



ROYAL  
COLLEGE  
OF MUSIC  
*London*

# RCM ANNUAL REVIEW AND FINANCIAL STATEMENTS

2014/15





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**President**

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

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The Rt Hon the Lord Mayor of London

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Mr Ian Stoutzker CBE FRCM (appointed 1999)

Sir David Willcocks CBE MC FRCM (appointed 1982) [*deceased 17 September 2015*]

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Mr Peter Dart (appointed November 2014)

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Mr Andrew Haigh

The Hon Richard Lyttelton

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Mr John Nickson

Mr Andrew Ratcliffe

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Mr Rhoderick Voremberg

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Professor Colin Lawson FRCM (Director)

Miss Madeleine Mitchell (Professor)

Professor Ashley Solomon HonRCM (Professor)

Miss Ann Somerville (Administrative staff)

Mr Gene Marshall (Students' Union: appointed July 2014)

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Mr Kevin Porter HonRCM (Deputy Director)

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

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**Solicitors**

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London  
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## **Royal College of Music**

### **Annual Review and Financial Statements 2014/15**

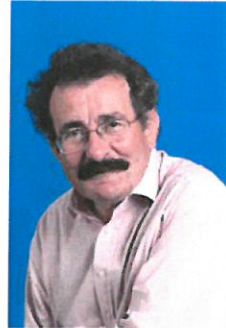
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## Chairman's message

At the core of the Royal College of Music's mission is the training of young, gifted musicians at the highest level. In order to maintain this commitment the RCM has this year launched *More Music: Reimagining the Royal College of Music*, a major transformation of our home in South Kensington. The project is a significant contribution to musical education in our lifetime and will ensure the RCM secures its position as a world-leading conservatoire for generations to come. We are very grateful to the generous individuals who have already pledged their support and to the Garfield Weston Foundation and JP Getty Charitable Trust. There has never been a more exciting time to be involved with the Royal College of Music.



Over the past year there has been a healthy debate in the UK media over the future of music education. The RCM's role remains vital, both in terms of the world-class education offered to RCM students and the commitment to bringing music to the wider community. We are particularly proud of our involvement in the Tri-borough Music Hub, through our ground-breaking outreach programme RCM Sparks, and were delighted to celebrate three successful years since the Hub's foundation with a spectacular event at the Royal Albert Hall in June featuring more than 1,200 young musicians. The RCM's outreach work truly transforms the lives of the families who participate. The benefits of music are well known and wide-reaching; it improves cognitive skills and enriches social development. RCM Sparks has worked with more than 4,000 members of the local community in the last year alone. We must continue to ensure that inspirational learning experiences are open to all regardless of circumstances or financial means.

Increasing number of supporters provide invaluable support to the Royal College of Music and this year £1.4 million was received in the form of donations, grants and sponsorship. The provision of scholarships remains integral to transforming the lives of musicians and we are proud to be at the forefront of scholarship giving. I am pleased to report that in 2014/15 the RCM awarded £2.5 million in scholarships, meaning that more than 50% of our students are now able to benefit from some form of financial help. The RCM will receive 20% of all surpluses generated by Prince Consort Village, our new hall of residence, and this income will also go towards supporting scholarships.

My chairmanship of the RCM Council is greatly enhanced by the valuable input and support of Council members and this year we welcomed Peter Dart, Director of world-leading marketing communications company WPP. I'm also delighted that Eugene Marshall has been elected for a second year as the RCM's Student Union President and I wish him well in the year ahead. Sadly we say goodbye to Munira Mirza, Deputy Mayor for Education and Culture of London, who steps down after four years. I thank her for the sterling work she has done for the RCM.

A handwritten signature in black ink, which appears to read 'Rob Winston'.

Professor Lord Winston  
Chairman

26 November 2015

## Director's report

I am delighted to report that the Royal College of Music has been ranked first in the 2016 Guardian University League Table for music. Furthermore, in the recent Research Excellence Framework, the RCM was named as the London conservatoire with the highest percentage of world-leading research. These accolades confirm that we continue to be a natural first choice for talented students from around the world.



We mustn't rest on our laurels, however, and this year we announced ambitious building plans for our estate which will see the creation of new state-of-the-art performance spaces, an interactive museum, additional practice rooms and a new communal space. Our £25 million fundraising campaign to enable this redevelopment – *More Music: Reimagining the Royal College of Music* – was successfully launched in April with strong coverage across the mainstream media.

In addition, we look forward to the opening of our new hall of residence, Prince Consort Village in Ravenscourt Park. This new building will enable us to accommodate increasing numbers of students, and, most importantly, provide 23 practice rooms and state-of-the-art facilities at below market rents.

In October 2015, we exchanged contracts on the purchase of Markova House from English National Ballet. Markova House is 200 metres from our main Prince Consort Road Campus and will provide additional accommodation for teaching, research, practice, rehearsal as well as office and communal space.

The annual visit by our Royal Patron, His Royal Highness the Prince of Wales, is always a highlight of the year. We were delighted to welcome him to the College in March when he honoured a number of outstanding figures in international music life. These included renowned conductor and pianist Vladimir Ashkenazy, acclaimed soprano Dame Kiri Te Kanawa, BAFTA-winning stage and film actor Edward Fox, Royal Albert Hall Chief Executive Chris Cotton and music critic Ivan Hewitt.

I never cease to be amazed by the success and achievements of our students. This year, RCM singers enjoyed a clean sweep at the Kathleen Ferrier Awards while current students and recent alumni took two of the major prizes at the Royal Over-Seas League as well as both Ensemble sections. The RCM also continues to push boundaries in the digital world and in May showcased one of the most experimental concerts to date. This student-led performance in the Britten Theatre intertwined music, theatre, dance and computer-generated graphics with three live link-ups in Barcelona, Helsinki and Edinburgh using specialist streaming technologies. These successes are a great tribute to our committed professors and staff, who dedicate their lives to inspiring and nurturing our students.

We were deeply saddened by the death of former RCM Director Sir David Willcocks who presided over a golden period in the College's history (1974 to 1984). A concert in memory of Sir David will be held at the College in 2015/16.

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

Professor Colin Lawson  
**Director**  
26 November 2015



## Financial review

### *A sustainable future*

#### Financial results for 2014/15

The Royal College of Music made a surplus of £1.2 million which was similar to the previous year's surplus (*before exceptional items*). This exceeded our target of 3% of turnover; a reflection of the continued success of our Financial Sustainability Strategy.

	2015	2014	2013	2012
	£000s	£000s	£000s	£000s
Income ( <i>inc. profit on sale of fixed assets</i> )	22,229	21,628	20,491	19,679
Expenditure	(20,932)	(20,491)	(18,473)	(17,693)
Scholarship fund transferred (to)/from endowments	(97)	46	(439)	(402)
<b>Surplus before exceptional items</b>	<b>1,200</b>	<b>1,183</b>	<b>1,579</b>	<b>1,584</b>
Exceptional items	-	(311)	-	-
<b>Retained surplus for the year</b>	<b>1,200</b>	<b>872</b>	<b>1,579</b>	<b>1,584</b>

#### 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. The main changes compared with 2013/14 were:

- cuts to government grant funding of £278,000, of which £77,000 relate to cuts announced after the financial year end;
- student fee income rose by £753,000, which was mainly due to the new government funding model, which has led to higher undergraduate tuition fees; and an increase in student numbers;
- funded research income rose by £173,000, reflecting increased award of grants;
- residence, catering and lettings income fell by £886,000 mainly due to closure, in July 2014, of RCM's student accommodation at College Hall; this was largely offset by Prince Consort Village (PCV) lease premium (£339,000) and reduced premises costs (£448,000);
- the ABRSM donation increased by £200,000;
- restricted income was up by £282,000; this is mainly income for student scholarships and was largely offset by increased scholarship awards of £256,000;
- staff costs rose by £551,000, reflecting the annual cost of living increase (2%), incremental salary increases and additional teaching hours to support increased student numbers;



- professional fees fell by £273,000, reflecting award of our student residence contract in July 2014 and capitalisation of fees for *More Music: Reimagining the Royal College of Music*, following granting of planning consent for the courtyard.

### **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 233 during the year compared with 223 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% effective from 1 August 2014. The final offer for 2015/16 is 1% and four out of five trade unions have now concluded the 2015/16 pay round (*UCU, Unite, UNISON and GMB*) with only EIS having rejected the claim.

### **Reserves**

The accumulated revenue reserve of £25.3 million is the accumulated surplus generated from RCM activities, which is unrestricted in its use and available for the benefit of the RCM. This reserve is maintained to support our pension and other long-term liabilities and provide for capital projects not funded by donations. In recent years we have built up reserves in order to:

- maintain the RCM's sustainability during a period of cuts in government grants and major change in the higher education sector; and
- support future capital projects, including purchase of Markova House, redevelopment of 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*).

In 2014/15, the objective of each fund was to achieve long-term growth of fund assets in real-terms and an escalation of income over a period of years.

During the year the Investment Committee undertook a fundamental review of the strategy and objectives for each fund and a new investment strategy was approved by Council in July 2015. New objectives were agreed for each fund and these will be implemented from 1 August 2015.

The funds' asset allocation is set by the Investment Committee to reflect our requirements. During the year, Newton Investment Management Ltd continued as the RCM's investment advisers.

In 2014/15, the total value of investments increased by £1.3 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 funding for capital projects.

In 2013/14, we established a new company “RCM Business Enterprises Limited” (RCM BEL) which is a wholly owned RCM subsidiary; RCM BEL received £1.7 million from the RCM Scholarship Fund and invested this in CLV (RCM) UK LLP which is redeveloping and will operate new RCM student accommodation in Ravenscourt Park. This investment represents a 20% stake in CLV (RCM) LLP and it is held in order to generate additional income for student scholarships.

### **RCM student accommodation**

The RCM owns freehold land in Ravenscourt Park and has appointed Campus Living Villages (CLV) to develop and operate this land for student accommodation. The new accommodation will be called Prince Consort Village and will include 417 student bedrooms and 23 music practice rooms. It is due to open in 2015/16.

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, with a further £3 million due on practical completion*) 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).

During 2014/15 the RCM provided subsidised student accommodation at Nido Spitalfields. In 2015/16 our students have moved into Evelyn Gardens, an Imperial College hall of residence, pending completion of Prince Consort Village.

### **Funding of capital expenditure**

Funds generated through the Prince Consort Village development will be invested in the purchase of Markova House from English National Ballet. Markova House is 200 metres from our main Prince Consort Road Campus and will provide additional accommodation for teaching, research, practice, rehearsal as well as office and communal space. The purchase price is £15.25 million and the RCM exchanged contracts on this purchase in October 2015, with completion planned for September 2018.

RCM’s other infrastructure projects include:

- *South Building*: four year, £3 million refurbishment programme, in 2014/15, work focussed on redeveloping a new percussion suite and a new practice room suite;
- *More Music: Reimagining the Royal College of Music*: a redevelopment of our courtyard, led by John Simpson Architects. Planning consent was granted by Westminster City Council in August 2015 and we are aiming to raise £25 million for this project through the *More Music* fundraising campaign;
- *Amaryllis Fleming Concert Hall organ*: we plan to replace the Concert Hall organ. This is a £1 million project and, following tender, the RCM Council approved the contract award at its meeting in July 2015.

### **Treasury**

During the year there was a net cash inflow from operating activities of £780,000 (*£1 million in 2013/14*) and an increase in total cash of £465,000 (*increase £890,000 in 2013/14*). 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. The total increase in funds held as cash and deposit was £305,000.

There is an outstanding loan balance, with the Royal Bank of Scotland, of £1.8 million at a fixed interest rate of 5.3%, with 11 years remaining. This is charged to a general covenant on the RCM. The College is investigating whether loan finance is required to support *More Music* Courtyard redevelopment.

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

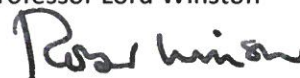
In 2010, as a result of the Charities Act 2006, the HEFCE became the principal regulator of those English higher education institutions (HEIs) that are exempt charities and the HEFCE is expected to promote charity law compliance by the exempt charities for which they are responsible. Eighteen HEIs, including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

26 November 2015

## **Progress of RCM Strategic Plan 2007 to 2017**

### ***Transforming the College***

#### **Mission and principal objectives**

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

#### **Objects of the Royal College of Music**

The Mission Statement supplements the RCM's objectives as set out in the 1883 Charter:

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

#### **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; estate; people; technology; and finance. In order to realise the Strategic Plan these priority areas are complemented by detailed strategies for specific areas. The College has established key performance indicators, in order to measure achievement against these objectives and the College's performance against its benchmarks is reviewed each year by the Council. The Strategic Plan was reviewed and substantially revised in 2012/13, the midway point in the Plan, to reflect evolving priorities and the significantly changed external environment. Major initiatives during the second half of the period 2012-17 include:

- *More Music* Courtyard Development: the museum and percussion suite will be demolished to make way for a new development including two new recital halls, a new recording studio and an integrated museum and visitor concourse. There is an associated programme of fundraising to raise £25 million;
- Prince Consort Village: a new-build hall of residence on the site of the previous hall, funded by means of a commercial partnership, to open in 2015/16;
- a major review of pre-18 provision now underway, to integrate Sparks and Junior College and create a new Primary College thus enhancing the College's access and progression agenda;



- a review of marketing and communications to maximise the College'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.

As we come towards the latter part of the current planning cycle a new Strategic Plan will be devised for the period beyond 2017. Work on this commences in autumn 2015.

### **Outlook for 2015/16**

The overall economic outlook continues to be uncertain and the Chancellor of the Exchequer has announced on-going cuts in public spending in the years ahead. The College is determined to achieve a sustainable surplus and has set targets for income, savings and surplus as a percentage of turnover. The targets for our previous Financial Sustainability Strategy were exceeded and new financial sustainability targets were approved by Council in July 2015 for the period to 2021. The College's five-year financial forecasts were updated in June 2015, and these forecasts were tested using sensitivity analyses for a range of potential risks. Set against an uncertain economic background, acceptances to study at the College in 2015 are as high as ever from both international and UK students. We will continue to consolidate student numbers for 2015/16, as the College reaches its upper space constraints until the Courtyard project is delivered.

### **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 sets out the key controls and our approach to risk management.

The RCM Risk Register identifies key risks, likelihood of occurrence, potential impact on the College and actions being taken to reduce and mitigate risks. The risks themselves are prioritised using a consistent scoring system. The Register is subject to annual review by the RCM Directorate and is monitored and up-dated throughout the year with an annual report on risk management presented to all the committees involved in managing risk, including the Council. Three risks are currently scored red: 'loss or reduction of HEFCE institution specific exceptional funding' (*a review of this funding is currently underway by the HEFCE*); 'failure to achieve College fundraising targets in respect of the *More Music* campaign' (*fundraising is currently underway with positive early results*); 'failure to deliver the Prince Consort Village PFI on time' (*PCV will open in 2015/16 and we have contracted for alternative student accommodation, close to our main campus, for the duration of the autumn term*).

The College's Council annually reviews Key Performance Indicators. These were revised in autumn 2013 to reflect guidance from the HEFCE Financial Sustainability Strategy Group which has been developing a basis for monitoring and reporting institutional sustainability through an annual sustainability report (ASSUR). The College was one of the small number of HEIs that prepared an ASSUR in both 2012/13 and 2013/14 and will continue to do so in future years. The College receives an annual HEFCE assessment of institutional risk. Along with most HEIs, the RCM continues to be judged '*not at higher risk*'.

## **Inspirational programmes**

### ***Equipping the complete musician***

#### **Curriculum Development**

The RCM *Learning and Teaching Enhancement Strategy (LTES)* sets out targets for different areas of the RCM's educational provision. Under the headings '*Maximising RCM Resources*', '*Innovative Programme Design*' and '*Support for the Student Experience*', the Strategy seeks to ensure that students become 'entrepreneurial, resourceful, flexible, and articulate musicians who will be advocates for their art'. The aim is to enhance how the RCM builds on the professional excellence of its Artistic Programme, the business and outreach skills of its Creative Careers Centre, the research resources represented by the Centre for Performance Science (CPS) and the RCM Special Collections of its library and museum. As an example of the specific steps proposed in the LTES we are committed to developing online '*cradle to grave*' learning portfolios for all students. Such a portfolio will ensure effective communication between individual students, key teachers and programme managers and help students chart their own progress as musicians.

RCM *Behind the Scenes* is an on-line recital assessment tool for students, which explores student and staff responses to our assessment criteria. Covering solo and ensemble assessments, *Behind the Scenes* gives students a flavour of what exam panels discuss when they are assessing principal study recitals, and how they arrive at their final mark. *Behind the Scenes* includes student performers presenting 'mock' recitals, student panels discussing and assessing these and staff panels doing likewise.

#### **Programme Development**

Following the retirement our Head of Academic Development & Taught Programmes, we took the opportunity to reorganise the senior management of our academic programmes. We have now appointed a Head of Postgraduate Programmes and Head of Undergraduate Programmes. At the same time, Senate approved the formation of two new committees to oversee undergraduate and taught postgraduate programmes, respectively. This will enhance our strategic planning for learning and teaching. In 2015/16 strategic planning will focus on a review of all our taught Masters programmes.

In a further new initiative, the RCM appointed its first Area Leader for Music Education, a recognition of the increasingly important role that music education of all kinds, from the primary and secondary school classroom to community outreach, will play in the future careers of our graduates. The advertisement of the post created great interest in the music education world, and was seen as a positive sign of the leadership that the RCM is taking in a field that is undergoing rapid change. The new Area Leader will develop a new Masters programme in Music and Education to be launched in 2017/18, aimed at working educators and practising musicians, and delivered, at least partially, on-line.

## **Musical performance**

### ***Bringing the notes to life***

The Royal College of Music is rightly proud of its rich and diverse musical programme, which distinguishes itself through the range and depth of its performances, and the careful planning of opportunity for all students in their development.

We were pleased to welcome distinguished alumni, Sarah Connolly and Elizabeth Watts, as soloists, and Andrew Gourlay as conductor, in our choral concert of Mahler's Resurrection Symphony – the first experience for many new students of performance at the RCM. The concert also featured the tone poem *Aurora*, by the former student and professor, William Lloyd Webber, in the year of his 100<sup>th</sup> anniversary. Contemporary music also took an important position in the autumn term's music, with performances of the music of Steve Reich, Michael Gordon and others. A central part of this was the residency of the Australian composer, Brett Dean, and a week devoted to his music and that of his compatriots, for solo, chamber and orchestral forces.

The autumn also saw the launch of a new series of concerts, Chamber Essentials, which showcased the classic works of the repertoire, this included an innovative project on Beethoven's celebrated String Quartet Op 131. Historical Performance continues to feature highly in our performing life. Now in its eighth year, the International Festival of Viols featured Vittorio Ghielmi, and we were delighted to welcome him back with performers from the Salzburg Mozarteum in joint performances of Bach's *St John Passion*, both in London, Salzburg and Weimar.

In the spring we continued our close relationship with the Philharmonia Orchestra, collaborating in their festival "*Paris, City of Light*". Chamber concerts featuring music from France in the first part of the 20<sup>th</sup> century and we returned to the Festival Hall for an unforgettable performance of Ravel's *Daphnis et Chloé* and Stravinsky's *Rite of Spring*. We were also joined by Vladimir Ashkenazy, also in a French programme including Debussy's atmospheric work *La Mer*. The spring ended with our annual collaboration with the London Handel Festival, who staged Handel's *Giove in Argo*, featuring a cast of RCM singers.

The summer celebrated the anniversaries of Scandinavian composers Sibelius and Nielsen in performances of two of their great symphonies. As part of our experimental series, *the Great Exhibitionists*, students from the College and beyond devised, composed and presented a remarkable multi-media work, *The Infinite Bridge*, using distance technologies for synchronous performance with sites in Spain, Denmark and Finland. Masterclasses were given by, amongst others, Sarah Connolly, Emmanuel Ax, Sir Thomas Allen, and Michel Béroff. Festivals including a 5-day keyboard festival based on Messiaen and his muses, Super String Sunday, and the Festival of Percussion. Performances at the Wigmore Hall, Cadogan Hall, South Bank Centre, and a host of other concerts and events continued to provide opportunities to showcase the talents of RCM students, and continued expansion of RCM live streamed broadcasting shared these around the world. The year came to a joyous conclusion with sparkling performances of Britten's *Albert Herring*.

## **Celebrating success**

### ***Shining examples***

In our endeavour to help exceptionally talented students achieve their full potential we treat each of them as a unique musician. We help each student 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 2014/15:

- Gemma Lois Summerfield (soprano): First Prize and Song Prize, Kathleen Ferrier Society Competition
- Soraya Mafi (soprano): Second Prize, Kathleen Ferrier Society Competition
- Timothy Morgan (countertenor): Junior Prize Bursary, Kathleen Ferrier Society
- Pavel Kolesnikov (piano): BBC Radio 3 New Generation Artist 2014
- Martin James Bartlett (piano) - BBC Young Musician 2014
- Juliana Myslov (harp): First prize, Royal Over-Seas League Competition
- Joo Yeon Sir (violin): Karl Jenkins Classical Music Award
- Naoka Aoki (violin): Second Great Prize and Special Prize, Thibaud Violin Contest
- Dinara Klinton (piano): First Prize, Norah Sande Award Competition
- Nick Morrish Rarity: Winner, Royal Philharmonic Society Composition Prize
- Danielle Howard (composition): Winner, Royal Philharmonic Society and Ideas Tap *Sound:Vision* competitions
- Jamal Aliyev (cello): First Prize, Bromsgrove International Young Musicians Competition
- Bertram Wee: Winner, BASCA British Composer Awards Student Competition
- Luka Okrostsvaridze: First Prize, Jacques Samuel Intercollegiate Piano Competition
- Ning Hui See: First Prize, 'Città di Padova' International Piano Competition
- Cait Frizzell (soprano): First Prize, Barry Alexander International Singing Competition
- Benjamin Woodgates (composition): First Prize, Oticons Faculty Film Music Competition
- Paul Devlin: Winner, CINE Film Scoring Competition for Emerging Composers
- Junnan Su (clarinet): First Prize, Stockholm International Music Competition
- Linn Persson (saxophone): First Prize, Stockholm International Music Competition
- Manon Quartet: Winner, Cavatina Intercollegiate String Quartet Competition
- Joe Reynolds: Cambridge Young Composer of the Year
- Lewis Murphy: Glyndebourne Young Composer of the Year
- Cécile Galy (violin): Second Prize, Concours International Léopold Bellan



## Research and innovation

### *Enhancing the research environment*

Results of REF2014 were published in December 2014. The outcome demonstrated the strong performance of the RCM: overall first among the four London conservatoires in all categories combined; highest percentage of research outputs as 'world-leading' among all UK music conservatoires; and fifth best-performing institution, overall, in the UK for research impact. Feedback from the REF panel '*found the submission impressive and suggestive of a lively and sustainable research culture*'.

Professor Richard Wistreich joined the College as the new Director of Research in September 2014 and he has established a new professional research and knowledge exchange office. Two new and important roles in research include the Peter Sowerby Research Associate in Performance Science working on the performance simulator project and the Area Leader for Music Education who will develop our research in music education, specifically in the areas of community education and school-based learning.

In 2014/15, we were awarded an Arts Council of England grant for '*Singing the Blues*', a collaborative project with the Chelsea and Westminster Hospitals Trust, to investigate the effectiveness of singing interventions as a psychosocial tool to reduce the occurrence and effects of postnatal depression (PND).

The AHRC-funded *Listening Experience Database* project, a collaboration between the RCM and Open University, held a one-day conference in October 2014; the database now contains more than 10,000 entries. The climax of '*Singing a Song in a Foreign Land*', a project about emigré musicians who fled Nazi Europe and settled in the UK in the mid-20th century, happened in May 2015 with the launch of a dedicated website at a conference at which some of the subjects of the extraordinary oral history films it includes were present.

In June 2015, the RCM was awarded funds from the HEFCE Catalyst Fund for Knowledge Exchange for a two year project to develop a National Network and Virtual Interface for UK Musical Instrument Collections. The RCM will lead this project, working in partnership with the Google Cultural Institute, Edinburgh University, Royal Academy of Music and Horniman Museum.

These projects add further to the RCM's remarkable track record as a technological innovator. Since the foundation of our electroacoustic studio nearly 50 years ago we have recognised the importance of technology as a creative tool for serious musicians and we continue to place digital technology at the heart of our activities.

The RCM has been working with LOLA (*low latency audio visual streaming*) since 2012 and is one of just two UK sites currently equipped with LOLA technology. We are working closely with partners in Edinburgh, Trieste and Copenhagen to find new and exciting ways to use the technology, and develop the platform further. Projects undertaken by the RCM to date include: working with screen composers on new multimedia performance linking sites across Europe; connecting to the Royal Danish Academy of Music to allow an RCM choir to perform with one of their pipe organs in Copenhagen; and the *Infinite Bridge* project in which RCM students devised and presented a complex show with live elements via Lola and Polycomm high-speed video from Finland, Denmark and Spain.

In 2014/15 we launched RCMstream, a dedicated accessible audio-visual archive of our performances and events. This builds on our existing programme of streaming live concerts on the RCM website.

## **Learning for all**

### ***Ensuring fair access***

The Royal College of Music Junior Department (RCMJD) 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 RCMJD continues to be highly competitive by audition and we remain committed to ensuring successful applicants should not be prevented from coming to the RCMJD through financial hardship; in 2014/15 more than £200,000 of bursary support was accessed by families where there was the most need.

RCMJD students took part in 90 different performances in 2014/15 at iconic venues including the Royal Albert Hall's Elgar Room, House of Lords, Beaumaris Festival in Wales, Britten Theatre and Amaryllis Fleming Concert Hall, with the year culminating in successful events at the Wigmore Hall and St John's Smith Square. Ben Goldsheider was a finalist in the BBC Radio 2 Young Brass Player of the Year competition, and Stephanie Childress has led the National Youth Orchestra for the past year. RCMJD students continue to play significant roles in national youth ensembles including the National Children's Orchestra, the National Youth Orchestra and the National Youth Choir.

RCM Sparks is our ground-breaking learning and participation programme. It provides opportunities for everyone to make or learn about music at the RCM. In 2014/15 RCM Sparks ignited creativity in more than 3,600 members of the local community and trained 190 RCM students and graduates. Sparks workshops offer inspirational learning experiences for all regardless of financial means, with free or subsidised places on offer for children who are eligible for free school meals and their families, 'looked-after' children, children who live in social housing and their families, families who are eligible for housing benefit and families who are eligible for working and/or family tax credit. In 2014/15, there were 716 different attendees at 47 workshops, with 41% of these attendees from lower socio-economic backgrounds (23% in 2013/14) and 43% were non-white ethnic.

RCM Sparks continued to work closely with the Tri-Borough Music Hub as a strategic and delivery partner, bringing musical enrichment activities to schools and families in the London Boroughs of Westminster, Hammersmith and Fulham and Kensington and Chelsea; in 2014/15, we worked with 2,882 pupils at 111 schools. A particular focus was on a large scale partnership project involving 1,200 local children and young people that culminated in a performance at the Royal Albert Hall in June 2015 with a live orchestra involving members of Aurora, South Bank Sinfonia, local teenagers, Albert's Band and the RCM.

Sparks Juniors is in its sixth year and October's new cohort saw the entry of four flute and clarinet players. They join the scheme having instrumental lessons, attending training choir, musicianship and a practical musicianship class.

## **Employability**

### ***Supporting Talent and Shaping Futures***

Royal College of Music graduates are highly employable: in both the 2014 and 2015 Higher Education Statistics Agency surveys of those who graduated in the last year, 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 Creative Careers Centre, formerly the Woodhouse Professional Development Centre is the RCM's flagship careers service. It offers bespoke careers advice, guidance, referrals, resources and a broad spectrum of professional opportunities to students and graduates (*for up to 5 years after graduation*).

The Centre's services include weekly one-to-one CV, biography, marketing and careers sessions, student/graduate-aimed job bulletins, arts administration work placements and internships, and regular workshops and presentations led by industry specialists. It also offers advice on self-promotion, as well as providing access to a wide variety of professional contacts, all of which significantly aids preparation for a successful and lifelong career in music.

Concert opportunities were provided at more than 44 venues, including some of London's most prestigious churches, galleries, museums and concert halls. During the last academic year, RCM musicians have undertaken concert performances at such notable venues as St. Martin-in-the-Fields, Steinway Hall and the Elgar Room at the Royal Albert Hall. Also, a new and innovative partnership was developed with Chelsea and Westminster Hospital, which offered pianists the opportunity to undergo a training program and perform regularly for patients on Alzheimer and dementia wards.

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, répétiteurs, chorus members and composers. Fees and contracts are negotiated by the specialist team to ensure that they fall in line with industry standards.

Last year, 528 different musicians gained opportunities through both the concerts and Professional Engagements Service. There were just under 800 performances, generating more than £160,000 of income.

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

## **Fundraising**

### ***Transforming lives***

Many of our students would not be able to study at the Royal College of Music without the generosity of our scholarship donors, many projects could not happen without philanthropic support and our excellent teaching standards could not be maintained without the loyalty of our Friends and Patrons. We demonstrate our appreciation of our growing family of supporters by inviting them regularly to meet our students, hear their stories and discover more about our work behind the scenes and reporting to them on the impact of their donations.

In 2014/15, the number of donations of more than £1,000 grew by 20% and £1.4 million was received from donations, grants and sponsorship (*from individuals, companies and charitable trusts*). The major part of this, supports RCM scholarships and, added to income received from our endowments, means that the RCM was able to award £2.5 million in scholarships, to more than half of our 800 students. Being able to attract the most talented students, regardless of their means to pay, is a priority for our fundraising and is based on Prince Albert's vision to provide access to the widest possible range of students.

Alongside this, fundraising is also important in supporting our outreach programmes with local schools and children. In 2014/15, funding for RCM Sparks was £175,000 (£125,000, 2013/14), helped by *Raise the Roof!* A family gala which raised £50,000 for RCM Sparks and also bursaries for RCM Junior Department students. We thank the gala committee, led by Karina Choudhrie and Meredith Coleman, and also the *Soirée d'Or* gala committee, led by Lady Carr; in December 2014 the *Soirée d'Or* at the V&A raised £285,000 for RCM scholarships. This success would not have been possible without our gala sponsors Campus Living Villages, M&G, Balfour Beatty, Niquesa and Lark Insurance.

More and more individuals are discovering the sense of fulfilment of being an *RCM Friend* or a member of the *RCM Circles for Excellence*. In 2014/15, forty new *RCM Friends* joined, bringing the total to 460 and Patron numbers rose by 15 to 70. Many individuals, whether former students or members, have also chosen to invest in the future of music by supporting the College through their will; a generous legacy from Christopher Hogwood is worthy of particular mention.

During the year *More Music: Reimagining the RCM*, was announced to supporters, alumni and the public. This project will enhance student experience and benefit visiting members of the public and our community. We are seeking to raise £25 million in external funding for the project. We are grateful to the Development Steering Group chaired by Bob Wigley, to the generous individuals who have pledged support and to the Garfield Weston Foundation and JP Getty Charitable Trust.

To all the generous people and organisations that help us, we express our sincerest gratitude. Your support is invaluable and we are very grateful for your continuing commitment to the Royal College of Music.



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

The Equality Act 2010 imposes general and specific duties on the Royal College of Music to eliminate discrimination against groups with '*protected characteristics*' and the advancement of the equality of opportunity. The RCM Access Agreement embodies the RCM's strategic plan for providing access to an inspirational learning experience for the widest possible range of students, and serves as a mechanism to measure our compliance with the Equality Act. Key objectives for disability, social deprivation and the black and minority ethnic population seek to: encourage applications, enable participation and student success; and raise aspiration to engage with music and to study at higher education level.

To these ends, RCM Sparks works with children, young people, and families not normally engaged in music and underrepresented in higher education settings and has developed strategic partnerships, including:

- the Tri-Borough Music Hub leading to new partnerships with schools and other arts organisations;
- the Springboard Composition Project, a collaboration with four local authorities;
- stronger partnership with IntoUniversity, which provides a meaningful widening participation partnership offering termly contact with three local IntoUniversity centres in Brent, Hammersmith and North Kensington;
- the RCM in Brent programme.

In 2014/15, significant changes to the Disabled Students Allowance were announced, with more emphasis placed on provision by institutions. The Student Services Manager is working with colleagues to review provision and plan for the future. A higher education sector-wide consultation is planned for 2015/16.

Following simple advertising, there was an increase in the number of students seeking dyslexia screening and undertaking diagnostic assessments, from nine, in the previous year, to 13, including five non-UK students. Word of mouth between students was instrumental in raising awareness and greater understanding and acceptance. A student '*dyslexia champion*' was identified in the woodwind faculty to be available to all students.

RCM flew the rainbow flag to demonstrate support for Lesbian, Gay, Bisexual, Trans, Intersex and Queer people equality, and an inaugural "*open mic night*" to celebrate diversity was held by the Student Union during 'Pride' Week.

The Human Resources department delivered a programme of training for managers, embedding knowledge and good practice in equality issues. VocalEyes provided a training session for the Development and Estates and Facilities departments in visual awareness and guiding. A member of the Museum staff also received training in visual description for visually impaired visitors.

New construction projects seek to enhance accessibility to the College, with provision of accessible accommodation at the new Prince Consort Village and increased accessibility for all is inherent in the *More Music* Courtyard development.

## 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, occupational health and catering. 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 16 members;
- *London Universities Purchasing Consortium (LUPC)*: London-wide procurement consortium owned by 101 HEIs and third sector organisations;
- *The Energy Consortium (TEC)*: one of the UK's leading providers of collaborative energy procurement, particularly to universities and colleges;
- *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*';
- *National network of museums*: the RCM, in partnership with the Royal Academy of Music, Horniman Museum and University of Edinburgh is creating a national network and virtual interface for 90 of the UK's musical instrument museums. The project will deliver scientifically refined records on more than 40,000 musical instruments;
- *Virtual Conservatoire*: a collaboration between the RCM, Royal Academy of Music and Conservatoire for Dance & Drama to create state-of-the-art, digitally integrated training and performance spaces; develop new teaching and learning methodologies; facilitate cutting edge artistic collaborations; encourage student-led practice; strengthen links with performing arts and digital technology industries; and disseminate good practice.

The RCM has undertaken a Procurement Maturity Assessment (PMA) with the Southern Universities Purchasing Consortium (SUPC), which identified that our procurement systems generate savings of 4.4% of non-pay 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% against a 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 collaborative spend and achieved 41% of non-pay spend, thereby exceeding the sector best practice target of 25%. In 2015/16 we will contract with LUPC to employ a procurement manager who will be shared with other LUPC members.

## **Caring for the environment**

### ***Making a difference***

The RCM is committed fully to its responsibility for minimising the environmental, social and economic impacts of our operations and, as a small higher education institution, we aspire to be a centre of excellence in environmental management. In 2014/15 we:

- maintained ISO 14001 and BREEAM accreditations;
- undertook a review of our environmental policies;
- continued to support the Fairtrade Foundation - our catering outlets selling more than 7,000 Fairtrade products last year;
- purchased 100% of electricity from renewable generation; and
- participated in the Shred-it confidential recycling programme, recycling the paper equivalent of over 5 tons of paper.

The construction process for Prince Consort Village will achieve high environmental standards, with a *very good* on BREEAM and 82% on the Considerate Constructors Scheme. The RCM's new halls of residence will feature photovoltaic panels, LED lighting and green roofing systems to improve energy efficiency and will be built with modular construction techniques, with 25% of components from recycled sources.

Refurbishment of the South Building (*an inefficient 1960s building*) also provided opportunities to improve further our environmental standards and we installed, high rating acoustic walls, triple-glazed windows, new efficient cooling systems and movement sensitive water taps, all of which should reduce our carbon emissions.

In summer 2015, we disposed of 680 chairs, of which 90% were donated to other organisations, for re-use.

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 (*all available on our website*).

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

## **Estates**

### ***Providing fitting surroundings for gifted musicians***

The College 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 Prince Consort Village 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, student accommodation, library, recording studios, dedicated percussion space, electronic keyboard skills lab and dedicated computer rooms for composition and general ICT;
- flexible office space for academic and administrative staff;
- good quality student, staff and visitor social spaces, designed to provide a welcoming environment to all those using the College;
- events space that is maintained at a level which attracts clients from the music, educational, professional and commercial world.

In order to support our vision we have embarked on an ambitious estates development programme which will see a number of key projects delivered over the next few years:

- purchase of Markova House to provide additional accommodation for teaching, research, practice, rehearsal as well as office and communal space. Contracts were exchanged in October 2015, with completion scheduled for September 2018;
- refurbishment of the South Building, in 2014/15, work focussed on redeveloping a new percussion suite and a new practice room suite. Further phases to be undertaken in 2016 and 2017;
- *More Music: Reimagining the Royal College of Music*: a redevelopment of our eastern courtyard. Planning consent was granted in August 2015;
- new student accommodation (Prince Consort Village), including 417 student bedrooms and 23 music practice rooms. Due to open in 2015/16.

# **RCM Financial Statements**

## **2014/15**

## Corporate governance and responsibilities of Council

### Committee of University Chairs (CUC) Governance Code of Practice

The CUC published a new Governance Code in December 2014 and the Clerk to the Council undertook an exercise to benchmark RCM practice against each provision of the new Code; this was submitted to Council, Finance and General Purposes Committee and Audit Committee. Council and its committees undertook effectiveness reviews during 2014/15, the outcomes of which were reported to Council in March 2015. The Clerk produced an action plan responding to both the new CUC Code and the effectiveness reviews; progress will be reported regularly to Council as items are completed.

### Statement of primary responsibilities

The Council is responsible for:

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

### Structure of corporate governance

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

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

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 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 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 RCM has appropriate arrangements to achieve value for money.

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

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

The **Directorate** meets regularly and is responsible for the 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 preparation of the financial statements.

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

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

Within the terms and conditions of the Memorandum of Assurance and Accountability Between the HEFCE and the RCM, the College is required to submit, to the HEFCE, a suite of accountability returns, including audited financial statements which give a true and fair view of the state of the RCM's affairs, and of its income and expenditure, recognised gains and losses, and statement of cash flow for the year. In causing the financial statements to be prepared, the Council has ensured that:

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



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

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

### **Accounting records**

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

### **Internal control and risk management**

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

The system of internal control is designed to manage rather than eliminate risk of failure to achieve policies, aims and objectives; therefore, it only provides reasonable and not absolute assurance of effectiveness. The internal control system is based on an on-going process designed to identify risks that might hinder realisation of our policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place during the year ended 31 July 2015 and up to the date of approval of the financial statements, and accords with HEFCE guidance. The Council has responsibility for reviewing the effectiveness of the internal control systems and the following processes have been established:

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

- a risk prioritisation methodology based on risk ranking has been established;
- a College-wide Risk Register is maintained and this is reviewed regularly by the Directorate, in order to identify and update the record of risks facing the RCM;
- training for managers with responsibility for areas involving high-level risk includes attendance at relevant workshops;
- an annual review conducted by the Directorate is presented in writing to the F&GPC for discussion, and reported to the Council;
- the RCM receives an annual HEFCE assessment of institutional risk. Along with most HEIs we were judged '*not at higher risk*'.

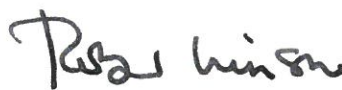
The review of effectiveness of the internal control system is informed by reports from internal auditors, who operate to standards defined in the HEFCE Audit Code of Practice. The internal auditors submit regular reports, which include their opinion on the adequacy and effectiveness of the system of 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 the College had a scheduled HEFCE Assurance Review visit which gave the College a clean bill of health on its governance, with no recommendations for the second time running (*the previous such review had been in 2008*) – an unusual outcome for a university or college from such a review.

#### **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**

26 November 2015

Professor Colin Lawson



**Director**

26 November 2015

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

We have audited the financial statements of the RCM for the year ended 31 July 2015 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 paragraph 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 Council as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the statement of responsibilities of the RCM 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. 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 at [www.frc.org.uk/auditscopeukprivate](http://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 Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.

### **Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the RCM's affairs as at 31 July 2015 and of the group and RCM's income and expenditure, recognised gains and losses, and statement of cash flow for the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

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

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

In our opinion, in all material respects:

- 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 the HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the requirements of HEFCE's Accounts Direction have been met.

**Matters on which we are required to report by exception**

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

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

BDO LLP

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

Date: 27 November 2015

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 2015 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. Unreleased grants are treated as deferred income. Grants applied to capital expenditure are included in deferred capital grants, and released over time, 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.

### 4. Tangible fixed assets

The fixed asset capitalisation limit increased from £2,000 to £5,000 from 1 August 2014.

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 useful life, which is estimated at 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 with the help of 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 and project approvals. Assets in the course of construction are valued at current cost and depreciation is not provided until the asset is brought into use.

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

Musical instruments costing less than £5,000 per individual item are written off to the income and expenditure account in the year of acquisition at cost.

Furniture and equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the year of acquisition at cost. All other equipment of £5,000 or more is capitalised at cost. Capitalised equipment is depreciated over the 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.

## 5. Fixed asset investments

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 that depreciation would not be material. Heritage assets valued at £5,000 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 was 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 and valuation costs would exceed the benefit derived to the readers of the accounts. Assets donated or purchased with a value of more than £2,000 between 1 August 2009 and 31 July 2014 are included in the accounts where values have been reasonably obtainable. From 1 August 2014, assets donated or purchased with a value of £5,000 or more are capitalised.

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.

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 College, visiting researchers and members of the public.

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

The College has adopted the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items in its collections.

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

*Hall of residence* is included in freehold land and buildings. RCM has entered into an agreement with Campus Living Villages (CLV) for development and operation of its hall of residence, Prince Consort Village (PCV), which is due to open in 2015/16. A long lease has been granted to M&G who will finance redevelopment of PCV and the lease premium received 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 PCV. RCM will recognise the RCM's proportion of the cost of the new building in its financial statements to the extent that it controls future economic benefits of PCV.

## **6. 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 Business Enterprises 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 elements of PCV that are included in the RCM's accounts.

## **7. 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.



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.

#### **8. 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.

#### **9. Pension schemes**

The RCM provides staff pension schemes through the Teachers' Pension Scheme (TPS), Universities Superannuation Scheme Limited (USS), RCM Pension and Assurance Scheme (RCMP&AS) and National Employment Savings Trust (NEST). TPS, USS and RCMP&S 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 schemes and amounts charged to the income and expenditure account represent contributions payable for the accounting period. RCM has adopted FRS17 for the RCMP&AS. NEST is a defined contribution scheme and amounts charged to the income and expenditure account represent contributions payable for the accounting period.

#### **10. 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.

#### **11. Leased assets**

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

#### **12. Liquid resources**

Liquid resources comprise cash held on short-term deposit.

#### **13. 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.

#### **14. Students' Union (SU)**

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

## Consolidated and RCM income and expenditure accounts for the year ended 31 July 2015

	Notes	RCM 2015 £	RCM restated 2014 £	Consolidated 2015 £	Consolidated restated 2014 £
<b>Income</b>					
Funding council grants	1	3,784,640	4,062,433	3,784,640	4,062,433
Tuition fees and support grants	2	11,102,839	10,349,580	11,102,839	10,349,580
Research grants and contracts	3	362,811	189,924	362,811	189,924
Other operating income	4	3,807,440	4,239,909	3,807,440	4,239,909
Endowment and investment income	5	3,156,205	2,779,305	3,156,205	2,779,305
<b>Total income</b>		<b>22,213,935</b>	<b>21,621,151</b>	<b>22,213,935</b>	<b>21,621,151</b>
<b>Expenditure</b>					
Staff costs	6	11,632,334	11,080,897	11,632,334	11,080,897
Other operating expenses	7	7,930,659	7,951,164	7,931,284	7,953,564
Depreciation	8	1,264,095	1,347,561	1,264,095	1,347,561
Interest and other finance costs		104,958	108,791	104,958	108,791
<b>Total expenditure</b>		<b>20,932,046</b>	<b>20,488,413</b>	<b>20,932,671</b>	<b>20,490,813</b>
<b>Surplus on continuing operations before exceptional items</b>		<b>1,281,889</b>	<b>1,132,738</b>	<b>1,281,264</b>	<b>1,130,338</b>
Profit on sale of fixed assets		14,925	7,116	14,925	7,116
Exceptional items	9	-	(310,974)	-	(310,974)
<b>Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets, exceptional items and before and after tax</b>		<b>1,296,814</b>	<b>828,880</b>	<b>1,296,189</b>	<b>826,480</b>
(Surplus)/deficit income from scholarship funds and donations transferred to and from endowment funds	18	(96,504)	46,144	(96,504)	46,144
<b>Surplus for year retained within general reserves</b>	<b>20</b>	<b>1,200,310</b>	<b>875,024</b>	<b>1,199,685</b>	<b>872,624</b>
<b>Statement of historical cost surpluses for the year ended 31 July 2015</b>					
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before tax		1,296,814	828,880	1,296,189	826,480
Difference between historical cost depreciation charge and actual	19	316,533	313,104	316,533	313,104
Realisation of investment revaluation gains of previous years		321,371	936,163	321,371	936,163
<b>Historical cost surplus before tax</b>		<b>1,934,718</b>	<b>2,078,147</b>	<b>1,934,093</b>	<b>2,075,747</b>
<b>Historical cost surplus after tax</b>		<b>1,934,718</b>	<b>2,078,147</b>	<b>1,934,093</b>	<b>2,075,747</b>

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 2015

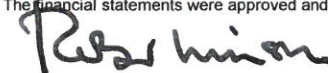
		RCM		Consolidated	
	Notes	2015	restated 2014	2015	restated 2014
		£	£	£	£
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and after tax		1,296,814	828,880	1,296,189	826,480
New endowments	18	1,589,751	1,162,939	1,589,751	1,162,939
Increase/(decrease) in value of endowment asset	12	866,422	(5,403)	866,422	(5,403)
Increase in value of fixed asset investments	11	450,099	5,467	450,099	5,467
Actuarial (loss)/gain on RCM pension scheme	30	(546,000)	317,000	(546,000)	317,000
<b>Total recognised gains relating to the year</b>		<b>3,657,086</b>	<b>2,308,883</b>	<b>3,656,461</b>	<b>2,306,483</b>
Opening reserves and endowments		67,112,814	65,514,047	67,110,414	65,514,047
Prior year adjustment: capital campaign funds raised in prior years	17, 20		(710,116)		(710,116)
Opening reserves and endowments			64,803,931		64,803,931
Total recognised gains relating to the year		3,657,086	2,308,883	3,656,461	2,306,483
<b>Closing reserves and endowments</b>		<b>70,769,900</b>	<b>67,112,814</b>	<b>70,766,875</b>	<b>67,110,414</b>

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

## Consolidated and RCM balance sheets as at 31 July 2015

	Notes	RCM		Consolidated	
		restated		restated	
		2015 £	2014 £	2015 £	2014 £
<b>Fixed assets</b>					
Heritage and tangible assets	10	25,993,959	24,365,782	25,993,959	24,365,782
Investments	11	16,518,374	16,084,860	16,518,374	16,084,860
		<u>42,512,333</u>	<u>40,450,642</u>	<u>42,512,333</u>	<u>40,450,642</u>
<b>Restricted and endowment assets</b>					
Investments	12	27,185,114	26,281,314	27,185,114	26,281,314
Investment in subsidiary company	12	1,710,862	1,710,862	-	-
Investment in associate		-	-	40	40
Loan to associate		-	-	1,710,822	1,710,822
Other	13	3,530,883	1,882,006	3,530,883	1,882,006
		<u>32,426,859</u>	<u>29,874,182</u>	<u>32,426,859</u>	<u>29,874,182</u>
<b>Current assets</b>					
Debtors	14	4,222,736	4,143,553	4,212,736	4,141,153
Cash at bank and in hand	22	663,716	2,679,200	670,691	2,679,200
Cash on deposit	22	21,720,000	19,400,000	21,720,000	19,400,000
		<u>26,606,452</u>	<u>26,222,753</u>	<u>26,603,427</u>	<u>26,220,353</u>
<b>Creditors: amounts falling due within one year</b>	15	(3,389,827)	(2,857,549)	(3,389,827)	(2,857,549)
<b>Net current assets</b>		<u>23,216,625</u>	<u>23,365,204</u>	<u>23,213,600</u>	<u>23,362,804</u>
<b>Total assets less current liabilities</b>		<u>98,155,817</u>	<u>93,690,028</u>	<u>98,152,792</u>	<u>93,687,628</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(16,749,928)	(17,076,468)	(16,749,928)	(17,076,468)
<b>Net assets excluding pension liability</b>		<u>81,405,889</u>	<u>76,613,560</u>	<u>81,402,864</u>	<u>76,611,160</u>
Net pension liability	30	(3,094,000)	(2,790,000)	(3,094,000)	(2,790,000)
<b>Net assets including pension liability</b>		<u>78,311,889</u>	<u>73,823,560</u>	<u>78,308,864</u>	<u>73,821,160</u>
<b>Deferred capital grants</b>	17	<u>7,541,989</u>	<u>6,710,746</u>	<u>7,541,989</u>	<u>6,710,746</u>
<b>Restricted and endowment funds</b>					
Restricted expendable funds	18	73,575	73,802	73,575	73,802
Restricted permanent funds	18	32,353,284	29,800,380	32,353,284	29,800,380
		<u>32,426,859</u>	<u>29,874,182</u>	<u>32,426,859</u>	<u>29,874,182</u>
<b>Reserves</b>					
Revaluation reserve	19	12,704,970	12,892,813	12,704,970	12,892,813
Accumulated revenue reserve					
Reserve before pension liability	20	28,732,071	27,135,819	28,729,046	27,133,419
RCM pension scheme liability	20	(3,094,000)	(2,790,000)	(3,094,000)	(2,790,000)
		<u>38,343,041</u>	<u>37,238,632</u>	<u>38,340,016</u>	<u>37,236,232</u>
<b>Endowments and reserves</b>		<u>70,769,900</u>	<u>67,112,814</u>	<u>70,766,875</u>	<u>67,110,414</u>
<b>Total</b>		<u>78,311,889</u>	<u>73,823,560</u>	<u>78,308,864</u>	<u>73,821,160</u>

The financial statements were approved and authorised for issue by the RCM Council and signed on its behalf on 26 November 2015 by:



Professor Lord Winston



Professor Colin Lawson

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

## Consolidated statement of cash flows for the year ended 31 July 2015

	Notes	2015 £	2014 £
<b>Net cash inflow from operating activities</b>	21	<b>759,167</b>	<b>1,033,582</b>
<b>Returns on investments and servicing of finance</b>			
Income from endowments	5	1,055,485	1,048,910
Investment income from general endowments	5	474,835	510,910
Other interest received	5	210,546	86,508
Interest paid		(104,958)	(108,791)
		<b>1,635,908</b>	<b>1,537,537</b>
<b>Capital expenditure and financial investment</b>			
Payments to acquire endowment asset investments	12	(27,608,678)	(10,825,314)
Realisation of endowment asset investments	12	28,051,451	9,419,856
Payments to acquire fixed assets		(2,879,996)	(1,347,656)
Acquisitions of fixed asset investments	11	(14,503,523)	(5,506,966)
Disposals of fixed asset investments	11	14,686,047	5,722,893
Proceeds from sale of fixed assets	21	17,529	-
Deferred capital grants received	17	1,197,121	71,538
New endowments received	18	1,589,751	1,162,939
Lease premium received		-	12,584,320
		<b>549,702</b>	<b>11,281,610</b>
<b>Management of liquid resources</b>			
Net amounts placed on deposit	22	(2,320,000)	(12,800,000)
<b>Financing</b>			
Repayments of amounts borrowed	16	(162,750)	(162,750)
		<b>(162,750)</b>	<b>(162,750)</b>
<b>Cash movement</b>	22	<b>462,027</b>	<b>889,979</b>

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

## Notes to the consolidated accounts for the year ended 31 July 2015

	Notes	2015 £	2014 £
<b>1. Funding council grants</b>			
Recurrent grants		3,623,394	3,885,991
Specific grants		40,022	46,388
Deferred capital grants	17	121,224	130,054
		<b>3,784,640</b>	<b>4,062,433</b>
<b>2. Tuition fees and support grants</b>			
Higher education			
UK students		3,347,314	2,891,401
Other EU students		1,544,185	1,403,877
Non-EU students		4,620,646	4,490,977
Other		236,144	200,845
Junior Department		1,354,550	1,362,480
		<b>11,102,839</b>	<b>10,349,580</b>
<b>3. Research grants and contracts</b>			
Research council		244,652	181,746
Other		118,159	8,178
		<b>362,811</b>	<b>189,924</b>
<b>4. Other operating income</b>			
Residences, catering and lettings		577,815	1,463,819
Other services rendered		356,477	328,156
Released from deferred capital grants	17	244,654	307,030
ABRSM income		1,200,000	1,000,000
PCV lease premium earned - amortisation of lease premium		338,790	-
Donations and other income		1,089,704	1,140,904
		<b>3,807,440</b>	<b>4,239,909</b>
<b>5. Restricted and endowment income and interest receivable</b>			
Restricted donations	18	1,415,339	1,132,977
Investment income on restricted endowments	18	1,055,485	1,048,910
Investment income		474,835	510,910
Other interest receivable		210,546	86,508
		<b>3,156,205</b>	<b>2,779,305</b>

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	2015 £	2014 £
<b>6. Staff costs</b>		
Wages and salaries	9,920,815	9,484,777
Social security costs	653,009	623,922
Pension costs (USS and TPS)	1,058,510	972,198
	<b>11,632,334</b>	<b>11,080,897</b>
<b>Director's emoluments</b>		
Salary	215,866	203,578
Benefits in kind	1,565	1,428
Total emoluments	<b>217,431</b>	<b>205,006</b>

*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 £1,565 (£1,428 in 2013/14).*

	Full time equivalents	restated Full time equivalents
<b>Staff FTE by department</b>		
Teaching departments	102	100
Teaching support services	48	44
Administration and central services	83	79
	<b>233</b>	<b>223</b>

*The FTE's have been updated to include hourly paid staff. The FTE's for the prior year have been restated.*

**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
£120,000 - £129,999	2	1
£130,000 - £139,999	1	-
£200,000 - £209,999	-	1
£210,000 - £219,999	1	-
	<b>4</b>	<b>3</b>



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	Notes	RCM		Consolidated	
		2015	2014	2015	2014
		£	£	£	£
<b>7. Other operating expenses</b>					
Catering		430,156	400,450	430,156	400,450
Academic departments		856,726	701,565	856,726	701,565
Learning resources		406,947	344,866	406,947	344,866
Scholarships and bursaries		2,550,715	2,295,117	2,550,715	2,295,117
Premises		1,681,160	2,128,698	1,681,160	2,128,698
Grant to RCM Students' Association		30,537	30,358	30,537	30,358
Professional fees		386,507	659,784	386,507	659,784
Other		1,587,911	1,390,326	1,588,536	1,392,726
		<b>7,930,659</b>	<b>7,951,164</b>	<b>7,931,284</b>	<b>7,953,564</b>

Other operating expenses include

External auditors' remuneration		47,448	34,062	47,448	34,062
Internal auditors' remuneration - internal audits		6,832	30,013	6,832	30,013
External auditors' remuneration - non-audit		14,802	36,116	14,802	36,116

*External auditors' remuneration - non audit includes £9,000 relating to accounting advice for the College Hall project and £1,416 tax advice for the purchase of a new building. 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 from

Released from deferred capital grants	17		365,878	437,084
Released from revaluation reserve	19		316,533	318,571
General Income			581,684	591,906
			<b>1,264,095</b>	<b>1,347,561</b>

**9. Exceptional items**

College Hall

Write off existing College Hall building			-	(1,725,936)
Release from deferred capital grant			-	1,414,962
			<b>-</b>	<b>(310,974)</b>

*College Hall lease premium income earned for 2014/15 is shown in Note 4 as PCV lease premium - amortisation of lease premium.*

Notes	Heritage assets	Land and buildings		Furniture and equipment	Musical instruments	Total
	£	Freehold £	Leasehold £	£	£	£
<b>10. Heritage and tangible assets</b>						
<b>Cost or valuation</b>						
Balance at 1 August 2014	5,381,535	1,708,781	20,495,453	3,303,428	7,273,545	38,162,742
Additions	14,880	-	2,341,130	296,798	242,068	2,894,876
Disposals	-	-	-	-	(32,138)	(32,138)
<b>At 31 July 2015</b>	<b>5,396,415</b>	<b>1,708,781</b>	<b>22,836,583</b>	<b>3,600,226</b>	<b>7,483,475</b>	<b>41,025,480</b>
<b>Depreciation</b>						
Balance at 1 August 2014	-	63,152	6,382,767	2,694,015	4,657,026	13,796,960
Provided during the year	-	2,847	651,430	261,285	348,533	1,264,095
Disposals	-	-	-	-	(29,534)	(29,534)
<b>At 31 July 2015</b>	<b>-</b>	<b>65,999</b>	<b>7,034,197</b>	<b>2,955,300</b>	<b>4,976,025</b>	<b>15,031,521</b>
<b>Net book value at 31 July 2015</b>	<b>5,396,415</b>	<b>1,642,782</b>	<b>15,802,386</b>	<b>644,926</b>	<b>2,507,450</b>	<b>25,993,959</b>
<b>Net book value at 1 August 2014</b>	<b>5,381,535</b>	<b>1,645,629</b>	<b>14,112,686</b>	<b>609,413</b>	<b>2,616,519</b>	<b>24,365,782</b>

	2015 £	2014 £	2013 £	2012 £	2011 £
<b>Financial summary of heritage asset transactions</b>					
Purchases					
Books and manuscripts	-	-	-	-	3,250
Busts and portraits	-	-	3,000	-	-
Instruments	-	10,000	-	-	-
Donations					
Instruments	14,880	53,585	-	347,200	-
Disposals					
Carrying value	-	-	-	-	(38,500)
<b>Total heritage asset transactions</b>	<b>14,880</b>	<b>63,585</b>	<b>3,000</b>	<b>347,200</b>	<b>(35,250)</b>

	Keyboards £	String £	Brass and woodwind £	Percussion £	Total £
<b>Tangible assets - analysis of musical instruments</b>					
<b>Cost or valuation</b>					
Balance at 1 August 2014	3,666,081	2,862,085	488,614	256,765	7,273,545
Additions	149,001	55,199	7,368	30,500	242,068
Disposals	(32,138)	-	-	-	(32,138)
<b>At 31 July 2015</b>	<b>3,782,944</b>	<b>2,917,284</b>	<b>495,982</b>	<b>287,265</b>	<b>7,483,475</b>
<b>Depreciation</b>					
Balance at 1 August 2014	2,289,343	1,798,923	364,428	204,332	4,657,026
Provided during the year	171,949	143,284	20,182	13,118	348,533
Disposals	(29,534)	-	-	-	(29,534)
<b>At 31 July 2015</b>	<b>2,431,758</b>	<b>1,942,207</b>	<b>384,610</b>	<b>217,450</b>	<b>4,976,025</b>
<b>Net book value at 31 July 2015</b>	<b>1,351,186</b>	<b>975,077</b>	<b>111,372</b>	<b>69,815</b>	<b>2,507,450</b>
<b>Net book value at 1 August 2014</b>	<b>1,376,738</b>	<b>1,063,162</b>	<b>124,186</b>	<b>52,433</b>	<b>2,616,519</b>

	Notes	RCM	
		2015 £	2014 £
<b>11. Fixed asset investments</b>			
Balance at 1 August 2014		16,084,860	16,142,240
Additions		14,503,523	5,506,966
Disposals		(14,686,047)	(5,722,893)
Net gains on revaluation		450,099	5,467
Movements on cash		165,939	153,080
<b>Balance at 31 July 2015</b>		<b>16,518,374</b>	<b>16,084,860</b>
<i>Investments held are analysed as follows:</i>			
Managed investments			
Fixed interest stocks (listed)		3,090,229	3,153,271
Equities (listed) and unit trusts		10,748,878	10,418,261
Cash held by investment managers	22	404,267	238,328
		<b>14,243,374</b>	<b>13,809,860</b>
Interest in the ABRSM at cost	28	2,275,000	2,275,000
		<b>16,518,374</b>	<b>16,084,860</b>

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.

		RCM		Consolidated	
		2015 £	2014 £	2015 £	2014 £
<b>12. Restricted and endowment investments</b>					
Balance at 1 August 2014		27,992,176	26,913,058	27,992,176	26,913,058
Additions		27,608,678	9,114,453	27,608,678	9,114,453
Disposals		(28,051,451)	(9,419,856)	(28,051,451)	(9,419,856)
Net (losses)/gains on revaluation	18	866,422	(5,403)	866,422	(5,403)
Movements on cash		480,151	(320,938)	480,151	(320,938)
Investment in subsidiary company		-	1,710,862	-	1,710,862
<b>Balance at 31 July 2015</b>		<b>28,895,976</b>	<b>27,992,176</b>	<b>28,895,976</b>	<b>27,992,176</b>
<i>Investments held are analysed as follows:</i>					
Managed investments					
Fixed interest stocks (listed)		7,021,200	7,675,995	7,021,200	7,675,995
Equities (listed) and unit trusts		19,440,028	18,365,448	19,440,028	18,365,448
Cash held by investment managers		651,841	171,690	651,841	171,690
		<b>27,113,069</b>	<b>26,213,133</b>	<b>27,113,069</b>	<b>26,213,133</b>
CAF fund investment		72,045	68,181	72,045	68,181
		<b>27,185,114</b>	<b>26,281,314</b>	<b>27,185,114</b>	<b>26,281,314</b>
Investment in subsidiary company		1,710,862	1,710,862	-	-
Investment in associate		-	-	40	40
Loan to associate		-	-	1,710,822	1,710,822
		<b>28,895,976</b>	<b>27,992,176</b>	<b>28,895,976</b>	<b>27,992,176</b>

The RCM made an investment of £1.7 million in the year 2013/14 in its subsidiary RCM Business Enterprises Ltd (RCM BEL). 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 2015/16. 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.

The subsidiary is exempt from audit of its accounts by virtue of the requirements of the Companies Act section 479A.

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	Notes	2015 £	2014 £
<b>13. Restricted and endowment other assets</b>			
Cash at bank		270,895	263,030
Cash on deposit		3,396,387	1,579,806
Debtors		33,601	39,170
Creditors		(170,000)	-
		<u>3,530,883</u>	<u>1,882,006</u>

	RCM		Consolidated	
	2015 £	2014 £	2015 £	2014 £
<b>14. Debtors</b>				
Amounts falling due within one year				
Debtors	212,270	163,265	212,270	163,265
Prepayments and accrued income	3,500,466	3,477,888	3,500,466	3,477,888
Amount owed by subsidiary company	10,000	2,400	-	-
Amount owed by ABRSM	500,000	500,000	500,000	500,000
	<u>4,222,736</u>	<u>4,143,553</u>	<u>4,212,736</u>	<u>4,141,153</u>

£3 million of accrued income in 2014/15 relates to the lease premium received for the College Hall project

<b>15. Creditors: amounts falling due within one year</b>			
Bank loans	16	162,750	162,750
Creditors		632,177	967,353
Social security and other taxation payable		286,426	285,502
Accruals		1,169,396	557,533
Deferred income		1,051,578	884,411
Repayable grant		87,500	-
		<u>3,389,827</u>	<u>2,857,549</u>

<b>16. Creditors: amounts falling due after more than one year</b>			
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		1,017,188	1,179,938
Total bank loans		<u>1,668,188</u>	<u>1,830,938</u>
Deferred income		14,906,740	15,245,530
Repayable grant		175,000	-
		<u>16,749,928</u>	<u>17,076,468</u>

The bank loan represents one agreement which is at a fixed interest rate of 5.3%, with 11 years remaining.

Deferred income relates to the lease premium received for the College Hall project which is being amortised over the life of the lease.

	Notes	HEFCE £	restated Other £	restated Total £
<b>17. Deferred capital grants</b>				
Balance at 1 August 2014		1,848,752	4,151,878	6,000,630
Prior year adjustment: capital campaign funds raised in prior years			710,116	710,116
		<u>1,848,752</u>	<u>4,861,994</u>	<u>6,710,746</u>
Cash received		121,884	1,075,237	1,197,121
Released to income and expenditure	1,4	(121,224)	(244,654)	(365,878)
<b>Balance at 31 July 2015</b>		<b><u>1,849,412</u></b>	<b><u>5,692,577</u></b>	<b><u>7,541,989</u></b>

The prior year adjustment relates to restricted funds raised in prior years for the Courtyard project which are accounted for as deferred capital grants.

		Restricted expendable £	Restricted permanent £	Total £
<b>18. Restricted and endowment funds</b>				
<b>Balance at 1 August 2014</b>		<b><u>73,802</u></b>	<b><u>29,800,380</u></b>	<b><u>29,874,182</u></b>
<b>Capital movements</b>				
New endowments/capital income		-	1,589,751	1,589,751
Gains in market value of investments	12	-	866,422	866,422
		<u>-</u>	<u>2,456,173</u>	<u>2,456,173</u>
<b>Revenue movements</b>				
Income for year	5	1,415,339	1,055,485	2,470,824
Expenditure for year		(1,415,566)	(958,754)	(2,374,320)
		<u>(227)</u>	<u>96,731</u>	<u>96,504</u>
<b>Balance at 31 July 2015</b>		<b><u>73,575</u></b>	<b><u>32,353,284</u></b>	<b><u>32,426,859</u></b>
<b>Purpose of fund balances</b>				
Scholarships		-	29,640,413	29,640,413
Prizes		69,628	1,165,367	1,234,995
Junior fellowships		-	1,060,293	1,060,293
Instrument loans		-	197,931	197,931
Other		3,947	289,280	293,227
<b>Balance at 31 July 2015</b>		<b><u>73,575</u></b>	<b><u>32,353,284</u></b>	<b><u>32,426,859</u></b>

Expenditure for year is for scholarships, prizes, fellowships and other expenditure in line with the restrictions placed by donors.

		Tangible assets £	Heritage Assets £	Investments £	Total £
<b>19. Revaluation reserve</b>					
Balance at 1 August 2014		5,127,972	4,926,000	2,838,841	12,892,813
Disposal of assets		(38)	-	(321,371)	(321,409)
Released in year	8	(316,533)	-	-	(316,533)
Unrealised gain on investments		-	-	450,099	450,099
<b>Balance at 31 July 2015</b>		<b><u>4,811,401</u></b>	<b><u>4,926,000</u></b>	<b><u>2,967,569</u></b>	<b><u>12,704,970</u></b>

	Notes	RCM		Consolidated	
		2015 £	2014 £	2015 £	restated 2014 £
<b>20. Accumulated revenue reserve</b>					
Balance at 1 August 2014		24,345,819	23,539,341	24,343,419	23,539,341
Prior year adjustment: capital campaign funds raised in prior years	19		(710,116)	-	(710,116)
Balance restated at 1 August		24,345,819	22,829,225	24,343,419	22,829,225
Surplus from income and expenditure account		1,200,310	875,024	1,199,685	872,624
Release (to)/from revaluation reserve	19	637,942	324,570	637,942	324,570
Balance at 31 July before actuarial (loss)/gain on pension scheme		26,184,071	24,028,819	26,181,046	24,026,419
Actuarial (loss)/gain on RCM pension scheme	30	(546,000)	317,000	(546,000)	317,000
<b>Balance at 31 July 2015</b>		<b>25,638,071</b>	<b>24,345,819</b>	<b>25,635,046</b>	<b>24,343,419</b>
<i>Accumulated revenue reserve analysed as follows:</i>					
Reserve before pension liability		28,732,071	27,135,819	28,729,046	27,133,419
RCM pension scheme liability	30	(3,094,000)	(2,790,000)	(3,094,000)	(2,790,000)
<b>Reserve including pension liability</b>		<b>25,638,071</b>	<b>24,345,819</b>	<b>25,635,046</b>	<b>24,343,419</b>
<b>21. Reconciliation operating surplus to net cash inflow from operating activities</b>					
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and before and after tax				1,296,189	826,480
Depreciation			8	1,264,095	1,347,561
Profit on the sale of fixed assets				(14,925)	1,731,932
Deferred capital grants released to income			17	(365,878)	(1,852,046)
Investment income and interest receivable			5	(1,740,866)	(1,646,328)
Interest payable				104,958	108,791
(Increase) in debtors			13,14	(66,014)	(2,950,777)
Increase in creditors				296,488	3,521,554
Donation of assets				(14,880)	(53,585)
<b>Net cash inflow in the year from operating activities</b>				<b>759,167</b>	<b>1,033,582</b>
<b>22. Analysis of changes in net funds</b>					
<b>Consolidated</b>	<b>Notes</b>	<b>At 31 July 2014 £</b>	<b>Cashflows £</b>	<b>At 31 July 2015 £</b>	
Endowment assets					
Cash balances held by investment managers	11,12	410,018	646,090	1,056,108	
Other balances	13	1,842,836	1,824,446	3,667,282	
RCM current assets					
Cash at bank and in hand		2,679,200	(2,008,509)	670,691	
		<b>4,932,054</b>	<b>462,027</b>	<b>5,394,081</b>	
<b>Financing</b>					
Loan: due within one year	15	(162,750)	-	(162,750)	
Loan: due after one year	16	(1,830,938)	162,750	(1,668,188)	
<b>Cash on deposit</b>		<b>19,400,000</b>	<b>2,320,000</b>	<b>21,720,000</b>	
		<b>22,338,366</b>	<b>2,944,777</b>	<b>25,283,143</b>	
<b>RCM</b>					
Endowment assets					
Cash balances held by investment managers	11,12	410,018	646,090	1,056,108	
Other balances	13	1,842,836	1,824,446	3,667,282	
RCM current assets					
Cash at bank and in hand		2,679,200	(2,015,484)	663,716	
		<b>4,932,054</b>	<b>455,052</b>	<b>5,387,106</b>	
<b>Financing</b>					
Loan: due within one year	15	(162,750)	-	(162,750)	
Loan: due after one year	16	(1,830,938)	-	(1,668,188)	
<b>Cash on deposit</b>		<b>19,400,000</b>	<b>2,320,000</b>	<b>21,720,000</b>	
		<b>22,338,366</b>	<b>2,775,052</b>	<b>25,276,168</b>	

	2015 £	2014 £
<b>23. Access to learning fund</b>		
Balance at 1 August 2014	-	236
HEFCE grants	-	6,661
	<hr/>	<hr/>
	-	6,897
Disbursed to students	-	(6,809)
Administration charge	-	(88)
	<hr/>	<hr/>
<b>Balance at 31 July 2015</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>

*HEFCE access to learning fund grants ceased from 31 July 2014.*

<b>24. National scholarship programme funds</b>		
Balance at 1 August 2014	-	-
Funds received	27,000	12,000
Disbursed to students	(27,000)	(12,000)
	<hr/>	<hr/>
<b>Balance at 31 July 2015</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>

*The RCM received additional funds from HEFCE which it holds and distributes to students. This scheme ceased on 31 July 2015.*

<b>25. Capital commitments</b>		
<b>Provision has not been made for the following capital commitments at 31 July 2015</b>		
Commitments contracted for	1,815,809	2,607,255
Commitments approved by Council:		
Courtyard project	23,677,754	-
Purchase of new building	15,250,000	-
Organ replacement in Concert Hall	1,000,000	-
	<hr/>	<hr/>
<b>Balance at 31 July 2015</b>	<b>41,743,563</b>	<b>2,607,255</b>
	<hr/> <hr/>	<hr/> <hr/>

**26. Lease obligations**  
**At 31 July 2015 the RCM had commitments under non-cancellable operating leases.**

Land and buildings		
Expiring in more than five years	1,005	1,005
	<hr/>	<hr/>
	<b>1,005</b>	<b>1,005</b>
	<hr/> <hr/>	<hr/> <hr/>
Other operating leases		
Expiring between one and five years	<b>126,000</b>	<b>189,000</b>
	<hr/> <hr/>	<hr/> <hr/>

*Other operating leases in 2013/14 was understated by £132,300 and has been corrected in 2014/15.*

**27. Related party transactions**

During the year, the College received services, at arms length, from Florilegium (chamber music ensemble) of £7,440. 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 2015, which are not consolidated in the 2014/15 accounts, is set out below.

	2015 £	2014 £
<b>Total income</b>	<b>9,776,250</b>	<b>9,516,750</b>
<b>Net income, after deducting charitable donations</b>	<b>770,000</b>	<b>794,250</b>
Fixed assets	407,000	354,000
Current assets	6,059,750	5,494,000
Liabilities due within one year	(2,406,250)	(2,355,000)
<b>Net assets before pension liabilities</b>	<b>4,060,500</b>	<b>3,493,000</b>
Net pension liability	(5,258,500)	(2,825,250)
<b>Net (liabilities)/assets after pension fund deficit</b>	<b>(1,198,000)</b>	<b>667,750</b>

**29. Post balance sheet events**

On the 23 October 2015, the RCM exchanged contracts and paid the deposit for the purchase of Markova House from the English National Ballet. The balance will be paid on completion in 2018.

### 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 2014/15 total employer's and employees' pension contributions were £2 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
		31 March 2011	31 March 2014 unaudited	
<b>Assumptions used to determine contribution levels</b>				
Investment returns per annum	5.06%	6.10%	5.20%*	5.5% to 5.7%
Salary increase per annum	4.75%	4.40%	CPI**	3.2%
Pension increase per annum	2.00%	2.6% to 3.4%	CPI	2.9% to 3.2%
Market value of assets at date of last valuation	£177 billion	£32.4 billion	£41.6 billion	£7.4 million
Scheme liabilities	£192 billion	£35.3 billion	£46.9 billion	£9.3 million
Shortfall	£15 billion	£2.9 billion	£5.3 billion	£1.9 million
Scheme specific funding level	98%	92%	89%	80%
Date of last actuarial valuation	31-Mar-04	31-Mar-11	31-Mar-14	31-Jul-13
Date of next actuarial valuation	31-Mar-16	31-Mar-14	31-Mar-17	31-Jul-16
Employer's and employees' pension contribution rates				
Employer's contribution rate	14.1%	16%	16%***	not applicable
Employees' contribution rate	7.4% to 11.7%	6.5% to 7.5%	6.5% to 7.5%****	not applicable

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

\*\* CPI in year 1 (1st April 2014), CPI plus 1% in year 2, thereafter RPI plus 1%

\*\*\* Employers contribution rate will rise to 18% from 1st April 2016

\*\*\*\* Employee contribution rate will rise to 8% from 1st April 2016

	Employer's £000s	Employees' £000s	2015 Total £000s	2014 Total £000s
<b>RCM pension contributions</b>				
Teachers' Pension Scheme	433	306	739	729
Universities Superannuation Scheme	615	295	910	800
RCM Pension & Assurance Scheme	323	0	323	323
National Employment Savings Trust	10	14	24	15
	<b>1,381</b>	<b>615</b>	<b>1,996</b>	<b>1,867</b>

#### 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 changed over a 3 year period from 1 April 2012 to 31 March 2015. The contribution rates as at 31 July 2015 ranged from 7.4% to 11.7%. 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 at 31 March 2014 is not yet audited and therefore, the data from the valuation of 31 March 2011 is used in this set of financial statements. At 31 March 2011, the USS had a funding shortfall of £2.9 million and the USS trustees implemented a recovery plan to pay off the shortfall by 31 March 2021. The unaudited valuation of 31 March 2014 shows a funding shortfall of £5.3 billion and the USS trustees implemented a recovery plan to pay off this shortfall by 31 March 2031. 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 24.2 years and women 26.3 years.

At the valuation date the contribution rate payable by the RCM was 16% of pensionable salaries and 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 at 31 March 2014 fell from 92% to 89% on the scheme specific basis. On the FRS17 basis funding fell from 82% at 31 March 2011 to 72% at 31 March 2015 (75% at 31 March 2014). In order to clear the deficit USS has consulted on changes to the Scheme and this will lead to changes to member benefits and also to employer's and employees' contributions with effect from April 2016. From this date the employer contribution will increase to 18% and the employee contribution to 8%. The Scheme will offer CRB (Career Re-valued Benefits) to all up to a salary threshold of £55,000 pa. A new DC (Defined Contribution) Scheme will be made available to all members and specifically for salary above the £55,000 pa threshold.

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

### National Employment Savings Trust (NEST)

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

### Royal College of Music Pension and Assurance Scheme

The RCMP&AS is a closed scheme with 57 pensioners and 115 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 2015 was £4.7 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.

	2015 £000s	2014 £000s
<b>Amounts recognised in balance sheet</b>		
Assets at fair value	8,954	7,934
Present value of defined benefit obligation	(12,048)	(10,724)
<b>Deficit</b>	<b><u>(3,094)</u></b>	<b><u>(2,790)</u></b>
<b>Amounts recognised in income and expenditure account</b>		
Operating expenses	(10)	(8)
Past service cost	(45)	(50)
Expected return on plan assets	353	350
Interest on pension obligation	(434)	(461)
<b>Net amount recognised in income and expenditure account</b>	<b><u>(136)</u></b>	<b><u>(169)</u></b>
<b>Reconciliation of present value defined benefit obligation</b>		
Balance at 31 July 2014	10,724	10,724
Past service cost	45	50
Interest cost	434	461
Actuarial gains/(losses)	1,108	(256)
Benefits paid	(263)	(255)
<b>Balance at 31 July 2015</b>	<b><u>12,048</u></b>	<b><u>10,724</u></b>

	2015 £000s	2014 £000s	2013 £000s	2012 £000s	2011 £000s
<b>Reconciliation of fair value plan assets</b>					
Balance at 31 July 2014	7,934	7,413	6,922	6,278	
Expected return on assets	353	350	281	374	
Actuarial gain	562	61	50	136	
Employer contribution	378	373	354	359	
Transfers	-	-	-	(61)	
Operating expenses	(10)	(8)	(7)	(7)	
Benefits paid	(263)	(255)	(187)	(157)	
<b>Balance at 31 July 2015</b>	<b>8,954</b>	<b>7,934</b>	<b>7,413</b>	<b>6,922</b>	
<b>Reconciliation of change in funded status</b>					
Balance at 31 July 2014	(2,790)	(3,311)	(3,481)	(2,182)	
Pension expense	(136)	(169)	(152)	(129)	
Employer contribution	378	373	354	359	
Actuarial (loss)/gain	(546)	317	(32)	(1,529)	
<b>Balance at 31 July 2015</b>	<b>(3,094)</b>	<b>(2,790)</b>	<b>(3,311)</b>	<b>(3,481)</b>	
<b>Statement of Total Recognised Gains and Losses (STRGL)</b>					
Actual return less expected return on pension scheme assets	562	61	50		
Experience losses arising on scheme liabilities	120	409	31		
Changes to assumptions underlying the present value of the scheme liabilities	(1,228)	(153)	(113)		
<b>Actuarial (loss)/gain recognised in STRGL</b>	<b>(546)</b>	<b>317</b>	<b>(32)</b>		
<b>Actual return on plan assets</b>	<b>915</b>	<b>411</b>	<b>331</b>	<b>510</b>	
<b>History of experience adjustments</b>					
Defined benefit obligation	(12,048)	(10,724)	(10,724)	(10,403)	(8,460)
Plan assets	8,954	7,934	7,413	6,922	6,278
<b>Deficit</b>	<b>(3,094)</b>	<b>(2,790)</b>	<b>(3,311)</b>	<b>(3,481)</b>	<b>(2,182)</b>
<b>Experience adjustments on scheme liability</b>	<b>120</b>	<b>409</b>	<b>31</b>	<b>105</b>	<b>154</b>
<b>Experience adjustments on scheme assets</b>	<b>562</b>	<b>61</b>	<b>50</b>	<b>136</b>	<b>242</b>
<b>Scheme assets and expected returns</b>					
	2015	2014	2015	2014	
Equities	2,729	2,774	6.00%	6.75%	
Bonds	2,431	2,149	3.50%	4.10%	
Gilts	2,915	2,220	2.50%	3.25%	
Cash	879	791	0.50%	0.50%	
<b>Total</b>	<b>8,954</b>	<b>7,934</b>			
<b>Assumptions</b>					
Discount rate			3.50%	4.10%	
Retail price inflation			3.10%	3.10%	
Increases in deferment			2.30%	2.30%	
Post 97 increases in payment (capped at 5% pa)			3.10%	3.10%	
Expected return on assets			3.64%	4.43%	
<b>Life Expectancy in years at age 65</b>					
Males current age 65			87.6	87.5	
Females current age 65			90.0	89.9	
Males current age 45			89.9	89.8	
Females current age 45			92.3	92.2	

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 2015/16 will be £370,000, which is similar to those paid in 2014/15.