

RCM Annual Review and Financial Statements

2012/13



Front cover – photograph taken by Mr Chris Christodoulou HonRCM

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Her Majesty The Queen

President

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

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The Most Revd and Rt Hon the Lord Archbishop of York

The Rt Hon the Lord Mayor of London

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Mr Michael Gough Matthews HonDMus FRCM (Appointed 1997), Deceased 11 April 2013

Lady Middleton FRCM (Appointed 2004)

Mr Humphrey Norrington OBE FRCM (Appointed 2004)

Dame Janet Ritterman DBE (Appointed 2005)

Mr Ian Stoutzker CBE FRCM (Appointed 1999)

Sir David Willcocks CBE MC FRCM (Appointed 1982)

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Professor Lord Winston

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Mrs Jane Barker

Deputy Chairman and Chairman of Finance and General Purposes Committee

Mr Nicholas Ward

Honorary Treasurer and Chairman of Investment Committee

Mr Richard Price

Chairman of Audit Committee

Mr Nigel Woolner

Chairman of Estates Committee

Lord Black of Brentwood

Mr Andrew Haigh

The Hon Richard Lyttelton

Mr Julian Metherell (Appointed March 2013)

Dr Munira Mirza

Ms Gillian Moore MBE FRCM

Mr John Nickson

Mrs Victoria Sharp

Ms Alethea Siow

Mr Rhoderick Voremberg

Mr Bob Wigley (Appointed March 2013)

Ex-officio or elected

Professor Colin Lawson FRCM (Director)

Professor Vanessa Latache FRCM (Professor)

Mr Ashley Solomon HonRCM (Professor)

Miss Ann Somerville (Administrative staff)

Mr Pablo Ortiz de Urbina (Students' Association: July 2012)

Clerk to the Council

Mr Kevin Porter HonRCM (Deputy Director)

Finance and General Purposes Committee

Mrs Jane Barker (Chairman)

Professor Lord Winston

Lord Black of Brentwood

Professor Colin Lawson FRCM (ex officio)

Mr Nicholas Ward

Mr Nigel Woolner

Audit Committee

Mr Richard Price (Chairman)

Mr Jeremy Heap

The Hon Richard Lyttelton

Mr Paul Mason

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Royal College of Music

Annual Review and Financial Statements 2012/13

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Chairman's message

The Royal College of Music continues to thrive, in spite of the uncertain economic environment, and in 2012/13 we took a leading role in Conservatoires UK promoting the importance of conservatoire education nationwide. This case was strongly supported in the press with the Guardian newspaper asserting that government ministers have a 'responsibility to ensure future generations can enjoy music and dance' when considering university funding cuts:



'In their off-duty lives, George Osborne and Vince Cable appreciate the value of music. Both of them know that musicians and dancers need to be trained to reach the top. They also know that young artists need specialist conservatoire training which is, by its very nature, expensive... They know that conservatoire funding is under threat because the Higher Education Funding Council for England has had its cash cut by 16% since 2010 and is now reviewing whether to continue the special funding on which conservatoires depend. The government accepts that conservatoires are unique institutions - close them and there is nowhere else for students to go. So Mr Osborne and Mr Cable also have a unique responsibility to ensure thriving conservatoires so that future generations can enjoy the music that has enriched their own lives.'

I'm pleased to report that our rationale for specialist funding for conservatoires was accepted by government, with funding continuing for at least the next three years.

During the year I was able to bring my passion for music to the airwaves; my BBC radio series 'The Science of Music', covered topics ranging from music's evolutionary origins to the physics behind what we hear. The series presented informative conversations with music and science experts including the RCM Director, Professor Colin Lawson, and Professor of Performance Science, Aaron Williamon. The RCM also featured prominently in David Starkey's recent BBC television series 'Music and Monarchy', with the final episode focused on the 19th and 20th century revival of British music, in which the RCM played a crucial role.

Since our establishment in 1882 we have recognised the importance of scholarships in transforming the lives of young gifted musicians and we continue to be at the forefront of scholarship giving. The RCM Council has set a target to increase, by 2017, scholarship awards by £900,000pa and I am pleased to report that in 2012/13 we awarded £1.9 million, which was £288,000 more than 2011/12.

My chairmanship of the RCM Council is greatly enhanced by the valuable input and support of Council members and, this year, we welcomed Julian Metherell and Bob Wigley as new members. I must also thank the outgoing Students' Association President, Pablo Ortiz de Urbina for his outstanding work; I wish him well with his continued studies at the RCM.

Professor Lord Winston

A handwritten signature in black ink, which appears to read 'P. Winston'. The signature is written in a cursive, slightly slanted style.

Chairman

27 November 2013

Director's report

It was another year of achievement at the Royal College of Music and I am pleased to relate that our graduates continue to be among the most employable in the sector, with 98% of our graduates finding employment or moving into further study, the fourth highest across 152 universities.

One of the year's highlights was the RCM Symphony Orchestra's performance of Messiaen's *Turangalila-Symphonie* at the **Royal Festival Hall**. The concert was performed to an enthusiastic packed house as part of the '*Rest is Noise*' festival an RCM concert series featuring Messiaen's music.



In May, HRH The Prince of Wales celebrated 20 years as RCM President by endorsing a new honour, *The President's Award*, which he presented in person at the RCM's annual awards ceremony. The *Award* honours a student for outstanding work in the community and was presented to Irish percussionist **Ruairi Glasheen**, for his work on the RCM's Sparks Juniors programme.

In February Vladimir Ashkenazy returned to the College to conduct the RCM Symphony Orchestra in a performance of Rachmaninov's Symphony no 2. The concert sold out in just 48 hours, but all those who missed out on a ticket were able to enjoy the performance through a live online broadcast via the RCM website.

For the first time we also broadcast our Graduation Ceremony; with graduands from more than 60 countries, this gave a unique opportunity to families and friends around the world to share in this special day. We also held our first overseas graduation ceremony, when our collaborative BMus degree with Nanyang Academy of Fine Arts graduated its first cohort of students. RCM Deputy Director, Kevin Porter, attended the ceremony in Singapore to confer RCM degrees - we are the only conservatoire in the world with a collaborative degree with an overseas partner.

In April, we were very sad to learn of the death of Michael Gough Matthews, RCM Director from 1984 to 1993 and a student of the RCM from 1939. Michael was loved and respected by students and staff alike for his kindness and generosity of spirit and his legacy is still much in evidence today.

In July, Stephen Fry directed our students in an informal presentation of scenes from his opera '*The Life to Come*'. Stephen tweeted '*having fun workshopping my operatic version of Forster's 'The Life to Come' - the students are stupendous*'. I never cease to be amazed by the musical impact made by our students and graduates, whether on stage, in competition or in their community. Our gifted and hardworking students and staff are a source of great pride to the RCM and I look forward to celebrating their further achievements in the coming year.

Professor Colin Lawson

A handwritten signature in cursive script, appearing to read 'Colin Lawson'.

Director

27 November 2013

Financial review

A sustainable future

Financial results for 2012/13

The College made a surplus of £1.6 million, which exceeded our target of 3% of turnover. As in previous years our surplus was inflated by one-off items, however, even excluding one-off items the surplus was still £1.3 million, which is a reflection of the success of our Sustainability Strategy.

	2013 £000s	2012 £000s	2011 £000s	2010 £000s	2009 £000s
Income excluding one off items	20,190	18,864	19,010	17,663	16,783
Expenditure	(18,473)	(17,693)	(17,040)	(17,001)	(17,024)
Surplus scholarship fund income transferred back to endowments	(439)	(402)	(117)	(165)	(292)
Surplus/(deficit) before one-off items	1,278	769	1,853	497	(533)
One-off items					
Albert Frost Legacy	-	468	500	-	-
Donated musical instruments	143	347	-	-	-
ABRSM	-	-	250	-	-
Donations/legacies	158	-	414	-	-
HEFCE matched funding	-	-	-	-	1,350
Retained surplus for the year	1,579	1,584	3,017	497	817

Sustainability Strategy

The RCM Sustainability Strategy 2010 to 2013 had three overriding targets:

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

We have achieved all three targets: surpluses at 3% or more (*for each of the last three years*); cash at 178 days (*at 31 July 2013*) and capital budgets increased by £200,000 pa (*since 2009*).

The RCM's retained surplus for 2012/13 was £1.6 million and the main changes from 2011/12 were:

- funding council grants fell by £315,000 because of cuts in public expenditure;
- UK/EU student fee income rose by £616,000, mainly due to UK government policy increasing annual undergraduate fees from £3,375 to £9,000;
- overseas student fee income rose by £343,000, reflecting both higher fee and recruitment levels;

- although other operating income fell by £368,000, this was mainly a reflection of one-off legacy donations received in 2011/12; income from trading activities rose by £132,000 (an increase of 10%);
- income from restricted donations and investments rose by £404,000 and related expenditure on scholarships and bursaries increased by £288,000;
- staff costs rose by £466,000, reflecting: the annual cost of living increase (1%); incremental salary increases; and additional teaching hours needed to support increased student numbers.

In July 2013 the RCM Council agreed an updated Sustainability Strategy, with new targets:

- maintain operating cash in range of 60 to 120 days (c£3 to £6 million);
- achieve a five-year rolling average surplus of £300,000;
- invest £1 million pa in approved infrastructure strategies;
- achieve 60% of fees for Senior College by 2017, from RCM scholarships, the Student Loans Company and US Stafford loans.

These new targets will allow us to more closely align our Financial Sustainability Strategy with the RCM Strategic Plan 2007 to 2017.

Staff

The RCM's teaching is undertaken mainly by hourly-paid professional musicians who provide one-to-one tuition for their students, with administration undertaken in the main by permanent full-time staff. The total full-time-equivalent number of staff was 181 during the year compared with 171 for the previous year.

The RCM is part of a national pay framework, with pay awards negotiated, on behalf of the RCM, by the Universities and Colleges Employers Association (UCEA). The national pay settlement for 2013/14 is still to be agreed and UCEA have tabled a 1% pay offer on all spine points effective from 1 August 2013; this was rejected on behalf of employees by the trade unions.

Reserves

The accumulated revenue reserve of £26.4 million is the accumulated surplus generated from RCM activities, which is unrestricted in its use and available for the benefit of the College. These reserves are maintained to support our pension and other long-term liabilities and provide for capital projects not funded by donations. In recent years we have built up reserves in order to:

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

In 2012/13, we resolved outstanding issues relating to our unrestricted permanent funds; this resulted in £3.6 million being released into our revenue reserve.

The restricted and endowment fund of £28.8 million comprises donations with restrictions on the use of capital and income. After transferring £3.6 million to our revenue reserve (*see above*), this fund increased by £2.9 million during the year.

The revaluation reserve (£10.4 million) relates wholly to land and buildings, heritage assets and musical instruments held by the RCM for the purposes of our 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 RCM's investment portfolios. There are three funds:

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

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

In 2012/13, the total value of investments increased by £3.7 million. The General and Scholarship Funds outperformed against their benchmarks with returns of 14.5% and 13.2% respectively (*benchmarks 12.1% and 11.1%*). Long-term performance was also healthy with three-year returns at 10.7% and 10.6% (*benchmarks 9.9% and 9.8%*), and ten-year returns of 8.5% and 8.6% (*benchmarks both 8.2%*).

The value of and income from investments are important to the RCM's sustainability. They provide a source of income for scholarships and general expenditure and are a source of capital for capital projects.

Treasury policy

The RCM Council approved an updated Treasury Management Policy in 2012. During the year there was a net cash inflow from operating activities of £939,000 (£1.3 million, 2011/12) and a reduction in total cash of £2.4 million (*increase £710,000, 2011/12*); a major factor behind cash reduction relates to £2.3 million held as cash in our Scholarship Investment Fund at 31 July 2012; £1.8 million of this cash was transferred to long-term investments in the year. During the year current assets held as cash (*at bank and on deposit*) increased from £5.9 million to £8.3 million.

In 1994, the RCM purchased College Hall (student accommodation) with loan finance from the Royal Bank of Scotland. The outstanding loan balance is £2.2 million at a fixed interest rate of 5.3%, with 13 years remaining. This is charged to a general covenant on the RCM. It is not intended currently to enter into any further loans.

Funding of capital expenditure

In 2011/12 the RCM Council considered *the Courtyard* Feasibility Report and approved the fundraising campaign budget to raise funds to develop the

Courtyard. *The Courtyard* project incorporates refurbishment of the South Building and this element of the project will commence in 2013/14.

In 2012/13, our plans to redevelop student residential accommodation at College Hall progressed. Following a tender, the RCM Council appointed Campus Living Villages (CLV) as our preferred development partner. The RCM intends to grant CLV a 46 year lease on College Hall; in return CLV will demolish existing buildings and construct new student accommodation which they will operate, on behalf of the RCM, for the duration of the lease. A planning application was submitted, after the year end, in October 2013 and if successful, construction will commence in July 2014. During the year we also agreed a project to refurbish the Concert Hall Organ, with the intention of completing this project in 2016.

In September 2012, we terminated the lease on our Kensington Square offices and relocated staff from that site to refurbished and reconfigured open-plan accommodation at the Prince Consort Road campus.

We have planned for smaller surpluses in the years to 2017 as we undertake these major infrastructure investment programmes.

Charities Act 2006 and principal regulator

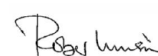
In 2010, as a result of the Charities Act 2006, the HEFCE became the principal regulator of those English higher education institutions (HEIs) that are exempt charities. All but 18 HEIs fall into this category and the HEFCE is expected to promote charity law compliance by the exempt charities for which they are responsible. Nineteen HEIs, including the RCM are registered charities and monitored and regulated as charities by the Charity Commission; this is in addition to, and may duplicate elements of, the HEFCE's own accountability oversight.

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

Conclusion

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

Professor Lord Winston



Chairman

27 November 2013

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 set out in the 1883 Charter:

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

Strategic Plan

The RCM Strategic Plan 2007 to 2017 identifies priority areas: *access to an inspirational learning experience; artistic vision; research and innovation; communications; people; technology; estate; finance*. To realise the Plan, these priorities are supported by detailed strategies and key performance indicators against which we measure progress and report to the Council. In setting objectives and planning activities the Council gave careful consideration to the Charity Commission's guidance on public benefit. In 2012/13, the Plan was reviewed and revised to reflect evolving priorities and changing external environment. Major initiatives during the second half of the period 2012 to 2017 will include:

- Courtyard development: the museum and percussion suite will be demolished to make way for a new development including two new recital halls, a new percussion facility, integrated RCM Museum of Music and visitor concourse. There will be an associated fundraising programme to raise £30 million (*£25 million plus £5 million for scholarships*);
- College Hall development: a programme of new-build will extend and modernise College Hall, funded by means of a commercial partnership;

- major review of pre-18 provision: to integrate Sparks Juniors, Sparks and Junior College and enhance access and progression;
- review of marketing and communications: to maximise our impact at national and international level, maintaining and enhancing our profile as a natural first choice for students and staff from around the world.

Towards the end of the five-year planning cycle a new Strategic Plan will be developed for the period beyond 2017.

Outlook for 2013/14

The economic outlook continues to be uncertain and there will be further public spending cuts over the life of the coalition government. The RCM is determined to achieve a sustainable surplus and has set targets for income, savings and surplus as a percentage of turnover. Targets for 2012/13 were exceeded and a new Financial Sustainability Strategy was agreed for the period to 2017. The five-year financial forecasts were updated in July 2013, and these were tested using sensitivity analyses for a range of potential risks. Set against an uncertain economic background, acceptances to study at the RCM in 2013 are higher than ever, as were registrations for 2012/13.

HEFCE conducted a review of *'institutional specific targeted allocation'* which recognised additional high costs associated with study at music conservatoires, and committed to continue this funding until at least 2015.

Principal risks and uncertainties

The RCM's Risk Management Strategy and related policy sets out respective roles for Directorate, Council, Finance and General Purposes Committee and Audit Committee in managing risk. It also outlines key controls and our approach to risk management.

The Risk Register identifies key risks, likelihood of occurrence, potential impact and actions being taken to reduce and mitigate risks, which are prioritised using a consistent scoring system. The Register is reviewed annually by the Directorate and monitored and up-dated throughout the year with an annual risk management report presented to all committees involved in managing risk. The following risks are currently scored as high:

- failure to achieve overseas student number targets and/or loss of UKBA Highly Trusted Sponsor status; and
- loss or reduction of ABRSM donation (*following concerns about a significant liability that has arisen in connection with certain aspects of ABRSM's activities which are still unresolved*).

The RCM receives an annual HEFCE assessment of institutional risk. Along with most HEIs, we continue to be assessed *'not at higher risk'*.

Inspirational teaching

Equipping the complete musician

Programme Development

In 2012/13 the Royal College of Music reviewed its BMus and Artist Diploma programmes.

The BMus review involved staff and students, heads of faculty and professors in a re-evaluation of the relationships between principal study, faculty-led provision, and the academic curriculum. The crucial balance between core requirements, student-based options, and extra-curricular activity requires the RCM to refine and review its assessment processes and manage the student experience clearly and flexibly. To this end the BMus programme team and the ICT department worked together to develop an on-line system of personal portfolios, which allow students to chart and reflect on the rich range of experiences provided by their programme. The BMus review also clarified areas in which we can offer distinctive resources to the '*complete musician*', including ensemble performance, applied skills, music in context and contemporary music, all of which relate to areas of the RCM Artistic Strategy and our Learning, Teaching and Enhancement Strategy.

A comprehensive programme portfolio is vital for providing students with advanced entry into the profession and the Artist Diploma review approved:

- a new level 8 programme focussing on chamber music skills to supplement the current Artistic Diploma programmes in Performance and Opera; and
- Artist Diploma programmes in Composition and Animateurship (*from September 2014*).

In 2012/13 we also completed a curriculum enhancement project on dissemination of good chamber music practice.

Faculty Development

In 2012/13 we reviewed the Vocal Faculty and the Percussion Faculty.

The Vocal Faculty review considered a range of issues, including aspirations to extend the College's vocal repertoire reach to areas like Music Theatre and Jazz.

The Percussion review explored how we might: expand the range of student career options whilst maintaining our core focus on orchestral skills; develop professional experience for students through collaborative outreach projects, concerts events and external roadshows; and make greater use of the SPARKS Learning and Participation Programme and Woodhouse Professional Development Centre. Further discussion of the potential for integrating the SPARKS and Woodhouse Centre into faculty and programme provision will be included in the Masters programmes' review, planned for 2013/14.

Musical performance

Bringing the notes to life

The Royal College of Music's performance profile continues to develop, and opportunities for coherent programming and thematic linkage are a key feature. In the last year we have seen:

- London Calling: celebrating music created in and influenced by the capital;
- a celebration of the music of Olivier Messiaen;
- the Lutoslawski Festival in conjunction with the Philharmonia Orchestra;
- Orchestral performance with Sir Roger Norrington highlighting treasures from the RCM Collections.

The autumn featured a wide range of concerts under the theme '*London Calling*': '*London*' symphonies by Haydn and Vaughan-Williams were conducted by Christopher Hogwood and Sian Edwards. The RCM Chamber Choir, fresh from their success at the Golden Jubilee River Pageant, presented a programme entitled '*A Garland for the Queen*'. The RCM Big Band performed the best of British Cabaret, and the RCM Symphony Orchestra and Chorus lifted the roof with Walton's *Belshazzar's Feast*.

The spring began with an anniversary concert of Stravinsky's *Rite of Spring*, including the original four-hand piano version. The RCM collaborated once again with the Philharmonia Orchestra in a celebration of the music of Witold Lutoslawski '*Music begins where words end*'. Chamber concerts at the RCM and the Purcell Room were complemented by the RCM Symphony Orchestra performing at the Queen Elizabeth Hall. A specially devised drama by Iain Burnside on the music of Benjamin Britten and the life of the poet Rimbaud displayed the dramatic talents in the vocal faculty, which was also showcased in two new dramas on the music of Jonathan Dove and of Francis Poulenc. Visits from Vladimir Ashkenazy and Sir Roger Norrington brought remarkable performances from our orchestras.

In the summer term, as part of the South Bank Centre's '*The Rest is Noise*' Festival, the RCM Symphony Orchestra gave an exuberant performance of Messiaen's *Turangalila-Symphonie* at the Royal Festival Hall. Further performances of Messiaen's works, including the Quartet for the End of Time, took place at the Cadogan Hall and at the RCM. The RCM International Opera School rounded off an active year with a vivacious performance of Offenbach's *La vie Parisienne*.

Alongside these larger scale performances, the RCM continued its wide-ranging concerts of solo and chamber music, both at the College and beyond. Major festivals in the year included the five-day keyboard festival, Super String Sunday, the RCM Festival of Percussion and the International Festival of Viols.

Many concerts are recorded and streamed live, and are available on-line as essential tools for students to use and review as part of their total learning.

Research and innovation

Enhancing the research environment

Collaborative partnerships

The Royal College of Music continues to extend its research collaborations, working closely with museums (*for example: a joint exhibition on Music, Science and Technology with the Science Museum*), with concert organisations (*including, the South Bank Centre's 'The Rest is Noise' festival*) and with other universities. In January, we led a consortium of conservatoires on Arts and Humanities Research Council (AHRC) research studentships and research training. The Centre for Performance Science (CPS) continues to go from strength to strength and during the year worked with the AHRC Centre in Musical Performance as Creative Practice and the Institute of Musical Research. CPS also organised the 2013 International Symposium of Performance Science in Vienna.

Externally funded projects

In 2012/13, we submitted two successful research funding applications to the AHRC:

- *Musical Impact*: a cross-conservatoire study of health and well-being among musicians, led by the RCM; and
- *Mutual Recovery*: a collaborative project with the medical department of Nottingham University to study the impact of music on mental health.

These projects have facilitated new research appointments, enhancing further our critical mass of researchers in the CPS and we are currently awaiting the outcome of three further research bids submitted in collaboration with the Science Museum. The cohort of doctoral students attached to CPS also increased over the year.

RCM Collections are an important resource for performance practice research and in 2012/13 we commenced a project to edit and perform the piano concertos of William Sterndale Bennett. This project will be linked to Grove Forum events and will be part of our programme of temporary exhibitions at the RCM Museum of Music; such exhibitions provide a forum to disseminate Collections-based research to the performance community within the RCM, the UK and internationally.

Preparation for submission to the *Research Excellence Framework (REF)*

The REF is due for completion in 2014 and the RCM will submit examples of its research excellence across the fields of composition, performance practice, musicology and performance science. It will also present the 'impact' of its research on audiences, the profession, and the wider educational environment.

Celebrating success

Shining examples

In our endeavour to help exceptionally talented students achieve their full potential we treat each as a unique musician. We help each student to develop a sense of direction and provide the means for each to transform his or her dreams into reality, and a livelihood.

Success at the RCM takes many different forms, from a small improvement discerned in an aspect of technique to the light-bulb moment which catapults a performer to international recognition. Each RCM student has individual successes to report, some very personal, others more public. We celebrate them all.

Royal Over-Seas League

RCM Baritone Morgan Pearse won the coveted Gold Medal and First Prize at the Royal Over-Seas League Competition Final. Winners of the four solo awards competed for the top prize including RCM violinist and winner of the string section Michael Foyle. Other notable wins for the RCM included The Françoise-Green Piano Duo, winners of the Ensemble Prize, and Jennifer Hughes who was awarded the Accompanist Prize for her performances in both the Wind and Singer's sections of the competitions.

Honens International Piano Competition

RCM Pianist Pavel Kolesnikov won the highly prestigious First Prize Laureate Award at the finals of the Honens International Piano Competition in Canada. In addition to a lucrative money prize, Pavel was awarded a three-year artistic and career development programme which included worldwide representation and a recording on the Hyperion label.

Composition collaborations and successes

RCM composers continued to reap success and push the boundaries in projects within and outside the RCM. Arne Gieshoff was awarded the coveted Royal Philharmonic Society Composition Prize while John Chua won the European Talent Award at the Soundtrack-Cologne 9.0. College composers also provided the soundtrack to a sculpture exhibition at the Royal British Society of Sculptors and collaborated with the English National Ballet to create a series of new pieces to be performed at The Place. Additionally composition for screen composer Pierre O'Reilly organised the largest film-scoring session undertaken in the RCM with a 70 strong session orchestra of RCM musicians recording music for two short films.

Employability

Taking the lead

The Woodhouse Professional Development Centre is the RCM's flagship careers department. It offers bespoke career advice, guidance, referrals, resources and a broad spectrum of professional opportunities to students and graduates (for up to five years after graduation). Services include one-to-one CV and careers sessions, student/graduate job bulletins and regular workshops led by industry specialists. It also offers advice on self-promotion and marketing and access to professional contacts. These services help to prepare our students and graduates for a successful and lifelong career in music.

Musicians wishing to work with the Centre attend an audition and interview, at which they must demonstrate high levels of professionalism in their specialist area and also in their organisation, communication, presentation and flexibility. Upon successful application, concert opportunities are provided at numerous venues, including some of London's most prestigious churches, galleries, museums and concert halls. The diverse nature of the opportunities enhances performance and programming experience and helps to establish a reputation, profile and artistic identity as a professional musician. In 2012/13, 233 musicians undertook concert performances at such notable venues as St. Martin-in-the-Fields, Steinway Hall and Fairfield Halls.

The Centre's unique and creative music/art collaboration with the National Gallery continued to flourish and, in addition to regular concerts, the series featured:

- an innovative composers project - linked to a Barocci exhibition; and
- an historic electronic sound and string-ensemble performance, which was reported in the national press.

The Centre also manages a thriving professional engagements service. Musicians are hired by organisations and individuals to perform at events or to work as freelance orchestral and session players, accompanists, repetiteurs, chorus members and composers. Fees and contracts are negotiated by our specialist team to ensure they are in-line with industry standards. Last year, 530 different musicians gained opportunities through the concerts' and professional engagements' services; more than 600 performances, generating £150,000.

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

Ensuring fair access

Removing barriers

Drawing on the vision of Prince Albert for the advancement of the Arts and Sciences, the Royal College of Music's Strategic Plan 2007 to 2017, outlines our vision for providing access to an inspirational learning experience for the widest possible range of students.

The College believes the area for most effective investment is outreach activity delivered by RCM Sparks and our activities support study in music and other subjects. Evaluation of our programme shows that young people engaged in sustained activity with the RCM are more confident in a university environment, particularly if their families had no previous higher education experience. Most participants also demonstrate increased level of skills and feel more comfortable working in teams.

In September 2012 the Royal Albert Hall hosted the launch of the new Tri-borough Music Hub, supported by Arts Council England. The Hub comprises three strategic partners, the RCM, the Royal Albert Hall and the Aurora Orchestra, who will provide music services to children in three London boroughs: Kensington and Chelsea, Hammersmith and Fulham and Westminster. These six partner organisations will ensure that every child aged 5-18 has the opportunity to sing and learn a musical instrument, to develop their skills, and to play with other children as part of an ensemble or choir, either through their own projects or through those of the partners within the Hub.

The launch evening featured an appearance by *Tir Eolas*, founded at the RCM by four students. In attendance were head teachers and music teachers from some of the 150 schools across the three boroughs, all of whom will benefit from the new Hub. Chris Cotton, CEO of the Royal Albert Hall said:

'We see it as a great responsibility to be involved in strategically planning music education in schools and, alongside the Royal College of Music and Aurora Orchestra, we are extremely honoured to have been appointed in this role. One of our key aims is to inspire, influence and champion the future of music in the UK and we believe we can make a real difference and offer further arts education to schools in our surrounding boroughs. We look forward to developing some inspiring education programmes.'

The RCM's contribution to the Tri-borough Music Hub will be provided by RCM Sparks, building on our existing partnership with the Royal Albert Hall; we are already working in collaboration to deliver a series of thrilling educational projects based on film events held at the Royal Albert Hall.

Learning for all

Including everyone – RCM Sparks and Junior Department

RCM Sparks is the Royal College of Music's ground-breaking learning and participation programme, providing opportunities for everyone to make or learn about music. In 2012/13 RCM Sparks worked with more than 3,500 members of our local community and trained 150 RCM students in more than 50 events. RCM Sparks workshops offer inspirational learning experiences for all; there are free or subsidised places available to all children (*and their families*) who: are eligible for free school meals; live in local authority or foster care; or live in social housing.

In 2012/13, RCM Sparks enhanced its strategic partnership with the Royal Albert Hall to offer innovative learning and participation activities for young people and families. The unique combination of education expertise and diverse concert programming allows us to offer exciting and engaging activities and access to two iconic institutions.

The RCM Junior Department's (RCMJJD) mission is to offer an inspirational learning experience for all, regardless of financial means and we offer advanced training at the highest level to young musicians aged 8 to 18. The RCMJD delivers individually tailored one-to-one tuition for instrument, voice and composition and this is supported by our chamber music, orchestra, choir and musicianship programmes. Entrance to RCMJD is by competitive audition and we aim to ensure that successful applicants are not prevented from attending because of financial hardship; in 2012/13 we provided more than £200,000 of bursary support.

RCMJJD students participated in more than 80 concert performances throughout 2012/13 and these included performances at the Royal Albert Hall's Elgar Room, the Carpenter's Hall, the Beaumaris Festival in Wales and the Spivakov Festival in Moscow. The year culminated with a well-received concert at the Cadogan Hall.

Sparks Juniors is in its fourth year and eight students 'graduated' from the scheme and joined an extension programme. The 2012 cohort saw the entry of four mini tuba and trombone players; they will receive instrumental lessons and attend choir, musicianship and practical musicianship classes.

His Royal Highness The Prince of Wales celebrated 20 years as President of the Royal College of Music by endorsing a brand-new honour, *The President's Award*, which he presented in person at the RCM's annual awards ceremony in May. The new *President's Award* honours a student for outstanding work in the community and was presented to young Irish percussionist Ruairi Glasheen, now completing a Masters at the RCM, who has been mentoring children from schools where high numbers are eligible for free school meals as part of the RCM's Sparks Juniors' programme. The Ceremony included a concert performance by Ruairi and children from the Sparks Juniors' programme.

Fundraising

Transforming lives

The Royal College of Music's income comes mainly from government grant, tuition fees and trading activities. This does not cover all our costs and we are increasingly reliant on a valued family of supporters for fundraised income. This is especially important in the current economic environment and with cuts in government grants. Last year, our Development department raised £1.1 million in donations and sponsorships (*£889,000 in 2011/12*), £445,000 from legacy gifts and £1.1 million in endowment investment income. This allowed us to award £1.9 million in scholarships (*£1.6 million in 2011/12*), which goes some way to meeting our target to increase scholarship awards to £2.5 million per annum by 2017.

Scholarships transform the lives of young, gifted people in a profound way and the RCM is at the forefront of scholarship giving. In 2012/13, we provided financial support to more than 380 students (*45% of our students*). We believe that no musician should be forced to relinquish an RCM place because of financial constraint and we increased our efforts to increase the number of scholarships. This year we are delighted to welcome new supporters including the Kiri Te Kanawa Foundation, Andrew and Karen Sunnucks, Lark Insurance, Russell Race and Richard Ward. For our generous donors, supporting a scholarship is an ideal way of getting to know students and to see, first-hand, the fascinating process of professional development that RCM scholars experience.

The RCM's annual gala fundraiser, the Soirée d'Or, was again held at the Raphael Gallery and included a stellar performance from RCM alumnus Sir James Galway. Its tremendous 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 was a vital boost to the RCM Scholarship Fund.

We were delighted to welcome an increasing number of individuals and charitable foundations as major donors, supporting particular areas of our work which help transform the lives of young people. External funding to RCM Sparks, our acclaimed learning and widening-participation programme, reached £100,000 per annum, including new support from the Hedley Foundation, the Stanley Foundation and John Lyon's Charity.

We now have more than 500 RCM Friends and we appreciate their enthusiastic attendance at concerts, recitals and masterclasses. In early 2013 we relaunched our Patron programme as *Circles for Excellence*; this growing community of loyal individual supporters give more than £1,000 per annum and a Patrons Committee was established to ensure that numbers continue to grow.

Since our foundation we have valued the financial support we receive from donations and legacies which have helped cement our internationally acclaimed institution. To all of the generous people and organisations that help us, we express our sincerest gratitude, there are far more than we have space to mention. Your support will have a lasting impact on the future of classical music in this country and beyond and we are immensely grateful for your continuing commitment to the RCM.

Equality and opportunity

Committed to fairness

The Royal College of Music is committed to its equal opportunities policy. As a leading British conservatoire, we provide musical education and professional training at the highest international level in order to meet the aspirations of as many as possible of those who have the ability and motivation to benefit. Students and staff are recruited on musical merit, ability and potential and we seek to ensure that no student, member of staff or visitor to performances and other events is subjected to unfair discrimination. In order to ensure consistency across all departments responsibility for equal opportunities across the RCM lies with the Student Services Manager and equal opportunity initiatives and policies are reported to, and monitored by, the Welfare and Diversity Committee.

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

The College has maintained the Disability Symbol, awarded in 2010 by the Department for Work and Pensions. Employers who use the disability symbol make certain commitments to employing, keeping and training disabled people and developing their careers. The RCM is required continually to demonstrate that it either has in place, or is working towards, implementing procedures to support these commitments. By using the symbol it makes it clear to disabled job applicants that we welcome their applications and are positive about their abilities. It also shows existing employees that we value their contribution and will treat them fairly should they become disabled.

The RCM undertakes a tri-annual Equal Pay Review covering gender, ethnicity, disability, age, patterns of working and contractual status. The second audit which took place in September 2012 is available on our website.

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 RCM Access Agreement includes milestones, focussed on disability, social deprivation and the black and minority ethnic population, as one of the mechanisms to measure compliance with the Equality Act.

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

Caring for the environment

Making a difference

The Royal College of Music is committed fully to its responsibility for minimising the environmental, social and economic impacts of our operations and, as a small higher education institution, we aspire to be a centre of excellence in environmental management. In 2013 we were awarded a 2:1 rating by the People and Planet Green League, the second highest ranking available and for the fourth year running we are proud to be recognised as the UK's greenest conservatoire.

In 2012/13 we implemented the following environmental improvements:

- achieved Fairtrade university status for a further two years, with our catering outlets selling more than 27,000 cups of Fairtrade tea and coffee;
- purchased 100% of electricity from renewable generation;
- recycling 97% of construction waste;
- participated in the Shred-it confidential recycling programme which equated our achievement to saving 46 trees;
- our 2011/12 estates management data showed that we reduced water consumption by 5,700m³ compared to 2010/11 (*equivalent to 71,000 baths*);
- participated in Go Green Week, promoting environmental awareness and signing the Green Education Declaration;
- implemented 'intelligent' monitoring of printing reducing printing by 38,000 pages (200 kg of CO₂).

The RCM produces a termly environmental e-newsletter to inform staff, students and other stakeholders about our environmental progress. Staff and students have been kept regularly informed of events surrounding Fairtrade, carbon reduction and recycling, encouraging engagement and awareness of the RCM's own environment.

By the end of 2012, we had achieved a 15% reduction in total carbon emissions through our efficiency projects (*including lighting, water saving and insulation*). This allowed us to increase our DEC rating (Display Energy Certificate) to an energy efficiency category 'C' (*only two points off a 'B' grade*). The College previously scored a D (*an E in 2008*). Energy initiatives including motion lighting sensors and installation of LED lighting enabled the College to increase our efficiency.

Since achieving BREEAM In-Use accreditation in July 2012, the College has been working towards ISO 14001 accreditation. This Environmental Management System is a formal, structured approach to managing the aspects of a site's activities, products and/or services that have, or could have, an impact upon the environment. The College aims to achieve ISO 14001 accreditation in 2013/14.

In May we were awarded £350,000 from the HEFCE Revolving Green Fund. This recoverable grant will be used for carbon saving projects with '*payback*' ranging from one to five years.

Sharing services and collaborations

Benefitting from partnership

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

- *Conservatoires UK Admissions Service*: UK-wide admissions service created and owned by eight British Music Conservatoires and managed by the Universities and Colleges Admissions Service (UCAS) (the RCM Deputy Director chaired the Steering Group which established this);
- *Kingston City Group (KCG)*: universities' internal audit consortium owned by 13 members (in 2012/13, RCM Deputy Director was the Chair of KCG);
- *London Universities Purchasing Consortium (LUPC)*: London-wide procurement consortium owned by 87 HEIs and third sector organisations (in 2011/12, RCM Director of Finance & Estates was the Chair of LUPC);
- *The Energy Consortium (TEC)*: one of the UK's leading providers of collaborative energy procurement, particularly to universities and colleges. In 2012/13, we used a TEC supplier to undertake energy and water audits, which identified historic utility overcharging and future savings.
- the *Exhibition Road Cultural Group*: champions the collective view of its 18 members. At its heart are: facilitating joint projects, encouraging cross-fertilisation of audiences between members; running joint events in the shared *public* space of Exhibition Road; and sharing staff expertise;
- *cleaning consortium*: established in 2011, with Heythrop College and the Royal College of Art for shared cleaning services across five campuses. The contract was retendered in 2012/13 and we continue to reap financial and contract management benefits from this initiative;
- *partnership with Imperial College (IC)*: IC provide a range of services where both partners benefit from economies of scale from higher volumes, including student/staff health, catering and occupational health. In 2012/13 we renovated the South Building rear elevation. This was part of a larger IC building programme allowing us to benefit from our neighbour's greater purchasing power and their project management services;
- *1851 Invest to Save Project*: focusing on reducing carbon emissions for its members in the '*South Kensington Cultural and Academic Estate*'.

The government has encouraged universities to form collaborations and shared services in order to benefit from economies of scale. The RCM has developed this area enthusiastically and successfully and aims to widen further our collaborations in the coming years. In 2011, Universities UK published a report 'Efficiency and effectiveness in higher education', which challenged HEIs to procure 30% of non-pay spend through shared services by 2014/15. The RCM has achieved this target two years ahead of schedule, procuring 40% of non-pay spend through shared services in 2012/13. We believe we are one of the first English HEIs to meet this target.

Estates

Providing fitting surroundings for gifted musicians

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

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

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

In 2011/12 the RCM Council considered *the Courtyard* Feasibility Report and in 2013/14 we will tender for architectural services to take the Courtyard to planning application. *The Courtyard* project incorporates refurbishment of the South Building and this element of the project will commence in 2013/14.

The RCM acquired College Hall in 1994 to provide residential accommodation for our students. In 2012/13, RCM Council appointed Campus Living Villages (CLV) as our preferred partner to redevelop College Hall. They submitted a planning application in October 2013 and if successful, construction works will commence in July 2014.

In September 2012, we terminated the lease on our Kensington Square offices and relocated all departments based there to the PCR Campus, with refurbished and reconfigured open-plan accommodation created for support departments. As part of this project we created three offices from rooms previously used for storage and we achieved our overriding project objective of not converting any teaching or practice rooms into office space.

RCM Financial Statements

2012/13

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; and
- monitoring institutional performance against plans and approved KPIs, which are, where possible and appropriate, benchmarked against other institutions.

Structure of corporate governance

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

The Council's membership and powers are laid down in the RCM's Royal Charter and Statutes. The maximum number of Council members is 25 of whom three are elected from among RCM staff AND at least 10 are independent. The President, Director and Students' Association President are *ex officio* members. The Chairman, Deputy Chairman and Honorary Treasurer are drawn from the independent members.

The Council has appointed the **Finance & General Purposes Committee (F&GPC)** which meets at least four times a year. The F&GPC's responsibilities include monitoring performance in relation to approved budgets and oversight of the Directorate's risk management responsibilities. It also acts as **Remuneration Committee** for salaries and terms and conditions of the senior staff. A sub-committee 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 & Safety Committee** in order to monitor compliance and practice on behalf of Council.

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

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

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

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

Accounting systems and accounts

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

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the RCM's financial position and enable it to ensure that accounts are prepared in accordance with the Royal Charter, Statement of Recommended Practice: Accounting for Further and Higher Education and applicable accounting standards. The Council has also given careful consideration of requirements contained in the Charities Act 2011 and in particular to the Charity Commission's guidance on public benefit.

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

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

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

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;

- ensure that HEFCE funds are used only for the purposes for which they have been given;
- secure the economical, efficient and effective management of the College's resources and expenditure; and
- safeguard the College's assets and prevent fraud.

Accounting records

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

Internal control and risk management

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

The system of internal control is designed to manage rather than eliminate risk of failure to achieve policies, aims and objectives; therefore, it only provides reasonable and not absolute assurance of effectiveness. The internal control system is based on an on-going process designed to identify risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place during the year ended 31 July 2013 and up to the date of approval of the financial statements, and accords with HEFCE guidance. The Council has responsibility for reviewing the effectiveness of the internal control systems and the following processes have been established:

- the Council meets at least four times per annum and considers the plans and strategic direction of the College;
- the Council receives minutes of each meeting of the Audit Committee, together with an annual report which provides an opinion as to the College's arrangements for risk management, internal control, governance, data quality and value for money;
- the Council receives regular reports from the Directorate on the steps it is taking to manage risks in their areas of responsibility, including progress reports on key projects;
- the F&GPC is responsible for oversight of risk management and the Audit Committee for keeping under review the effectiveness of risk management, control and governance arrangements;

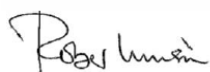
- a system of key performance indicators has been developed and agreed; these are used to consider performance and make an overall assessment of institutional sustainability;
- a risk prioritisation methodology based on risk ranking has been established;
- an organisation-wide Risk Register is maintained and this is reviewed regularly by the Directorate, in order to identify and update the record of risks facing the College;
- training for managers with responsibility for areas involving high-level risk includes attendance at relevant workshops;
- an annual review conducted by the Directorate is presented in writing to the F&GPC for discussion, and reported to the Council.

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

Equal opportunities

The College is committed to its equal opportunities policy and aims to ensure that no student, member of staff or visitor is subjected to unfair discrimination (*details of our equalities policies and processes are outlined on page 17*). The Equality Act 2010 covers the following 'protected characteristics': age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity; College policies, procedures and training programmes reflect the Act.

Professor Lord Winston



Chairman

27 November 2013

Professor Colin Lawson



Director

27 November 2013

Independent auditors' report to the Council

We have audited the financial statements of the Royal College of Music for the year ended 31 July 2013 which comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses, the Statement of Total Recognised Gains and Losses, 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).

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

Respective Responsibilities of the RCM's Governing Body and Auditors

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

We have been appointed as auditor under section 144 of the Charities Act 2011 and section 124B of the Education Reform Act 1988 and report in accordance with regulations made under section 154 of the Charities Act 2011 and section 124B of the Education Reform Act 1988.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2013 and of the surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Education Reform Act 1988 and the Charities Act 2011;

- have been prepared in accordance with the requirements of the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions"

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

In our opinion, in all material respects:

- income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the College have been applied only for the purposes for which they were received; and
- income has been applied in accordance with the College's Charter and Statutes and where appropriate with the applicable Financial Memorandum with the Higher Education Funding Council for England.

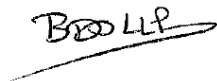
Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the College.

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

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



BDO LLP
Statutory Auditor
Gatwick, West Sussex
United Kingdom

Date: 29 November 2013

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

Statement of principal accounting policies

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

1. Accounting convention

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

2. Recognition of income

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

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

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

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

3. Tangible fixed assets

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

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

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

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

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

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

There is a Museum Acquisitions and Disposals Policy, including instructions for selection, donations, retention and disposal of assets and the RCM has adopted the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items in the Museum collection. The Museum is accredited with the Museums, Libraries and Archives Council and adheres to national standards of care and access, including a specific budget for conservation which is applied to the upkeep of playable instruments and cleaning and care of the whole collection.

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

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

5. Restricted and endowment funds

Restricted expendable endowment funds are unspent balances of donations made to the RCM where the donor has specified the purpose of the donation. Restricted permanent endowment funds do not allow capital to be used and require income generated to be used for the purpose for which funds were originally given. Work to establish the nature and purpose for these funds was completed in 2011/12 and no change of classification resulted. Work to verify the split between capital and accumulated income is on-going.

Under the SORPFHE general donations are recognised as income unless donors state that funds must be retained for the benefit of the RCM. Unrestricted endowments have no accumulated income segment and income in the year is utilised in RCM general activities.

New endowments are taken to the balance sheet through the statement of total recognised gains and losses (STRGL). Endowment investment income is recognised in the income and expenditure account when earned and unspent balances are transferred to the appropriate endowment fund at year-end. Gains/losses on revaluation of endowment investments are recognised in the STRGL.

6. Managed investments

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

7. Pension schemes

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

8. Foreign currency translation

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

9. Leased assets

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

10. Liquid resources

Liquid resources comprise cash held on short-term deposit.

11. Taxation status

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

12. Students' Association (SA)

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

13. HEFCE access to learning funds

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

Income and expenditure account for the year ended 31 July 2013

	Notes	2013 £	2012 £
Income			
Funding council grants	1	4,145,945	4,461,305
Academic fees and support grants	2	9,032,944	7,998,485
Research grants	3	93,135	36,928
Other operating income	4	4,341,033	4,709,198
Endowment and restricted income and interest receivable	5	2,878,052	2,473,557
Total income		20,491,109	19,679,473
Expenditure			
Staff costs	6	10,297,874	9,831,681
Other operating expenses	7	6,693,067	6,190,521
Depreciation	8	1,358,938	1,538,954
Interest and other finance costs		123,008	131,682
Total expenditure		18,472,887	17,692,838
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and before and after tax.		2,018,222	1,986,635
Surplus income from scholarship funds and donations transferred to endowment funds	17	(439,377)	(402,724)
Surplus for year retained within general reserves	19	1,578,845	1,583,911
Statement of historical cost surpluses for the year ended 31 July 2013			
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before tax.		2,018,222	1,986,635
Difference between historical cost depreciation charge and actual charge for the year calculated on the revalued amount	18	323,755	529,256
Historical cost surplus before tax		2,341,977	2,515,891
Historical cost surplus after tax		2,341,977	2,515,891

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

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

Statement of total recognised gains and losses for the year ended 31 July 2013

	Notes	2013 £	2012 £
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and after tax.		2,018,222	1,986,635
New endowments	17	445,384	1,933,591
Increase in value of endowment asset investments	11	2,380,042	307,989
Increase in value of fixed asset investments	10	994,326	18,982
Actuarial loss on RCM pension scheme	29	(32,000)	(1,529,000)
Revaluation reserve movement due to disposals of fixed assets	18	(55,892)	(25,700)
Total recognised gains relating to the year		5,750,082	2,692,497
Total gains recognised since last annual report		5,750,082	2,692,497
Opening reserves and endowments		59,763,965	57,071,468
Total recognised gains relating to the year		5,750,082	2,692,497
Closing reserves and endowments		65,514,047	59,763,965

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

Balance sheet as at 31 July 2013

	Notes	2013 £	2012 £
Fixed assets			
Heritage and tangible assets	9	26,044,033	26,804,603
Investments	10	16,142,240	12,424,956
		42,186,273	39,229,559
Restricted and endowment assets			
Investments	11	26,913,058	26,930,864
Other	12	1,849,732	2,137,328
		28,762,790	29,068,192
Current assets			
Debtors	13	1,178,831	1,210,072
Cash at bank and in hand	21	1,665,184	1,908,731
Cash on deposit	21	6,600,000	4,000,000
		9,444,015	7,118,803
Creditors: amounts falling due within one year	14	(1,793,205)	(1,837,879)
Net current assets		7,650,810	5,280,924
Total assets less current liabilities		78,599,873	73,578,675
Creditors: amounts falling due after more than one year	15	(1,993,688)	(2,156,438)
Net assets excluding pension liability		76,606,185	71,422,237
Net pension liability	29	(3,311,000)	(3,481,000)
Net assets including pension liability		73,295,185	67,941,237
Deferred capital grants	16	7,781,138	8,177,272
Restricted and endowment funds			
Restricted expendable funds	17	80,506	109,950
Restricted permanent funds	17	28,682,284	25,738,248
Unrestricted permanent endowments	17	-	3,219,994
		28,762,790	29,068,192
Reserves			
Revaluation reserve	18	10,378,542	10,758,189
Accumulated revenue reserve			
Reserve before pension liability	19	29,683,715	23,418,584
RCM pension scheme liability	19	(3,311,000)	(3,481,000)
		36,751,257	30,695,773
Endowments and reserves		65,514,047	59,763,965
Total		73,295,185	67,941,237

The financial statements were approved and authorised for issue by the RCM Council and signed on its behalf on 27 November 2013 by:

Professor Lord Winston

Professor Colin Lawson

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

Statement of cash flows for the year ended 31 July 2013

	Notes	2013 £	2012 £
Net cash inflow from operating activities	20	939,256	1,337,314
Returns on investments and servicing of finance			
Income from endowments	5	1,221,639	1,071,625
Investment income from general endowments	5	442,130	419,089
Other interest received	5	99,279	93,896
Interest paid		(123,008)	(131,682)
		1,640,040	1,452,928
Capital expenditure and financial investment			
Payments to acquire endowment asset investments	11	(7,363,658)	(5,988,041)
Realisation of endowment asset investments	11	5,205,684	5,235,510
Payments to acquire fixed assets		(512,447)	(459,709)
Acquisitions of fixed asset investments	10	(2,204,810)	(2,108,424)
Disposals of fixed asset investments	10	2,205,455	2,126,707
Deferred capital grants received	16	48,743	43,173
New endowments received	17	445,384	1,933,591
		(2,175,649)	782,807
Management of liquid resources			
Net amounts placed on deposit	21	(2,600,000)	(2,700,000)
Financing			
Repayments of amounts borrowed	15	(162,750)	(162,750)
		(162,750)	(162,750)
Cash movement	21	(2,359,103)	710,299

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

Notes to the accounts for the year ended 31 July 2013

	Notes	2013 £	2012 £
1. Funding council grants			
HEFCE provided grants for the following purposes:			
Recurrent grants		3,959,115	4,272,755
Specific grants		57,145	67,821
Deferred capital grants	16	129,685	120,729
		4,145,945	4,461,305
2. Academic fees and support grants			
Higher education:			
UK students		2,221,115	1,881,542
Other EU students		1,152,670	875,766
Non-EU students		4,127,556	3,784,526
Other		207,358	214,068
Junior Department		1,324,244	1,242,583
		9,032,944	7,998,485
3. Research grants and contracts			
Research council		79,208	-
Charities		-	36,881
EU		-	47
Other		13,927	-
		93,135	36,928
4. Other operating income			
Residences, catering and lettings		1,429,930	1,298,345
Other services rendered		321,509	308,574
Profit on sale of fixed assets		22,352	10,024
Released from deferred capital grants	16	315,192	307,294
ABRSM		1,000,000	1,000,000
Donations and other income		1,252,050	1,784,961
		4,341,033	4,709,198
5. Restricted and endowment income and interest receivable			
Restricted donations	17	1,115,004	888,947
Investment income on restricted endowments	17	1,111,095	966,793
Investment income on unrestricted endowments	17	110,544	104,832
Investment income		442,130	419,089
Other interest receivable		99,279	93,896
		2,878,052	2,473,557

	2013 £	2012 £
6. Staff costs		
Wages and salaries	8,848,685	8,443,463
Social security costs	582,017	560,315
Pension costs (USS and TPS)	867,172	827,903
	10,297,874	9,831,681
Director's emoluments		
Salary	198,576	186,265
Benefits in kind	1,648	1,931
Pension contributions	-	2,200
Total emoluments	200,224	190,396

From 1 September 2006, the Director is required as part of his contract to live in a residence owned by the College. The costs associated with this residence in the year were £1,648.

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

	Full time equivalents	restated Full time equivalents
Staff FTE by department		
Teaching departments	68	66
Teaching support services	38	34
Administration and central services	75	71
	181	171

In 2012/13 the FTE's submitted to HESA excludes non-academic casual hours. The FTE's for 2011/12 have been restated for comparison purposes (originally shown as 174).

Remuneration of higher paid staff	Headcount	Headcount
Staff, including the Director, who received remuneration (excluding benefits in kind) in the following ranges were:		
£100,000-£109,999	-	2
£110,000-£119,999	2	-
£180,000 - £189,999	-	1
£190,000 - £199,999	1	-
	3	3

	Notes	2013 £	2012 £
7. Other operating expenses			
Catering		374,481	352,258
Academic departments		627,310	599,292
Learning resources		393,182	332,543
Scholarships and bursaries		1,905,188	1,616,605
Premises		1,685,185	1,659,664
Grant to RCM Students' Association		29,152	27,151
Professional fees		398,346	372,158
Other		1,280,223	1,230,850
		6,693,067	6,190,521
Other operating expenses include:			
External auditors' remuneration		31,457	30,600
External auditors' remuneration in respect of prior year		-	6,915
Internal auditors' remuneration - internal audits		30,191	29,041
External auditors' remuneration - non-audit		4,318	5,400
8. Depreciation			
The depreciation charge was funded by:			
Released from deferred capital grants	16	444,877	428,023
Released from revaluation reserve	18	323,755	529,256
Financed internally		590,306	581,675
		1,358,938	1,538,954

In 2011/12, a review of depreciation identified a number of assets that had not been correctly depreciated in previous years. The additional depreciation charge in 2011/12 for this backdated depreciation was £207,868.

9. Heritage and tangible assets	Notes	Heritage assets £	Land and buildings		Furniture and equipment £	Musical instruments £	Total £
			Freehold £	Leasehold £			
Cost or valuation							
Balance at 1 August 2012		5,314,950	4,356,640	20,255,247	2,905,814	6,857,169	39,689,820
Additions		3,000	-	-	329,416	322,532	654,948
Disposals		-	-	-	-	(135,257)	(135,257)
At 31 July 2013		5,317,950	4,356,640	20,255,247	3,235,230	7,044,444	40,209,511
Depreciation							
Balance at 1 August 2012		-	1,187,681	5,270,126	2,348,107	4,079,303	12,885,217
Provided during the year	8	-	101,596	629,488	279,585	348,269	1,358,938
Disposals		-	-	-	-	(78,677)	(78,677)
At 31 July 2013		-	1,289,277	5,899,614	2,627,692	4,348,895	14,165,478
Net book value at 31 July 2013		5,317,950	3,067,363	14,355,633	607,538	2,695,549	26,044,033
Net book value at 1 August 2012		5,314,950	3,168,959	14,985,121	557,707	2,777,866	26,804,603
Financial summary of heritage asset transactions							
Purchases							
Books and manuscripts							3,250
Busts and portraits							-
Donations			3,000				
Instruments						347,200	
Disposals							
Carrying value							(38,500)
Total heritage asset transactions			3,000			347,200	(35,250)

	Keyboards £	String £	Brass and woodwind £	Percussion £	Total £
Tangible assets - analysis of musical instruments					
Cost or valuation					
Balance at 1 August 2012	3,482,648	2,701,808	443,089	229,624	6,857,169
Additions	93,420	176,900	27,570	24,642	322,532
Disposals	(40,807)	(94,450)	-	-	(135,257)
At 31 July 2013	3,535,261	2,784,258	470,659	254,266	7,044,444
Depreciation					
Balance at 1 August 2012	2,008,125	1,554,326	330,255	186,597	4,079,303
Provided during the year	179,211	144,889	15,894	8,275	348,269
Disposals	(38,405)	(40,272)	-	-	(78,677)
At 31 July 2013	2,148,931	1,658,943	346,149	194,872	4,348,895
Net book value at 31 July 2013	1,386,330	1,125,315	124,510	59,394	2,695,549
Net book value at 1 August 2012	1,474,523	1,147,482	112,834	43,027	2,777,866

	Notes	2013 £	2012 £
10. Fixed asset investments			
Balance at 1 August 2012		12,424,956	12,450,753
Additions		2,204,810	2,108,424
Disposals		(2,205,455)	(2,126,707)
Net gains on revaluation		994,326	18,982
Movements on cash		(35,161)	(26,496)
Transfer in from restricted and endowed investments	11	2,758,864	-
Closure of RCM Development Fund Limited		(100)	-
Balance at 31 July 2013		16,142,240	12,424,956

Investments held are analysed as follows:

Managed investments			
Fixed interest stocks (listed)		3,131,116	2,535,423
Equities (listed) and unit trusts		10,650,877	7,511,074
Cash held by investment managers	21	85,247	103,359
		13,867,240	10,149,856
Investment in subsidiary company		-	100
Interest in the ABRSM at cost	27	2,275,000	2,275,000
		16,142,240	12,424,956

The College owned 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 has been closed.

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

11. Restricted and endowment investments			
Balance at 1 August 2012		26,930,864	24,389,640
Additions		7,363,658	5,988,041
Disposals		(5,205,684)	(5,235,510)
Net gains on revaluation	17	2,380,042	307,989
Movements on cash		(1,796,958)	1,480,704
General investment transfer to Fixed Asset Investments	10	(2,758,864)	-
Balance at 31 July 2013		26,913,058	26,930,864

Investments held are analysed as follows:

Managed investments			
Fixed interest stocks (listed)		8,533,301	8,239,439
Equities (listed) and unit trusts		17,822,483	16,333,639
Cash held by investment managers		492,627	2,306,633
		26,848,411	26,879,711
CAF fund investment		64,647	51,153
		26,913,058	26,930,864

	Notes	2013 £	2012 £
12. Restricted and endowment other assets			
Cash at bank		302,156	287,942
Cash on deposit		1,496,861	1,794,513
Debtors		50,715	54,873
		1,849,732	2,137,328
13. Debtors			
Amounts falling due within one year:			
Debtors		240,143	349,894
Prepayments and accrued income		438,688	228,928
Amount owed by ABRSM		500,000	631,250
		1,178,831	1,210,072
14. Creditors: amounts falling due within one year			
Bank loans	15	162,750	162,750
Creditors		544,233	418,875
Balances with subsidiary undertaking		-	5,692
Social security and other taxation payable		266,116	288,836
Accruals		423,422	547,057
Deferred income		396,684	414,669
		1,793,205	1,837,879
<i>RCM balances with subsidiary undertaking relate to RCM Development Limited (see Note 10).</i>			
15. Creditors: amounts falling due after more than one year			
Bank loans:			
Due within 1 year		162,750	162,750
Due after 1 year and within 5 years		488,250	488,250
Due after more than 5 years		1,342,688	1,505,438
		1,993,688	2,156,438

This represents one loan which is at a fixed interest rate of 5.3%, with 13 years remaining.

	Notes	HEFCE £	Other £	Total £	
16. Deferred capital grants					
Balance at 1 August 2012		1,988,210	6,189,062	8,177,272	
Cash received		48,743	-	48,743	
Released to income and expenditure	1,4	(129,685)	(315,192)	(444,877)	
Balance at 31 July 2013		1,907,268	5,873,870	7,781,138	
		Restricted expendable £	Restricted permanent £	Unrestricted permanent £	Total £
17. Restricted and endowment funds					
Balance at 1 August 2012		109,950	25,738,248	3,219,994	29,068,192
Capital movements					
New endowments/capital income		-	445,384	-	445,384
Gains in market value of investments	11	-	2,131,461	248,581	2,380,042
		-	2,576,845	248,581	2,825,426
Revenue movements					
Income for year	5	1,115,004	1,111,095	110,544	2,336,643
Expenditure for year		(1,144,448)	(743,904)	(8,914)	(1,897,266)
		(29,444)	367,191	101,630	439,377
Transfer to general revenue reserves	19	-	-	(3,570,205)	(3,570,205)
Balance at 31 July 2013		80,506	28,682,284	-	28,762,790
Purpose of fund balances					
Scholarships		6,742	26,045,829	-	26,052,571
Prizes		71,198	1,134,029	-	1,205,227
Junior fellowships		-	1,031,780	-	1,031,780
Instrument loans		-	192,609	-	192,609
Other		2,566	278,037	-	280,603
Balance at 31 July 2013		80,506	28,682,284	-	28,762,790
		Land and buildings £	Heritage assets £	Musical instruments £	Total £
18. Revaluation reserve					
Balance at 1 August 2012		3,955,179	4,926,000	1,877,010	10,758,189
Disposal of assets		-	-	(55,892)	(55,892)
Released in year	8	(110,208)	-	(213,547)	(323,755)
Balance at 31 July 2013		3,844,971	4,926,000	1,607,571	10,378,542

	Notes	2013 £	2012 £
19. Accumulated revenue reserve			
Balance at 1 August 2012		19,937,584	19,334,435
Surplus from income and expenditure account		1,578,845	1,583,911
Increase in the value of fixed asset investments		994,326	18,982
Transfer of unrestricted permanent funds	17	3,570,205	-
Actuarial loss on RCM pension scheme	29	(32,000)	(1,529,000)
Release from revaluation reserve	18	323,755	529,256
Balance at 31 July 2013		26,372,715	19,937,584
<i>Analysis of accumulated revenue reserve</i>			
Reserve before pension liability		29,683,715	23,418,584
RCM pension scheme liability	29	(3,311,000)	(3,481,000)
Reserve including pension liability		26,372,715	19,937,584
20. Reconciliation operating surplus to net cash inflow from operating activities			
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and before and after tax		2,018,222	1,986,635
Depreciation	9	1,358,938	1,538,954
Loss on the sale of fixed assets		56,680	24,430
Deferred capital grants released to income	16	(444,877)	(428,023)
Investment income and interest receivable	5	(1,763,048)	(1,584,610)
Interest payable		123,008	131,682
Reduction in revaluation reserve	18	(55,892)	(25,700)
Decrease in debtors	12,13	35,399	316,918
Decrease in creditors		(246,674)	(275,773)
Donation of assets		(142,500)	(347,200)
Net cash inflow in the year from operating activities		939,256	1,337,314

	Notes	At 1 August 2012 £	Cashflows £	At 31 July 2013 £
21. Analysis of changes in net funds				
Endowment assets				
Balances at investment manager	11	2,306,633	(1,814,006)	492,627
Other balances	12	2,082,455	(283,438)	1,799,017
College current assets				
Cash at bank and in hand		1,908,731	(243,547)	1,665,184
Balances at investment managers	10	103,359	(18,112)	85,247
		6,401,178	(2,359,103)	4,042,075
Financing				
Loan: Due within one year	14	(162,750)	-	(162,750)
Loan: Due after one year	15	(2,156,438)	162,750	(1,993,688)
Cash on deposit		4,000,000	2,600,000	6,600,000
		8,081,990	403,647	8,485,637

	2013 £	2012 £
22. Access to learning fund		
Balance at 1 August 2012	460	57
HEFCE grants	4,686	6,574
	<hr/>	<hr/>
Disbursed to students	5,146	6,631
Administration charge	(4,910)	(5,999)
	-	(172)
	<hr/>	<hr/>
Balance at 31 July 2013	236	460
	<hr/> <hr/>	<hr/> <hr/>

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

	2013 £	2012 £
23. National scholarship programme funds		
Balance at 1 August 2012	-	-
Funds received	12,000	-
Disbursed to students	(12,000)	-
	<hr/>	<hr/>
Balance at 31 July 2013	-	-
	<hr/> <hr/>	<hr/> <hr/>

The College received additional funds from HEFCE which it holds and distributes to students.

24. Capital commitments		
Provision has not been made for the following capital commitments at 31 July 2013		
Commitments contracted for or approved by Council	44,000	7,500
	<hr/>	<hr/>
Balance at 31 July 2013	44,000	7,500
	<hr/> <hr/>	<hr/> <hr/>

25. Lease obligations		
At 31 July 2013 the College had commitments under non-cancellable operating leases.		
Land and buildings		
Expiring between one and five years	-	13,540
Expiring in more than five years	1,005	1,005
	<hr/>	<hr/>
	1,005	14,545
	<hr/> <hr/>	<hr/> <hr/>
Other operating leases		
Expiring between one and five years	6,667	71,716
	<hr/> <hr/>	<hr/> <hr/>

There are two operating leases for printers/photocopiers and rental of telephone equipment which will expire in August and September 2013 respectively.

26. Related party transactions		
<i>As far as the College is aware, there were no related party transactions during the year, other than normal transactions with the Associated Board of the Royal Schools of Music and reimbursement of travel and subsistence incurred by members of Council in the course of their duties.</i>		

27. Share of net liability of associate

The interest in the ABRSM is carried at cost (note 10). The College's 25% share of the results of ABRSM for the year ended 31st January 2013, which is not consolidated in the 2013 accounts, are set out below.

	2013 £	2012 £
Total income	9,862,250	9,291,000
Net income, after deducting charitable donations	502,750	383,750
Fixed assets	353,750	336,750
Current assets	4,980,500	4,294,250
Liabilities due within one year	(2,403,750)	(2,515,750)
Net assets before pension liabilities	2,930,500	2,115,250
Net pension liability	(3,270,000)	(2,684,250)
Net liabilities after pension fund deficit	(339,500)	(569,000)

28. Post balance sheet events

There are no post balance sheet events to report.

29. Pension Schemes

Pension schemes and assumptions

The College has employees participating in the Teachers' Pension Scheme (TPS), Universities Superannuation Scheme Limited (USS) and Royal College of Music Pension and Assurance Scheme (RCMP&AS). In 2012/13 total employer's and employees' pension contributions were £1.7 million.

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

	TPS	USS	RCMP&AS
Assumptions used to determine contribution levels			
Investment returns per annum	6.50%	6.10%	5.70%
Salary increase per annum	4.50%	4.40%	4.20%
Pension increase per annum	not available	2.6% to 3.4%	2.5% to 3.2%
Market value of assets at date of last valuation	£163.2 billion	£32.4 billion	£5.7 million
Scheme liabilities	£166.5 billion	£35.3 billion	£7.1 million
Shortfall	£3.3 billion	£2.9 billion	£1.4 million
Scheme specific funding level	98%	92%	80%
Date of last actuarial valuation	31-Mar-04	31-Mar-11	31-Jul-10
Date of next actuarial valuation	c.31-Mar-15	31-Mar-14	31-Jul-13
Employer's and employees' pension contribution rates			
Employer's contribution rate	14.1%	16%	not applicable
Employees' contribution rate	6.4% to 11.2%	6.5% to 7.5%	not applicable

	Employer's £000s	Employees' £000s	2013 Total £000s	2012 Total £000s
RCM pension contributions				
Teachers' Pension Scheme	341	213	554	488
Universities Superannuation Scheme	527	252	779	755
RCM Pension & Assurance Scheme	323	-	323	323
	1,191	465	1,656	1,566

Teachers' Pension Scheme

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

The Government Actuary carries out formal actuarial reviews of TPS to ascertain the level of future contributions. The last review was carried out as at 31 March 2004, with the next review due c.2015. At the date of the last review the scheme had a funding shortfall of £3.3 billion and a recovery plan to pay off this shortfall was adopted. Key assumptions are shown in the table above, other assumptions include: real rate of return 3.5% in excess of prices and 2% in excess of earnings; rate of real earnings growth is 1.5%; and gross rate of return 6.5%.

From 1st April 2012, employee contributions are based on tiered contribution rates dependent on salary bandings based on a full-time equivalent. The rates change over a 3 year period from 1 April 2012 to 31 March 2015. The contribution rates as at 31 July 2013 ranged from 6.4% to 11.20%. The employer contribution rate remains at 14.1%.

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

Universities Superannuation Scheme

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

At the valuation date the contribution rate payable by the RCM was 16% of pensionable salaries. The actuary has confirmed that it is appropriate to take the pensions costs in the financial statements as equal to actual contributions paid during the year. Since 31 March 2011 global investment markets have fluctuated and the actuary estimates that the funding levels as at 31 March 2013 fell from 92% to 77% on the scheme specific basis; from 74% to 68% on an FRS 17 basis and from 56% to 55% on an expected gilt return basis.

Surpluses or deficits which arise at future valuations may impact on the RCM's future contribution commitment. A deficit may require higher contribution requirements, whereas a surplus could, perhaps, be used to reduce contribution requirements. Sensitivities for principal assumptions used to measure scheme liabilities are:

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

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

Royal College of Music Pension and Assurance Scheme

The RCM Pension and Assurance Scheme is a closed scheme with 56 pensioners and 121 deferred members of whom 31 are current RCM employees. The Scheme is valued every three years by professionally qualified independent actuaries using the projected unit method. The most recent actuarial valuation was at 1 August 2010. In the intervening years, the actuary reviews progress of the Scheme. At 31 July 2010 the scheme had a funding shortfall of £1.4 million and the RCM Council agreed a recovery plan to pay off the shortfall over five years, with a planned contribution of £322,800 in 2012/13. Since July 2010 global investment markets have fluctuated and the actuary estimated that the deficit at 31 July 2013 was £3.3 million. The RCM accounts for the RCMP&AS in accordance with FRS 17 'Retirement benefits'. The RCM is considering options to merge RCMP&AS with USS and this will be considered by the RCM Council in 2013/14.

	2013 £000s	2012 £000s
Amounts recognised in balance sheet		
Assets at fair value	7,413	6,922
Present value of defined benefit obligation	(10,724)	(10,403)
Deficit	<u>(3,311)</u>	<u>(3,481)</u>
Amounts recognised in income and expenditure account		
Past service cost	(31)	(60)
Expected return on plan assets	281	374
Interest on pension obligation	(402)	(443)
Net amount recognised in income and expenditure account	<u>(152)</u>	<u>(129)</u>
Reconciliation of present value defined benefit obligation		
Balance at 31 July 2012	10,403	8,460
Past service cost	31	60
Transfers	-	(61)
Interest cost	402	443
Actuarial loss	82	1,665
Administration expenses	(7)	(7)
Benefits paid	(187)	(157)
Balance at 31 July 2013	<u>10,724</u>	<u>10,403</u>

	2013 £000s	2012 £000s	2011 £000s	2010 £000s	2009 £000s
Reconciliation of fair value plan assets					
Balance at 31 July 2012	6,922	6,278			
Expected return on assets	281	374			
Actuarial gain	50	136			
Employer contribution	354	359			
Transfers	-	(61)			
Administration expenses	(7)	(7)			
Benefits paid	(187)	(157)			
Balance at 31 July 2013	<u>7,413</u>	<u>6,922</u>			

Reconciliation of change in funded status					
Balance at 31 July 2012	(3,481)	(2,182)			
Pension expense	(152)	(129)			
Employer contribution	354	359			
Actuarial losses	(32)	(1,529)			
Balance at 31 July 2013	<u>(3,311)</u>	<u>(3,481)</u>			

Actual return on plan assets	<u>331</u>	<u>510</u>			
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History of experience adjustments					
Defined benefit obligation	(10,724)	(10,403)	(8,460)	(7,910)	(7,463)
Plan assets	7,413	6,922	6,278	5,643	4,848
Deficit	<u>(3,311)</u>	<u>(3,481)</u>	<u>(2,182)</u>	<u>(2,267)</u>	<u>(2,615)</u>

Experience adjustments on scheme liability	<u>31</u>	<u>105</u>	<u>154</u>	<u>250</u>	<u>(623)</u>
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Experience adjustments on scheme assets	<u>50</u>	<u>136</u>	<u>242</u>	<u>389</u>	<u>(483)</u>
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	2013	2012	2013	2012
Scheme assets and expected returns				
Equities	2,809	2,431	6.80%	6.00%
Bonds	2,496	2,481	4.35%	3.90%
Gilts	1,334	1,271	3.30%	2.50%
Cash	774	739	0.50%	0.50%
Total	<u>7,413</u>	<u>6,922</u>		

Assumptions

Discount rate	4.35%	3.90%
Retail price inflation	3.35%	2.80%
Increases in deferment	2.85%	2.30%
Post 97 increases in payment (capped at 5% pa)	3.35%	2.80%
Expected return on assets	4.69%	4.02%

Life Expectancy in years at age 65

Males current age 65	87.7	87.7
Females current age 65	90.0	90.0
Males current age 45	89.8	89.8
Females current age 45	92.3	92.3

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

We estimate employers contributions paid to the scheme in 2013/14 will be similar to those paid in 2012/13.