

RCM Annual Review and Financial Statements

2013/14



Patron

Her Majesty The Queen

President

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

Vice-Presidents

The Most Revd and Rt Hon the Lord Archbishop of Canterbury

The Most Revd and Rt Hon the Lord Archbishop of York

The Rt Hon the Lord Mayor of London

Sir Anthony Cleaver FRCM (Appointed 2007)

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)

Council

The President

Professor Lord Winston

Chairman

Mrs Jane Barker CBE

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 Douglas Gardner (Appointed March 2014)

Mr Andrew Haigh

The Hon Richard Lyttelton

Mr Julian Metherell

Dr Munira Mirza

Ms Gillian Moore MBE FRCM

Mr John Nickson

Mr Andrew Ratcliffe (Appointed March 2014)

Mrs Victoria Sharp OBE

Ms Alethea Siow

Mr Rhoderick Voremberg

Mr Bob Wigley

Ex-officio or elected

Professor Colin Lawson FRCM (Director)

Miss Madeleine Mitchell (violin professor)

Professor Ashley Solomon HonRCM (Professor)

Miss Ann Somerville (Administrative staff)

Miss Stephanie Bissell (Students' Association: appointed July 2013)

Royal College of Music
Annual Review and Financial Statements 2013/14

Clerk to the Council

Mr Kevin Porter HonRCM

(Deputy Director)

Finance and General Purposes Committee

Mrs Jane Barker CBE (Chairman)

Professor Lord Winston

Lord Black of Brentwood

Professor Colin Lawson FRCM (ex officio)

Mr Nicholas Ward

Mr Nigel Woolner

Audit Committee

Mr Richard Price (Chairman)

Mr Andrew Haigh

Mr Jeremy Heap

The Hon Richard Lyttelton

Registered Office

Royal College of Music

Prince Consort Road

London

SW7 2BS

Auditors

BDO LLP UK

2nd Floor, 2 City Place

Beehive Ring Road

Gatwick

West Sussex

RH6 0PA

Bankers

Royal Bank of Scotland PLC

36 St Andrew Square

Edinburgh

EH2 2YB

Solicitors

Boodle Hatfield LLP

89 New Bond Street

London

W1S 1DA

Royal College of Music

Annual Review and Financial Statements 2013/14

Contents

	Page
Chairman's message	1
Director's report	2
Operating and financial review	
Financial review	3
Progress of RCM Strategic Plan 2007 to 2017	7
Inspirational teaching	9
Musical performance	10
Celebrating success	11
Research and innovation	12
Learning for all	13
Ensuring fair access	14
Employability	15
Fundraising	16
Equality and opportunity	17
Sharing services and collaborations	18
Caring for the environment	19
Estates	20
Corporate governance and responsibilities of the Council	23
Report of the independent auditors to the Council	27
Statement of principal accounting policies	29
Income and expenditure account	33
Statement of total recognised gains and losses	34
Balance sheet	35
Statement of cash flows	36
Notes to the accounts	37

Chairman's message

The Royal College of Music continues to thrive, in spite of the uncertain economic environment. This is an exciting time to be involved with the RCM as our musical profile goes from strength to strength and we continue to develop our infrastructure to support our student learning, practice and performance.

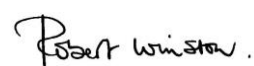
During the year, Council approved redevelopment of our student accommodation in Ravenscourt Park, which currently houses 168 RCM students. In June we reached financial close on a new hall of residence, Prince Consort Village (PCV), which will open for RCM students in September 2015. PCV will have 417 acoustically treated bedrooms, allowing students to practise in their rooms during the day. There are also 23 dedicated 24/7 practice rooms, social spaces, a demonstration kitchen and a gym. The project will generate a lease premium for the RCM of £15.6 million of which £12.6 million has already been received. All of these funds will be invested in the RCM's infrastructure, supporting important projects such as developing the Courtyard and South Building, replacing the Amaryllis Fleming Concert Hall organ, improving infrastructure in the Blomfield Building and de-risking the RCM Pension Scheme.

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 set a target to increase, by 2017, scholarship awards by £1 million per annum and I am pleased to report that in 2013/14 we awarded £2.3 million, which was £700,000 more than our benchmark year of 2010/11. The RCM will receive 20% of all surpluses generated by PCV and all of this income will support us in achieving our target for scholarships.

My chairmanship of the RCM Council is greatly enhanced by the valuable input and support of Council members. This year, we welcomed Douglas Gardner and Andrew Ratcliffe as new members. Sadly we said goodbye to three long-term Council members, Richard Price, who served for 10 years as Audit Committee Chairman, Nicholas Ward, who served for 10 years as Investment Committee Chairman and Nigel Woolner, who served for 11 years as Estates Committee Chairman, I thank all three of them for the sterling work they have done for the RCM. I must also thank the outgoing Students' Association President, Stephanie Bissell and I wish her well as she commences her teaching career.

I am pleased to report that the achievements of two of my Council colleagues were recognised in the Queen's Birthday Honours List. The RCM's Deputy Chairman Jane Barker was awarded a CBE for services to the Financial and Insurance Services Industries and voluntary service and Victoria Sharp (founder and Chief Executive of London Music Masters and Chairman of the London Philharmonic Orchestra) was awarded an OBE for services to Music.

Professor Lord Winston



Chairman

27 November 2014



Director's report

It was another year of achievement at the Royal College of Music and I am pleased to report that our graduates are the most employable in the sector, with 100% of graduates finding employment or moving into further study, the highest across 163 UK higher education institutions. To enable us to accommodate the increasing number of graduating students, this year, we moved our graduation ceremony across Prince Consort Road to Holy Trinity Church. The ceremony was also broadcast live; with graduands from more than 60 countries, giving a unique opportunity to families and friends around the world to share in this special day.



Our students perform all over the world. Last year this included performances by RCM singers and instrumentalists at the Council of Europe in Strasbourg as part of *"Singing a Song in a Foreign Land"*, a collaboration with institutions from Austria, Finland, France and Germany; the RCM Baroque Ensemble performed seven concerts at venues across Bolivia as part of the *"Festival of Renaissance and Baroque Music Misiones Chiquitos"*; and students from the RCM Strings Faculty travelled to the Xinghai Conservatory in Guangzhou for a week's residency including classes, teaching and a concert.

One of the year's highlights was the RCM Symphony Orchestra's performances of Mahler's *Symphony no 7* conducted by Bernard Haitink. Both performances sold out, but all those who missed out on a ticket were able to enjoy the concerts through a live broadcast on the RCM website.

At the President's Visit in May, HRH The Prince of Wales honoured a number of outstanding figures in international musical life. These included Andrew Lloyd Webber - the world's best-known composer of musical theatre, internationally acclaimed pianist Murray Perahia, conductor Martin André and violinist Nicola Benedetti. The President's Award to honour a student for outstanding work in the community, was presented to violinist Joo Yeon Sir, who has passionately shared her musical gift with residents at St Wilfrid's Care Home and others across the capital.

Last year, in this report, I reported our sadness at the death of Michael Gough Matthews, RCM Director from 1985 to 1993. In January we celebrated Michael's immense contribution to the RCM with a concert by the RCM Symphony Orchestra, conducted by Sir Roger Norrington. This special Memorial Concert featured Fauré's *Pelléas et Mélisande*, Berlioz's *Symphonie fantastique* and Ibert's *Flute Concerto*.

I am pleased to report that RCM student Martin James Bartlett has been crowned BBC Young Musician 2014. He was awarded the trophy in Edinburgh following a superb performance of Rachmaninov's *Rhapsody on a Theme of Paganini*. Martin is the third RCM student in a row to pick up the award, following in the footsteps of pianist Lara Melda and cellist Laura van der Heijden. Martin studies piano at the RCM Junior Department and in September he transferred to the Senior College. This success is a great tribute to our teachers here. No wonder the RCM Junior Department is a natural first choice for ambitious and talented young musicians.

Professor Colin Lawson

A handwritten signature in cursive script, reading "Colin Lawson".

Director

27 November 2014

Financial review

A sustainable future

Financial results for 2013/14

The Royal College of Music (RCM) made a surplus before exceptional items of £1.2 million which was similar to the previous year, this reduced to £1.1 million after removing one-off items. This exceeded our target of 3% of turnover which is a reflection of the continued success of our Financial Sustainability Strategy. In the year there was an exceptional item relating to the building and operation of the new student accommodation. After taking account of this item our surplus was £873,000 in the year.

	2014	2013	2012	2011	2010
	£000s	£000s	£000s	£000s	£000s
Income excluding one off items	21,503	20,190	18,864	19,674	17,663
Expenditure	(20,491)	(18,473)	(17,693)	(17,040)	(17,001)
Surplus scholarship fund income transferred back to endowments	46	(439)	(402)	(117)	(165)
Surplus before exceptional and one-off items	1,059	1,278	769	1,853	497
Exceptional and one off items					
College Hall project	(311)				
Donated musical instruments	54	143	347	-	-
ABRSM	-	-	-	250	-
Donations/legacies	71	158	468	914	-
Retained surplus for the year	873	1,579	1,584	3,017	497

Financial Sustainability Strategy

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

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

We achieved all of these targets in the year, with a retained surplus for 2013/14 of £873,000; the main changes from 2012/13 were:

- exceptional charge of £311,000 relating to the development and operation of student accommodation;
- student fee income rose by £1.3 million, mainly due to higher government set undergraduate tuition fees and an increase in international student numbers;
- staff costs rose by £783,000, reflecting: the annual cost of living increase (1%); incremental salary increases; and additional teaching hours needed to support increased student numbers.

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 187 during the year compared with 181 for the previous year.

The RCM supports the national pay framework, with pay awards negotiated, on behalf of the RCM, by the Universities and Colleges Employers Association. The 2014/15 national pay settlement was agreed at 2% on all spine points effective from 1 August 2014.

Reserves

The accumulated revenue reserve of £25.1 million is the accumulated surplus generated from RCM activities, which is unrestricted in its use and available for the benefit of the RCM. 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, the Courtyard and South Building and replacement of the Concert Hall organ.

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*); and
- 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 2013/14, the total value of investments increased by £1.1 million. 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.

During the year we established a new company "RCM Business Enterprises Limited" which is a wholly owned subsidiary of the RCM. In the year the company received £1.7 million from the RCM Scholarship Fund and subsequently invested this in a Campus Living Villages (RCM) UK LLP which will redevelop and operate new student accommodation in Ravenscourt Park. This investment represents a 20% stake in the entity and it is held in order to generate additional income for student scholarships.

RCM student accommodation

The RCM owns (*freehold*) College Hall, a Hall of Residence (168 bedrooms) in Ravenscourt Park. This current accommodation was of poor quality and the land was not fully developed. In July 2013 the RCM Council approved the recommendation to appoint Campus Living Villages (CLV) as the preferred bidder for the College Hall project.

In January 2014 a planning application was approved by the London Borough of Hammersmith and Fulham, for the redevelopment of College Hall. The RCM's new accommodation will be called Prince Consort Village and will include 417 student bedrooms and 23 music practice rooms. Financial close was achieved in July and CLV have put together a 46 year program, which incorporates construction followed by a 45 year operating program.

The project includes a lease premium to the RCM of £15.6 million (*£12.6 million was received in 2013/14*) and in return the RCM has granted a 51-year lease, which will be returned to the RCM after 46 years on payment of a nominal fee (£1).

Demolition of College Hall commenced in July 2014 and in 2014/15, subsidised RCM student accommodation will be at Nido Spitalfields at a net cost to the RCM of £213,000, which is included in our financial forecasts 2014/15.

Funding of capital expenditure

Funds generated through the Prince Consort Village development (*see above*) will be invested in RCM's infrastructure projects including:

- *South Building*: four year, £3 million refurbishment programme, in 2013/14, work focussed on replacement and re-organisation of mechanical and electrical services;
- *the Courtyard*: a £25 million redevelopment, we are currently selecting an architect and intend to apply for planning consent in 2015. It is planned to raise £20 million of the capital costs through a fundraising campaign;
- *Amaryllis Fleming Concert Hall organ*: we plan to replace the Concert Hall organ with the tender stage of this £1 million project in December 2014.

Treasury policy

During the year there was a net cash inflow from operating activities of £13.7 million (*£939,000, 2012/13*) and an increase in total cash of £890,000 (*increase £2.4 million, 2012/13*). For the purposes of the financial statements cash is restricted to cash held at the bank and immediately available, in order to obtain higher interest returns from our cash the RCM also places cash on short-term deposits, and the total increase in funds held as cash and deposit was £13.8 million.

In 1994, the RCM purchased College Hall (student accommodation) with loan finance from the Royal Bank of Scotland. The outstanding loan balance is £2.0 million at a fixed interest rate of 5.3%, with 12 years remaining. This is charged to a general covenant on the RCM. It is not intended currently to enter into any further loans.

Charities Act 2006 and principal regulator

In 2010, as a result of the Charities Act 2006, the HEFCE became the principal regulator of those English higher education institutions (HEIs) that are exempt charities and the HEFCE is expected to promote charity law compliance by the exempt charities for which they are responsible. Eighteen HEIs, including the RCM, are registered charities and

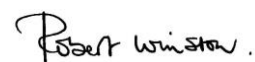
monitored and regulated as charities by the Charity Commission; this is in addition to, and may duplicate elements of, the HEFCE's own accountability oversight.

In 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 2014

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

Mission and principal objectives

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

Objectives of the Royal College of Music

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

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

RCM Strategic Plan

In setting the RCM’s objectives and planning its activities the Council has given careful consideration to the Charity Commission’s guidance on public benefit. Our Strategic Plan identifies priority areas for the period 2007 to 2017: access to an inspirational learning experience; artistic vision; research and innovation; communications; people; technology; estates; and finance.

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

The Plan was reviewed and revised substantially in 2012/13, the midway point in the Plan, to reflect evolving priorities and the 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 is an associated programme of fundraising to raise the sum of £30 million (£25 million plus £5 million for scholarships).
- Prince Consort Village (PCV): new student accommodation for 417 students, funded by a commercial partnership; PCV is planned to open in September 2015.

- Review of pre-18 provision: to integrate Sparks Juniors, Sparks and Junior Department, thus enhancing the RCM's access and progression agenda.
- Review of marketing and communications: to maximise the RCM's impact at national and international level, maintaining and enhancing its 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 devised for the period beyond 2017.

Outlook for 2014/15

The overall economic outlook continues to be uncertain and it is anticipated that there will be further cuts in public spending beyond the 2015 election. The RCM is determined to achieve sustainable surpluses and has set targets for savings, surpluses and cash holdings. Targets incorporated in our previous Financial Sustainability Strategy were exceeded and a new Financial Sustainability Strategy was approved in July 2013 and has been implemented. The RCM's five-year financial forecasts were updated in June 2014 and were tested using sensitivity analysis for a range of potential risks. Set against an uncertain economic background, acceptances to study at the RCM in 2014 are as high as ever from international, UK and other EU students, and we plan to consolidate student numbers for 2014/15, as the RCM reaches its upper space constraints.

Principal risks and uncertainties

The RCM's Risk Management Strategy and Policy set out the respective roles of the Directorate, Council, Finance & General Purposes Committee and Audit Committee in managing risk. It also outlines key controls and our approach to risk management.

The RCM Risk Register identifies key risks, likelihood of occurrence, potential impact on the RCM and actions being taken to reduce and mitigate risks, with risks prioritised using a consistent scoring system. The Register is reviewed annually by the RCM Directorate and is monitored and up-dated throughout the year with an annual report on risk management presented to all committees involved in risk management, including the Council. One risk area is currently scored a high risk: 'loss or reduction of ABRSM donation', although the RCM is confident that action taken by the ABRSM in 2013/14 will mitigate this risk; the RCM is represented on the ABRSM's governing body and is involved in developing ABRSM's new Strategic Plan.

Key performance indicators (KPIs) are reviewed annually by RCM Council. These KPIs were revised in autumn 2013 to reflect guidance from the HEFCE Financial Sustainability Strategy Group which had developed a basis for monitoring and reporting institutional sustainability through an annual sustainability report (ASSUR). The RCM was one of the small number of HEIs that prepared an ASSUR in 2013/14 and plans to do so in future years.

The RCM receives an annual HEFCE assessment of institutional risk. Along with most HEIs we were judged '*not at higher risk*'. In February 2014 we had a scheduled HEFCE Assurance Review visit which gave the RCM a clean bill of health for its governance, with no recommendations, an unusual outcome for a university or college from such a review (the previous review in 2008 also gave no recommendations).

Inspirational teaching

Equipping the complete musician

One to one teaching

At the core of provision at the RCM is the quality of one to one teaching given by our professors. Their inspirational work gives a solid grounding for all future activities of our students. Last year saw important additions to the professorial list across RCM faculties, continuing to enhance student choices. A number of the faculties have away days, which provide an opportunity for professors to meet together and debate issues relating to their specialist area. Professors are also increasingly involved in the performance programme, developing and delivering a range of activities for their students.

Active research

The research agenda is vital to the work of the RCM, and it is notable how recent successful research bids and projects are feeding into teaching programmes. In particular, the Musical Impact and Creative Practice as Mutual Recovery projects are influencing the Professional Skills curriculum and cross-linking to the RCM Sparks programme.

The Performance Simulator, a joint project with acousticians from Arup has been an important development in the study and understanding of musical performance, and also a feature of the study of the Psychology of Music and MSc options. These areas of study enrich our understanding of performance, and the success of teaching and research in these areas is exemplified by the fourfold increase in students on the MSc course, now in its third year.

Teaching across the generations

With the ever-increasing reach of the RCM Sparks programme, through to the continuing expansion of the doctoral programmes, the RCM is extending its offer and influence. This year saw an unprecedented eight graduates at doctoral level. Similar expansion is taking place at Artist Diploma, with commencement of new areas of study, including chamber music in autumn 2014.

Leading to success

The proof of the quality of our teaching is reflected in remarkable successes for students in recent months, including wins and appointments in BBC Young Musician of the Year, Royal Over-Seas League, Inter-Collegiate Chamber Music Prize, Young Classical Artist Trust auditions, BBC New Generation Artists, and many more. Belief in, and understanding of, the need for a combination of instruction and opportunity tailored for each student leads to the best possible foundation for long-term success and fulfilment, and remains central to our mission.

Musical performance

Bringing the notes to life

The rich and diverse performing programme at the RCM continues to distinguish us from our competitors and is designed to equip students for their diverse futures at the head of the musical world.

We began the year in celebration of one of our most illustrious alumni, Benjamin Britten, in the centenary year of his birth. Through performances of the *Spring Symphony op 44*, *Sinfonia da Requiem op 20* (conducted by alumnus John Wilson), a day of song and chamber music performances on London's South Bank and a dedicated exhibition in our Museum, Britten's music was revealed once again.

The autumn term saw the return of English Touring Opera, who presented three operas at the Britten Theatre, providing opportunities for our singers from the RCM International Opera School to take roles both at the RCM and on tour. Now in its seventh year, the International Festival of Viols continues to draw interest and audiences from around the world. Our guest performer was Vittorio Ghielmi, and further projects are being planned with him and the Salzburg Mozarteum.

In the spring term we were pleased to celebrate the life of Michael Gough Matthews, Director of the RCM from 1985-1993, in a programme of his beloved French music. Sir Roger Norrington, himself an RCM alumnus, returned to conduct Fauré and Berlioz's genre-breaking *Symphonie fantastique*. The RCM Classical Orchestra, led by Matthew Truscott, featured music by other anniversary composers – Gluck, Rameau and C P E Bach.

Contemporary music takes an ever-more important place in RCM programming, and we were delighted to welcome the Italian composer, Ivan Fedele, as our composer in residence, with a week of solo, chamber and orchestral performances of his works.

This year we saw the culmination of a three-year project, "*Singing a Song in a Foreign Land*", focusing on the music of composers displaced by the Second World War. Performances in London, Schwerin, Vienna and Paris were followed by a conference at the RCM. Further collaborations included the return of the London Handel Festival, who staged Handel's *Arianna in Creta*, featuring RCM singers.

The summer featured the remarkable project *Hogarth's Stages*. In conjunction with Tête à Tête Opera new mini-operas were written by RCM student composers for RCM student performers, with fully mounted productions in the Britten Theatre.

Visits to the RCM included masterclasses by, amongst others, Sir John Tomlinson, Lang Lang, Pinchas Zukerman, Dame Anne Evans, Nicola Benedetti and Alina Ibragimova. Festivals including *Kalinka*, a five-day keyboard festival, Super String Sunday, Festival of Percussion, performances at the Wigmore Hall, Cadogan Hall, Southbank Centre, and a host of other concerts and events continued to provide opportunities to showcase the talents of RCM students and the expansion of RCM live broadcasting shared these around the world.

The year rounded off with two unforgettable performances of Mahler's *Symphony no 7* conducted by Bernard Haitink, a remarkable showcase for all staff and student achievements throughout the year.

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. A selection of successes for RCM students in 2013/14:

- Anna Rajah (soprano) – awarded Help Musicians UK Licette Scholarship
- Dinara Klinton (piano) – second prize, International Paderewski Piano Competition
- Edwin Hillier (composition): awarded place on Sound&Music/NMC HE Programme
- Ilya Maximov (piano) – second prize, Scottish International Piano Competition 2014
- Jamal Aliyev (cello) – winner, Muriel Taylor Scholarship 2014
- James Wafer (baritone) – first prize, Kathleen Ferrier Society Bursary for Young Singers
- Juliana Myslov (harp) – first prize, Dutch Harp Competition 2014
- Junnan Sun (clarinet) – first prize, Stockholm International Music Competition: Clarinet
- Linn Persson (saxophone) – first prize, Stockholm International Music Competition Saxophone
- Laura Snowden (guitar) – first prize, Worshipful Company of Musicians Ivor Mairants Guitar Competition 2014
- Manon Quartet (strings) – winner, Cavatina Intercollegiate String Quartet Competition
- Mari Poll (violin) – winner, City Music Foundation Awards
- Nick Pritchard (tenor) – first prize, London Bach Society Bach Singers Prize
- Paul Devlin (composition) – first prize, CINE Film Scoring Competition, Emerging Composers
- Paul McKenzie (piano) – winner, Help Musicians UK Accompanist Award
- Pavel Kolesnikov (piano) – winner, Yamaha Scholarship Award
- Sinéad O'Kelly (soprano) – winner, Northern Ireland Opera Voice of 2013
- Soraya Mafi (soprano) – winner, Maggie Teyte Competition 2013
- Tir Eolas (folk group) – winners, City Music Foundation Awards
- Anna Rajah (soprano) – winner, Royal Over-Seas League Singers Prize
- Block4 (recorder quartet) – winners, Royal Over-Seas League Ensemble Prize
- Huw Wiggin (saxophone) – winner, Royal Over-Seas League Gold Medal and First Prize Young Artist
- Anna Rajah (soprano) – awarded opera placement Bayerische Staatsoper OperaStudio
- Katherine Crompton (soprano) – awarded opera placement National Opera Studio
- Marie Jaermann (soprano) – awarded opera placement Dutch National Opera Academy
- Morgan Pearse (baritone) – awarded opera placement Houston Grand Opera Studio
- Peter Kirk (tenor) – awarded opera placement Opera National du Rhin Young Artist

Research and innovation

Enhancing the research environment

Submission to the Research Excellence Framework (REF) 2014

On 28 November 2013 the RCM submitted to REF2014. With a deliberate focus on excellence, the core evidence comprised 76 individual research outputs, across practice and theory, by 23 staff, published between 2008 and 2013, as well as an environment statement, and details of research impact, a newly-introduced category in the audit. Three core research areas emerged during REF preparations, namely *Performance, Practices and Sources; Performance Science; and Contemporary Musics*. As well as giving the resultant submission a significant focus, the recognition of these areas reflects the growth and maturity of RCM research since submission to such audits began in 1996. Results are published in December 2014, and will inform allocation of HEFCE research funding to HEIs, effective from the 2015/16 academic year. Additionally, the mechanism whereby REF outcomes are used to compare research across HEIs may also assist in the preservation of an individual institution's reputation.

Significant research projects and collaborative partnerships

The first Conservatoires UK-wide project, *Musical Impact*, funded by the Arts and Humanities Research Council (AHRC), began in September 2013. This research will generate new knowledge about the physical and mental demands of music making, contribute new insights into chronic and acute health problems and examine effective strategies for health promotion. The ongoing AHRC-funded *Listening Experience Database* project held its first symposium at the RCM in December 2013. The database of personal listening experiences, relating to any culture and repertoire up to the present, includes RCM Collections Materials, thus shedding light on a wide range of issues, including musical performance and reception. Supported by the EU *Culture Programme*, the "*Singing a Song in a Foreign Land*" project culminated in a concert series and three-day symposium. Looking forward a £130,000 grant from the Sowerby Foundation, together with the appointment of a full-time Research Associate, will enable enhancement to the Centre for Performance Science Performance Simulator.

Staffing

Gabriele Rossi Rognoni was appointed Curator of the Museum of Music with effect from January 2014. Gabriele was formerly Curator of Musical Instruments at the Museum of the Galleria dell'Accademia in Florence and since January he has embarked on a radical programme of reconfiguration and transformation of the Museum of Instruments. Professor Paul Banks retired in April and Librarian Peter Linnitt, together with Gabriele, took on responsibility for the relocation of the RCM Collections' archive from College Hall to outsourced off-site specialist archive storage. Following the departure of Professor Amanda Glauert from the post of Director of Programmes & Research, Professor Richard Wistreich, currently the Royal Northern College of Music's Dean of Research & Enterprise assumed the role of Director of Research from September 2014.

Learning for all ***Including everyone – RCM Junior Programmes***

In 2013/14 the RCM was delighted to announce the appointment of Miranda Francis as the new Head of Junior Programmes combining RCM Sparks and Junior Department.

The Junior Department offers advanced training at the highest level to young musicians aged eight to 18, providing individually-tailored programmes of one to one instrument, voice and composition lessons, supported by chamber music, orchestra, choir and musicianship. Entrance to the Junior Department is by audition and is highly competitive and we are committed to ensuring that successful applicants are not prevented from coming to the Junior Department through financial hardship. In 2013/14 more than £200,000 of bursary support was accessed by families where there was the most need – furthering the RCM’s mission to offer an inspirational learning experience for all, regardless of financial means.

Sparks Juniors has moved into its fifth year. Eight students ‘graduated’ from the scheme to join an extension programme that takes place at the RCM on Tuesdays, including the Tri-Borough gifted and talented choir AKA. Last September’s new cohort of Sparks Juniors saw an entry of four viola and cello players. They join the scheme receiving instrumental lessons, attending training choir, musicianship and a practical musicianship class.

Junior Department students took part in 89 different performances throughout the year at iconic venues including the Royal Albert Hall’s Elgar Room, Carpenter’s Hall, the Beaumaris Festival in Wales, Usher Hall Edinburgh, Ronnie Scott’s and the RCM’s own Amaryllis Fleming Concert Hall and Britten Theatre, with the year culminating in a highly successful event at St John’s Smith Square where the RCM Junior Department Symphony Orchestra, Chamber Orchestra and Concert Choir performed Britten’s *Welcome Ode op 95*, Weber’s *Clarinet Concerto no 2 op 74* and Shostakovich’s *Symphony no 5 in D minor op 47*.

Also during the year the Junior Department Treble Choir joined the RCM Symphony Orchestra and Chorus for a rousing performance of Britten’s *Spring Symphony op 44*, conducted by Chief Conductor of the BBC Singers, David Hill. The concert was also streamed live to a worldwide audience via the RCM Live Player.

Martin James Bartlett, a student of Emily Jeffrey and Professor Vanessa Latache, won BBC Young Musician 2014. Martin is the third consecutive winner of the competition to come from the Junior Department following in the footsteps of pianist Lara Melda and cellist Laura van der Heijden. We are pleased to report that Martin is continuing his studies in 2014/15 at the RCM Senior College.

During his masterclass in November Lang Lang worked with pianists studying at the Junior Department as well as with students from Lang Lang Music World, his school for gifted pianists in Shenzhen, China.

Ensuring fair access

Removing barriers

Drawing on Prince Albert's vision for the advancement of the arts and sciences the RCM'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 RCM believes the area for most effective investment is outreach activity delivered by RCM Sparks and our activities support study in music and other subjects. RCM Sparks is the RCM's ground-breaking learning and participation programme. It provides opportunities for everyone to make or learn about music at the RCM. In 2013/14 RCM Sparks has ignited creativity in more than 3,500 members of the local community and trained more than 150 RCM students across more than 50 events. Sparks workshops aim to offer inspirational learning experiences for all regardless of financial means. Therefore, free or subsidised places are on offer for children who are eligible for free school meals, 'looked-after' children (*i.e. children looked after by the local authority or in foster care*) or children who live in social housing.

Evaluation of our programme shows that young people engaged in sustained activity with the RCM are more confident within a university environment, particularly if their families had no previous experience within higher education. The majority of participants also demonstrate an increased level of skills within mixed groups and feel more comfortable working with others.

In executing our strategic priorities, the RCM's approach has always been collaborative and this is demonstrated by our wide range of partners. We are focused on working in partnership with local authority music services and these partners are best equipped to identify students from disadvantaged backgrounds which is an important element of our projects. In 2013/14 we continued our work as a member of the Tri-Borough Music Hub comprising three strategic partners, the RCM, the Royal Albert Hall and the Aurora Orchestra, who provide music services to children in three London boroughs: Hammersmith and Fulham, Royal Borough of Kensington and Chelsea and Westminster. This continues to lead to new partnerships with primary and secondary schools and with other arts organisations. This year our partnership with IntoUniversity, a UK charity that helps disadvantaged young people gain a place within a higher education establishment, has developed significantly with RCM Sparks becoming an official partner from September 2014.

During the last academic year RCM Sparks has worked closely 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 means we are able to offer exciting and engaging activities, giving access to two iconic institutions.

The RCM is a founder member of Conservatoires UK (CUK), which takes an active interest in access, especially in relation to CUKAS, its on-line admissions service which has grown applications significantly.

Employability

Taking the lead

RCM graduates are highly employable: in the 2014 Higher Education Statistics Agency survey of last year's graduates, 100% of RCM graduates who completed the survey said that six months after graduating they were either in employment or further study. This placed the RCM joint first out of all UK universities and colleges and far outstripped all other UK conservatoires.

The Woodhouse Professional Development Centre is the RCM's flagship careers service. 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). In 2014, the Centre celebrated 15 successful years, since it was established, with a programme of 15 events.

The Centre supports students in preparing for a successful and lifelong career in music and our services include: weekly one-to-one sessions covering curriculum vitae, biography, marketing and careers; student and graduate job bulletins; arts administration work placements and internships; and regular workshops and presentations by industry specialists. The Centre also provides access to a wide variety of professional contacts and offers advice on self-promotion.

Concert opportunities are provided at more than 35 venues, including some of London's most prestigious galleries, museums, concert halls and churches. In 2013/14, more than 350 musicians gave concert performances at such notable venues as St. Martin-in-the-Fields, Steinway Hall and the Elgar Room at the Royal Albert Hall. The Centre's unique and creative music/art collaboration with the National Gallery has continued to flourish and, during the spring term we worked in partnership with the Royal Academy of Arts to devise a landmark project for composers to create new works inspired by the exhibition *Sensing Spaces: Architecture Reimagined*. The compositions were performed at the Royal Academy and recordings featured on BBC Radio 3.

The Centre also manages a thriving Professional Engagements Service. Musicians are hired by organisations and members of the public to perform at events, work as freelance orchestral and session players, accompanists, composers, répétiteurs, and chorus members. Fees and contracts are negotiated by the specialist team to ensure that they fall in line with industry standards. Last year, 550 musicians gained opportunities through the concerts and Professional Engagements Service, with more than 700 performances, generating over £160,000 of income.

Passionately driven 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.

Fundraising

Transforming lives

The RCM receives income from tuition fees, trading activities and government grants, but this does not cover all our costs and we are grateful to our valued family of supporters for their donations, especially in a time of continuing economic uncertainty and government funding cuts. Last year, the Development Department raised £1.1 million (*also £1.1 million in 2012/13*) in donations and sponsorship from individuals, companies and charitable trusts and a further £635,000 from 11 legacy gifts; we are also grateful to the 98 people that have shared with us that the RCM is included in their will.

Scholarships are a vital element of our fundraising activity, enabling us to attract the best talent worldwide and transforming the lives of young musicians. This year we made awards to 400 students (50% of those registered). New supporters this year include Ernest Hecht, Lady Victoria Harrison, Dasha Shenkman, the estate of Humphrey Searle and the Tait Trust. The RCM Scholarship Fund also receives a vital boost from the *Soirée d'Or*, our annual gala fundraiser, which raised more than £210,000 due to the hard work of a dedicated committee chaired by Lady Carr.

The RCM Friends Programme goes from strength to strength; in addition to their subscription income, in 2013/14, 57% of Friends attended at least one RCM concert (8% of total Box Office income). The patronage of the Friends is much valued by the RCM, especially by our students. A loyal core of Friends donate also annually to the Student Support Fund and *Restore a Score*.

Our re-launched Patron programme - *Circles for Excellence* continues to grow and we are grateful for the support of our Patrons Committee, chaired by John Nickson. We now have 65 Patron supporters, giving at least £1,200 a year (15 more than last year). Their contributions are invaluable in supporting training and performance at the RCM, and Patrons enjoy rare insights into how our students are nurtured.

In 2013/14, we were grateful for first time grants from a number of new individuals and charitable foundations, including the Peter Sowerby Foundation, Heritage Lottery Fund, Rothschild Foundation, Denis and Meredith Coleman and Dhairya and Karina Choudhrie.

We are now embarking on a £30 million project to transform our courtyard. This project will provide two new flexible, modern performing spaces, a new sound-proof percussion suite and more practice rooms, as well as bringing the rich collections of our museum into a more public space. There will also be cafés and public spaces for visitors, including school groups. This is the most significant and ambitious project in our 130-year history and it will revolutionise access for all building users and enable us to deliver on all aspects of our strategy to retain our position as a leading international conservatoire. We intend to apply for planning permission in summer 2015 and the fundraising campaign is led by RCM Council member Bob Wigley.

To all 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 is invaluable and we are very grateful for your continuing commitment to the RCM.

Equality and opportunity ***Committed to fairness***

The RCM is committed to equal opportunities, aiming to ensure that no student, member of staff, or visitor is subjected to unfair discrimination 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 RCM Strategic Plan is committed to providing access to an inspirational learning experience for the widest possible range of students, and serves as a mechanism to measure the RCM's compliance with the Equality Act. Key objectives, focused on disability, social deprivation and the black and minority ethnic population, seek to:

- encourage applications, enable participation and enable student success;
- raise aspiration to engage with music and to study at higher education level.

To these ends, RCM Sparks has worked with children, young people, and families not normally engaged in music and developed strategic partnerships to support their work. In 2013/14, measures were put in place for more targeted data collection from the following specific age groups between six to 18 years.

The Student Services Manager has worked successfully to increase the take-up of Disabled Students Allowance (DSA) by contacting disabled applicants before the start of the year and supporting them to apply. She will undertake a review of study support, including new technology, across the RCM, in anticipation of changes to DSA.

The RCM Mental Health Policy and Guidelines for Staff and Students has been formulated to encourage a positive, enabling and supportive environment. This policy presents the RCM position regarding students experiencing mental health difficulties and provides guidance on procedures and support measures that can be arranged. We plan to strengthen support for staff also, seeking to build on joint staff/student ventures.

RCM values the diverse nature of its active researchers and established a Code of Practice which explains how it achieved equality in the selection of staff for inclusion within the RCM's submission for Research Excellence Framework 2014, whilst meeting the requirements of its institutional mission.

RCM is committed to recruiting, retaining and developing disabled people, and a training programme for managers, will be rolled out in 2014/15, to raise awareness of and embed equality issues in, recruitment, selection and support for staff.

The Research Fellow in Music and Visual Impairment has acted as consultant to the RCM Museum of Music on access and tactile technology, and has provided guiding training. She will offer further training, investigate the possibility of developing tactile music teaching aids in collaboration with the Royal College of Art and develop the 'Breaking Down the Walls' project, designed to promote inclusion and equality, in an interactive audio/visual experience.

Sharing services and collaborations

Benefitting from partnership

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

- *partnership with Imperial College (IC)*: who 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 2014 a team of IC postgraduate students undertook an environmental audit at the RCM, to measure progress against our environmental strategy and to provide guidance on further opportunities;
- *cleaning consortium*: established in 2011, with Heythrop College and the Royal College of Art for shared cleaning services across five campuses, we continue to reap financial and contract management benefits from this initiative;
- *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;
- *London Universities Purchasing Consortium (LUPC)*: London-wide procurement consortium owned by 96 HEIs and third sector organisations (*the RCM Director of Finance & Estates was the Chair of LUPC in 2013/14*);
- *The Energy Consortium (TEC)*: one of the UK's leading providers of collaborative energy procurement, particularly to universities and colleges.
- the *Exhibition Road Cultural Group*: champions the collective view of its 16 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;
- *1851 Invest to Save Project*: focusing on reducing carbon emissions for its members in the '*South Kensington Cultural and Academic Estate*'.

In 2013/14 the RCM undertook a Procurement Maturity Assessment (PMA) with the Southern Universities Purchasing Consortium (SUPC). A PMA is an independent assessment of an organisation's procurement function and provides a benchmark with similar institutions. The PMA identified that our procurement systems generate savings of 4.4% of non-pay spend (*5.2% if we include capital spend*) against a sector target of 3.5% and that this is achieved, even though we spend only 0.3% of non-pay spend on procurement systems compared to a sector target of 0.9% (*i.e. our net savings are 4.1% which is 60% more than the sector net target of 2.6%*). The PMA quantified this saving at more than £200,000 pa.

One of the key reasons for achieving our savings is that we have focused on increased value for money through collaboration and achieved 41% of non-pay spend, thereby exceeding the sector best practice target of 25%.

Caring for the environment

Making a difference

The RCM is committed fully to its responsibility for minimising the environmental, social and economic impacts of our operations and, as a small higher education institution, we aspire to be a centre of excellence in environmental management. The RCM remains the UK's greenest conservatoire, achieving a 2:1 rating, the second highest ranking available, in the most recent People & Planet Green League and for the fourth year running we are proud to be recognised as the UK's greenest conservatoire. In 2013/14 we:

- achieved ISO 14001 accreditation;
- undertook a review of our environmental policies;
- completed an independent audit on environmental systems and processes;
- continued to support the Fairtrade Foundation - our catering outlets selling more than 52,000 cups of Fairtrade tea and coffee;
- purchased 100% of electricity from renewable generation;
- recycled 97% of construction waste; and
- participated in the Shred-it confidential recycling programme, recycling the paper equivalent of 63 trees.

In January the RCM was awarded ISO 14001 accreditation. ISO 14000 is a series of environmental management standards developed and published by the International Organisation for Standardization; they provide a framework for organisations to systematise and improve their environmental management efforts and the ISO 14001 standard is the most important standard within the ISO 14000 series.

All aspects of the RCM Environmental Policy are inter-linked with and form an integral part of our environmental management system. This includes all existing environmental policies, the environmental action plan, BREEAM In-use and the Carbon Management Plan (*available on our website*).

The RCM produces termly environmental e-newsletters to update staff, students and other stakeholders on environmental projects at the RCM including Fairtrade, carbon reduction and recycling. This encourages engagement and awareness of the RCM's own environment.

In 2014 an environmental audit was undertaken by Imperial College postgraduate students - a follow-up exercise from a similar audit in 2009. Their report outlined progress that we have made since the last audit; gave advice on further energy saving opportunities; provided a framework for integrating environmental issues across the RCM; and outlined how to implement their recommendations.

Estates

Providing fitting surroundings for gifted musicians

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

- concert, opera and other performance spaces that reflect contemporary standards of sound insulation and lighting;
- well-resourced and comfortable teaching and practice rooms, appropriate to the needs of students;
- space for specialist areas: e.g. musical instrument workshops, the Museum of Music, halls of residence, library, recording studios, percussion rooms and dedicated computer suites for composition;
- 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 RCM; and
- events space that is maintained at a level which attracts clients from the music, educational, professional and commercial world.

During 2013/14 the RCM Council approved redevelopment of our student hall of residence in Ravenscourt Park. In June we reached financial close on a new halls of residence, Prince Consort Village (PCV), which will open for RCM students in September 2015. PCV will have 417 acoustically treated bedrooms, allowing students to practise in their rooms during the day. There are also 23 dedicated 24 hour practice rooms, social spaces and a gym.

The RCM has an ambitious plan to transform what we offer to students and visitors alike; to carry out much-needed work to our South Kensington estate; and to create an interactive hub at the heart of the RCM. Our plans are centred on developing the open courtyard space that sits at the heart of our South Kensington campus. The redevelopment of the courtyard will create new social spaces, two new performance venues and technologically advanced spaces for rehearsals, exhibitions, and music laboratories. At the same time, new connections between existing spaces will be made possible, transforming how the campus is experienced, with the courtyard becoming a hub and meeting place for students, staff and visitors. We intend to apply for planning permission in summer 2015.

As part of the campus development, in 2012/13 we commenced a four year programme to refurbish the South Building (*undertaken out of term-time to minimise disruption*). In 2013/14, work focused on replacement and re-organisation of mechanical and electrical services.

RCM Financial Statements

2013/14

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'¹.

Statement of primary responsibilities

The Council is responsible for:

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

Structure of corporate governance

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

The Council's membership and powers are laid down in the RCM's Royal Charter and Statutes. The maximum number of Council members is 25 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 a **Finance and General Purposes Committee (F&GPC)** which meets at least four times a year. The F&GPC's responsibilities include monitoring performance in relation to approved budgets and oversight of the Directorate's risk management responsibilities. It also acts as **Remuneration Committee** for salaries and terms and conditions of the senior staff. The F&GPC scrutinise the annual financial statements ahead of consideration by the Audit Committee and Council and also review minutes of the **Health and Safety Committee** in order to monitor compliance and practice on behalf of Council.

The **Investment Committee** (at least two meetings a year) 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

¹ The CUC is currently reviewing its Governance Code of Practice and it is anticipated that further guidance will be issued during 2014/15. The RCM intends to comply with the new code of practice where practicable.

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. The Audit Committee considers the RCM's annual financial statements, taking into account the views of external and internal auditors, the F&GPC and Directorate, and makes recommendations to the Council.

The Audit Committee 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.

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

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 reviews annually an annual sustainability report, incorporating key performance indicators which reflect guidance from the HEFCE Financial Sustainability Strategy Group.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the RCM's financial position and enable it to ensure that accounts are prepared in accordance with the Royal Charter, Statement of Recommended Practice: Accounting for Further and Higher Education² and applicable accounting standards. The Council has also given careful consideration of the requirements contained in the Charities Act 2011 and in particular to the Charity Commission's guidance on public benefit.

Within the terms and conditions of the Financial Memorandum agreed with the HEFCE³, 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;

² In March 2014 the Financial Reporting Council approved a new SORP2015 applicable from 2015/16.

³ The Financial Memorandum with the HEFCE was superseded, by a new Memorandum of Assurance and Accountability with effect from 1 August 2014.

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

Accounting records

All accounting records have been made available to the auditors for the purpose of their audit and all transactions have been properly reflected and recorded in the accounting records. All other records and related information which might affect the truth and fairness of the financial statements, including minutes of Council and other meetings, have been made available to the auditors. 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 2014 and up to the date of approval of the financial statements, and accords with HEFCE guidance. The Council has responsibility for reviewing the effectiveness of the internal control systems and the following processes have been established:

- the Council meets at least four times per annum and considers the plans and strategic direction of the RCM;
- the Council receives minutes of each meeting of the Audit Committee, together with an annual report which provides an opinion as to the RCM's arrangements for risk management, internal control, governance, data quality and value for money;
- the Council receives regular reports from the Directorate on 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 RCM;
- training for managers with responsibility for areas involving high-level risk includes attendance at relevant workshops;
- an annual review conducted by the Directorate is presented in writing to the F&GPC for discussion, and reported to the Council;
- the RCM receives an annual HEFCE assessment of institutional risk. Along with most HEIs we were judged '*not at higher risk*'.

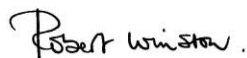
The review of effectiveness of the internal control system is informed by reports from internal auditors, who operate to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports, which include their opinion on the adequacy and effectiveness of the system of internal control, with recommendations for improvement. The Council's review of effectiveness of the internal control system is also informed by the work of the Directorate, who are responsible for developing and maintaining the internal control framework, and by comments from the external auditors in their management letter and other reports. In February 2014 there was a scheduled HEFCE Assurance Review visit which gave the RCM a clean bill of health for its governance, with no recommendations - the previous review in 2008 also gave no recommendations.

Equal opportunities

The RCM is committed to its equal opportunities policy and aims to ensure that no student, member of staff or visitor is subjected to unfair discrimination; details of our equalities policies and processes are outlined in the section "*equality and opportunity*".

The Equality Act 2010 covers the following '*protected characteristics*': age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity; RCM policies, procedures and training programmes reflect the Act.

Professor Lord Winston



Chairman

27 November 2014

Professor Colin Lawson



Director

27 November 2014

Independent auditors' report to the Council of Royal College of Music

We have audited the financial statements of RCM for the year ended 31 July 2014 which comprise the Consolidated and RCM Income and Expenditure Account, consolidated and RCM statement of total recognised gains and losses, the balance sheets for the Group and the RCM, the consolidated 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 RCM Council, as a body, in accordance with paragraph 154 of the Charities Act 2011 and 124B of the Education Reform Act 1988. 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 RCM and the RCM's Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of RCM Council and auditors

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

We have been appointed as auditor under section 144 of the Charities Act 2011 and section 124B of the Education Reform Act 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 (United Kingdom and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England (HEFCE). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website 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 RCM 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 HEFCE.

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the RCM's affairs as at 31 July 2014 and of the Group's and RCM income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Education Reform Act 1988, the Charities Act 2011 and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions".

Opinion on other matters required by the HEFCE Audit Code of Practice

In our opinion, in all material respects:

- income has been applied in accordance with the RCM's statutes and where appropriate with the applicable financial memorandum with the HEFCE;
- funds from whatever source administered by the RCM for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the financial memorandum and any other terms and conditions attached to them.

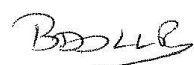
Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE 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 Group and the RCM.

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

- the information 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.



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

Date: 28 November 2014

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 on the going concern basis under the historical cost convention as modified by the revaluation of investments, 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. Basis of consolidation

The consolidated financial statements incorporate the results of the RCM - consolidated and all of its subsidiary undertakings as at 31 July 2014 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

3. 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 the land for student accommodation and a residential property in London. They are stated in the accounts at cost less depreciation.

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

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

Where buildings are acquired from specific grants they are capitalised and depreciated as above and related grants are treated as deferred capital grants and released to income over the building's expected useful life. Construction work is expensed during the preparatory phase and capitalised, in-line with FRS 15 from the point of formal project approval. Assets in the course of construction are valued at cost and depreciation is not provided until the asset is brought into use.

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

Furniture and equipment costing less than £2,000⁴ per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over useful economic life:

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

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

4. Fixed asset investments

Hall of residence is included in freehold land and buildings. RCM has entered into an agreement with Campus Living Villages (CLV), a specialist provider of student accommodation, for the development and operation of the hall of residence formerly known as College Hall and to be renamed Prince Consort Village. A long lease has been granted to M&G who will finance the redevelopment of Prince Consort Village and the premium received for that lease will be recognised as income over the period of the lease. M&G have granted a lease to CLV (RCM) LLP (*an LLP which is owned jointly by CLV and RCM Business Enterprises Ltd – a wholly owned subsidiary of RCM*) which will operate Prince Consort Village. RCM will recognise the cost of the new building in its financial statements to the extent that it controls future economic benefits of Prince Consort Village.

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

The RCM Library holds collections of printed and manuscript music, books, letters and other archival collections. No valuation has been obtained for the collection as a whole, or individual items, for reasons of cost and practicality. Assets acquired before August 2009 were not valued due to their scale and uniqueness; also valuation costs exceed the benefit derived to the users of the accounts. Assets donated or purchased with a value of more than £2,000 since 1 August 2009 are included in the accounts where values have been reasonably obtainable.

The Museum collection comprises around 1,000 items, most of which are instruments or parts of instruments. The collection also includes archival material.

A financial valuation took place in 2010/11 and most of the collection was examined by experts from Sotheby's and Bonhams and instruments valued at £4.4 million were added to the balance sheet in the 2010/11 accounts.

⁴ From 2014/15 this will increase to £5,000.

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

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

The majority of these works were donated to the RCM, though occasional purchases have been made over the years. No overall valuation has been made of the collection, though many works of art were valued in 2005 and are included in the accounts. Given the importance, size and uniqueness of the collection, it is not 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 has no reason to believe there has been any impairment in value.

5. Associates

An entity is treated as an associated undertaking where the group has a participating interest and exercises significant influence over its operating and financial policy decisions.

In the group accounts, interests in associated undertakings are accounted for using the equity method of accounting. The consolidated income and expenditure account includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings. In the consolidated balance sheet the interests in associated undertakings are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

The RCM's fully owned subsidiary RCM BEL Ltd holds a 20% holding in CLV (RCM) LLP and this interest will be accounted for using the net equity method in the RCM's consolidated accounts, adjusted for any element of the Prince Concert Village property that may be accounted for in the RCM's accounts.

6. 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 was completed in 2013/14.

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.

7. 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.

8. 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.

9. 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.

10. Leased assets

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

11. Liquid resources

Liquid resources comprise cash held on short-term deposit.

12. 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.

13. Students' Association (SA)

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

14. HEFCE access to learning funds

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

Consolidated and RCM income and expenditure accounts for the year ended 31 July 2014

	Notes	RCM 2014 £	2013 £	Consolidated 2014 £
Income				
Funding council grants	1	4,062,433	4,145,945	4,062,433
Academic fees and support grants	2	10,349,580	9,032,944	10,349,580
Research grants	3	189,924	93,135	189,924
Other operating income	4	4,247,025	4,341,033	4,247,025
Endowment and restricted income and interest receivable	5	2,779,305	2,878,052	2,779,305
Total income		21,628,267	20,491,109	21,628,267
Expenditure				
Staff costs	6	11,080,897	10,297,874	11,080,897
Other operating expenses	7	7,951,164	6,693,067	7,953,564
Depreciation	8	1,347,561	1,358,938	1,347,561
Interest and other finance costs		108,791	123,008	108,791
Total expenditure		20,488,413	18,472,887	20,490,813
Surplus on continuing operations before exceptional items		1,139,854	2,018,222	1,137,454
Exceptional items	9	(310,974)	-	(310,974)
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets, exceptional items and before and after tax		828,880	2,018,222	826,480
Surplus income from scholarship funds and donations transferred to and from endowment funds	18	46,144	(439,377)	46,144
Surplus for year retained within general reserves	20	875,024	1,578,845	872,624
Statement of historical cost surpluses for the year ended 31 July 2014				
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before tax		828,880	2,018,222	826,480
Difference between historical cost depreciation charge and actual charge for the year calculated on the revalued amount	19	313,104	323,755	313,104
Historical cost surplus before tax		1,141,984	2,341,977	1,139,584
Historical cost surplus after tax		1,141,984	2,341,977	1,139,584

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

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

**Consolidated and RCM statements of total recognised gains and losses
for the year ended 31 July 2014**

		RCM		Consolidated
	Notes	2014 £	2013 £	2014 £
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and after tax.		828,880	2,018,222	826,480
New endowments	18	1,162,939	445,384	1,162,939
(Decrease)/Increase in value of endowment asset	12	(5,403)	2,380,042	(5,403)
Increase in value of fixed asset investments	11	5,467	994,326	5,467
Actuarial gain/(loss) on RCM pension scheme	30	317,000	(32,000)	317,000
Revaluation reserve movement due to disposals of fixed assets	19	-	(55,892)	-
Total recognised gains relating to the year		2,308,883	5,750,082	2,306,483
Opening reserves and endowments		65,514,047	59,763,965	65,514,047
Total recognised gains relating to the year		2,308,883	5,750,082	2,306,483
Closing reserves and endowments		67,822,930	65,514,047	67,820,530

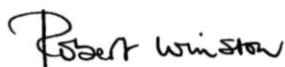
The accounting policies and notes form part of these financial statements.

RCM Consolidated

Consolidated and RCM balance sheets as at 31 July 2014

	Notes	restated		
	20	2014	2013	2014
		£	£	£
Fixed assets				
Heritage and tangible assets	10	24,365,782	26,044,033	24,365,782
Investments	11	16,084,860	16,142,240	16,084,860
		40,450,642	42,186,273	40,450,642
Restricted and endowment assets				
Investments	12	26,281,314	26,913,058	26,281,314
Investment in subsidiary company	12	1,710,862	-	-
Investment in associate		-	-	40
Loan to associate		-	-	1,710,822
Other	13	1,882,006	1,849,732	1,882,006
		29,874,182	28,762,790	29,874,182
Current assets				
Debtors	14	4,143,553	1,178,831	4,141,153
Cash at bank and in hand	22	2,679,200	1,665,184	2,679,200
Cash on deposit	22	19,400,000	6,600,000	19,400,000
		26,222,753	9,444,015	26,220,353
Creditors: amounts falling due within one year	15	(2,857,549)	(1,793,205)	(2,857,549)
Net current assets		23,365,204	7,650,810	23,362,804
Total assets less current liabilities		93,690,028	78,599,873	93,687,628
Creditors: amounts falling due after more than one year	16	(17,076,468)	(1,993,688)	(17,076,468)
Net assets excluding pension liability		76,613,560	76,606,185	76,611,160
Net pension liability	30	(2,790,000)	(3,311,000)	(2,790,000)
Net assets including pension liability		73,823,560	73,295,185	73,821,160
Deferred capital grants	17	6,000,630	7,781,138	6,000,630
Restricted and endowment funds				
Restricted expendable funds	18	73,802	80,506	73,802
Restricted permanent funds	18	29,800,380	28,682,284	29,800,380
		29,874,182	28,762,790	29,874,182
Reserves				
Revaluation reserve	19	12,892,813	13,211,916	12,892,813
Accumulated revenue reserve				
Reserve before pension liability	20	27,845,935	26,850,341	27,843,535
RCM pension scheme liability	20	(2,790,000)	(3,311,000)	(2,790,000)
		37,948,748	36,751,257	37,946,348
Endowments and reserves		67,822,930	65,514,047	67,820,530
Total		73,823,560	73,295,185	73,821,160

The financial statements were approved and authorised for issue by the RCM Council and signed on its behalf on 27 November 2014 by:



Professor Lord Winston

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

Consolidated statement of cash flows for the year ended 31 July 2014

	Notes	2014 £	2013 £
Net cash inflow from operating activities	21	1,033,582	939,256
Returns on investments and servicing of finance			
Income from endowments	5	1,048,910	1,221,639
Investment income from general endowments	5	510,910	442,130
Other interest received	5	86,508	99,279
Interest paid		(108,791)	(123,008)
		1,537,537	1,640,040
Capital expenditure and financial investment			
Payments to acquire endowment asset investments	12	(10,825,314)	(7,363,658)
Realisation of endowment asset investments	12	9,419,856	5,205,684
Payments to acquire fixed assets		(1,347,656)	(512,447)
Acquisitions of fixed asset investments	11	(5,506,966)	(2,204,810)
Disposals of fixed asset investments	11	5,722,893	2,205,455
Deferred capital grants received	17	71,538	48,743
New endowments received	18	1,162,939	445,384
Lease premium received		12,584,320	-
		11,281,610	(2,175,649)
Management of liquid resources			
Net amounts placed on deposit	22	(12,800,000)	(2,600,000)
Financing			
Repayments of amounts borrowed	16	(162,750)	(162,750)
		(162,750)	(162,750)
Cash movement	22	889,979	(2,359,103)

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

Notes to the consolidated accounts for the year ended 31 July 2014

	Notes	2014 £	2013 £
1. Funding council grants			
Recurrent grants		3,885,991	3,959,115
Specific grants		46,388	57,145
Deferred capital grants	17	130,054	129,685
		4,062,433	4,145,945
2. Academic fees and support grants			
Higher education			
UK students		2,891,401	2,221,115
Other EU students		1,403,877	1,152,670
Non-EU students		4,490,977	4,127,556
Other		200,845	207,358
Junior Department		1,362,480	1,324,244
		10,349,580	9,032,944
3. Research grants and contracts			
Research council		181,746	79,208
Other		8,178	13,927
		189,924	93,135
4. Other operating income			
Residences, catering and lettings		1,463,819	1,429,930
Other services rendered		328,156	321,509
Profit on sale of fixed assets		7,116	22,352
Released from deferred capital grants	9, 17	307,030	315,192
ABRSM		1,000,000	1,000,000
Donations and other income		1,140,904	1,252,050
		4,247,025	4,341,033
<i>Released from deferred capital grants consists of £1,721,992 (note 17) less £1,414,962 (note 9).</i>			
5. Restricted and endowment income and interest receivable			
Restricted donations	18	1,132,977	1,115,004
Investment income on restricted endowments	18	1,048,910	1,111,095
Investment income on unrestricted endowments	18	-	110,544
Investment income		510,910	442,130
Other interest receivable		86,508	99,279
		2,779,305	2,878,052

Royal College of Music
Annual Review and Financial Statements 2013/14

	2014 £	2013 £
6. Staff costs		
Wages and salaries	9,484,777	8,848,685
Social security costs	623,923	582,017
Pension costs (USS and TPS)	972,198	867,172
	<u>11,080,897</u>	<u>10,297,874</u>
Director's emoluments		
Salary	203,578	198,576
Benefits in kind	1,428	1,648
	<u>205,006</u>	<u>200,224</u>

From 1 September 2006, the Director is required as part of his contract to live in a residence owned by the College. The costs associated with this residence in the year were £1,428 (£1,648 in 2012/13).

	Full time equivalents	Full time equivalents
Staff FTE by department		
Teaching departments	74	68
Teaching support services	38	38
Administration and central services	75	75
	<u>187</u>	<u>181</u>

Remuneration of higher paid staff

	Headcount	Headcount
Staff, including the Director, who received remuneration (excluding benefits in kind) in the following ranges were:		
£110,000 - £119,999	1	2
£120,000 - £129,999	1	-
£190,000 - £199,999	-	1
£200,000 - £209,999	1	-
	<u>3</u>	<u>3</u>

	Notes	RCM		Consolidated
		2014	2013	2014
		£	£	£
7. Other operating expenses				
Catering		400,450	374,481	400,450
Academic departments		701,565	627,310	701,565
Learning resources		344,866	393,182	344,866
Scholarships and bursaries		2,295,117	1,905,188	2,295,117
Premises		2,128,698	1,685,185	2,128,698
Grant to RCM Students' Association		30,358	29,152	30,358
Professional fees		659,784	398,346	659,784
Other		1,390,326	1,280,223	1,392,726
		7,951,164	6,693,067	7,953,564

Other operating expenses include

External auditors' remuneration	34,062	31,457
Internal auditors' remuneration - internal audits	30,013	30,191
External auditors' remuneration - non-audit	36,116	4,318

External auditors' remuneration - non audit includes £31,730 for tax advice of which £26,820 related to the College Hall project. The remainder was for compliance audit in relation to the US Federal Student Aid Programme and reporting on the Teachers' Pension Scheme regulatory return.

8. Depreciation

The depreciation charge was funded by

Released from deferred capital grants	9, 17	444,877	437,084
Released from revaluation reserve	19	323,755	318,571
Financed internally		590,306	591,906
		1,358,938	1,347,561

Released from deferred capital grants consists of £1,852,046 (note 17) less £1,414,962 (note 9).

9. Exceptional items

College Hall

Write off existing College Hall building		(1,725,936)
Release from deferred capital grant		1,414,962

(310,974)

	Notes	Heritage assets £	Land and buildings Freehold £	Leasehold £	Furniture and equipment £	Musical instruments £	Total £
10. Heritage and tangible assets							
Cost or valuation							
Balance at 1 August 2013		5,317,950	4,356,640	20,255,247	3,235,230	7,044,444	40,209,511
Additions		63,585	-	742,677	325,879	269,101	1,401,242
Disposals		-	(2,647,859)	(502,471)	(257,681)	(40,000)	(3,448,011)
At 31 July 2014		5,381,535	1,708,781	20,495,453	3,303,428	7,273,545	38,162,742
Depreciation							
Balance at 1 August 2013		-	1,289,277	5,899,614	2,627,692	4,348,895	14,165,478
Provided during the year	8	-	101,597	635,989	267,844	342,131	1,347,561
Disposals		-	(1,327,722)	(152,836)	(201,521)	(34,000)	(1,716,079)
At 31 July 2014		-	63,152	6,382,767	2,694,015	4,657,026	13,796,960
Net book value at 31 July 2014		5,381,535	1,645,629	14,112,686	609,413	2,616,519	24,365,782
Net book value at 1 August 2013		5,317,950	3,067,363	14,355,633	607,538	2,695,549	26,044,033
<i>In the year, the College Hall building in Goldhawk Road was demolished and assets associated with this building were written-off; the net amount written-off is made up of disposals of tangible assets: freehold, leasehold and furniture & equipment; together with related depreciation (see note 9).</i>							
Financial summary of heritage asset transactions							
Purchases							
Books and manuscripts		-	-	-	-	-	3,250
Busts and portraits		-	-	3,000	-	-	-
Instruments		-	-	-	-	-	-
Donations		-	-	-	-	-	-
Instruments		-	-	-	-	347,200	-
Disposals		-	-	-	-	-	-
Carrying value		-	-	-	-	-	(38,500)
Total heritage asset transactions		63,585	3,000	3,000	347,200	(38,500)	(35,250)

	Keyboards £	String £	Brass and woodwind £	Percussion £	Total £
Tangible assets - analysis of musical instruments					
Cost or valuation					
Balance at 1 August 2013	3,535,261	2,784,258	470,659	254,266	7,044,444
Additions	170,820	77,827	17,955	2,499	269,101
Disposals	(40,000)	-	-	-	(40,000)
At 31 July 2014	3,666,081	2,862,085	488,614	256,765	7,273,545
Depreciation					
Balance at 1 August 2013	2,148,931	1,658,943	346,149	194,872	4,348,895
Provided during the year	174,412	139,980	18,279	9,460	342,131
Disposals	(34,000)	-	-	-	(34,000)
At 31 July 2014	2,289,343	1,798,923	364,428	204,332	4,657,026
Net book value at 31 July 2014	1,376,738	1,063,162	124,186	52,433	2,616,519
Net book value at 1 August 2013	1,386,330	1,125,315	124,510	59,394	2,695,549

	Notes	RCM	
		2014	2013
		£	£
11. Fixed asset investments			
Balance at 1 August 2013		16,142,240	12,424,956
Additions		5,506,966	2,204,810
Disposals		(5,722,893)	(2,205,455)
Net gains on revaluation		5,467	994,326
Movements on cash		153,080	(35,161)
Transfer in from restricted and endowed investments	12	-	2,758,864
Closure of RCM Development Fund Limited		-	(100)
Balance at 31 July 2014		16,084,860	16,142,240
<i>Investments held are analysed as follows:</i>			
Managed investments			
Fixed interest stocks (listed)		3,153,271	3,131,116
Equities (listed) and unit trusts		10,418,261	10,650,877
Cash held by investment managers	22	238,328	85,247
		13,809,860	13,867,240
Interest in the ABRSM at cost	28	2,275,000	2,275,000
		16,084,860	16,142,240

The RCM owned 100% of the issued share capital of 100 ordinary £1 shares of RCM Development Fund Limited in 2012/13, a company registered in England and operating in the UK, whose principal activity was to raise funds for the RCM and which has been closed.

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

		Consolidated		
		2014		
		£		
12. Restricted and endowment investments				
Balance at 1 August 2013		26,913,058	26,930,864	26,913,058
Additions		9,114,453	7,363,658	9,114,453
Disposals		(9,419,856)	(5,205,684)	(9,419,856)
Net (losses)/gains on revaluation	18	(5,403)	2,380,042	(5,403)
Movements on cash		(320,938)	(1,796,958)	(320,938)
General investment transfer to fixed asset investments	11	-	(2,758,864)	-
Investment in subsidiary company		1,710,862	-	1,710,862
Balance at 31 July 2014		27,992,176	26,913,058	27,992,176
<i>Investments held are analysed as follows:</i>				
Managed investments				
Fixed interest stocks (listed)		7,675,995	8,533,301	7,675,995
Equities (listed) and unit trusts		18,365,448	17,822,483	18,365,448
Cash held by investment managers		171,690	492,627	171,690
		26,213,133	26,848,411	26,213,133
CAF fund investment		68,181	64,647	68,181
		26,281,314	26,913,058	26,281,314
Investment in subsidiary company		1,710,862	-	-
Investment in associate		-	-	40
Loan to associate		-	-	1,710,822
		27,992,176	26,913,058	27,992,176

The RCM made an investment of £1.7 million in the year in its new subsidiary RCM Business Enterprises Ltd. The company is limited by shares and is a wholly-owned subsidiary of the RCM. The subsidiary invested £1.7 million in CLV (RCM) LLP which will develop and run the RCM's student accommodation due to open in September 2015. This investment is a 20% stake in CLV (RCM) LLP, with the 80% stake held by Campus Living Villages, a third party that will operate the new student accommodation. The investment by RCM BEL in CLV (RCM) LLP will be accounted for as an associate.

	Notes	2014 £	2013 £
13. Restricted and endowment other assets			
Cash at bank		263,030	302,156
Cash on deposit		1,579,806	1,496,861
Debtors		39,170	50,715
		<u>1,882,006</u>	<u>1,849,732</u>

		RCM	Consolidated
		2014 £	2013 £
14. Debtors			
Amounts falling due within one year			
Debtors		163,265	240,143
Prepayments and accrued income		3,477,888	438,688
Amount owed by subsidiary company		2,400	-
Amount owed by ABRSM		500,000	500,000
		<u>4,143,553</u>	<u>1,178,831</u>
			<u>4,141,153</u>

£3 million of accrued income in 2013/14 relates to the lease premium received for the College Hall project

15. Creditors: amounts falling due within one year			
Bank loans	16	162,750	162,750
Creditors		967,353	544,233
Social security and other taxation payable		285,502	266,116
Accruals		557,533	423,422
Deferred income		884,411	396,684
		<u>2,857,549</u>	<u>1,793,205</u>

£338,790 of deferred income in 2013/14 relates to the lease premium received for the College Hall project

16. Creditors: amounts falling due after more than one year			
Bank loans:			
Due after one year and within two years		162,750	162,750
Due after two years and within five years		488,250	488,250
Due after more than five years		1,179,938	1,342,688
Total bank loans		<u>1,830,938</u>	<u>1,993,688</u>
Deferred income		15,245,530	-
		<u>17,076,468</u>	<u>1,993,688</u>

The bank loan represents one agreement which is at a fixed interest rate of 5.3%, with 12 years remaining.

Deferred income relates to the lease premium received for the College Hall project

	Notes	HEFCE £	Other £	Total £	
17. Deferred capital grants					
Balance at 1 August 2013		1,907,268	5,873,870	7,781,138	
Cash received		71,538	-	71,538	
Released to income and expenditure	1,4	(130,054)	(1,721,992)	(1,852,046)	
Balance at 31 July 2014		1,848,752	4,151,878	6,000,630	
		Restricted expendable £	Restricted permanent £	Total £	
18. Restricted and endowment funds					
Balance at 1 August 2013		80,506	28,682,284	28,762,790	
Capital movements					
New endowments/capital income		-	1,162,939	1,162,939	
Losses in market value of investments	12	-	(5,403)	(5,403)	
		-	1,157,536	1,157,536	
Revenue movements					
Income for year	5	1,132,977	1,048,910	2,181,887	
Expenditure for year		(1,139,681)	(1,088,350)	(2,228,031)	
		(6,704)	(39,440)	(46,144)	
Balance at 31 July 2014		73,802	29,800,380	29,874,182	
Purpose of fund balances					
Scholarships		1,034	27,164,818	27,165,852	
Prizes		71,198	1,131,006	1,202,204	
Junior fellowships		-	1,029,030	1,029,030	
Instrument loans		-	192,095	192,095	
Other		1,570	283,431	285,001	
Balance at 31 July 2014		73,802	29,800,380	29,874,182	
		Tangible assets £	Heritage Assets £	Investments £	Total £
19. Revaluation reserve					
Balance at 1 August 2013		5,452,542	4,926,000	-	10,378,542
Prior year adjustment: gains in earlier years on fixed asset investments	20			2,833,374	2,833,374
Balance restated at 1 August 2013		5,452,542	4,926,000	2,833,374	13,211,916
Additions		-	-	-	-
Disposal of assets		(5,999)	-	-	(5,999)
Released in year	8	(318,571)	-	5,467	(313,104)
Balance at 31 July 2014		5,127,972	4,926,000	2,838,841	12,892,813

In 2013/14, we transferred £2.8 million as a prior year correction from the accumulated revenue reserve to the revaluation reserve. This adjustment reflects gains and losses on fixed asset investments in prior years. In future these will be credited to the revaluation reserve.

	Notes	2014 £	restated 2013 £
20. Accumulated revenue reserve			
Balance at 1 August		23,539,341	19,937,584
Prior year adjustment: gains in earlier years on fixed asset investments	19	-	(2,833,374)
Balance restated at 1 August			17,104,210
Surplus from income and expenditure account		872,624	1,578,845
Increase in the value of fixed asset investments	11	5,467	994,326
Transfer of unrestricted permanent funds		-	3,570,205
Actuarial gain/(loss) on RCM pension scheme	30	317,000	(32,000)
Release from revaluation reserve	19	319,103	323,755
Balance at 31 July 2014		25,053,535	23,539,341
<i>Accumulated revenue reserve analysed as follows:</i>			
Reserve before pension liability		27,843,535	26,850,341
RCM pension scheme liability	30	(2,790,000)	(3,311,000)
Reserve including pension liability		25,053,535	23,539,341

In 2013/14, we transferred £2.8 million as a prior year correction from the accumulated revenue reserve to the revaluation reserve. This adjustment reflects gains and losses on fixed asset investments in prior years. In future these will be credited to the revaluation reserve.

21. 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		826,480	2,018,222
Depreciation	8	1,347,561	1,358,938
Loss on the sale of fixed assets		1,731,932	56,680
Deferred capital grants released to income	17	(1,852,046)	(444,877)
Investment income and interest receivable	5	(1,646,328)	(1,763,048)
Interest payable		108,791	123,008
Reduction in revaluation reserve	19	-	(55,892)
(Increase)/decrease in debtors	13,14	(2,950,777)	35,399
Increase/(decrease) in creditors		3,521,554	(246,674)
Donation of assets		(53,585)	(142,500)
Net cash inflow in the year from operating activities		1,033,582	939,256

	Notes	At 31 July 2013 £	Cashflows £	At 31 July 2014 £
22. Analysis of changes in net funds				
Endowment assets				
Balances at investment manager	12	492,627	(320,937)	171,690
Other balances	13	1,799,017	43,819	1,842,836
RCM current assets				
Cash at bank and in hand		1,665,184	1,014,016	2,679,200
Balances at investment managers	11	85,247	153,081	238,328
		4,042,075	889,979	4,932,054
Financing				
Loan: due within one year	15	(162,750)	-	(162,750)
Loan: due after one year	16	(1,993,688)	162,750	(1,830,938)
Cash on deposit		6,600,000	12,800,000	19,400,000
		8,485,637	13,852,729	22,338,366

	2014 £	2013 £
23. Access to learning fund		
Balance at 1 August 2013	236	460
HEFCE grants	6,661	4,686
	<hr/>	<hr/>
Disbursed to students	6,897	5,146
Administration charge	(6,809)	(4,910)
	(88)	-
	<hr/>	<hr/>
Balance at 31 July 2014	-	236
	<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.

24. National scholarship programme funds		
Balance at 1 August 2013	-	-
Funds received	12,000	12,000
Disbursed to students	(12,000)	(12,000)
	<hr/>	<hr/>
Balance at 31 July 2014	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

25. Capital commitments		
Provision has not been made for the following capital commitments at 31 July 2014		
Commitments contracted for or approved by Council	2,607,255	44,000
	<hr/>	<hr/>
Balance at 31 July 2014	2,607,255	44,000
	<hr/> <hr/>	<hr/> <hr/>

The capital commitment at 31 July 2014 is for the complete refurbishment of the South Building.

26. Lease obligations		
At 31 July 2014 the RCM had commitments under non-cancellable operating leases.		
Land and buildings		
Expiring between one and five years	-	-
Expiring in more than five years	1,005	1,005
	<hr/>	<hr/>
	1,005	1,005
	<hr/> <hr/>	<hr/> <hr/>
Other operating leases		
Expiring between one and five years	56,700	6,667
	<hr/> <hr/>	<hr/> <hr/>

There is a new three year operating lease for printers/photocopiers which commenced on the 24th July 2014.

27. Related party transactions	
During the year, the College received services, at arms length, from Florilegium (chamber music ensemble) of £6,000. Professor Ashley Solomon is the Director of Florilegium and an ex-officio member of the RCM Council and employed as the Head of Historical Performance at the RCM. As far as the RCM is aware, there were no other 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.	

28. Share of net assets of ABRSM

The interest in the ABRSM is carried at cost (note 11). The College's 25% share of the results of ABRSM for the year ended 31 January 2014, which are not consolidated in the 2013/14 accounts, is set out below.

	2014 £	2013 £
Total income	9,516,750	9,862,250
Net income, after deducting charitable donations	794,250	502,750
Fixed assets	354,000	353,750
Current assets	5,494,000	4,980,500
Liabilities due within one year	(2,355,000)	(2,403,750)
Net assets before pension liabilities	3,493,000	2,930,500
Net pension liability	(2,825,250)	(3,270,000)
Net assets/(liabilities) after pension fund deficit	667,750	(339,500)

29. Post balance sheet events

There are no post balance sheet events to report.

30. Pension Schemes

Pension schemes and assumptions

The RCM has employees participating in the Teachers' Pension Scheme (TPS), Universities Superannuation Scheme Limited (USS) and RCM Pension and Assurance Scheme (RCMP&AS); the RCM also offers membership to the National Employment Savings Trust for employees who are not eligible to join USS or TPS. In 2013/14 total employer's and employees' pension contributions were £1.9 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 schemes.

	TPS	USS	RCMP&AS
Assumptions used to determine contribution levels			
Investment returns per annum	5.06%	6.10%	5.5% to 5.7%
Salary increase per annum	4.75%	4.40%	3.20%
Pension increase per annum	2%	2.6% to 3.4%	2.9% to 3.2%
Market value of assets at date of last valuation	£177 billion	£32.4 billion	£7.4 million
Scheme liabilities	£192 billion	£35.3 billion	£9.3 million
Shortfall	£15 billion	£2.9 billion	£1.9 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	31-Mar-16	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	2014 Total £000s	2013 Total £000s
RCM pension contributions				
Teachers' Pension Scheme	426	303	729	554
Universities Superannuation Scheme	546	254	800	779
RCM Pension & Assurance Scheme	323	0	323	323
National Employment Savings Trust	6	9	15	0
	1,301	566	1,867	1,656

Teachers' Pension Scheme

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

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

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 2014 ranged from 6.4% to 12.40%. The employer contribution is currently 14.1% and as part of the recovery plan this will increase to 16.4% in September 2015.

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 date is 31 March 2014 and results from this valuation are not expected to be available before December 2014. Therefore data from the valuation of 31 March 2011 is used in this set of financial statements together with annual actuary progress reviews of the Scheme. At 31 March 2011, the USS 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 years and women 25.6 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 2014 fell from 92% to 85% on the scheme specific basis; from 82% to 75% on an FRS 17 basis; and from 68% to 61% on an expected gilt return basis.

In order to clear the deficit USS are consulting on changes to the Scheme and it is likely that consultation will lead to changes to member benefits and also to employer's and employees' contributions. The intention is to complete consultation with employers and members in the first half of 2015, decide benefit changes by the end of 2015 and implement those changes in April 2016.

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 RCMP&AS is a closed scheme with 57 pensioners and 117 deferred members of whom 22 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 2013. In the intervening years, the actuary reviews progress of the Scheme. At 1 August 2013 the scheme had a funding shortfall of £1.9 million and the RCM Council agreed a recovery plan to pay off the shortfall over five years, with a planned contribution of £322,800 per annum until May 2020. The actuary estimated that the deficit at 1 August 2014 was £2.8 million. The RCM accounts for the RCMP&AS in accordance with FRS 17 'Retirement benefits'. In 2013/14 the RCM considered options to merge RCMP&AS with USS, but decided that the intention of the merger to de-risk the scheme may be better served by other new options available and as a result, the merger has been put on hold and investigations are underway on alternative options to de-risk the Scheme.

	2014 £000s	2013 £000s
Amounts recognised in balance sheet		
Assets at fair value	7,934	7,413
Present value of defined benefit obligation	(10,724)	(10,724)
Deficit	<u>(2,790)</u>	<u>(3,311)</u>
Amounts recognised in income and expenditure account		
Operating expenses	(8)	-
Past service cost	(50)	(31)
Expected return on plan assets	350	281
Interest on pension obligation	(461)	(402)
Net amount recognised in income and expenditure account	<u>(169)</u>	<u>(152)</u>
Reconciliation of present value defined benefit obligation		
Balance at 31 July 2013	10,724	10,403
Past service cost	50	31
Transfers	-	-
Interest cost	461	402
Actuarial gain	(256)	82
Administration expenses	0	(7)
Benefits paid	(255)	(187)
Balance at 31 July 2014	<u>10,724</u>	<u>10,724</u>

	2014 £000s	2013 £000s	2012 £000s	2011 £000s	2010 £000s
Reconciliation of fair value plan assets					
Balance at 31 July 2013	7,413	6,922	6,278		
Expected return on assets	350	281	374		
Actuarial gain	61	50	136		
Employer contribution	373	354	359		
Transfers	-	-	(61)		
Operating expenses	(8)	(7)	(7)		
Benefits paid	(255)	(187)	(157)		
Balance at 31 July 2014	7,934	7,413	6,922		
Reconciliation of change in funded status					
Balance at 31 July 2013	(3,311)	(3,481)	(2,182)		
Pension expense	(169)	(152)	(129)		
Employer contribution	373	354	359		
Actuarial gain/(loss)	317	(32)	(1,529)		
Balance at 31 July 2014	(2,790)	(3,311)	(3,481)		
Actual return on plan assets	411	331	510		
Statement of Total Recognised Gains and Losses (STRGL)					
Actual return less expected return on pension scheme assets	61	50			
Experience gains and losses arising on scheme liabilities	(409)	(31)			
Changes to assumptions underlying the present value of the scheme liabilities	153	113			
Actuarial gain recognised in STRGL	(195)	132			
History of experience adjustments					
Defined benefit obligation	(10,724)	(10,724)	(10,403)	(8,460)	(7,910)
Plan assets	7,934	7,413	6,922	6,278	5,643
Deficit	(2,790)	(3,311)	(3,481)	(2,182)	(2,267)
Experience adjustments on scheme liability	409	31	105	154	250
Experience adjustments on scheme assets	61	50	136	242	389
Scheme assets and expected returns					
	2014	2013	2014	2013	
Equities	2,774	2,809	6.75%	6.80%	
Bonds	2,149	2,496	4.10%	4.35%	
Gilts	2,220	1,334	3.25%	3.30%	
Cash	791	774	0.50%	0.50%	
Total	7,934	7,413			
Assumptions					
Discount rate			4.10%	4.35%	
Retail price inflation			3.10%	3.35%	
Increases in deferment			2.30%	2.85%	
Post 97 increases in payment (capped at 5% pa)			3.10%	3.35%	
Expected return on assets			4.43%	4.69%	
Life Expectancy in years at age 65					
Males current age 65			87.5	87.7	
Females current age 65			89.9	90.0	
Males current age 45			89.8	89.8	
Females current age 45			92.2	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 2014/15 will be £370,000, which is similar to those paid in 2013/14.