recorded the soundtrack for the new film of alumnus Gustav Holst's life by director Tony Palmer, and performed a concert of Holst's lesser performed scores, including the visionary *Beni Mora* and the evocative *Egdon Heath*, conducted by Sian Edwards. A week-long residency by the composer Simon Holt featured a wide variety of his works, including an innovative chamber concert in the Britten Theatre, masterclasses, and an orchestral concert conducted by Diego Masson. The Amaryllis Fleming Concert Hall rang to the massive *Alpine Symphony* of Richard Strauss, under the inspirational direction of Bernard Haitink. Two memorable and overwhelming performances of this programme were streamed live to the internet from the RCM and enjoyed worldwide by parents, supporters and other music lovers worldwide.

An innovation this year was the introduction of the *Great Exhibitionists* series. These were concerts entirely devised and presented by students, with the emphasis on cross-genre and multi-media performances. They ranged from the creation of a painted art-work in the performance of music and dance, through performances on found instruments made entirely of plumbing materials, to live internet voting on the form of new composition as it was being performed. The most audible manifestation of the short festival was the de-tuned piano, stationed above the entrance hall, and welcoming visitors with its wild improvisations for a number of hours each day.

A number of RCM staff and alumni made key contributions to BBC Radio 3 series *The Genius of Mozart*, including piano professors Leon McCawley and John Lill, noted alumni conductors Sir Neville Marriner and Sir Colin Davis, together with the Director. A major student initiative was the establishment by the Students' Association of the Parry Choir and Orchestra, in which the SA President was supported by the Artistic team.

Chamber music

Chamber music is a consistent and hugely important thread in the individual student experience and RCM's concert life, and recitals both in College and outside maintained the exceptional standards achieved by our students. *Infernal Dance*, part of the Philharmonia Orchestra's year-long celebration of the music of Béla Bartók, included performances of music from Hungary and Romania. *Beyond the iron curtain* celebrated the music of Soviet Russia through the periods of Stalinism, the thaw following Stalin's death, and to the present day. The RCM also presented *British Premieres at the Wigmore Hall*, in celebration of the 110th season at the Hall, and featured works first performed there, including celebrated RCM alumni Coleridge-Taylor, Britten, Vaughan Williams and Tippett.

Student composers

Student compositions formed an important strand in performances this year, and particular highlights were the premieres of *Fuse* by Charlotte Harding, a work for full orchestra, and *It's Graeme* by Nimrod Katzir, a video-based work, premiered in the Rising Stars series at Cadogan Hall.

Faculty specials

All-day faculty events are an important feature of the RCM's performance programme. Celebrating the anniversary of Franz Liszt, the Piano Faculty concentrated on the composer's works in their annual faculty performance day. The Amaryllis Fleming Concert Hall was filled with the spirit of Hungary – all streamed worldwide - with performances of the Hungarian Rhapsodies interspersed with dances of the Csárdás. Super String Sunday featured performances of the complete Bach solo suites for violin and cello, with RCM student Francesco DeGo taking on the complete Paganini Caprices. The year literally ended with a bang as every part of the college throbbed to the RCM Festival of Percussion.

Enriching our performance programme

Alongside the musical highlights, every day at the RCM there are talks, performance classes and masterclasses with illustrious visitors, this year including Dame Kiri Te Kanawa, Sir James Galway, Johannes Goritzki, Lang Lang, Mitsuko Uchida, Tamás Vásáry and many more, providing invaluable guidance and inspiration both for our students and for our wide range of supporters and visitors.

Pleasing our audiences

Our programmes are extremely attractive to the public; year on year we see an encouraging rise in new audience numbers. Most popular are orchestral, opera and historically-informed performances, but audiences are growing for our music at other venues including Wigmore Hall, Cadogan Hall and South Bank Centre. Recitals at major galleries, museums and churches, organised by the Professional Engagements team based in the Woodhouse Professional Development Centre, go from strength to strength (see pages 21-22 for detail). The majority of our audiences have a relationship with the RCM, either through knowing a student here or through the development department.

In 2010/11, the total number of tickets issued for RCM performances at Prince Consort Road was 31,800, realising an income of £187,000. This is an increase on the previous year, when the income was £106,000. Around 17,000 public tickets were issued during 2010/11 academic year, demonstrating that less than half of RCM concert audiences are made up of students and staff.

Research and Innovation

Integrating theory and practice

Introduction

During 2010/11 the College sought to enhance how research and innovation interact with all aspects of its educational and artistic activity. This led to a revision of the RCM's Research Strategy, a restructuring of its research team, and a refurbishment of the Museum. There were also significant developments in the creation of new technological tools for the dissemination of College-based research, in relation to the RCM's website, pod-casting, on-line exhibitions and video-conferencing.

The liveliness of the College's research environment continues to be reflected in its wide range of research-related events, its many research collaborations and applications for external research funding. The Centre for Performance Science (CPS) and the RCM Collections continue to take a lead in stimulating both pure and applied research, and their profile is growing in the external research community.

RCM Research Strategy

We have updated the RCM Research Strategy to:

- enhance creativity and innovation
- widen repertoire boundaries
- explore new perspectives
- deepen understanding of the music-making process
- learn from the past.

Specific research themes were identified to support the Research Strategy and these include: 'Composer-performer collaborations'; 'Interaction with new media and technological innovation'; 'Musicians' Health and Wellbeing'; 'Phenomenology of Performance'; 'Performance Practice'; 'Music Business past and present'. These themes show the breadth and distinctiveness of the College's research interests and help prioritise our resources.

The Research Strategy also sets out the structure of the Research Coordination Office under, the leadership of the newly appointed Director of Programmes & Research, and includes two new appointments:

- Research Fellow in Performance Practice: *responsible for coordinating the College's REF submission and spearheading the performance application of collections-based research.*
- Junior Research Fellow in Performance History: *to encourage research and knowledge exchange relating to the Collections and to co-ordinate research events.*

Research Events

The Autumn Term's Grove Forum on the Great Exhibition inspired the College's *Great Exhibitionists* series and gave students a chance to offer their own entrepreneurial experiments as performers or composers to a wider audience. In the spring and summer term there were the 'Performers in Focus' and 'Composers in Dialogue' series, with the latter bringing together composers and performers to discuss collaborations, new media approaches, and relationships between contemporary composers and their audiences.

Research Collaborations

The College continued to develop collaborations with external partners at both an institutional and individual level. For example: the collaboration between RCM Director Colin Lawson and Professor Robin Stowell (University of Cardiff) to edit the, soon to be published, *Cambridge History of Musical Performance*, which includes articles by RCM professors: Colin Lawson, Natasha Loges, William Mival and David Wright.

We also undertook research collaborations with a number of institutions, including: Kings College London; Imperial College; Conservatoires UK; the Open University; the International Association of Music Libraries; the Victoria & Albert Museum; and the Institute of Musical Research.

RCM staff continues to be prominent at international and national conferences and this year we also hosted jointly a series of workshops in London and Cambridge with the Centre for Musical Performance as Creative Practice.

Collections-based Research

Collections-based research at the College was enhanced by refurbishment of the Museum of Instruments. New displays offer a more holistic approach to the interpretation of music in context, and an enhanced sense of the interaction between past and present creative practices. The Museum has continued to host events during the year and will now also be a venue for the *Open Studio* research training workshops.

Centre for Performance Science

The CPS is leading the preparation of a Conservatoires UK bid for external funding to support research into musicians' health and wellbeing, to be submitted to the Arts and Humanities Research Council in 2011/12. *Musical Impact* will generate new knowledge of the physical and mental demands of music making and shed light on the ways in which musicians at all levels meet those demands.

Shining Examples

Public successes

It has been a year of outstanding competition successes for RCM students. Among the most significant achievements were those at the International Tchaikovsky Competition in Moscow. Of 29 competitors selected to participate, four were from the RCM, the largest group from any conservatoire in the world: Yulia Chaplina, Jianing Kong, Alexey Chernov and Alexander Romanovsky. Two went on to the final, featuring only five performers, Alexander Romanovsky winning fourth prize and the special prize for best Concerto performance, and Alexey Chernov fifth prize. Alexey went on to win second prize at the Cleveland International Piano Competition and prizes in competitions in Italy and Spain.

It was a particularly good year for soprano Kitty Whately who won the coveted first prize in the Kathleen Ferrier Competition while Susanna Hurrell, also soprano, took the Peter Hulsen Orchestral Song Award. Kitty's success continued when she also won the Royal Over-Seas League Singer's Award. ROSL was the scene of many triumphs for the RCM this year: the Cavaleri Quartet and Cries of London each won an Ensemble Prize, Ashley Fripp the Keyboard Award, Michael Ierace the Accompanist's Award and oboist Suzanne Thorn the Worshipful Company of Dyers Award for Wind and Percussion.

Among our keyboard successes, Caterina Grewe won First Prize in the Norah Sande Award (intercollegiate piano competition) and First Prize in the fourth International Piano Competition, Mayenne, France. David Malusa (piano) took first prize in the Senior section, Jaques Samuel Intercollegiate Piano Competition.

RCM composers, too, made a notable impact, Steven Daverson winning the Ernst van Siemens Award of 40,000 Euros, and Lauri Supponen the prestigious Royal Philharmonic Society Composition Award. Andrew Simmons and Nathan Stornetta took first and second prizes respectively in the 'Best New Soundtrack to a Short Film' category, at the Unheard Film Festival in Amsterdam. Meanwhile Martin Batchelar won the European Talent Award in Film Music, at SoundTrack in Cologne and Mark Boden the Best Student Competition at the 2010 British Composer Award and the First Prize, University of St Andrews Composition Competition. Benjamin MacDougall won the International Film Scoring Competition at the Indie Gathering Film Festival, USA.

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Honorary awards 2011

Each year the Royal College of Music bestows a number of honorary awards and fellowships on individuals who have made an exceptional contribution to life at the RCM and the wider musical community. At his annual visit as President on 12 May, His Royal Highness The Prince of Wales conferred the following awards.

Doctor of Music RCM

Lang Lang (pianist)
James MacMillan (composer and conductor)
Esa-Pekka Salonen (conductor and composer)

Fellowship of the RCM

Sally Burgess (soprano, RCM professor)
Laurence Cummings (Artistic Director, London Handel Festival)
George Fenton (screen composer)
David Graham (organist and RCM professor)
John Wilson (alumnus and conductor)

Honorary Membership of the RCM

Sarah Batchelor (RCM Assistant Librarian)
Philip Carne (Arts philanthropist)
James Conway (Artistic Director and Chief Executive, English Touring Opera)
Paul Hughes (Managing Director, BBC Symphony Orchestra)
Margaret Packham (RCM HR Projects Officer)
Kit Wynn Parry (doctor, author)

The President also presented the following major student prizes for the year 2009/10

Queen Elizabeth The Queen Mother Rosebowl

Sarah-Jane Brandon (soprano)

Tagore Gold Medals

Antoine Françoise (pianist)
Paula Sides (soprano)

Employability

Taking the lead

Students who commit to conservatoire training have one aim in mind: to become a professional musician for life.

With the opportunities offered by constantly-evolving technologies to 'produce' and 'consume' music in new ways, this world of apparently infinite possibility is both an exciting and a challenging environment for a 21st century musician. Successful musicians must now demonstrate high levels of initiative and enterprise in their careers; it's no longer enough simply to play well. They must be ready to embrace change, to lead the way, to investigate new possibilities and to be creative in their approach to *all* their work. Mostly self-employed, the 21st century musician typically interacts professionally with multiple individuals and organisations, often generating new work for themselves and others as a result.

Preparing student musicians for working lives

Developing artistry is a long and detailed process that never ends. Mastering an instrument, understanding musical structures, appreciating historic and cultural contexts, learning to communicate without words; acquiring these skills is a lifetime's work in itself. Understanding how to become employable is equally important but, in some ways, less easily taught. It is best achieved through experience, not classroom-based activities. Here the RCM excels.

All aspects of the RCM's training are linked to professional practice. As far as possible we replicate the professional conditions in which our graduates will be operating. Many of our professors and coaches are active practitioners linked to major orchestras, ensembles, opera companies or arts organisations.

Undergraduates study professional skills modules including health and wellbeing, instrumental and vocal teaching and outreach. Masters students prepare a professional portfolio, which addresses the structures, management and financing of the professional world of music, and the creation of an entrepreneurial skills 'toolbox'.

Woodhouse Professional Development Centre

Underpinning the professional ethos of the curriculum is the RCM's pioneering career development unit, the Woodhouse Professional Development Centre. Since 1999 the WPDC has supported RCM students and graduates as they find their professional feet and the past year was the busiest yet in the Centre. The RCM's focus on preparing employable professionals was rewarded with a score of 100% of graduates who left in summer 2010 in employment (Destination of Leavers from Higher Education, 2010). Woodhouse Centre services comprise:

General career support including advice on professional materials such as CVs, photography, biographies, print and web-based promotion and funding. The WPDC also produces a highly-acclaimed e-bulletin containing information about work, jobs and training opportunities which goes each week to all students and over 1,000 graduates. A range of career support events are arranged throughout the year, including talks from musical career experts including tax and self-

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employment consultants. Highlight of 2010/11 was Get Connected, a special event for leavers and recent graduates at which established professionals talked about their working lives and offered advice on an individual basis. More than a dozen experts were present and the 60 leavers who attended rated the event as very useful indeed.

Professional Engagements Service. A specialist team based in the Centre provide performance opportunities for students and graduates in a range of external venues including the National Gallery, Royal Academy of Arts, Victoria & Albert Museum, St Martin-in-the-Fields and St James's Piccadilly, as well as at social and corporate functions. Such opportunities provide invaluable opportunities for RCM musicians to take complete responsibility for choosing their music and communicating it effectively their audience. They devise their own specially-tailored programmes and present the music in a way appropriate to the venue and the audience. Thus they learn the processes and procedures that underpin successful performances: planning, marketing, promotion, publicity, sales and operational logistics. They also experience the reactions of live audiences in a range of settings beyond the comparative security of the RCM's own performance space: an invaluable learning moment for any budding professional! In 2010/11 a total of 460 students and graduates participated in more than 800 performances at more than 40 different venues including the Royal Opera House, Queen Elizabeth Hall, Winchester Cathedral and BBC Television.

RCM Teaching Service. RCM students and graduates who have undertaken instrumental or vocal teaching training can join the RCM Teaching Service which matches members of the public seeking lessons with students who can teach them. In 2010/11, 73 RCM musicians were involved in the teaching service.

RCM Sparks. Through the RCM's learning and participation programme, RCM Sparks, students and graduates are trained to assist with and lead creative and exploratory projects with children and adults, in schools and in the community. This is an invaluable aspect of the training our students are offered. It enhances communication skills, increases musical insight and enriches their understanding of their own artistic practice in helpful ways, and adds a further dimension to future employability. In 2010/11 numerous RCM students worked as assistants on Sparks projects.

Learning for All

Including everyone

RCM Sparks is the RCM's learning and participation programme. Based in the Woodhouse Professional Development Centre, it is designed to train and prepare students and graduates for specialist work in three main areas:

- **in schools**
- **in the community**
- **in partnership**

In Schools

RCM Sparks Juniors is an exciting collaboration with the RCM Junior Department (JD) launched in September 2009, with initial funding provided by the JP Getty Jnr Trust and the EMI Foundation. It allows a wider range of children from The Royal Borough of Kensington and Chelsea (RBKC) to access our excellent teaching and learning resources, in line with the RCM's commitment to offer inspirational learning to all. In 2010/11, 100% of participants recruited were from lower socio-economic backgrounds and/or have English as an Additional Language (EAL), exceeding the College's target.

Each year ten places are offered to pupils from chosen state schools to join a three-year programme led by JD staff and RCM student mentors. For pupils with the appropriate level of accomplishment and further development potential at the end of this there is the opportunity to continue on at JD. So far we have welcomed French horn, percussion and guitar players, with saxophone and bassoon players joining Sparks Juniors in September 2010. Pupils are selected following in-school workshops which identify children's aptitude for musical recall, creative input and enthusiasm. This is cross-referenced to data from the Free School Meals (FSM) and EAL registers and the process includes discussion with each child's class teacher. Consideration is then given to whether the children and their families will be able to commit to study and practice over the duration of the programme.

Musicians of the Future (MoF) celebrated six successful years in two summer performances in the Amaryllis Fleming Concert Hall. MoF is a collaboration with the RBKC which enables 24 pupils each year to benefit from free one-to-one instrumental tuition. This is complemented by a range of concerts, workshops and master classes. Instruments learned on this programme include percussion, cello, trumpet, trombone, flute and saxophone. RCM students receive specialised, professional training in order to deliver newly commissioned works by composer Sally Greaves, which provides a fast-track learning programme for participants. The programme has been supported by the Lucie Allsop Memorial Trust, British Gas and EMI. Limited provision of music in state schools impedes the RCM's efforts to widen student demographics. The past two decades have seen a steady decline in opportunities for young people to learn musical instruments in state schools, although recent steps have been taken to reverse this trend. RCM Sparks, especially Musicians of the Future and Sparks Juniors, represents the College's

contribution to turning this around. MoF now will grow into the two new Borough Orchestras: Young Persons Orchestra and New Generation Orchestra which will meet weekly from September 2011, supported by RCM musicians.

Brent Music Enrichment Project is RCM Sparks working in the borough of Brent, one of the most culturally diverse areas of the UK. Professional workshop leaders and RCM musicians provide cover for school teacher Planning Preparation and Assessment time in Brentfield Primary. During this cover time we deliver four six-week projects in line with the National Curriculum guidelines, to pupils from Years 3 to 6. At Woodfield Special School a similar scheme was run where a six-week project aims to enhance previous learning or cover new material.

Early Years. RCM students deliver regular sessions at a local nursery showcasing different instruments and encouraging interaction through music and movement. Instruments included: tuba, clarinet, violin, oboe, percussion, French horn and harp.

RCM Sparks Lunchtime Concerts for Schools include specially tailored pre-concert talks for schools. RCM musicians are given first-hand experience of performing within this setting by working closely with a professional presenter who leads the players in making the chosen repertoire accessible. Key benefits to schools include:

- exposure to high quality live music-making delivered by vibrant young musicians and aspirational role models;
- workshops in schools given by members of the orchestra;
- building relationships and an awareness of RCM resources available to schools;
- specially tailored programme notes and a follow-up teacher pack, including listening tools.

RCM Sparks Opera Matinees are specially tailored opera matinees aimed at children who have never experienced opera. Extracts of a current production are packed into one hour where the schools audience meet the characters, introduced by a professional presenter and RCM student narrators. The matinees offer 400 local children each term access to the unique experience of opera in the RCM's Britten Theatre.

In the Community

Igniting Creativity Series consists of weekend and holiday activities that take place at the RCM and are open to members of the public. It aims to build on the local community's familiarity of the RCM as a place to participate, to enhance children's previous experiences, to encourage parents to take an interest in classical music through their children's enthusiasm, and to increase families at RCM concerts. In a fresh and fun way participants learn about classical repertoire, through engaging and innovative creative workshops for all musical abilities. They are led by professional workshop leaders and supported by inspiring RCM musicians. This series consists of:

Sunday Sessions are twice-a-term one-day practical music workshops for young people and families. Usually linked to events taking place at the RCM, we link a hands-on creative experience with live music-making in the concert hall. During the year this included Orchestra-in-a-Day sessions linked to RCM Symphony concerts with conductors Ashkenazy and Haitink, the Bartered Bride connected to the RCM Opera School production, Fantastic Folk Fables, and Fantasies Session related to the RCM Sinfonietta concert of Janacek and Dvorak. We also held regular Family Music Days which give a taste of all things RCM.

Summer Music is our most ambitious and wide reaching open-access programme to date. Over 300 young people joined us during summer 2011 to take part in a series of inspirational activities, designed to give a practical and creative insight into music featured at the BBC Proms. Events included one-day creative workshops, a composition course for teenagers, as well as Discovery sessions in the internationally-renowned RCM Museum and Library. This year RCM Sparks participants took part in the Proms Family Music Intros and special ticket offers to the evening Prom concerts were made available to their families.

RCM Springboard is a series of short courses for 13-18 year olds. Our aim is raise aspirations and attainment, encouraging students from under-represented groups to apply to the RCM or higher education more widely. The Springboard Composition Course involved forty Year 10-13 music students from state schools who attend a three-day composition course over three weekends. The course was led by a professional composer and four RCM composition students as assistants. A cohort of RCM instrumentalists shared the work in progress and played the emerging compositions. The final compositions were performed in a showcase concert at the RCM.

In Partnership

RCM Sparks works in partnership with a wide range of external organisations.

Turtle Song now in its fourth year, is a Turtle Key Arts, English Touring Opera and RCM partnership project which brings music, movement and singing to people with memory problems and their carers. Over the course of the project the participants wrote the lyrics and music for their own song cycle with the help of an amateur, a composer and six RCM students. The piece was then performed on stage in the Amaryllis Fleming Concert Hall and recorded on DVD so that it could be shared with friends. RCM Sparks provide trained student musicians for the ten-week period, who offer support to the participants and their carers throughout the project. The RCM also provides the workshop space for the sessions, facilities, refreshments and the concert space for the final performance.

Teenage Cancer Trust. For the past four years the Royal Albert Hall education department has run a series of rock and pop music workshops based around the Teenage Cancer Trust concerts. These give teenage cancer sufferers the chance to work creatively and compose their own pop songs. RCM Sparks provides a team of students to support the professional musicians leading the workshops.

St Mary's Hospital, Paddington. RCM musicians regularly visit the wards for the elderly in St Mary's Hospital in Paddington, performing live music and interacting with patients, helping to improve hospital stays through the therapeutic benefit of music.

Ensuring Fair Access

Removing barriers

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

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

The College believes it can be most successful in widening participation through outreach activity rather than through financial measures, described in the preceding section. Therefore, we believe the area for most investment is outreach activity delivered by RCM Sparks – both to support initiatives that lead to study at the RCM and to support study in music and other subjects in higher education generally. The College's plans are set out in detail in its published Access Agreement, approved by the Office for Fair Access.

The College does, though, offer a range of financial support for students from disadvantaged backgrounds. These include its longstanding scholarship programme and its existing bursary scheme, all of which build on the College's founding vision, exemplified by the quotation above.

From 2012, when higher £9,000 fees are introduced for Home/EU undergraduates, the government is starting a new National Scholarship Programme. The RCM has been allocated four £3,000 scholarships. In 2012/13, these will be provided as fee waivers for the first year of BMus study to four home students with household incomes at the level set by government (currently incomes below £42,600). The College will match these with fee waivers of £3,000 year for the second year of BMus study to the four NSP scholars, assuming continuing eligibility. If an NSP scholar ceases to be eligible, the RCM will award the scholarship to another student who meets the eligibility criteria. One reason we are offering fee waivers is to reduce the strain of loans on students. We also believe that this financial support is likely to encourage applications from applicants from under-represented groups.

Fundraising

Transforming lives

The RCM receives a government grant, and further income is raised from tuition fees and trading activities, but this does not cover all our costs and we are increasingly reliant on our valued family of supporters for our fundraised income, especially in a time of continuing economic uncertainty and government funding cuts. Last year, the Development Department raised £857,000 in donations and sponsorship from individuals, companies and charitable trusts and a further £2.7 million through legacy gifts.

Students to the College are recruited on the basis of their musical merits, abilities and potential, therefore a key figure is the number of scholarships we are able to award to students who would otherwise be unable to take up their places at the RCM. In 2010/11 we were delighted to continue a number of partnerships with major supporters of our scholarship programme, including the Leverhulme Trust and ABRSM, alongside dozens of other generous donors. Our participation in the Big Give campaign last Christmas was a great success, raising more than £120,000 for scholarships, and in June proceeds from a sell-out concert at the Royal Albert Hall launched the John Barry Scholarship in memory of the great film composer, organised by his widow Laurie Barry.

The College's annual gala fundraiser, the Soirée d'Or, was again held at the V&A's Raphael Gallery and was described by Chris Blackhurst in the Evening Standard as "one of the most spectacular charity fund-raisers of the year". Its glittering success is a tribute to the hard work of a dedicated committee chaired by Lady Carr and its many loyal supporters. The resulting fundraised income of more than £200,000 is a vital boost to the RCM Scholarship Fund.

The RCM Friends go from strength to strength. We have nearly 500 Friends, half of whom have supported us for more than five years. They enjoyed a varied calendar of events in the past year, including 'behind the scenes' tours, a visit to Finchcocks Musical Museum and an exclusive concert at the Landsdowne Club; their enthusiastic presence at our concerts, recitals and masterclasses is always welcome. Our patron programmes also continues to thrive - following on from the success of the RCM Opera Circle, we launched a Chamber Music Circle and Patrons Circle and we have plans in the near future for a Piano Circle. Our Patrons have given much needed support and have enjoyed meeting students at specially-tailored and intimate events which give a unique insight into how the RCM nurtures young musicians.

Last year also saw a growth in the number of donations to RCM Sparks, our acclaimed learning and widening-participation programme, including the welcome addition of the David Ross Foundation as the lead supporter of this key area of our work.

In the coming year, we will celebrate the 25th anniversary of our beloved Britten Theatre, with a bespoke programme of events and a targeted fundraising appeal to ensure that the theatre continues to offer the best possible performance opportunities and training ground for our students for the next 25 years.

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

Equality and Opportunity

Committed to fairness

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

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

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

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

The new Equality Act 2010 came into force on 1 October 2010. The Act, which replaces all previous equality legislation, covers the following “protected characteristics” – age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity. The College’s policies and procedures have been updated to reflect the new Act.

Caring for the Environment

Making a difference

The RCM recognises the importance of maintaining its environmental performance and we are proud to be recognised as the UK's greenest conservatoire for the second year running. We will continue through implementation of our Environmental Strategy and supporting policies to increase awareness of the environment and to promote good practice in this area at the RCM.

In 2010/11 we implemented the following environmental improvements, which generated significant environmental and financial savings.

- Motion-detection lighting throughout the campus, saving 19.55kg of carbon with a cost saving of £4,504 per year;
- Installation of low energy lighting in the Donaldson saved 9kg of carbon with a cost saving of £542 per year. Installation in the Parry Rooms saved 18.98 kg of carbon with a cost saving of £4,158 per year;
- ICT Power Save software has been installed, saving £4,400 and 39, 700 kWh;
- New printing systems to reduce photocopier usage that require the user to confirm print has saved 70,000 sheets being printed unnecessarily, a cost saving of £4,000;
- Carbon dioxide reduction filters installed in the building plant machinery including the Amaryllis Concert Hall, show an estimated reduction of 37 tonnes of carbon dioxide and a cost saving of £8,000;
- Pilot bin-less office scheme to support RCM staff to recycle. In 2010/11 the College recycled 80% of its waste up from 55% in 2009/10;
- RCM made a total reduction of 8% on its scope 1 and 2 (utilities) co2 emissions in 2010/11 benchmarked against 2009/10. This reduces CO2 levels to under 2007/8 levels and 3% off our 2005 base line;
- The Blomfield Building towers were insulated with sheep's wools on recommendation of the Invest to save consultants energy saving report. The towers originally produced a heat loss of 3.8 kW (3.2 through the fabric and 0.6 through ventilation). With the installation of sheep's wool reduction to 2.2 kW has been realised reducing heat loss by 42%.

Work continues on the Carbon Management Plan to continue to aim to cut our carbon emissions by 25% by 2013/14 and 34% by 2019/20, benefiting the environment as well as generating significant financial savings.

Fairtrade Fortnight took place in March 2011, organised by the Student Association in collaboration with Imperial College Catering, campaigning to raise awareness of Fairtrade products, including Fairtrade refreshments at concerts and a visiting Traidcraft speaker.

Sharing Services and Collaborations

Benefitting from partnership

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

Shared services

- *Conservatoires UK Admissions Service*: a UK-wide admissions service established and owned by eight British Music Conservatoires and managed by UCAS;
- *Kingston City Group (KCG)*: a southern universities shared internal audit service owned by 15 members (in 2010/11 the RCM Deputy Director was the Deputy Chair of KCG);
- *London Universities Purchasing Consortium*: a London-wide procurement consortium owned 81 London HEIs and third sector organisations (in 2010/11 the RCM Director of Finance & Estates was the Deputy Chair of LUPC);
- *The Exhibition Road Cultural Group*: champions the collective view of its 18 members on the development of the Exhibition Road scheme. At its heart are: the facilitation of joint projects, encouraging cross-fertilisation of audiences between members; running joint events in the shared public space of Exhibition Road, and sharing staff expertise.
- *Cleaning consortium*: in 2010/11 we tendered jointly with Heythrop College and the Royal College of Art for shared cleaning services across our five campuses. The contract commenced at Heythrop College in May 2011 and was rolled out across the remaining sites at RCM and RCA by the end of July 2011. We are already seeing the financial and contract management benefits from this initiative.
- *1851 Invest to Save Project*: focusing on reducing carbon emissions for its eight members in the 'South Kensington Cultural and Academic Estate'.

Working with other local higher education institutions

The RCM has developed a very productive working relationship with other local HEIs. Imperial College London (ICL) provides the College with a number of services where both partners benefit from economies of scale from higher volumes. These include: student/staff health; student counselling; catering services and occupational health. We share accommodation (including associated cleaning and maintenance services) with Heythrop College, University of London.

The government has encouraged universities to form partnerships in order to benefit from economies of scale which might be achieved through collaborations and shared services. This is an area that the RCM has developed enthusiastically and successfully and will continue to seek to widen our collaborations in the coming years.

Estates

Providing fitting surroundings for gifted musicians

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

In 2009 the College completed transformational work on the Amaryllis Fleming, Concert Hall. This was a major success for the College and events in the Hall attracted more than 17,000 visitors in 2010/11.

Even though there were no major capital works in 2010/11, it was a very active year for the estates area. In July 2010, the RCM Council approved a new Estates Strategy 2010-2017, which outlines how the College will achieve its strategic vision for the estate. The Strategy is supported by:

- an Operational Plan, which provides a comprehensive, fully-costed 10-year maintenance plan;
- a Capital Plan, which outlines the College's planned capital developments.

In 2010/11 we progressed with works on the Operational Plan, including:

- refurbishment of performance and practice space in the South Building;
- refurbishment of the Museum;
- implementation of our carbon reduction strategy, through a programme of insulation and low energy lighting;
- introduction of a new building management system to enhance control and monitoring of heat and power;
- extended College opening hours to improve availability of resources to students;
- commencement of a programme to replace the electrical wiring throughout the Prince Consort Road Campus.

We have also made significant progress with the RCM Capital Plan:

- In February 2011 the HEFCE confirmed that the College had met the requirements of the HEFCE Capital Investment Framework 2.
- We undertook feasibility studies for:
 - the RCM student residential campus in Shepherds Bush. In July 2011, Council approved the feasibility study and in 2011/12 we will progress to the next stage of this project, which will be to find and appoint a development partner;
 - the Courtyard development at our Prince Consort Road campus. The feasibility study report will be considered by Council in November 2011.

Progress of RCM Strategic Plan 2007 to 2017

Never standing still

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 RCM's objects as set out in the 1883 Charter:

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

Strategic plan

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

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

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

Outlook for 2011/12

The overall economic outlook continues to be uncertain and there will be cuts in public spending over the life of the coalition government. The College is determined to achieve a sustainable surplus by 2012/13 and has set targets for income, expense savings and surplus as a percentage of turnover. The College's five-year financial forecasts were updated in November 2011 and these forecasts were tested using sensitivity analyses for a range of potential funding cuts. Set against this uncertain economic background, applications to study in the College in 2011 were higher than ever, as are registrations for 2011/12.

The government published a White Paper on Higher Education in June 2011, which will involve radical and unprecedented changes to the higher education landscape. As a result of these, the College has announced that it will be charging £9,000 for Home/EU undergraduate students in 2012. The extra income from this higher fee will partly compensate for the reduction of the mainstream teaching grant to zero.

Aside from the headline changes which have been well-publicised, the White Paper also included a commitment to recognising the additional high costs associated with music conservatoire study. This is the first time there has ever been such a commitment in a government publication. These high costs are currently recognised through HEFCE 'exceptional funding' and HEFCE will be consulting about the future of this funding as part of a more general consultation on higher education funding across 2011/12.

Principal risks and uncertainties

The College's risk management strategy and policy sets out the respective roles of the College's Directorate, Council, Finance & General Purposes Committee and Audit Committee in risk management. It also sets out the key controls and the approach to risk management.

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

- *Levels of Higher Education Funding Council for England (HEFCE) exceptional funding, as mentioned above.* The Director of Finance & Estates has modeled the effect of a range of cuts in HEFCE grant set against target savings/additional income and the Directorate has agreed an overall sustainability plan which itemises target savings/additional income in each area of the College's operation. Each Directorate member has their own plan for implementation and these are reviewed by the Directorate on a regular basis. To date, the College has far exceeded its sustainability targets and a new plan to take this further will be developed in 2011/12.
- *The level of scholarships offered to students and fundraising more generally.* The College believes that in order to remain a world class institution it must not only have excellent facilities but also be able to attract the best students globally and this requires resources from which scholarships can be awarded. The College has identified that fundraising is key to this strategy and that a failure to achieve our targets in this area will be a risk to the College's reputation in the medium term.

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

Corporate Governance and Responsibilities of Council

CUC Governance Code of Practice

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

Statement of primary responsibilities

The Council is responsible for:

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

Structure of corporate governance

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

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

The Council has appointed a **Finance & General Purposes Committee** (F&GPC). It meets five times a year. Among the responsibilities discharged by the F&GPC are monitoring of performance in relation to approved budgets and oversight of the Directorate’s risk management responsibilities. It also acts as **Remuneration Committee** in relation to the salaries and terms and conditions of the senior staff. A subcommittee of the F&GPC, comprising the Honorary Treasurer and Deputy Chairman, is delegated to scrutinise the annual accounts ahead of consideration by the Council. The F&GPC also review minutes of the **Health and Safety Committee** in order to monitor compliance and practice on behalf of Council.

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

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

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

The **Senate** reports to the Council and meets a minimum of three times per year. It deals with the College's academic policies and quality assurance. It has a system of committees to support its work.

Accounting systems and accounts

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

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the College's financial position and enable it to ensure that the accounts are prepared in accordance with the Royal Charter, the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable accounting standards. The Council has also given careful consideration of the requirements contained in the Charities Act 2006 and in particular to the Charity Commission's general guidance on public benefit.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent; and
- applicable accounting standards have been followed.

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

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

Accounting records

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

All other records and related information which might affect the truth and fairness of, or necessary disclosure in, the financial statements, including minutes of Council and relevant management meetings, have been made available to the auditors and no such information has been withheld. So far as the Council is aware, there is no relevant audit information of which the auditors are unaware.

Internal control and risk management

The Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Council in the Charter & Statutes and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place during the year ended 31 July 2011 and up to the date of approval of the financial statements, and accords with HEFCE guidance. The Council has responsibility for reviewing the effectiveness of the system of internal control and the following processes have been established:

- the Council meets at least four times per annum and considers the plans and strategic direction of the College;
- the Council receives minutes of each meeting of the Audit Committee, together with an annual report which provides an opinion as to the College's arrangements for risk management, internal control, governance, data quality and value for money;
- the Council receives regular reports from the Directorate on the steps it is taking to manage risks in their areas of responsibility, including progress reports on key projects;
- the F&GPC is responsible for oversight of risk management and the Audit Committee for keeping under review the effectiveness of risk management, control and governance arrangements;
- an organisation-wide risk register is maintained;
- a system of key performance indicators has been developed;
- a risk prioritisation methodology based on risk ranking has been established;
- there is regular review of the Risk Register, involving the Directorate, to identify and keep up to date the record of risks facing the organisation;

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- training for managers with responsibility for areas involving high-level risk includes attendance at relevant workshops;
- an annual review conducted by the Directorate is presented in written form to the F&GPC for detailed discussion, and reported to the Council.

The review of effectiveness of the system of internal control is informed by reports from the internal auditors (Kingston City Group), who operate to standards defined in the HEFCE Audit Code of Practice, contained within Annex B of the HEFCE Financial Memorandum. The internal auditors submit regular reports, which include their opinion on the adequacy and effectiveness of the College's system of internal control, with recommendations for improvement.

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

Equal opportunities

The College is committed to its equal opportunities policy. As a leading British conservatoire, it aims to provide musical education and professional training at the highest international level to meet the aspirations of as many as possible of those who it deems to have the ability and motivation to benefit, with our students recruited on the basis of their musical merits, abilities and potential. The RCM aims to ensure that no student, member of staff or visitor to performances and other events is subjected to unfair discrimination, and details of our equalities policies and processes are outlined on page 31.

The new Equality Act 2010 came into force on 1 October 2010. The Act, which replaces all previous equality legislation, covers the following "protected characteristics": age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity. College policies and procedures have been updated to reflect the new Act. Specific public sector duties under the Act came into force on 10 September 2011 and guidance and advice on how to meet the aims covered under these duties will be produced in early 2011/12.

Professor Lord Winston



Chairman

23 November 2011

Professor Colin Lawson



Director

23 November 2011

Independent auditor's report to the governing body of the Royal College of Music

We have audited the financial statements of the Royal College of Music for the year ended 31 July 2011 which comprise the statement of principal accounting policies, the income and expenditure account, the statement of total recognised gains and losses, the statement of historical cost surpluses and deficits, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Royal College of Music Council, in accordance with the Royal College of Music Royal Charter and Statutes and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the College's members and trustees 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 charity and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Corporate Governance and Responsibilities of the Council set out on pages 41 to 44, the Royal College of Music Council is responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed auditor under the Charities Act 1993 and report in accordance with regulations made under section 44 of the Charities Act 1993. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

We read the Chairman's Message, Director's Report, Operating and Financial Review and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Royal College of Music's affairs as at 31 July 2011, and of the incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

Opinion on other matters

In all material respect:

- income from the Funding Council and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the Royal College of Music during the year ended 31 July 2011 have been applied for the purposes for which they were received; and
- in all material aspects, income during the year ended 31 July 2011 has been applied in accordance with the Royal College of Music's statutes and, where appropriate, with the financial memorandum with the Funding Council, and the funding agreement with the Training and Development Agency for Schools.

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 1993 requires us to report to you if, in our opinion:

- the information given in the Chairman's Message, Director's Report, Operating and Financial review, and the Corporate Governance Statement and Responsibilities of the Council 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.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON

Statement of Principal Accounting Policies

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

1. Accounting Convention

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

2. Recognition of Income

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

Grants applied to capital expenditure are included in Deferred Capital Grants. All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income from endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to endowments.

Donations, bequests or gifts with no specific terms attached to their use, are recorded as income in the income and expenditure account. The expenditure incurred using these donations, bequests or gifts is accounted for in the period when it is incurred as either capital or revenue expenditure depending on the nature of the expenditure. Income derived from tuition fees from students is recognised in the period in which it is earned and includes all the fees chargeable to them.

3. Tangible Fixed Assets

a. Land and buildings

Land and buildings are stated at cost or valuation. Freehold buildings are depreciated over their expected useful lives of 50 years and leasehold land and buildings are amortised over 50 years, or, if shorter, the period of the lease. Building improvements are depreciated over their expected useful lives of 20 years. Land is not depreciated. During the year, the College reviewed depreciation on the Concert Hall refurbishment and reclassified depreciation on some items from 50 years to 20 years.

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

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

b. Musical Instruments

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

c. Furniture & Equipment

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

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

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

4. Fixed Assets

a. Heritage Assets

The College's heritage assets consists of reference material in the RCM library, the Museum of Instruments, portraits and performance archives and other works of art which are of significant historical interest to musicians. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material. Heritage assets valued at £2,000 and over are included where possible in the accounts.

The RCM library possesses substantial collections of printed and manuscript music, books, letters and other archival collections. No overall valuation has ever been made of the collection as a whole, or of any special collection or individual item, for reasons of cost and practicality. Assets acquired prior to August 2009 have not been valued due to their scale and uniqueness. In addition the cost to obtain valuations would exceed the benefit derived to the users of the accounts. Assets donated or purchased with a value of £2,000 or over since 1 August 2009 have been included in the accounts where values have been obtainable.

The Museum collection comprises around 1,000 items, most of which are instruments or parts of instruments but the collection also includes some archival material. No valuation had previously been undertaken and nothing has been purchased or donated with a value of £2,000 or over since 1 August 2009. A financial valuation was undertaken by experts from Sotheby's and Bonhams houses at the end of 2010/11. A total of £4.4 million of instruments have been added to the balance sheet in the 2010/11 accounts.

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

The Portraits and Performance History Collection (PPCH) possesses a substantial collection of art, photographs, printed items and manuscripts dating from c1620 to the present day, which it considers to be heritage assets and which it maintains and makes available to members of the College, members of the public and visiting researchers.

An overwhelming majority of these works have been donated to the RCM, supplemented through occasional purchases. No overall valuation has ever been made of the collection, though most of the valuable works of art were valued in 2005 and are included in the accounts. Given the importance, size and uniqueness of the collection, it would not be practicable to undertake valuations for the remaining collections acquired prior to August 2009, as the costs would outweigh the benefits to the readers of the accounts.

b. Preservation and Management

The Library has a Collection Development Policy, which includes selection, donations, retention and disposal, including policies relating to heritage assets. The policy precludes the disposal of any item from the Library's collections, unless it proves to be a duplicate. Preservation costs can be funded from various sources including grants, donations and the College's own funds.

The Museum has an Acquisitions and Disposals Policy which includes instructions for selection, donations, retention and disposal. The College therefore accepts 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 therefore adheres to minimum national standards of care and access. Part of this includes the existence of a specific budget for conservation which is applied to the upkeep of playable instruments alongside general cleaning and care of the whole collection.

The PPCH will continue to accept donations and make purchases if the materials complement and enhance existing holdings and can be accommodated in appropriate conditions. By definition, the PPCH has a long-term purpose and should possess (or intend to acquire) permanent collection in relation to its stated objectives. The College accepts the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items in the Centre's collection.

c. Associated Board of the Royal Schools of Music (ABRSM)

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

5. Managed Investments

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

6. Restricted and Endowment Funds

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

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

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

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

7. Pension Schemes

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

Under the definitions set out in FRS 17 'Retirement Benefits', the TPS and the USS are multi-employer pension Schemes. The College is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly, the College has accounted for its contributions as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. The College has adopted fully FRS17 for the RCM Pension Scheme.

8. Foreign Currency Translation

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

9. Leased Assets

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

10. Liquid Resources

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

11. Taxation Status

The College is a registered charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988. The College is exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Charitable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax.

12. Students' Association

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

13. IFRS (International Financial Reporting Standards)

All HE institutions are required to prepare their annual financial statements based on IFRS from 2014/15. The College mobilised the IFRS project in July 2011, which will ensure the above deadline is achieved.

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Income and Expenditure Account
for the year ended 31 July 2011

	Notes	2011 £	2010 £
Income			
Funding council grants	1	5,051,069	5,219,655
Academic fees and support grants	2	7,735,199	6,423,142
Research grants	3	94	140,383
Other operating income	4	5,544,734	4,179,246
Endowment and restricted income and interest receivable	5	1,843,291	1,700,237
Total income		20,174,387	17,662,663
Expenditure			
Staff costs	8	9,660,140	9,920,935
Depreciation	9	1,257,438	1,236,915
Other operating expenses	10	5,976,881	5,694,406
Interest and other finance costs	11	146,049	149,157
Total expenditure		17,040,508	17,001,413
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and before and after tax.	12	3,133,879	661,250
Surplus income from scholarship funds and donors transferred to endowment funds	21	(116,647)	(164,534)
Surplus for year retained within general reserves	23	3,017,232	496,716

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

Statement of Historical Cost Surpluses and Deficits
for the year ended 31 July 2011

		2011 £	2010 £
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before tax.		3,133,879	661,250
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22, 23	284,660	280,577
Historical cost surplus before tax		3,418,539	941,827
Historical cost surplus after tax		3,418,539	941,827

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Statement of Total Recognised Gains and Losses
for the year ended 31 July 2011

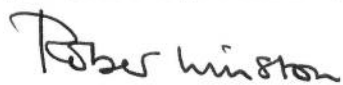
	Notes	2011 £	(restated) 2010 £
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and after tax.		3,133,879	661,250
New endowments	21	2,226,522	500,000
Increase in value of endowment asset investments	15	1,795,425	2,119,628
Increase in value of fixed asset investments	14	830,877	989,189
Actuarial (loss)/gain on RCM pension scheme	26	(143,000)	215,000
Prior year adjustment to reflect addition of Heritage assets at valuation in earlier years	13a	-	4,069,500
Revaluation reserve movement in respect of fixed asset disposals	22	(264,803)	132,202
Total recognised gains relating in the year		<u>7,578,900</u>	<u>8,686,769</u>
Prior year adjustment to reflect addition of heritage assets		4,069,500	
Total gains recognised since last annual report		<u><u>11,648,400</u></u>	
Reconciliation:			
Opening reserves and endowments as previously stated			36,736,299
Prior year adjustment			4,069,500
Opening reserves and endowments restated		49,492,568	<u>40,805,799</u>
Total recognised gains relating to the year		7,578,900	12,756,269
Closing reserves and endowments		<u><u>57,071,468</u></u>	<u><u>49,492,568</u></u>

Royal College of Music
Annual Review and Financial Statements 2010/11

Balance Sheet
as at 31 July 2011

	Notes	2011 £	(restated) 2010 £
Fixed assets			
Heritage Assets	13	4,967,750	5,003,000
Tangible assets	13	22,593,328	23,549,005
Investments	14	12,450,753	11,635,575
		<u>40,011,831</u>	<u>40,187,580</u>
Restricted and endowment assets			
Fixed asset investments	15	24,389,640	20,966,345
Other endowment assets	16	2,034,247	1,318,948
		<u>26,423,887</u>	<u>22,285,293</u>
Current assets			
Debtors	17	1,506,817	1,931,871
Cash at bank and in hand	25	2,775,895	-
Cash on deposit	25	1,300,000	-
		<u>5,582,712</u>	<u>1,931,871</u>
Creditors: amounts falling due within one year	18	(1,883,652)	(2,010,894)
Net current assets/(liabilities)		<u>3,699,060</u>	<u>(79,023)</u>
Total assets		<u>70,134,778</u>	<u>62,393,850</u>
Creditors: amounts falling due after more than one year	19	(2,319,188)	(2,481,938)
Net assets excluding pension liability		<u>67,815,590</u>	<u>59,911,912</u>
Net pension liability	26	(2,182,000)	(2,267,000)
Net assets including pension liability		<u>65,633,590</u>	<u>57,644,912</u>
Deferred capital grants	20	<u>8,562,122</u>	<u>8,152,344</u>
Restricted and endowment funds			
Restricted expendable funds	21	103,426	103,765
Restricted permanent funds	21	23,201,716	19,351,832
Unrestricted permanent endowments	21	3,118,745	2,829,696
		<u>26,423,887</u>	<u>22,285,293</u>
Reserves			
Revaluation reserve	22	11,313,146	11,862,609
Accumulated revenue reserve	23	19,334,435	15,344,666
		<u>30,647,581</u>	<u>27,207,275</u>
Endowments and reserves		<u>57,071,468</u>	<u>49,492,568</u>
Total		<u>65,633,590</u>	<u>57,644,912</u>

Approved by Council and signed on its behalf on 23 November 2011 by:



Professor Lord Winston



Professor Colin Lawson

Royal College of Music
Annual Review and Financial Statements 2010/11

Statement of Cash Flows
for the year ended 31 July 2011

	Notes	2011 £	2010 £
Net cash inflow from operating activities	24	3,533,805	1,405,058
Returns on investments and servicing of finance			
Income from endowments	5	978,154	872,486
Other interest received	5	8,492	950
Interest paid	11	(146,049)	(149,157)
		840,597	724,279
Capital expenditure and financial investment			
Payments to acquire endowment asset investments	15/22/23	(6,105,329)	(4,176,251)
Realisation of endowment asset investments	15	3,969,808	4,795,407
Payments to acquire tangible fixed assets	13b.	(570,589)	(965,722)
Net (placed in)/released from fixed asset investments	14	(130,435)	613,132
Capital grants received	20	900,000	-
Endowments received	21	2,226,522	500,000
		289,977	766,566
Management of liquid resources			
Amounts placed on deposit		(1,300,000)	-
Financing			
Repayments of amounts borrowed	19	(162,750)	(162,750)
		(162,750)	(162,750)
Cash movement	25	3,201,629	2,733,153

Royal College of Music
Annual Review and Financial Statements 2010/11

Notes to the Accounts
for the year ended 31 July 2011

	Notes	2011 £	2010 £
1. Funding council grants			
The Higher Education Funding Council for England (HEFCE), provided grants for the following purposes:			
Recurrent teaching grant		4,166,421	4,326,025
Inherited staff liabilities		81,281	82,659
Higher Education Innovation Fund		235,551	219,291
Other specific grants		-	467
HEFCE released from deferred capital grants	20	117,491	119,709
HEFCE research grants		450,325	471,504
		<u>5,051,069</u>	<u>5,219,655</u>
2. Academic fees and support grants			
UK higher education students		1,964,143	1,778,970
Other European Union students		769,550	603,048
Non European Union students		3,605,232	2,776,322
Other		190,870	161,606
Junior Department		1,205,404	1,103,196
		<u>7,735,199</u>	<u>6,423,142</u>
3. Research grants			
Grants from research councils		94	140,383
		<u>94</u>	<u>140,383</u>

Note 3 reflects research grants provided by research councils; research activity funded by charities continues to be included under Grant Income in Note 4. The reduction in research grants in 2011 was mainly due to the completion of "The Listening Gallery" project in 2010 (£135,830).

**Notes to the Accounts
for the year ended 31 July 2011**

	Notes	2011 £	2010 £
4. Other operating income			
Grant income from charities		142,776	166,408
Catering and residences		1,120,912	836,017
Other services rendered		361,335	325,369
Profit on sale of fixed assets		899	2,894
Released from deferred capital grants	20	352,259	351,058
Donations and other income:			
ABRSM		1,700,000	1,450,000
Other		1,866,553	1,047,500
		<u>5,544,734</u>	<u>4,179,246</u>

A new catering contract was awarded on 1 April 2010. Prior to that date a net figure for catering is included in the accounts. Due to the nature of the new contract, post 1 April 2010, gross income and expenditure are shown separately (see note 10 for related expenditure).

5. Restricted and endowment income and interest receivable			
Restricted donations	21	856,645	826,801
Investment income on restricted endowments	21	888,275	763,697
Investment income on unrestricted endowments	21	89,879	108,789
Other interest receivable		8,492	950
		<u>1,843,291</u>	<u>1,700,237</u>

Notes to the Accounts
for the year ended 31 July 2011

	Notes	2011 £	2010 £
6. Director's emoluments			
Salary		165,000	145,450
Benefits in kind		201	1,484
Pension contributions		26,400	22,822
Total emoluments		<u>191,601</u>	<u>169,756</u>

From 1 September 2006, the Director is required as part of his contract to live in a residence owned by the College. The costs associated with this residence in the year were £201 (2009/10: £1,484). There was an overpayment identified in the year relating to 2009/10, which was rectified in 2010/11.

	2011 Number	2010 Number
7. Remuneration of higher paid staff		
The number of staff, including the Director, who received remuneration in the following ranges was:		
£60,001-£70,000	-	1
£70,001 - £80,000	4	2
£80,001 - £90,000	-	1
£90,001 - £100,000	1	2
£100,001-£110,000	1	-
£140,001-£150,000	-	1
£160,001 - £170,000	1	-
	<u>7</u>	<u>7</u>

Note: Remuneration excludes employers national insurance and pension contributions.

Notes to the Accounts
for the year ended 31 July 2011

	Notes	2011 £	2010 £
8. Staff costs			
Wages and salaries		8,298,740	8,577,215
Social security costs		539,053	531,192
Pension costs		822,347	812,528
		<u>9,660,140</u>	<u>9,920,935</u>

Staff costs by department	2011 Full time equivalents	2010 Full time equivalents		
Teaching departments	66	71	4,519,169	4,667,914
Teaching support services	36	39	1,663,840	1,724,004
Administration and central services	58	56	2,950,808	3,019,580
Premises	14	13	526,323	509,437
	<u>174</u>	<u>179</u>	<u>9,660,140</u>	<u>9,920,935</u>

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

9. Depreciation

The depreciation charge has been funded by:

Deferred capital grants released	20	469,750	470,767
Released from revaluation reserve	22, 23	284,660	280,577
Financed internally		503,028	485,571
		<u>1,257,438</u>	<u>1,236,915</u>

Notes to the Accounts
for the year ended 31 July 2011

	Notes	2011 £	2010 £
10. Other operating expenses			
Catering operating expenses		353,235	150,063
Academic departments		589,252	681,106
Learning resources		286,085	259,213
Scholarships and bursaries		1,633,617	1,564,239
Premises costs		1,015,358	962,141
Grant to RCM Students' Association		22,845	20,293
Other expenses		2,057,301	1,998,037
Bad debts		19,188	59,314
		<u>5,976,881</u>	<u>5,694,406</u>

A new catering contract was awarded on 1 April 2010. Prior to that date a net figure for catering is included in the accounts. Due to the nature of the new contract, post 1 April 2010, gross income and expenditure are shown separately (see note 4 for related income).

Other operating expenses include:			(restated)
Auditors' remuneration - external auditors		40,200	41,810
Auditors' remuneration in respect of prior year - external auditors		227	87
Auditors' remuneration - internal audits		28,229	28,539
Auditors' remuneration - non-audit related fees		3,645	5,346
Hire of plant and machinery - operating leases	29	59,383	58,145
Hire of other assets - operating leases	29	41,625	41,625

The College identified additional commitments in 2011 and these have been restated for 2010. There was a commitment of six months notice period for the Kensington Square lease agreement with Heythrop College. There was also a lease that commenced in June 2010 for the rental of photocopiers and printers from Danwood Admiral.

11. Interest and other finance costs			
Bank loans not wholly repayable within five years	24	146,049	149,157
		<u>146,049</u>	<u>149,157</u>
12. Surplus on continuing operations			
College's surplus for the year		3,133,879	661,250
		<u>3,133,879</u>	<u>661,250</u>

Notes to the Accounts
for the year ended 31 July 2011

	Notes	Net book value as at 31 July 2011 £	(restated) Net book value as at 1 August 2010 £
13 Tangible assets			
Heritage Assets	13a.		
Books and manuscripts		3,250	-
Instruments (prior year adjustment)		4,069,500	4,069,500
Busts and portraits		895,000	933,500
Total		4,967,750	5,003,000
Land and buildings	13b.		
Freehold		3,268,776	3,382,122
Leasehold		15,544,025	16,022,942
Furniture and equipment	13b.	626,802	570,065
Musical instruments	13c.		
Keyboards		1,566,013	1,769,325
String		1,414,169	1,618,143
Brass and woodwind		124,997	135,733
Percussion		48,546	50,675
Total		3,153,725	3,573,876
Total tangible fixed assets		27,561,078	28,552,005

	Notes	2011 £	2010 £
Tangible fixed assets are financed as follows:-			
Revaluation reserve	22	11,313,146	11,862,609
Deferred capital grants	20	8,562,122	8,152,344
Internal funds		7,685,810	8,537,052
		27,561,078	28,552,005

Note: Following the implementation of FRS30, all heritage assets where valuations or costs are available have been brought onto the balance sheet as a prior year adjustment.

Since 2007, heritage assets has included a part of the RCM portraits collection, which is of significant historical interest to musicians. These artworks comprise items on display at 9 November 2005 which were valued for insurance purposes at £895,000 by Seymours, Art Advisers and Valuers and £38,500 for a subsequent addition at cost. In 2011, £4,069,500 of heritage assets have been brought onto the balance sheet as a prior year adjustment. These are the RCM Museum collection which were valued by Sotheby's and Bonhams auction houses. There is no reason to believe that there has been any impairment in the value of these assets. In accordance with the transitional provisions of FRS 15, no value has been placed on the other heritage assets held by the College when this FRS was implemented.

Notes to the Accounts for the year ended 31 July 2011

13a. Heritage assets

	Notes	Books and manuscripts £	Instruments £	Busts and portraits £	Total £
Cost or valuation					
Balance reported as at 1 August 2010		-	-	933,500	933,500
Prior year adjustment earlier years		-	4,069,500	-	4,069,500
Balance restated at 1 August 2010		-	4,069,500	933,500	5,003,000
Additions		3,250	-	-	3,250
Disposals		-	-	(38,500)	(38,500)
Balance at 31 July 2011		3,250	4,069,500	895,000	4,967,750

Heritage assets of £933,500 were shown as fixed asset investments in 2010. This is now shown as tangible fixed assets as required by FRS30.

Financial summary of heritage asset transactions:

	Notes	2011 £	2010 £
Purchases			
Books and manuscripts		3,250	-
Instruments		-	-
Busts and portraits		-	-
		3,250	-
Donations			
Books and manuscripts		-	-
Instruments		-	-
Busts and portraits		-	-
		-	-
Revaluations			
Books and manuscripts		-	-
Instruments		-	-
Busts and portraits		-	-
		-	-
Disposals			
Carrying value		(38,500)	-
Sale proceeds		-	-
		(38,500)	-
Total heritage asset transactions:		(35,250)	-

Note: Following the implementation of FRS30, all heritage assets where valuations or costs are available have been brought onto the balance sheet as a prior year adjustment. It has not been possible to provide a five year summary of heritage asset transactions as the time and cost of obtaining the information would outweigh the benefits.

Since 2007, heritage assets has included a part of the RCM portraits collection, which is of significant historical interest to musicians. These artworks comprise items on display at 9 November 2005 which were valued for insurance purposes at £895,000 by Seymours, Art Advisers and Valuers and £38,500 for a subsequent addition at cost. In 2011, £4,069,500 of heritage assets have been brought onto the balance sheet as a prior year adjustment. These are the RCM Museum collection which were valued by Sotheby's and Bonham's auction houses. There is no reason to believe that there has been any impairment in the value of these assets. In accordance with the transitional provisions of FRS 15, no value has been placed on the other heritage assets held by the College when this FRS was implemented.

The financial summary does not include the heritage assets which were added in 2010 as a prior year adjustment, because these assets related to earlier years.

Notes to the Accounts for the year ended 31 July 2011

13b. Tangible assets

	Notes	Land and buildings		Furniture and equipment	Musical instruments	Total
		Freehold £	Leasehold £			
Cost or valuation						
Balance reported at 1 August 2010		4,368,390	20,034,741	2,428,524	7,051,255	33,882,910
Additions		-	154,944	299,450	116,195	570,589
Disposals		(11,750)	(4,340)	-	(454,630)	(470,720)
At 31 July 2011		4,356,640	20,185,345	2,727,974	6,712,820	33,982,779
Depreciation						
Balance reported at 1 August 2010		986,268	4,011,799	1,858,459	3,477,379	10,333,905
Provided during the year	9	101,596	629,521	242,713	283,608	1,257,438
Disposals		-	-	-	(201,892)	(201,892)
At 31 July 2011		1,087,864	4,641,320	2,101,172	3,559,095	11,389,451
Net book value at 31 July 2011		3,268,776	15,544,025	626,802	3,153,725	22,593,328
Net book value at 1 August 2010		3,382,122	16,022,942	570,065	3,573,876	23,549,005

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

The leasehold land and buildings relate to the College's main site in Prince Consort Road, London. The property is held on a 999 year lease, expiring in the year 2890, which is non-assignable. In the event that the College ceases to operate in accordance with the Royal Charter, the property reverts to the landlord. The leasehold land and buildings were valued on the basis of depreciated replacement cost at 31 July 1991 by Wilks, Head and Eve, Chartered Surveyors. Subsequent additions have been included at cost.

The leasehold land and buildings additions include £36,688 of assets in the course of construction relating mainly to the Prince Consort Road building. The freehold furniture and equipment additions include £21,136 of assets in the course of construction relating to College Hall. These assets are included at current cost and no depreciation is provided until the asset is brought into use.

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

Notes to the Accounts for the year ended 31 July 2011

13c. Tangible assets - analysis of musical instruments

	Notes	Keyboards £	String £	Brass and woodwind £	Percussion £	Total £
Cost or valuation						
Balance reported at 1 August 2010		3,505,652	2,891,620	434,169	219,814	7,051,255
Additions		77,950	25,625	6,200	6,420	116,195
Disposals		(168,650)	(282,700)	(3,280)	-	(454,630)
At 31 July 2011		3,414,952	2,634,545	437,089	226,234	6,712,820
Depreciation						
Balance reported at 1 August 2010		1,736,327	1,273,477	298,436	169,139	3,477,379
Provided during the year		175,128	84,195	15,736	8,549	283,608
Disposals		(62,516)	(137,296)	(2,080)	-	(201,892)
At 31 July 2011		1,848,939	1,220,376	312,092	177,688	3,559,095
Net book value at 31 July 2011		1,566,013	1,414,169	124,997	48,546	3,153,725
Net book value at 1 August 2010		1,769,325	1,618,143	135,733	50,675	3,573,876

Notes to the Accounts
for the year ended 31 July 2011

	Notes	2011 £	(restated) 2010 £
14. Fixed asset investments			
Investment in subsidiary company		100	100
Interest in the ABRSM at cost	31	2,275,000	2,275,000
		<u>2,275,100</u>	<u>2,275,100</u>
Managed investments		10,175,653	9,360,475
		<u>12,450,753</u>	<u>11,635,575</u>

Note: Following the implementation of FRS30, all heritage assets which were shown in fixed asset investments in 2009/10 have been moved to tangible fixed assets in 2010/11, therefore the fixed asset investments have been restated.

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

The College has a 25% interest in the Associated Board of the Royal Schools of Music (ABRSM), which is carried at cost. The ABRSM is a registered charity (number 292182) and a company limited by guarantee (registered number 1926395) established by four royal schools of music for the benefit of music education. The ABRSM has no share capital and the liability of the members in the event of winding up is limited to £1 per member. In the event of a winding up, the ABRSM's constitution requires its governing body to consider, in the first instance, the transfer of surplus assets to another body that is equipped to carry on the work of ABRSM. The ABRSM is an international examining body that offers a system of graded music examinations in 80 countries around the world. The company is also a provider of professional development for instrumental and singing teachers. A subsidiary of the ABRSM is engaged in the production and sale of music publications.

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

	Notes	2011 £	2010 £
Balance as at 1 August 2010		9,360,474	8,813,673
Additions		2,115,695	1,799,146
Proceeds on disposals		(1,985,259)	(2,412,278)
Net gains on revaluation		830,877	989,189
Movements on cash		(146,134)	170,744
Balance at 31 July 2011		<u>10,175,653</u>	<u>9,360,474</u>
Investments held are analysed as follows:			
Managed investments			
Fixed interest stocks (listed)		2,161,332	1,696,856
Equities (listed) and unit trusts		7,884,466	7,387,629
Cash held by investment managers	25	129,855	275,989
		<u>10,175,653</u>	<u>9,360,474</u>

Notes to the Accounts
for the year ended 31 July 2011

	Notes	2011 £	2010 £
15. Restricted and endowment funds - fixed asset investments			
Balance at 1 August 2010		20,966,345	18,726,554
Additions		5,875,776	4,176,251
Proceeds on disposals		(3,969,808)	(4,795,407)
Net gains on revaluation	21	1,795,425	2,119,628
Movements on cash		(278,098)	739,319
Balance at 31 July 2011		24,389,640	20,966,345
Investments held are analysed as follows:			
Managed investments			
Fixed interest stocks (listed)		6,988,154	5,042,807
Equities (listed) and unit trusts		16,523,575	14,773,179
Cash held by investment managers		825,928	1,104,028
		24,337,657	20,920,014
Other investments			
Investment in a CAF fund		51,983	46,331
		24,389,640	20,966,345
16. Restricted and endowment funds - other assets			
Cash at bank		1,766,967	123,966
Cash on deposit		192,234	1,137,440
Debtors		75,046	62,542
Creditors		-	(5,000)
		2,034,247	1,318,948

Notes to the Accounts
for the year ended 31 July 2011

	Notes	2011 £	2010 £
17. Debtors			
Amounts falling due within one year:			
Debtors		168,883	136,079
Prepayments and accrued income		1,092,339	953,391
HEFCE Matched Funding Debtor		245,595	66,150
		<u>1,506,817</u>	<u>1,155,620</u>
Amounts falling due after one year:			
HEFCE Matched Funding Debtor		-	776,251
		<u>1,506,817</u>	<u>1,931,871</u>

In 2010, the amount due after more than one year i.e. in year 3 of the HEFCE matched funding scheme, was expected to be £776,251. However, in 2011, significantly more was received and therefore the remaining amount due within one year is now less.

18. Creditors: amounts falling due within one year

Bank overdraft		-	152,173
Bank loans	19	162,750	162,750
Creditors		539,595	363,043
Balances with subsidiary undertaking		5,692	5,692
Social security and other taxation payable		251,012	234,556
Accruals		645,638	814,645
Deferred income		278,965	278,035
		<u>1,883,652</u>	<u>2,010,894</u>

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

In the 2011 and 2010 accounts, there were no material balances between the College and ABRSM as at the balance sheet date.

Notes to the Accounts
for the year ended 31 July 2011

	Notes	2011 £	2010 £
19. Creditors: amounts falling due after more than one year			
Bank loan		<u>2,319,188</u>	<u>2,481,938</u>
Analysis			
Due within 1-2 years		162,750	162,750
due 2-5 years		488,250	488,250
due after more than 5 years		1,668,188	1,830,938
		<u>2,319,188</u>	<u>2,481,938</u>

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

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

	Notes	HEFCE £	Other funding £	Total £
20. Deferred capital grants				
Balance at 1 August 2010		2,183,257	5,969,087	8,152,344
Cash received		-	900,000	900,000
Disposal of assets		-	(20,472)	(20,472)
Released to income and expenditure	1, 4	(117,491)	(352,259)	(469,750)
Balance at 31 July 2011	13	<u>2,065,766</u>	<u>6,496,356</u>	<u>8,562,122</u>

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

Notes to the Accounts
for the year ended 31 July 2011

	Notes	Restricted expendable £	Restricted permanent £	Unrestricted permanent £	Total £
21. Restricted and endowment funds					
Balance at 1 August 2010		103,765	19,351,832	2,829,696	22,285,293
New endowments/capital income		-	2,226,522	-	2,226,522
Gains in market value of investments	15	-	1,587,707	207,718	1,795,425
Capital movements		-	3,814,229	207,718	4,021,947
Income for year	5	856,645	888,275	89,879	1,834,799
Expenditure for year		(856,984)	(852,620)	(8,548)	(1,718,152)
Revenue movements		(339)	35,655	81,331	116,647
Balance at 31 July 2011		103,426	23,201,716	3,118,745	26,423,887
Purpose of fund balances:-					
Scholarships		3,263	20,833,048	-	20,836,311
Prizes		84,520	1,013,866	-	1,098,386
Junior Fellowships		-	922,452	-	922,452
Other		15,643	256,625	-	272,268
Instrument loans		-	175,725	-	175,725
Unrestricted use of income		-	-	3,118,745	3,118,745
Balance at 31 July 2011		103,426	23,201,716	3,118,745	26,423,887

The SORP requires restricted permanent funds to be split into capital and accumulated income. Work to verify the split on the Restricted Permanent Funds is ongoing and as such this presentation has not been adopted for the 2010 accounts.

The 2007 SORP requires donations to be recognised as income unless the donor states that the funds are to be retained for the benefit of the institution. Funds formally classified as 'general endowments' have been treated as unrestricted permanent funds whilst work was undertaken to establish the source and conditions of this balance. The College entered into discussions with the Charity Commission during 2011 to transfer the remaining unrestricted permanent fund to the accumulated revenue reserves of the College, as it is considered that items comprising the fund are unconstrained. These discussions are ongoing and is expected to be concluded in 2011.

**Notes to the Accounts
for the year ended 31 July 2011**

	Notes	Land and buildings £	Heritage assets £	Musical instruments £	Total £
22. Revaluation reserve					
Balance reported at 1 August 2010		4,175,596	895,000	2,722,513	7,793,109
Prior year adjustment - Heritage assets bought in at valuation in earlier years	13a	-	4,069,500	-	4,069,500
Balance restated at 1 August 2010		4,175,596	4,964,500	2,722,513	11,862,609
Disposal of assets Released in year	9	(110,208)	(38,500)	(226,303)	(264,803)
			-	(174,452)	(284,660)
Balance at 1 August 2011		4,065,388	4,926,000	2,321,758	11,313,146
	Notes			2011 £	2010 £
23. Accumulated Revenue Reserve					
Balance at 1 August 2010				15,344,666	13,363,184
Surplus from income and expenditure account				3,017,232	496,716
Increase in the value of fixed asset investments				830,877	989,189
Actuarial (loss)/gain on RCM pension scheme	26			(143,000)	215,000
Release from revaluation reserve	22			284,660	280,577
Balance at 1 August 2011				19,334,435	15,344,666
Analysis of accumulated revenue reserve carried forward:-					
Reserve before pension liability				21,516,435	17,611,666
RCM pension scheme liability	26			(2,182,000)	(2,267,000)
Reserve including pension liability				19,334,435	15,344,666

Notes to the Accounts
for the year ended 31 July 2011

	Notes	2011 £	2010 £
24. Reconciliation of operating surplus to net cash inflow from operating activities			
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and before and after tax.		3,133,879	661,250
Depreciation	9	1,257,438	1,236,915
Loss on the sale of fixed assets	13b	268,827	-
Deferred capital grants released to income	20	(490,223)	(470,767)
Investment income and interest receivable	5	(986,646)	(873,436)
Interest payable	11	146,049	149,157
Prior year addition to revaluation reserve	22	-	132,202
Decrease in debtors	16/17	412,550	562,126
(Decrease)/increase in creditors	16/18	(208,069)	7,611
Net cash inflow in the year from operating activities		3,533,805	1,405,058

	Notes	At 1 August 2010 £	Cashflows £	At 31 July 2011 £
25. Analysis of changes in net funds				
Cash				
Endowment assets				
Balances at investment managers	15	1,104,028	(278,100)	825,928
Other balances	16	1,261,406	697,795	1,959,201
College current assets				
Cash at bank and in hand		-	2,775,895	2,775,895
Balances at investment managers	14	275,989	(146,134)	129,855
College current liabilities				
Bank overdraft	18	(152,173)	152,173	-
		2,489,250	3,201,629	5,690,879
Financing				
Loan: Due within one year	18	(162,750)	-	(162,750)
Loan: Due after one year	19	(2,481,938)	162,750	(2,319,188)
Current assets investments		-	-	-
Cash on deposit		-	1,300,000	1,300,000
		(155,438)	4,664,379	4,508,941

The College's cash at bank and in hand of £2,344,521 is due to a fixed term deposit expiring on the 28th July 2011. These surplus funds were placed on deposit on 2 August 2011.

Notes to the Accounts
for the year ended 31 July 2011

26. Pension schemes

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

The Teachers' Pension Scheme (TPS)

Introduction

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

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

The Teachers' Pension Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

Notes to the Accounts
for the year ended 31 July 2011

26. Pension schemes (continued)

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

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

Universities Superannuation Scheme (USS)

The College participates in the USS, a defined benefit scheme which is externally funded and contracted out of the State Second pension (S2P). The assets of the scheme are held in a separate fund, administered by the trustee, Universities Superannuation Scheme Limited. USS has over 142,000 active members and the College has approximately 100 active members participating in the scheme.

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

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

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

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

Notes to the Accounts
for the year ended 31 July 2011

26. Pension schemes (continued)

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

Standard mortality tables were used as follows:

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

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

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

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

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

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

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

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

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

Notes to the Accounts
for the year ended 31 July 2011

26. Pension schemes (continued)

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2011 the actuary has estimated that the funding level under the new scheme specific funding regime has fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new re-valued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

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

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

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities.

Notes to the Accounts
for the year ended 31 July 2011

26. Pension schemes (continued)

This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers.

The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

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

The contribution rate payable by the College was 16% of pensionable salaries from 1 October 2009.

Notes to the Accounts
for the year ended 31 July 2011

26. Pension schemes (continued)

Royal College of Music Pension and Assurance Scheme, formerly The Legal and General Scheme

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

With effect from 1 August 2007, the College decided that the liability for future service for members of the Scheme should be provided by the University Superannuation Scheme. Currently the scheme has 59 pensioners and 130 deferred members (of whom 33 are current RCM employees).

A formal valuation of the RCM Pension Scheme was carried out and the shortfall is being recovered over a period of 4 years and 3 months. The College has made a contribution of £322,800 in 2010/11.

FRS 17

The following information is based upon a full actuarial valuation of the fund at 31 July 2011, by a qualified independent actuary.

	At 31 July 2011	At 31 July 2010	At 31 July 2009
Inflation - RPI	3.50%	3.40%	3.70%
Inflation - CPI	3.00%	2.90%	N/A
Rate of increase in salaries	4.50%	4.40%	4.70%
Rate of increase for pensions	3.50%	3.40%	3.70%
Discount rate for liabilities	5.30%	5.40%	6.00%

The assets and the expected rates of return were:

	Long-term rate of return expected at 31 July 2011	Value at 31 July 2011	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010	Long-term rate of return expected at 31 July 2009	Value at 31 July 2009
		<i>£'000</i>		<i>£'000</i>		<i>£'000</i>
Equities	7.50%	2,688	7.80%	2,535	8.00%	3,201
Bonds	5.30%	3,169	5.10%	2,875	5.40%	1,622
Cash	0.50%	421	0.50%	233	0.50%	25
Total market value of assets		6,278		5,643		4,848

Notes to the Accounts
for the year ended 31 July 2011

26. Pension schemes (continued)

	Years ended 31 July				
	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Market value of assets	6,278	5,643	4,848	4,957	5,155
Present value of scheme liabilities	8,460	7,910	7,463	5,922	6,507
Deficit in the scheme	(2,182)	(2,267)	(2,615)	(965)	(1,352)

The market value of assets is based on valuation statements as at 31 July 2011 provided by Legal and General, and the balance of the Trustees' bank account held with Barclays Commercial Bank. The value of scheme liabilities is based on the preliminary results of the actuarial valuation of the scheme as at 1 August 2007 adjusted to 31 July 2011 and further adjusted to take account of actual increases in pensionable earnings, deferred pensions and pensions in payment, allowance for the discretionary increase of 5.5% awarded on non-GMP pension earned before 6 April 1997 and material changes brought about by transfers into or out of the Scheme.

Analysis of the amount charged to income and expenditure account

	31 July 2011 £'000	31 July 2010 £'000
Service cost	-	-
Past service cost	48	8
Total Operating Charge	48	8

Notes to the Accounts
for the year ended 31 July 2011

26. Pension schemes (continued)

Analysis of net interest on pension liabilities

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Expected return on pension scheme assets	346	346
Interest on pension liabilities	(420)	(443)
Net interest	<u>(74)</u>	<u>(97)</u>

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

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Actual return less expected return on pension scheme assets	242	389
Experience gains and losses arising on the scheme liabilities	154	250
Changes in financial and demographic assumptions underlying the present value of liabilities	(539)	(424)
Actuarial gain/(loss) to be recognised in the STRGL	<u>(143)</u>	<u>215</u>

The cumulative actuarial loss taken to the STRGL since the formation of the scheme is £1,939.

Movement In deficit during the year

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Deficit in scheme at 1 August	(2,267)	(2,615)
Movement in year:		
Current service charge	-	-
Contributions	350	238
Past service costs	(48)	(8)
Net interest / return on assets	(74)	(97)
Actuarial gain or loss	(143)	215
Deficit in scheme at 31 July	<u>(2,182)</u>	<u>(2,267)</u>

Notes to the Accounts
for the year ended 31 July 2011

26. Pension schemes (continued)

Changes in present values of liabilities during the year

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Liabilities at 1 August 2010	7,910	7,463
Current service cost	-	-
Employee contributions	-	-
Interest cost	420	443
Actuarial loss (gain) on liabilities due to experience	(154)	(250)
Actuarial loss (gain) on liabilities due to assumption changes	539	424
Benefits paid	(303)	(178)
Past service cost	48	8
	<hr/>	<hr/>
Liabilities as at end of the year	8,460	7,910

Changes in the fair value of assets during the year

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Fair value of assets as at the start of the year	5,643	4,848
Expected return on assets	346	346
Actuarial gain (loss) on assets	242	389
Contributions by the College	350	238
Contributions by the members	-	-
Benefits paid (including expenses)	(303)	(178)
	<hr/>	<hr/>
Fair value of assets as at the end of the year	6,278	5,643
	<hr/>	<hr/>
Actual return on assets	(587)	735

Notes to the Accounts
for the year ended 31 July 2011

26. Pension schemes (continued)

History of Experience Gains and Losses

	2011	2010	Years ended 31 July		2007
			2009	2008	
Difference between the expected and actual return on assets	£242,000	£389,000	£(483,000)	£(597,000)	£(30,000)
% of scheme assets	3.9%	6.9%	(10.0%)	(10.1%)	(0.6%)
Experience gains and losses on scheme liabilities	154,000	250,000	(623,000)	1,126,000	67,000
% of scheme liabilities	1.8%	3.1%	(8.3%)	19.1%	1.0%
Total amount recognised in TRGL	£(143,000)	£215,000	£(1,734,000)	£302,000	£593,000
% of scheme liabilities	(1.7)%	2.7%	(23.2%)	5.1%	9.1%

Employer's and employees' total contributions

	Year ended 31 July 2011 £	Year ended 31 July 2010 £
Contributions to TPS	443,955	464,192
Contributions to RCM Pension Scheme	322,800	212,573
Contributions to USS	742,626	719,551
Total	1,509,381	1,396,316

A gain of £85,000 arises from a change in the FRS 17 (Retirement Benefits) actuarial assessment for the Royal College of Music Pension and Assurance Scheme.

Notes to the Accounts
for the year ended 31 July 2011

	Notes	2011 £	2010 £
27. Access funds			
Balance at 1 August 2010		155	469
HEFCE grants		6,373	6,903
		<hr/>	<hr/>
		6,528	7,372
Disbursed to students		(6,280)	(7,010)
Administration charge		(191)	(207)
		<hr/>	<hr/>
Balance at 31 July 2011		57	155
		<hr/> <hr/>	<hr/> <hr/>

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

The above balances are included in current creditors.

28. Capital commitments

As at 31 July 2011 the College had capital commitments of £7,560 (2010: £19,536). This was in respect of thermostatic radiator valve installation. The College will meet these commitments from normal operating activities and the reserves of the College.

29. Financial commitments

At 31 July 2011 the College had commitments under non-cancellable operating leases as follows:

	2011 £	2010 £
<u>Land and buildings</u>		(restated)
Expiring between one and five years	40,620	40,620
Expiring in over five years	1,005	1,005
	<hr/>	<hr/>
	41,625	41,625
	<hr/> <hr/>	<hr/> <hr/>
<u>Other Operating Leases</u>		
Expiring between one and five years	59,383	58,145
	<hr/> <hr/>	<hr/> <hr/>

30. Related party transactions

As far as the College is aware, there were no related party transactions during the year, other than normal transactions with the Associated Board of the Royal Schools of Music.

Notes to the Accounts for the year ended 31 July 2011

31. Share of net liability of associate

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

The College's 25% share of the results of ABRSM for the year ended 31st January, which is not consolidated in the 2011 accounts, are set out below:-

	Notes	2011 £	2010 £
Total income		8,917,750	8,187,500
Net income, after deducting charitable donations		344,250	242,000
Fixed Assets		323,000	295,250
Current Assets		4,264,750	3,514,500
Liabilities due within one year		(3,081,250)	(2,640,500)
Liabilities due after more than one year		-	(12,000)
Net assets before pension liabilities		1,506,500	1,157,250
Net pension liability		(1,389,500)	(2,411,500)
Net liabilities after pension fund deficit		117,000	(1,254,250)

32. Post balance sheet events

There are no post balance sheet events to report.