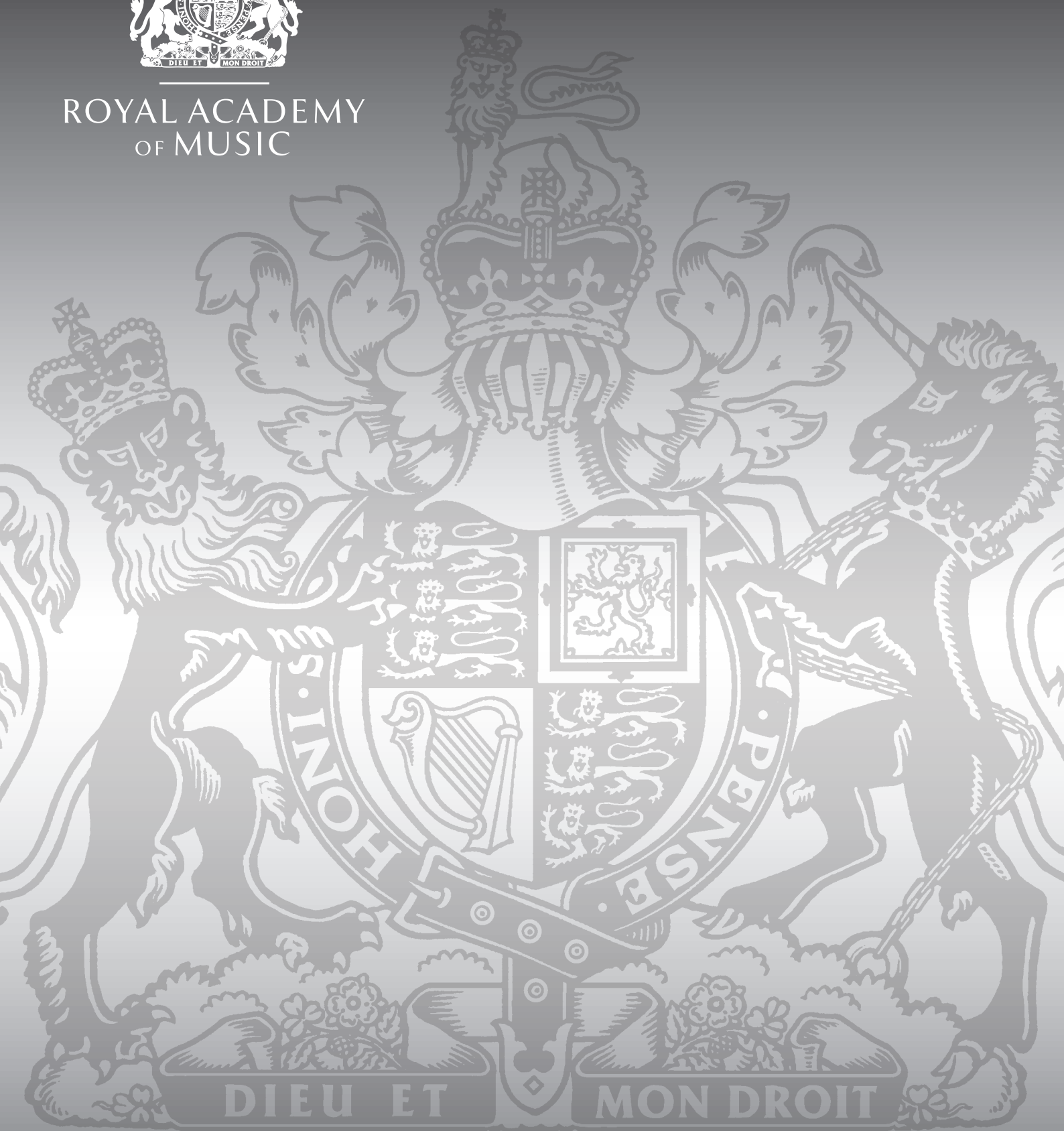




ROYAL ACADEMY
OF MUSIC



ANNUAL REVIEW AND
FINANCIAL STATEMENTS

FOR YEAR ENDING 31 JULY 2018



The Angela Burgess Recital Hall.

Contents

Foreword from the Principal.....	6
Operating and Financial Review for the Year Ending 31 July 2018.....	7
Mission.....	7
Strategic Plan.....	7
Equality and diversity.....	8
Past, present and future.....	8
Financial Overview.....	21
Corporate Governance Statement.....	25
Statement of internal control.....	27
Responsibilities of the Governing Body.....	28
Senior Management Remuneration Annual Report.....	30
Independent Auditors' Report to the Academy's Governing Body.....	33
Statement of accounting policies.....	35
Consolidated Statement of Comprehensive Income and Expenditure.....	41
Consolidated and Academy Statement of Changes in Reserves.....	42
Consolidated and Academy Balance Sheet.....	43
Consolidated Cash Flow Statements.....	44
Notes to Financial Statements.....	45





ROYAL ACADEMY OF MUSIC

The Royal Academy of Music was established in 1822 and granted a Royal Charter in 1830 (Supplemental Charter granted in 1998). The Academy is a registered charity, number 310007, and a company registered with Companies House, number RC000438. The Academy is registered with the Office for Students as a higher education provider.

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President HRH The Duchess of Gloucester GCVO Hon FRAM

Vice Presidents Lord Burns GCB Hon FRAM
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Robin Butler Hon FRAM

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Amanda Hill

Rehmet Kassim-Lakha

Timothy Parker

Professor Sir Richard Trainor KBE BA, MA, DPhil, FKC, Hon FRAM

John Willan BMus FRAM, FRSA, FCA (retired July 2018)

William de Winton

Damian Wisniewski BSc(Eng), ACGI, LRAM, ACA

Academic Staff Representatives Melanie Ragge MPhil (Cantab), MA (Cantab), LRAM, Dip RCM
Jon Thorne

Administrative Staff Representative Kathryn Adamson MA, Hon FRAM

Student Union President and Student Representatives Peter Cowlshaw (appointed August 2018)
Rachael O'Brien BMus (retired July 2018)

Secretary to Governing Body Sandra Green Hon ARAM

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Principal Professor Jonathan Freeman-Attwood CBE BMus, MPhil, Hon RAM, FKC, FRNCM, FRCM

Deputy Principal and Dean Mark Racz BA, MFA, Hon FBC, Hon RAM

Deputy Principal – Programmes and Research Professor Timothy Jones MA, DPhil, LTCL, Hon RAM

Deputy Principal – Advancement Kirsty MacDonald BA, MA Oxon

Director of Finance Judith Barber BSc, CPFA, Hon ARAM

Administrative Information

Registered Office	Marylebone Road London NW1 5HT
External Auditors	Mazars LLP Chartered Accountants and Statutory Auditors 90 Victoria Street Bristol BS1 6DP
Internal Auditors	Scott-Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
Bankers	Lloyds Bank plc 25 Gresham Street London EC2V 7HN
Investment Fund Managers	Cazenove Capital 12 Moorgate London EC2R 6DA
Legal Advisers	Veale Wasbrough Vizards LLP Narrow Quay House Narrow Quay Bristol BS1 4QA

Trustee Committee Membership as at 1 September 2018

Audit Committee Chair Damian Wisniewski Robin Butler Rehmet Kassim-Lakha	Honours and Awards Committee Chair Dame Jenny Abramsky Lucy Crowe
Finance and General Purposes Committee Chair Lord Blackwell John Burgess Timothy Parker William de Winton	Nominations Committee Chair Dame Jenny Abramsky Lady Sainsbury of Turville The Rt Hon Lord Sumption
Gift Acceptance Committee Chair Dame Jenny Abramsky The Rt Hon Lord Sumption Professor Sir Richard Trainor	Remuneration Committee Dame Jenny Abramsky Lord Blackwell Rehmet Kassim-Lakha

Honorary Trustees

The title of Honorary Trustee is awarded to retired Independent Members of the Governing Body to recognise their distinguished service to the Academy

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Foreword from the Principal



We owe our existence to European culture – our first professors were almost all from the great European nations – and today our students, alumni and faculty are a truly global family. Academy students represent the very best talent from around the world, with approximately half coming from the UK, a quarter from the rest of the European Union and a quarter from other countries. This vibrant international mix is fundamental to who we are and how we approach music. We encourage the free exchange of ideas across all boundaries, both intellectual and physical. Our fruitful collaborations with The Juilliard School and growing relationships with the Sibelius Academy, Shanghai Conservatory, Tokyo Geidai, Glenn Gould School in Toronto and the University of Music and Performing Arts Vienna, are based on our shared values of artistic and educational excellence and are integral to the Academy's identity. We remain deeply committed to this identity and will continue to offer the very best education to students from all over the world.

The Academy is changing the way we anticipate and design our educational programmes to meet and affect future trends in professional musical life and the importance of music generally. Recent developments include the introduction of the Resilience Programme at all stages of our programmes to ensure that we are training students to be responsible and self-reliant artists in a changing world.

The Academy remains committed to widening participation both on our full-time programmes of study, and improving access for young people through our Junior Academy and Open Academy departments. Junior Academy provides an opportunity for young musicians from all backgrounds to be challenged and inspired through their music making and operates a range of targeted initiatives to encourage participation from children from underrepresented groups. Open Academy enables participants from schools, local authorities and a variety of community groups to work creatively alongside the Academy's students and world-class artists. Open Academy aims to raise aspirations, make connections, challenge preconceptions and create new possibilities through a range of activities delivered with partner schools and organisations. Open Academy projects include working with people with dementias and their families and carers.

The new Susie Sainsbury Theatre and Angela Burgess Recital Hall have been transformative in terms of the education and training we give our students. These world-class performance spaces reflect the educational and artistic ambitions of the Academy across the broadest range of styles and genres, from early opera to all forms of contemporary musical theatre and jazz. We now have facilities in the heart of the building that match the quality and potential of our students, and are fully accessible to the public. This project would not have been possible without the remarkable generosity of our donors, who provided the vast majority of the necessary funds.

Professor Jonathan Freeman-Attwood CBE
Principal

Operating and Financial Review for the Year Ending 31 July 2018

The Governors of the Royal Academy of Music present their Annual Review and audited Financial Statements for the year ended 31 July 2018 and confirm that they comply with the requirements of the Charities Act 2011, the Academy's Charter and the Statement of Recommended Practice 'Accounting for Further and Higher Education' (SORP 2015).

Mission

The Academy's mission is to provide pre-professional, undergraduate and postgraduate musical training of the highest national and international standards. We aim to enrich musical culture by training and educating the most talented musicians. The Academy was founded in 1822, and ever since has trained versatile and resourceful musicians with the skills they need in the ever-changing profession.

The Academy operates under the terms of its Royal Charter, granted in 1830, and its Objects are 'to promote the Cultivation of the Science of Music and to afford facilities for attaining perfection in it by assisting with general instruction all persons desirous of acquiring a knowledge thereof'.

The Academy aims to enrich musical culture by:

- Educating and training the most talented students to the highest standards in performance, composition and other music-related disciplines. We offer full-time programmes of study at undergraduate and postgraduate level and ambitious student-centred artistic programmes. In addition, our Junior Academy is a fundamental and integral part of the Academy and continues to provide music education of the highest quality through its First Strings and First Guitar Experience, Primary Academy and Junior Academy programmes.
- Enabling public engagement through a wide range of public performances, research events and outreach activities designed to enhance pre-tertiary music educational opportunities and encourage wider access to higher education.
- Promoting the creation of new music, original research and scholarship in music through publications, conference and study days, programmes of symposia, recordings and public performances.
- Conserving significant and globally renowned heritage collections in the field of music that support our educational purposes. The Academy's museum is open to the public and our collections are available for consultation by researchers from outside the Academy. The museum mounted a series of annual exhibitions and study events in 2017-18, including the annual exhibition, which highlighted the Robert Spencer Collection.

Strategic Plan

The Academy's vision is that it should be the conservatoire of choice for top global talent aspiring to a successful, professional career. Enhancement of our students' learning lies at the heart of our Strategic Plan, based on strong review and monitoring mechanisms, robust data gathering, and effective programme management. We continue to retain and develop our position as the prime provider to the engine room of the profession: creating outstanding musicians in the broadest range of disciplines, idioms and musical industries; recognising the extensive individuality and creative personality that is embedded in the life of the Academy and its student body; and capitalising upon our ability to identify and nurture virtuoso talent.

In drawing up our Strategic Plan the Governing Body has had due regard to the Charity Commission's public benefit guidance in considering our objectives and activities. The Strategic Plan is reviewed on an annual basis and we plan to undertake a thorough review of it during 2019.

The Academy makes a significant contribution to the public benefit via its teaching, research, performances and other activities, in terms of:

- The advancement of education.
- The advancement of the arts, culture and heritage.

The Academy contributes to the advancement of education through its programmes of study; its calendar of publicly accessible performances and research events; its outreach events designed to encourage learners from traditionally low-participation sectors of the community to participate in music education and higher education; and the conservation, display, interpretation, and practical use of its collections to educational ends.

The Academy's core activities advance arts, culture and heritage by finding the most promising British and international musical talent and nurturing it through the delivery of world-class education and vocational training, producing exceptional artists who will shape the future of music in this country and beyond. We thereby support the UK's cultural infrastructure, generate development in the cultural industries, and provide international leadership in music:

- By collaborating with leading venues and ensembles, supporting musical research, commissioning new music and bringing before the public new and unfamiliar work, the Academy enriches the UK's musical culture.
- By the preservation, display and use of its collection of musical artefacts, the Academy contributes to the advancement of the UK's musical heritage.

Every day of the week there are performances open to the public, taking place in venues throughout the Academy. During 2017-18 our total audience attendees increased to c 35,560 (28,500: 2017), for concerts, recitals, masterclasses, lectures and other events, the majority of which were free of charge.

The Academy is aware of the need to ensure that people from all backgrounds can benefit from its activities and that people in financial hardship are not excluded from the opportunity to benefit. In the year to 31 July 2018, the Academy invested £3.9m from our endowment income and other funds raised by the Advancement Department in scholarships and financial support for talented musicians, many of whom could not otherwise afford to attend the Academy. The Academy is looking at ways to grow the endowment to allow us to support even greater numbers of students. We recognise that not everyone has the same level of educational opportunity, support or information, and we continue to develop our successful access initiatives through the work of the Junior Academy and through Open Academy, our outreach department.

New branding and a thorough review of all digital and printed content have resulted in clear, accessible information about the Academy's work, impact and offering to students. An annual report was produced for the first time in 2018 outlining impact during the year ended 31 July 2017.

Equality and diversity

The Academy promotes an inclusive learning and working environment in which all students, staff and visitors are welcomed. Students and staff are selected, taught, trained, assessed, appraised, promoted and otherwise treated on the basis of their relevant merits and ability, with individual needs recognised and supported. Quality and equality are at the core of our values, underpinning all of our activities. The Academy supports students and staff in challenging and removing any form of prejudice or discrimination, and in promoting equality and diversity, which in turn enriches the teaching, learning, artistic and social environment.

The Equality and Diversity Committee has been replaced by the Widening Participation Committee, to signal the way in which the Committee's remit has broadened from its initial responsibility for ensuring compliance with equality and diversity legislation to considering a wide range of issues related to widening participation.

Disney Theatrical Productions has renewed its funding for BAME students on the Academy's Music Theatre Programme, and we will be looking to continue this outstanding scheme into the future.

Past, present and future

We are presenting our review based on the framework of our Strategic Plan and, in particular, around the four strategic aims:

1. To deliver an exceptional educational experience, underpinned by ambitious artistic projects.
2. To recruit and retain the best student talent from around the world.
3. To demonstrate outstanding engagement with the wider community.
4. To develop significantly the philanthropic contribution to the Academy's endowment and annual running costs.

Although many activities support more than one strand of our strategic aims and could be included within two or three of them, we have tried to capture them within the most relevant area to avoid repetition.

1. To deliver an exceptional educational experience, underpinned by ambitious artistic projects

Our comprehensive curriculum and unique musicological resources help students to reach the highest standards as soloists, ensemble players and teachers. Students receive individual lessons from our team of distinguished professors and visiting professors, who are active at the highest professional level, take part in an unparalleled range of masterclasses with the many internationally renowned artists who visit regularly, and enjoy a rich orchestral and chamber music programme.

Our emphasis on one-to-one lessons, small-group teaching and our tailored approach to professional development, result in one of the best employability records of any British university.

We are proud to have been awarded a Gold Rating in the Teaching Excellence Framework (TEF), which was created by the government to measure the quality of teaching in higher education. We achieved the rating in 2017, and again in 2018. The award is now valid for up to three years. The report states that our students achieve 'consistently outstanding outcomes', also specifying that the Academy provides 'an exceptional range of enrichment activities and external collaborative projects that enhance educational and professional development'.

The Academy was rated as the top UK conservatoire both in the Guardian University Guide 2018 and the Complete University Guide's Arts, Drama and Music League Table for 2018.

During the Academy's ambitious two-year building and renovation project, Royal Academy Opera (RAO) had the opportunity to perform to full houses in a range of iconic venues across London. This gave students the invaluable experience of working in different professional environments and allowed them to stretch artistic boundaries and reach new audiences.

Artistic Projects

Autumn term highlights included Semyon Bychkov continuing his celebrated Mahler readings with the Academy Symphony Orchestra, conducting the Ninth Symphony. The Orchestra also performed at the Royal Albert Hall with Hollywood composer James Newton Howard, who has written music for blockbusters such as *The Dark Knight*, *The Hunger Games*, *The Sixth Sense* and *Pretty Woman*, and the programme included many of these greatest hits alongside clips of the films.

Oliver Knussen conducted an all-Stockhausen programme at the Royal Festival Hall with the Academy's Manson Ensemble side-by-side with the London Sinfonietta and a Stravinsky based programme, including the newly discovered *Funeral Song*. Clio Gould directed the Sainsbury Royal Academy Soloists in a programme of Schnittke and Stravinsky. Edward Gardner paid one of his regular visits to conduct the Academy Symphony Orchestra in dance-inspired music by Tippett, Gershwin and Rachmaninov.

Other conducting guests during the year included Jac van Steen conducting Sibelius and Sir Mark Elder Shostakovich. Pierre-Laurent Aimard directed the Sainsbury Royal Academy Soloists in a programme of Mozart Piano Concertos. Song Circle made its annual appearance at the Wigmore Hall in January.

Side-by-side orchestral projects included two performances with the Nash Ensemble at the Wigmore Hall and an exciting collaboration with Britten Sinfonia on a new children's opera with schools in Norfolk.



RAO: Jonathan Dove's *Flight*, March 2018. (Photo: Bob Workman)

As building work on the theatre project neared completion, Royal Academy Opera (RAO) prepared to move back to the Marylebone Road early in 2018, ending its nomadic On the Road series at the Round Chapel in Hackney with a new production of Don Giovanni, themed around Mexico's Day of the Dead. Mozart's masterpiece was directed by Christopher Cowell, who has directed productions for Chicago Opera, Danish National Opera and Glyndebourne on Tour. RAO is known for producing singers who go straight into the profession at the highest levels, and its productions offer excellent opportunities to spot the stars of the future, as did their Opera Scenes.

Our Composition department goes from strength to strength, with students regularly winning awards and commissions: two of only three places in the Philharmonia Orchestra's Composers' Academy went to Freya Waley-Cohen and Austin Leung, and Marco Galvani and Alex Woolf won RPS/Classic FM commissions. The public had a chance to hear some of the exciting emerging musical personalities with our Composers' Platform. We also had a visit from Composer in Residence and Grawemeyer Award winner Andrew Norman, who was interviewed by journalist Paul Morley, followed by a concert of his works as well as a new commission by student Matthew Olyver.

At the other end of the musical timeline, our Historical Performance programme continues to thrive, not least through the Royal Academy/Kohn Foundation Bach Cantatas series, which has become a staple of London's classical music scene. We are delighted that we have been given funding to continue this inspiring and important project into the future, with the launch of Bach the European in February 2019. Leading Bach practitioner Philippe Herreweghe, gave a masterclass and conducted *Herr, gehe nicht ins Gericht mit deinem Knecht*, BWV 105 and Mass in A, BWV 234; before the performance he was awarded the Bach Prize.

The Academy Big Band presented a programme of swing-band music of the 1930s and 1940s and jazz students performed at two concerts as part of the EFG London Jazz Festival: The Travellers Tale at Kings Place, alongside three of the band members who made the original live recording in 1993. As part of our celebrations of 30 years of the Jazz Programme, Professor of Jazz Composition Pete Churchill directed the Academy Big Band, including a suite specially composed for the evening. Jazz students also worked with international jazz artist Dave Liebman, Gordon Campbell and Keith Nichol. Jazz and brass students worked with Mike Lovatt on Billy May's Really Big Fat Brass and our percussion students performed their annual showcase as part of our Friday series concerts.



Academy Big Band, January 2018. (Photo: Simon Jay Price)

Masterclasses took place through the year with the world's leading soloists and orchestral players: Italian guitarist Oscar Ghiglia; viola player Garth Knox; Berlin Philharmonic's Principal Viola Máté Szűcs; Jörgen van Rijen, Principal Trombonist of the Royal Concertgebouw Orchestra; mezzo-soprano Angelika Kirchsclager; harpist Catrin Finch; pianist Steven Osborne; and violinist Ning Feng. Visiting Professor of Cello Colin Carr gave masterclasses on Bach's Cello Suites and performed them during his three-day residency in October. In addition there were special string masterclasses with legendary violinist Pinchas Zukerman and Visiting Professor Daniel Hope, and piano masterclasses with Richard Goode and Pascal Rogé. Governing Body member and alumna Lucy Crowe gave a vocal masterclass in the newly opened Angela Burgess Recital Hall in April.

Our long established lecture series, the Barbirolli Lectures and the Henry Wood Lectures, continued throughout the year, the highlight being a series of interviews with Sir Mark Elder about his career and the music with which he is especially associated. This was complemented by a new series of interviews with eminent composers. We were delighted to hold events with Sir Harrison Birtwistle, Oliver Knussen, Andrew Norman and Manfred Eicher. All our lecture series continued to have the valuable double function of enabling our students to hear from distinguished figures about their creativity and career paths and to engage the wider public with access to such individuals from the world of music.

The inaugural production in the new Susie Sainsbury Theatre was Jonathan Dove's *Flight*, conducted by Director of Opera Gareth Hancock and directed by Martin Duncan, in March 2018. The production received excellent reviews; 'Happily, the first show in the new theatre is a corker ... a fizzing, funny staging by Martin Duncan that admirably balances the serious dimension — the plight of the trapped refugee — with passages of perfectly choreographed farce in which a cast of twentysomethings prove surprisingly adept at portraying various midlife crises. ... An ebullient way to inaugurate a fine new venue.' Richard Morrison, *The Times*.

RAO also performed Mozart's *Don Giovanni* at Round Chapel, Hackney, in November 2017 and a double bill of Marius Constant's *La tragédie de Carmen* and Bizet's *Le docteur Miracle* in May 2018.



RAO: *Don Giovanni* at Round Chapel, November 2017. (Photo: Bob Workman)

Highlights during the summer term included *This is the Hour*, the Academy's Musical Theatre Company's celebration of the Susie Sainsbury Theatre featuring the music of Claude-Michel Schönberg. The evening opened with the presentation of an Hon RAM to the composer.

After three weeks of end of year exams and final recitals, the summer term ended with the Academy's annual Piano Festival, celebrating the creative range of repertoire played by our pianists and curated by Professor Joanna MacGregor, Head of Piano. Musical Theatre presented two productions – *Working* and *The Sweet Smell of Success* – in the Susie Sainsbury Theatre. The Academy Chamber Orchestra joined forces with students from Tokyo University of the Arts (Geidai) under the baton of Trevor Pinnock to give concerts in Oxford, London and Tokyo, followed by a special performance at Tokyo's Suntory Hall as part of the Tokyo Stradivarius festival with Gergely Madaras.



Rehearsal with students from Royal Academy of Music and Tokyo University of the Arts, conducted by Trevor Pinnock, June 2018. (Photo: Simon Jay Price)

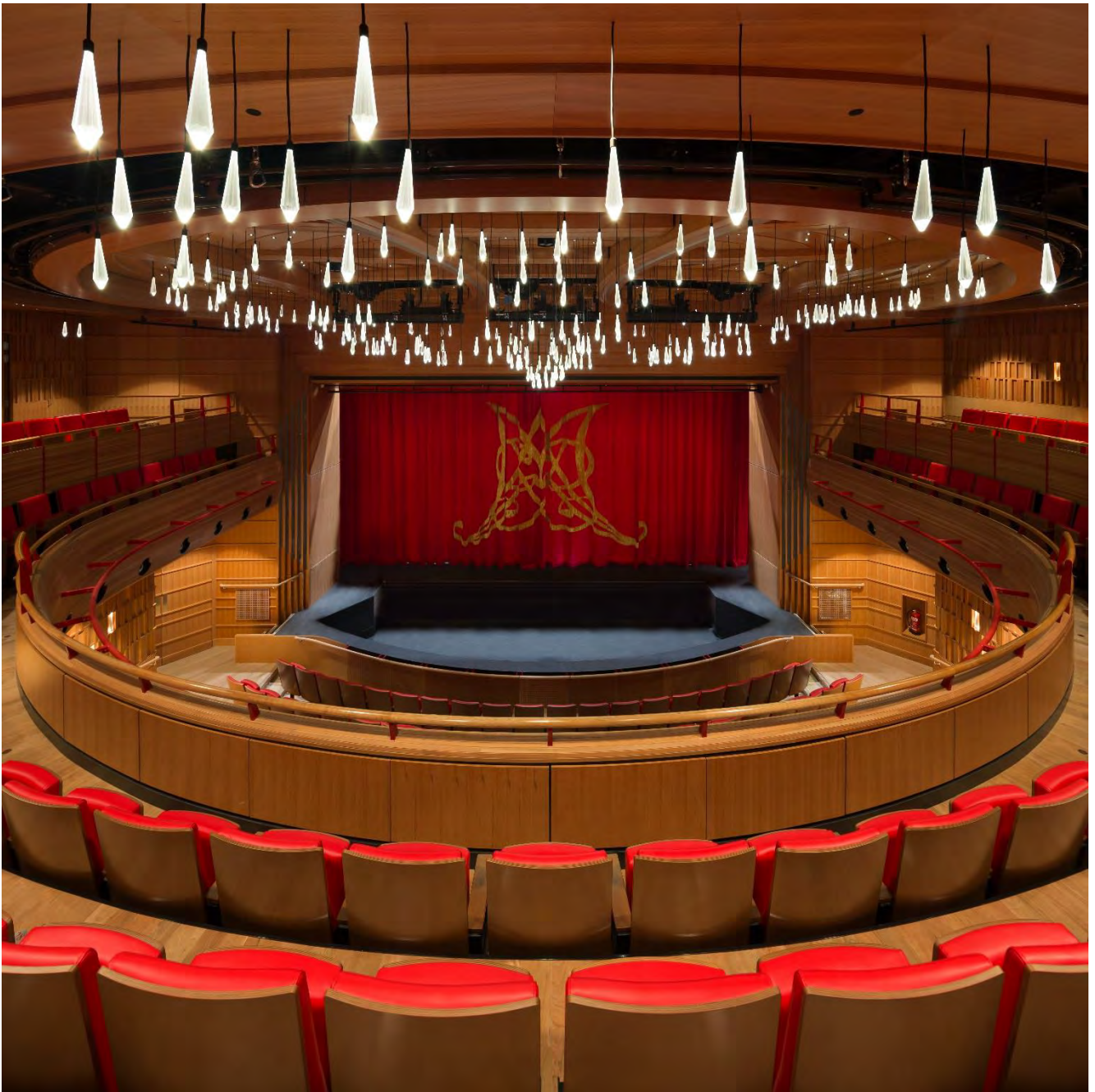
New facilities

As we head towards our Bicentenary in 2022 we continue to develop ever more exciting ways of building on our rich traditions while also forging new musical paths. The most significant development for 2017-18 was the opening of the fully accessible Susie Sainsbury Theatre and the Angela Burgess Recital Hall, following one of the most ambitious building and renovation projects in the history of the Academy. This would not have been possible without the remarkable generosity of our donors, who provided the vast majority of the necessary funds.

Designed by Ian Ritchie Architects, the award-winning theatre and recital hall include the very latest in new technologies, ensuring that they will continue to be fit for purpose long into the future. These outstanding spaces are crucial to the prospects of the talented young musicians who study here, giving them the best possible start to their professional lives.

On 14 March 2018 we were delighted to welcome HRH The Princess Royal, Chancellor of The University of London, accompanied by our President, HRH The Duchess of Gloucester, to open the new Susie Sainsbury Theatre. The royal party entered the hall to the world premiere of *Sonance for a New Space* by Visiting Professor of Composition Sir Harrison Birtwistle, and attended the performance of Jonathan Dove's *Flight*.

The new spaces were named RIBA 'Best Building in London' and awarded the RICS Tourism and Leisure Award. The design also won the Architects' Journal Retrofit of the Year 2018 and was winner of the Cultural: Performance and Events category.



The Susie Sainsbury Theatre. (Photo: Adam Scott, courtesy of Ian Ritchie Architects Ltd)

The 309-seat theatre and 100-seat rooftop recital hall include professional standard recording facilities and the very latest in new technologies. These new spaces, together with the 14 refurbished practice and dressing rooms, a large refurbished jazz room, five new percussion studios and a new control suite for the audio visual recordings department, have significantly enhanced the Academy's facilities. The enlarged orchestra pit vastly improves the quality of sound and expands the range of repertoire as larger ensembles can be accommodated. Above the theatre, the new 100-seat recital hall provides students and staff with an intimate contemporary rehearsal, performance and recording space with flexible seating and adjustable acoustics.

The project to build a ramp at the main entrance was completed in November 2017, on time and within budget. As part of this significant project to improve access throughout the Academy, modifications were also made to the front steps of the York Gate building to create even steps and add handrails.

The ramp ensures that there is now easy access to the building for all visitors, including those with mobility difficulties or heavy loads, and the main performance venues are accessible. The new landscaping also enhances the external appearance of the Academy on its now more prominent site on the Marylebone Road.

2. To recruit and retain the best student talent from around the world

Recruitment to all the Academy's programmes continues to be strong with a far larger number of high quality applicants than there are places on offer. Our programmes remain effective in training our students for a fulfilling life in music. The Academy's destination statistics remain among the top percentile of all UK higher education institutions and our alumni make a significant contribution to the musical life of the UK and other countries.

Student numbers

Applications to study at the Academy and acceptance of places again remained strong for the year.

	Applications		Enrolments	
	2017-18	2016-17	2017-18	2016-17
Undergraduate UK/EU	679	596	100	96
Undergraduate International (non-EU)	207	187	21	21
Postgraduate UK/EU	931	828	171	177
Postgraduate International (non-EU)	529	438	88	74
Total	2,346	2,049	380	368

International recruitment

The demographic of the student population (broadly 50% UK, 25% from the rest of the EU and 25% non-EU International) provides the clearest evidence of the worldwide reputation of our teaching programmes, with students from over 50 countries in four continents.

International numbers (non-EU) continue to be strong and with the ongoing uncertainty regarding the future of EU recruitment, the Deputy Principal and Dean has continued to develop and implement a series of new initiatives, including focusing on student recruitment in the era after Britain leaves the EU. There is now a single point of contact for all international activities, with the exception of the Academy's programme of overseas auditions, which are organised by the Registry.

Results for 2017-18

Following the assessment round at the end of the 2017-18 year, the Examinations Board ratified the following awards:

	2017-18		2016-17			2017-18		2016-17	
	No	(%)	No	(%)		No	(%)	No	(%)
BMus Awards					MA/Mus Awards				
First Class	40	(48)	57	(67)	Distinction	117	(69)	97	(58)
Upper Second	36	(43)	21	(25)	Merit	39	(23)	48	(29)
Lower Second	7	(8)	5	(6)	Pass	10	(1)	21	(13)
Third/Pass	1	(1)	2	(2)					

Under the powers of the Academy's Royal Charter, the Examinations Board may award a Dip RAM to any postgraduate student who has particularly excelled in his or her final recital. (Conventionally the award has been made to the elite cohort who achieve a mark of 80% or above in their recital.) This year 34 such awards were made (52: 2017). Post Masters awards were also made by the Examinations Board, including 21 Advanced Diplomas and 13 Professional Diplomas.

The Destinations of Leavers in Higher Education (DLHE) survey was conducted on behalf of the Academy by IFF Research. 76.7% of leavers from the 2016-17 academic year responded to the survey, with the results showing that 95.4% of UK domiciled BMus graduates are either employed or undertaking further study.



Graduation 2018.

Resilience and support

The wellbeing of our students is critical and all aspects of our programmes are designed to develop their ability to thrive in the music profession and sustain them through a lifetime in music. We have dedicated significant resources to this area and have a strong network of experienced staff.

Student support, professional development and wellbeing have been reviewed during the year to ensure that they meet the needs of our students and match demand. This has led to the development of a major new curriculum initiative, implemented in September 2018, which is being delivered under the heading of 'Resilience'.

Our aim is to train students as rounded musicians with a strong artistic identity, confident in their ability to use their skills, knowledge and experience to create their own professional opportunities, make the most of other opportunities that come their way and rise to challenges. Student wellbeing is vital, not just during their time at the Academy, but in their continued professional success and quality of life, which is why professional development underpins the Resilience Programme. From September 2018 a series of weekly Resilience talks, some addressing professional development issues and others focused on wellbeing, are taking place as an integral component of the undergraduate and postgraduate programmes. These talks have been developed over the course of the last year in close consultation with the Student Union.

Student Union

Our Student Union supports all our students, not only offering advice and representation, but also in maintaining the inclusive social atmosphere for which the Academy is known. The Governing Body approved amendments to the Students' Union Constitution during the year to enable the appointment of four elected non-sabbatical officers: Undergraduate Representative, Postgraduate Representative, Welfare Representative and Events and Societies Representative.

3. To demonstrate outstanding engagement with the wider community

The Academy's mission has always been to provide musical training at the highest level and, through Junior Academy and our learning and participation department, Open Academy, we extend this opportunity beyond our enrolled students and into the communities of London and surrounding regions.

Open Academy

Open Academy provides valuable experience for students in this vital and expanding area of professional work. Academy students benefit directly by engaging in innovative creative learning and participation projects, and discovering an application of their skills beyond the traditional concert platform. All undergraduates can take electives with Open Academy and postgraduates can explore the area as part of their professional portfolio by choosing the Open Academy pathway.

Many of Open Academy's projects are delivered in partnership with leading organisations in this specialist area to ensure that the work we are doing makes a real difference to young people in schools, children in hospital, young people with special educational needs and people living with dementias. We work alongside local Music Hubs in Camden, Haringey, the Tri-borough (Westminster, Kensington and Chelsea, and Hammersmith and Fulham) and Tower Hamlets to support and enrich the music education received by children and young people in these areas. We also work alongside cultural partners including Wigmore Hall, Spitalfields Music, the Orchestra of the Age of Enlightenment, English Touring Opera, London Sinfonietta and Glyndebourne Opera to deliver projects that are able to go beyond what any one organisation could achieve alone.

An important recent development is project work with people living with dementias, which builds on a collaborative research project with the Wellcome Trust.

Open Academy's creative learning and participation projects with young people and vulnerable adults are testament to our strong commitment to bringing music to the wider community. During the year 44 projects involving 220 Academy students delivered a wide range of creative music workshops, performances and training sessions to 5,672 participants, including 3,347 children in school settings.



Open Academy Camden Composition Project.

Junior Academy

On Saturdays, the Royal Academy of Music transforms into its Junior Academy and occupies all areas to create one of the most unique musical learning atmospheres available to young musicians. Individual lessons, a variety of performance opportunities, specialist classes and excellent teaching staff all add to the musical vibrancy of Junior Academy. The academic year began with 221 students, another record-breaking number of students on roll.

Junior Academy teachers are leading professional musicians who combine active performing careers with the challenge of helping young players, singers and composers to fulfil their potential and musical ambitions. Many also teach on the undergraduate and postgraduate programmes at the Academy and bring enormous experience of teaching and performance to their Junior Academy students.

	Applicants			Enrolments		
	2017-18	2016-17	2015-16	2017-18	2016-17	2015-16
Junior Academy	221	183	182	60	52	43
Primary Academy	123	118	65	19	21	15
First Strings Experience	136	164	85	30	30	20
First Guitar Experience	68	62	25	10	10	10

Diversity and Widening Access remain a core mission at Junior Academy. Junior Academy's teaching for beginners, our First Experience courses for Strings and Guitar, have long been important strands of our work. It is not uncommon for players who started here at the age of only four to progress on to the Primary and Junior Academy programmes right through to their late teenage years. The First Strings Experience has been running for 29 years and has an excellent track record of providing young children with the best possible start. Its emphasis is strongly on the encouragement of core musical skills, physical ease with the instrument and the enjoyment of playing, through group tuition and ensemble playing. The Director of First Strings Experience is active in local communities, forging connections in primary schools and music hubs, to identify new students from disadvantaged backgrounds to join the 'Chance to Play' Scheme with full scholarships. There are currently 11 students benefiting from the Scheme.

We offered 48 bursaries for 2017-18 (65: 2016-17), in addition to our 35 Music and Dance Scheme Government funded places. We are grateful for the continuing support of the Wolfson Foundation, Leverhulme Trust, Sir Elton John Trust and a number of individual benefactors.

A number of distinguished musicians visited this year, including oboist Jonathan Kelly and pianist Steven Osborne who gave masterclasses. Ten Junior Academy students took part in a side-by-side concert with Sounds Baroque and Julian Perkins as part of the annual Handel Birthday Concert at St Andrew's, Holborn, organised by the charity CORAM.

In April over 100 primary school students were welcomed to the Academy together with their parents. For the last three years Junior Academy has cemented a strong working relationship with London Music Masters (LMM), and this event was the largest outreach event ever hosted by us. Junior Academy staff and students led a number of creative workshops, culminating in a concert in the Duke's Hall. The Director of Junior Academy worked with the alumni students (musicians who had previously benefited from the LMM programme in primary schools and are now at secondary school) in preparation for a Southbank concert in May. Parents and very young children were also catered for with a concert for babies and toddlers and a parent community-style choir, making it a truly family experience at the Academy. Plans are in place for a similar event next year and the feedback from the young musicians was very positive.

The Summer Chamber Music Festival is now well established. All of the 56 chamber ensembles performed in a series of concerts. Lara Melda was present to hear all the performances and put forward six ensembles to compete in the Dame Ruth Railton Chamber Music Prize. John Harle was our guest the following week, and he awarded the winning prize to the Segal Quartet, coached by Simon Tandree.

The Symphony Orchestra prepared an ambitious programme for their summer concert: Prokofiev's Violin Concerto No 2 and Shostakovich's Symphony No 15. Jonathan Bloxham stood in at the last moment as conductor and was highly impressive on the podium.

Museum and collections

The mission of the museum is to support the work of the Academy and to advertise it to the wider public, highlighting the potential of music to inspire, unite and stimulate through performance, displays and research, using its eminent collections of instruments, art, photography, manuscripts and scores. The museum is an integral part of Academy life where fascinating objects are displayed and engaging stories are told through its permanent galleries and programme of changing temporary displays.

Since its foundation in 1822 the Academy has acquired important collections of musical instruments. These include fine stringed instruments by Stradivari and Amati, and others of the French, German and Dutch schools from the Becket and Rutson Collections. Our museum displays some of these instruments, including historic keyboards by Broadwood, Pleyel and Érard, and the Spencer Collection of lutes and guitars. In recent years we have been building up the unique Calleva Collection, commissioning stringed instruments from today's finest luthiers. Students may be offered the use of many of these instruments, providing an important boost to their musical development.

The Academy also holds important collections of art, scores, performance materials, manuscripts and other objects which belonged to great figures including Yehudi Menuhin, Robert Spencer, Harriet Cohen, David Munrow and Henry Wood. These extensive archives offer students, staff and members of the public unique insights into the creative processes of great musicians, as well as informing our knowledge of performance practice.

There is a practice space in the gallery, giving students an opportunity to rehearse with an informal audience, try out new repertoire and interact with visitors. Classes, seminars and events also often take place in the galleries, which adds a different dimension to students' learning.

In addition to the permanent galleries dedicated to strings, pianos and the Academy's history, there is a temporary exhibition space in the museum. 'The Spencer Collection: A Musical Banquet', from 3 January 2017 to 29 March 2018, celebrated Robert Spencer's important part in the early music revival and his wondrous collection of artefacts held by the Academy. The exhibition displayed an extraordinary collection of instruments, manuscripts, printed music and curiosities dating from the 15th to the 20th centuries, together with a specially commissioned short film featured archival footage alongside new interviews with friends, collaborators and protégés of Spencer. A series of events in conjunction the exhibition delved further into some of the themes uncovered in the Collection, including music in the theatre and historical medicine.

From the end of June 2018 until March 2019, 'Hitting the right Note: Amazing Women of the Academy' celebrates the achievements of women associated with the Academy over its 200-year history, highlighting some well-known names and some unsung heroines. The stories are told through written panels, images, collection items, loan items from alumni and filmed interviews with 20 women associated with the Academy such as alumni, professors and Fellows. A new interactive touchscreen in the gallery enables visitors to access the interviews, streamed music associated with each woman (via NAXOS), archive material and a quiz for families.

The temporary exhibition gallery was also used to mount a six-week installation by the Composition Department 'And get my car' by Justin Weiss, an art installation and sampled sounds, while the Tertis case in the main building was used for a different installation by Samuel Milea 'It Led the Rest'. Three further smaller exhibitions were housed in the Tertis case during the year, including one about Chinese music and poetry, one showing miniature musical instruments and a celebration of Moura Lympany to tie in with the Piano Festival.

The museum regularly holds lecture-recitals, seminars, workshops, special events and family activities, open to the public and free of charge. During the year there were over 8,200 visitors to the museum. In addition, the museum hosted 58 public events attended by 1,320 people; 14 Academy Tots events, attended by 191 people; 46 guided tours attended by 475 people; and 559 students and adult learners on education guided visits.

The Academy's museum is accredited by Arts Council England, and the Library's Special Collections and Archives have Designated status, awarded by the Museums, Libraries and Archives Council, as being of international significance.

4. To develop significantly the philanthropic contribution to the Academy's endowment and annual running costs

2017-18 has been the most successful year in the Academy's fundraising history. Private donations provided almost all of the funding for the Susie Sainsbury Theatre and Angela Burgess Recital Hall, the largest of which were recognised in the naming of the spaces.

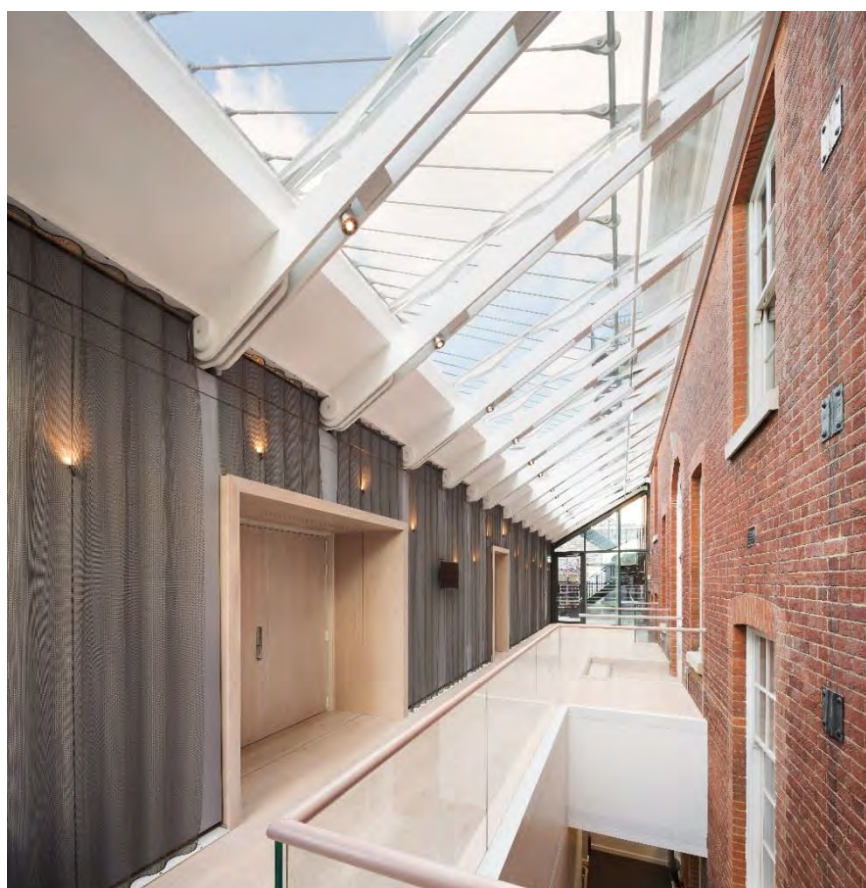
The other major fundraising priority has been scholarships and bursaries, which provide vital support to ensure that no prospective student with the appropriate talent and potential is denied the chance of studying here. Furthermore, we successfully raised unrestricted funds to help relieve the budget pressures across the Academy. The majority of philanthropic income continues to come from trusts and individuals and modest income from companies.

Legacies continue to increase with many alumni and friends choosing to include the Academy in their estate plans. Many of these bequests are expendable or permanent endowments and therefore add to the Academy's endowed funds. We have launched the Hilda Bor Society to recognise those individuals who plan to leave a bequest, and to encourage others to do so.

Further work will be done in 2018-19 to encourage lifetime endowment gifts – for example, to endow an existing post (the income from which would be budget-relieving) or a new scholarship or bursary. New guidelines will be set to ensure sufficient income to fulfil the donor's wishes can be produced from the endowed fund.

Whilst increasing the level of philanthropic income, it is reassuring to note that these funds have been raised efficiently and despite increased costs of fundraising, the return has been 12:1. This is well beyond the average of 8:1 which in turn is better than the specialist sector norm of 5:1.

The Bicentenary in 2022 presents an important opportunity to redouble our efforts to raise substantial funds. In order to prepare for this, we undertook a feasibility study with external consultants More Partnership, to test the response to our draft case for support. This work has resulted in a number of recommendations which will be implemented over the coming year.



Angela Burgess Recital Hall lobby.
(Photo: Adam Scott, courtesy of Ian Ritchie Architects Ltd)

Financial Overview

The Academy has had another successful year, as can be seen from the Statement of Comprehensive Income (SOCl) (page 41). During the year we have continued to fundraise for the new Susie Sainsbury Theatre and Angel Burgess Recital Hall and received £7.8m in donations for the project in 2017-18 (£2.7m: 2016-17). These restricted donations along with new endowments and one-off legacies are included in the SOCl leading to a surplus of £13.3m for 2017-18 (£9.5m: 2016-17).

When considering the SOCl, a more meaningful way to comprehend the Academy's financial health and sustainability is to consider the result without accounting for restricted and endowment income, as these figures can mask the underlying activity. In this case the unrestricted comprehensive income shows a surplus of £1.9m (£3.3m: 2016-17). After the exclusion of the actuarial gain on the RAM1967 Pension Scheme this converts to a surplus of £1.8m (£0.8m: 2016-17). The current year surplus also includes two significant legacies totalling £1.3m and one-off revenue costs associated with the theatre capital project. Costs of alternative teaching space, practice rooms and performance venues were all incurred to ensure the quality of the student and staff experience. The surplus will be reinvested in teaching, the estate and the infrastructure of the Academy, in line with our strategic objectives.

	2017-18 £000	2016-17 £000
Summary of income and expenditure		
Income before donations and endowments	19,489	17,945
Donations and endowments	6,577	3,883
Theatre donations	7,806	2,695
Expenditure	(22,375)	(20,402)
Operating surplus before other gains or losses	11,497	4,121
Gain on disposal of fixed assets	33	40
Gain on investments	1,665	2,885
Actuarial gain in respect of RAM1967 pension scheme	141	2,469
Total comprehensive income	13,336	9,515
Represented by:		
Endowment comprehensive income for the year	1,679	2,757
Restricted comprehensive income for the year	9,480	3,095
Revaluation reserve comprehensive income for the year*	248	391
Unrestricted comprehensive income for the year	1,929	3,272
	13,336	9,515

* Revaluation of the fixed asset investment

Since the introduction of the new SORP 2015, capital donations for the new theatre are required to be included as income, leading to a surplus of £13,336,000, while associated capital expenditure is excluded.

The operating surplus, after exclusion of these restricted donations and other adjustments shown in the table below, was £1,788,000. This is after deducting £259,000 of depreciation costs relating to the externally funded portion of the theatre project. Adding this back would give an adjusted surplus of £2,047,000.

	2017-18 £000	2016-17 £000
Total comprehensive income for the year from above	13,336	9,515
Exclude endowment comprehensive income (generally restricted in use)	(1,679)	(2,757)
Exclude restricted comprehensive income (mainly theatre donations)	(9,480)	(3,095)
Exclude revaluation reserve comprehensive income	(248)	(391)
Exclude actuarial gain on RAM1967 Pension Scheme for the year	(141)	(2,469)
Operating surplus after adjustments	1,788	803
Operating surplus after adjustments as percentage of total income	5.3%	3.3%
Revenue donations	6,339	3,611
Capital donations and endowments including theatre	8,044	2,967
Total donations and endowments	14,383	6,578

With the introduction of FRS102 there is no longer an annual revaluation of the Musical Instrument Collection, although the condition of the collection is monitored continually to ensure that any deterioration or significant increase in value is recognised.

The teaching of music students in a conservatoire is a high-cost activity; each student has a significant amount of one to one teaching, as well as performance and academic classes. Many students will also be orchestra members and will perform regularly. The combination of all these activities leads to costs per student of up to £35,000 per annum. As a result the specialist funding and philanthropic gifts are crucial in enabling us to continue to offer world-class tuition and to produce musicians of the highest calibre.

Liquidity

The Academy has £11.9m of cash and cash deposits (£13.2m: 2016-17), which has reduced as it has been expended on building the new theatre and recital hall. The Academy's own funds have also been invested in the redesign of the front entrance to improve accessibility by creating a ramp and the creating of five new percussion studios. Current assets exceeded current liabilities by £9.5m (£8.7m: 2016-17). Overall liquidity has reduced but remains healthy although a significant proportion of the cash reserves are designated for specific purposes. The Academy is continuing to invest in the estate and developing state-of-the-art technology facilities, some of which are funded through gifts and grants, some through a HEFCE Catalyst grant and some from our own reserves.

Endowments

The Academy has a number of endowment assets which form its Legacy Pool. It represents the accumulated capital funds donated or bequeathed to the Academy for various purposes but mainly to provide scholarships, bursaries and prizes for the benefit of students. These investments are managed by external fund managers within strategic guidelines set by the Finance and General Purposes Committee. The market values of the combined endowment and fixed asset investments were £42.3m at 31 July 2018 compared with £40.3m the year before. No funds were added to the portfolio during the year. The value of the portfolio grew by 5%. The fixed asset investment comprises general unrestricted Academy funds of £6.3m which are not required in the short-term and which are placed with the fund managers to achieve a better rate of return. The investment income grew during the year and equated to a net yield of 2.9% (2.9%: 2016-17). The Academy will add further money to the portfolio as and when gifts are received. During August 2018 the portfolio was split to allow the expendable endowment to be managed on a total return basis. It is hoped to transfer the remainder of the endowment to a total return basis in due course. Due to the historic nature of many of the funds significant work is required before this can be completed.

Procurement

Procurement resource has been provided via Ensemble Purchasing and work has focused on both seeking efficiencies and mitigating risks particularly in the following areas: a new website; a replacement student records system; printing and cleaning.

Capital projects

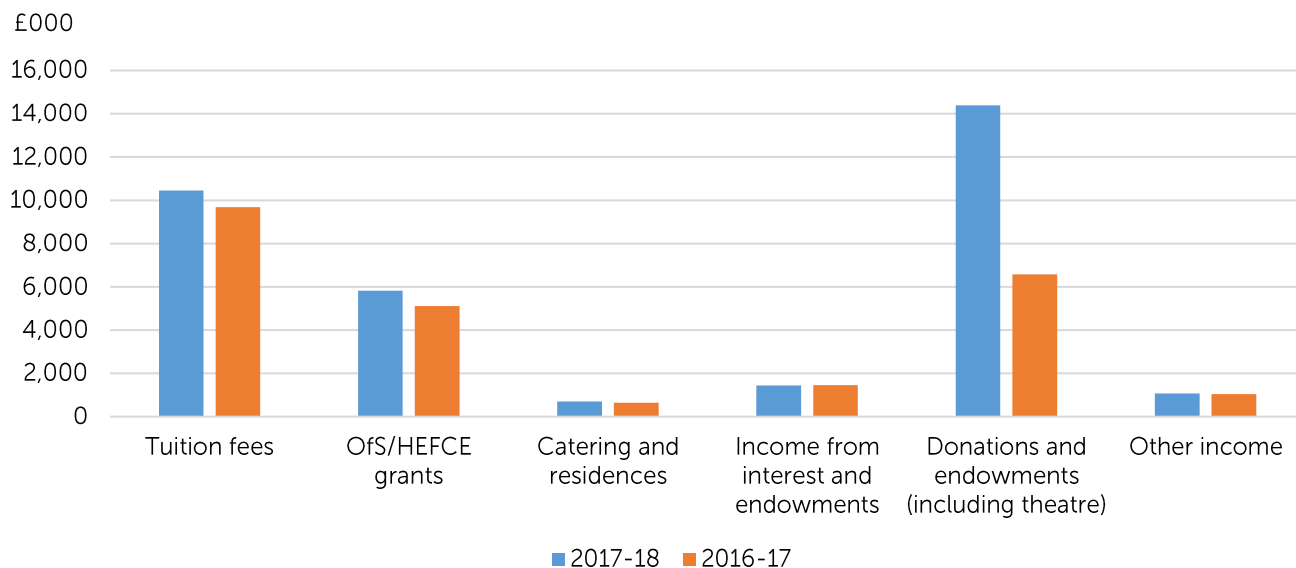
The new Susie Sainsbury Theatre and Angela Burgess Recital Hall were opened during the first quarter of 2018 and are stunning additions to the Academy's teaching and performance spaces. The project involved the expansion and full refurbishment of the existing theatre situated at the heart of the building. Given the Academy's location, it also involved complicated logistics and required the maintenance of a fully functioning live teaching site while the work was progressing. A new 100-seat recital hall, an additional performance space, was added above the theatre.

The final cost of the project (inclusive of VAT) is anticipated to be circa £29m and costs are being met through donations and the Academy's reserves.

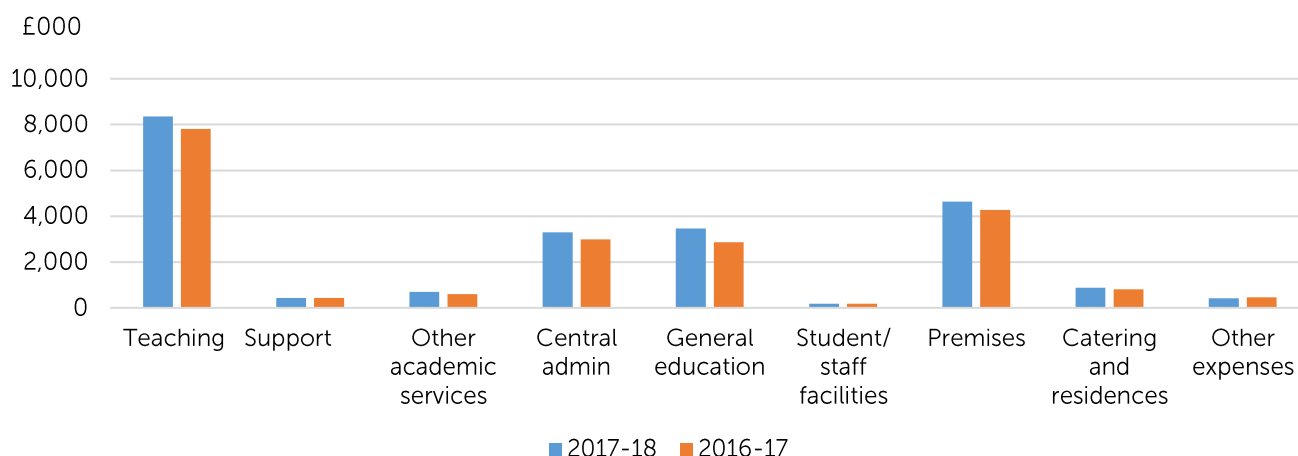
As a result of the theatre works we took the opportunity to create five new percussion studios, equipped with excellent soundproofing and a comprehensive collection of percussion instruments on which our students train. These were completed at the beginning of the 2018-19 academic year and are included in the capital commitments (Note 19).

The entrance ramp was completed in November 2017, at a cost of £835,000, and allows easy access for all visitors to the Academy. The re-landscaping of the front as part of the works has made the whole area more welcoming and attractive.

Income



Expenditure



Changes from 2016-17 to 2017-18

The bar charts above indicate some large changes in income and expenditure between the years but these do not reflect significant changes in activity. On the income side tuition fees have increased by £776,000 mainly as a result of recruiting an extra 35 students, the Catalyst grant for the Virtual Conservatoire has risen by £717,000 and theatre donations are up by £5.1m compared with the previous year. On the expenditure side, changes are smaller with an increase in premises costs as the full year effects of the rent review are felt. At the same time theatre technical staffing has increased with the re-opening of the theatre. The theatre project has also impacted on general maintenance costs with the need to ensure all areas that have been affected by the project are now back in operation. Teaching costs have risen because of the higher student numbers. General education costs have also increased, mainly as a result of the investment of a further £567,000 of our own funds in bursaries to ensure the best students are able to attend the Academy. The continued investment in the Advancement Team is reflected in an increase in central administration costs. The benefits of this commitment are already being felt through theatre fundraising and additional bursaries and scholarships.

Funding

During 2017-18 the OfS replaced HEFCE. There has been no change to the funding formula in the short-term but this will be reviewed in future. The revised formula for specialist institutions funding (RISTA), which resulted in a significant increase in grant for 2016-17, has been maintained. The Academy's total recurrent grant from HEFCE/OfS for 2017-18 (Teaching, Research and Higher Education Innovation Fund grant) remained at the same level as for 2016-17. The increase in grants was a direct result of the Catalyst project.

The future

Having already accomplished a great deal in the improvement of our estate and teaching facilities, we look forward to our Bicentenary in 2022 and have ambitious plans to continue to enhance the student experience and maintain our position of excellence.

We are confident that the breadth and quality of our activities will continue to attract the best student talent from around the world. To enable a wide range of students to attend the Academy based on their talent and potential rather than their financial capability, our priority now is to increase funds raised to support students. This will be generated through annual donations and endowed gifts. This remains one of the key planks to ensuring that the Academy can remain at the forefront of music education globally.



Academy Symphony Orchestra rehearsing with Oliver Knussen (January 2018).

Corporate Governance Statement

The Corporate Governance Statement and Statement on Internal Control and Risks relates to the financial year 1 August 2017 to 31 July 2018, and up to 22 November 2018 when the Annual Report and end-of-year Financial Statements were approved by the Governing Body.

The powers, duties and responsibilities of the Governing Body are laid down by the Supplemental Charter and its Bye-Laws. The Governing Body is also required, where appropriate, to conduct its business in line with the Statutes and Ordinances of the University of London of which the Academy is a member and, in their capacity as trustees, with the Academy's charitable objects.

The Academy is a higher education institution, part funded by the OfS, formerly HEFCE, and subject to its Terms and conditions of funding for higher education institutions.

The Academy endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life and complies with the guidance provided by the Committee of University of Chairs (CUC) in The Higher Education Code of Governance, which was revised in June 2018. The Governing Body has had regard to the Charity Governance Code published in July 2017.

The Governing Body agreed to adopt the CUC Higher Education Senior Staff Remuneration Code, published on 6 June 2018, and any measures required to ensure compliance with the Code are to be put in place during the academic year 2018-19.

The Objects of the Academy are 'to promote the Cultivation of the Science of Music and to afford facilities for attaining perfection in it by assisting with the general instruction of all persons wanting to acquire knowledge thereof'.

Under the terms of the Supplemental Charter dated 1998 and its Bye-Laws, the direction of the Academy is the responsibility of the Governing Body, which makes rules, orders and regulations deemed useful and necessary for the regulation and management of the institution.

The Charter is under review, and, subject to Privy Council approval, is to be amended to ensure that it is relevant and fit for purpose for many years to come. The size and composition of the Governing Body and members' terms of office are under review, particularly the term of office for staff and student members to enable them to engage fully in the business of the Governing Body. In addition, it is intended that the Principal will become a member of the Governing Body and a trustee.

The **Governing Body** is responsible for overseeing and managing the general business, finances and investments of the Academy, safeguarding its assets, setting its general strategic direction and determining its educational character and mission.

It is also responsible for ensuring that academic governance is operating effectively, encouraging student engagement in academic governance; that Academy students receive a high quality education and adequate provision has been made for their welfare and wellbeing.

The Governing Body comprises the President, 10 to 15 independent members who are the trustees and from whom its Chair and Deputy Chairs are drawn, and up to five representative members elected by the staff and students.

None of the independent members receive any payment for work they do for the Academy. A Register of Interests is maintained for members of the Governing Body, senior officers of the Academy and directors of fully owned subsidiaries.

The Governing Body meets four times each academic year and much of its detailed work is delegated to senior committees, in particular the Finance and General Purposes Committee, Audit Committee, Nominations Committee, Remuneration Committee, Gift Acceptance Committee and Academic Board, which are formally constituted as Committees of the Governing Body with written terms of reference and reporting structures. In addition, working groups are constituted as required, such as the Theatre Management Group, which oversaw the theatre project. Independent members of the Governing Body meet with the Principal and members of the Senior Management Team at least annually to review the Academy's strategic direction and measure progress against strategic aims. With the exception of the Academic Board, membership of these Committees includes a significant proportion of independent members of the Governing Body from whom the chair is selected.

Corporate Governance arrangements are reviewed annually and amended as the Governing Body sees fit. A formal review of effectiveness of the Governing Body commenced in July 2018, with assistance from the Academy's internal auditors Scott-Moncrieff.

An external member of the Audit Committee was appointed with effect from September 2016 to provide additional expertise and scrutiny of the Academy's operations, and further appointments are under consideration for other committees.

The **Finance and General Purpose Committee** oversees the management and control of the financial and general affairs of the Academy to ensure its short- and long-term viability. It recommends to the Governing Body the annual budget and elements of the end-of-year Financial Statements, advises on financial strategy, monitors financial performance and ensures that systems are in place for the effective and efficient management of resources and financial operations.

The **Audit Committee** is responsible for overseeing controls and meets with the external auditors to discuss audit findings, and with the internal auditors to consider internal audit reports and recommendations for the improvement of the Academy's systems of internal control, together with management's response and implementation plans. The Committee receives reports from the OfS/HEFCE and monitors adherence with regulatory requirements. It provides the Governing Body and the Principal with an Annual Report on its key activities and an opinion on arrangements for risk management, value for money and data integrity, among others.

The **Nominations Committee** is responsible for identifying fit and proper persons for nomination as independent members to ensure that the Governing Body has appropriate expertise to meet its short- and long-term needs. The priorities for recruitment are to widen the diversity of members and enhance the financial, business, professional, and fundraising skills of the Governing Body.

The **Remuneration Committee** is responsible for recommending the terms of employment and remuneration of the Principal and members of the Senior Management Team. The Academy has adopted the CUC's Higher Education Senior Staff Remuneration Code, issued in June 2018, and has prepared an annual report (page 30). Its membership and terms of reference are under review.

The **Gift Acceptance Committee** is responsible for considering and advising the Governing Body about whether the sources and purposes of prospective donations, fundraising, and other funded activities are ethically acceptable.

The **Academic Board** is the main academic committee of the Governing Body and draws its members from the academic staff and the students of the institution. It is the body responsible for the academic and academic governance work of the Academy in teaching, examining and in research, and recommending and implementing strategic academic, artistic and policy initiatives.

The **Principal** is the **Chief Executive Officer** of the Academy, who reports to the Governing Body and is responsible for implementing its decisions and for maintaining and promoting the efficiency and good order of the Academy. Under the OfS's Terms and conditions of funding for higher education institutions for the period to 31 July 2018, the Principal is the designated Accountable Officer of the Academy.

The **Senior Management Team** is the Principal's advisory group and comprises the Deputy Principal and Dean, Deputy Principal – Programmes and Research, Deputy Principal – Advancement, and the Director of Finance.

Statement of internal control

The Governing Body has, in accordance with its Charter and Bye-Laws and the OfS's Terms and conditions of funding for higher education institutions for the period to 31 July 2019, responsibility for maintaining a sound system of internal control that supports the achievement of strategic aims and objectives while safeguarding public and other funds and assets for which the Academy is responsible. The system of internal control is designed to manage rather than eliminate risk and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of those risks, and to manage them efficiently and effectively. This process has been in place for the financial year ended 31 July 2018 and up to the date of approval of the Financial Statements, and accords with OfS guidance.

The following internal control processes have been established:

- The Governing Body considers the plans and strategic direction of the Academy on an annual basis.
- The Governing Body has delegated to the Audit Committee responsibility for reviewing the effectiveness of internal control systems and the risk management process and for ensuring suitable processes are in place for monitoring and managing the risks.
- The Governing Body receives an annual report from the Audit Committee concerning issues of risk, internal controls and their effectiveness, which are informed by reports from the Senior Management Team and internal auditors on the steps being taken to manage risks.
- The Audit Committee receives reports from the internal auditors, which include its independent opinion on the adequacy and the effectiveness of internal controls based on work undertaken in accordance with its approved audit plan.
- The Academy maintains an Academy-wide risk register, which is monitored by the Senior Management Team and reviewed by the Audit Committee. Changes in risk assessments are reported to the Audit Committee.
- Heads of departments are required to identify and keep up to date the record of risks facing the Academy.

The highest rated risks currently on the register are:

- The impact of the EU referendum.
- Failure to meet fundraising targets.
- The increasing need to provide student bursaries.
- Failure to ensure safeguarding of students and staff.
- Physical security of collections.

All risks listed are discussed by the Senior Management Team on a weekly or monthly basis with mitigating actions in place.

In preparation for the General Data Protection Regulation (GDPR) (May 2018), the Academy undertook a thorough review of the holding of our data, the purposes of data retention and the internal systems for controlling data retention, access and use. The Academy also undertook several reviews of data with external consultation and legal and marketing experts, to minimise the GDPR-related risks in all our activities.

The Academy is subject to review by internal audit which, for 2017-18, was carried out by Scott-Moncrieff, who were appointed in May 2015. The internal auditors operate to standards defined in the Audit Code of Practice set out in the OfS's Terms and conditions of funding for higher education institutions for the period to 31 July 2019 and report on the adequacy and effectiveness of the Academy's system of internal control, make recommendations for improvement and monitor implementation. No significant weaknesses in internal control were identified during the year.

The Corporate Governance Statement and Statement on Internal Control and Risks was approved by the Governing Body and the Principal on 22 November 2018, and signed on its behalf by

Dame Jenny Abramsky
Chair of Governing Body

Professor Jonathan Freeman-Attwood
Principal

Responsibilities of the Governing Body

In accordance with its Royal Charter, the Governing Body is responsible for the administration and management of the Academy's affairs and is required to present an Annual Report and audited Financial Statements each financial year.

The Governing Body is responsible for overseeing the Academy's activities, for determining its future direction and fostering an environment in which the Academy's mission can be achieved.

The Governing Body is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Academy and enable it to ensure that the Financial Statements are prepared in accordance with the Charter, the Statement of Recommended Practice: 'Accounting for Further and Higher Education' and other relevant accounting standards. In addition, within the OfS's Terms and conditions of funding for higher education institutions, for the period to 31 July 2019, the Governing Body, through its designated Accounting Officer, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Academy and of the surplus or deficit and cash flows for that year.

In causing the Financial Statements to be prepared, the Governing Body is responsible for ensuring that:

- Suitable accounting policies are selected and applied consistently.
- Judgements and estimates are made which are reasonable and prudent.
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- Financial Statements are prepared on a going concern basis unless it is inappropriate to presume that the Academy will continue in operation.

The Governing Body is satisfied that the Academy has adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the Financial Statements.

The Governing Body is responsible for:

- Ensuring that there is a robust and comprehensive system of management, control and corporate governance, including prevention and detection of corruption, fraud, bribery and irregularities.
- Obtaining regular, reliable, timely and adequate information to monitor performance and track the use of public funds.
- Planning and managing its activities to remain sustainable and financially viable.
- Informing the OfS of any significant changes in its circumstances that could impact on the mutual interests of the Academy and the OfS.
- Using public funds for proper purpose and seeking to achieve value for money from public funds.
- Complying with the mandatory requirements relating to audit and financial reporting.
- Delivering its charitable purpose for the public benefit:
 - Sending required returns and information to the OfS.
 - Ensuring there are effective arrangements in place for the managing and quality assurance of data submitted to funding and regulatory bodies.
 - Ensuring an effective framework exists to manage the quality of learning and teaching and to maintain academic standards.
 - Considering the OfS's assessment of the Academy's risk status and taking action accordingly.

The key elements of the Academy's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments.

- A comprehensive medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- Regular reviews of academic performance and financial results involving variance reporting and updates of forecast outturns.
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governing Body.
- A treasury management policy.
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and General Purposes Committee.
- A professional internal audit provider, whose annual programme is approved by the Audit Committee.
- An ongoing process designed to identify the principal risks (whether business, operational, compliance, financial or educational) to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.
- The existence of committees reporting to the Governing Body, particularly the Academic Board, Finance and General Purposes Committee and Audit Committee.

Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Governing Body is responsible for the oversight and integrity of the Academy's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Senior Management Remuneration Annual Report

The Higher Education Senior Staff Remuneration Code

The Academy has adopted the Higher Education Senior Staff Remuneration Code (the Code) published by the CUC in June 2018. It advises that there are three key elements to adopt when setting senior staff remuneration:

- A fair, appropriate and justifiable level of remuneration.
- Procedural fairness.
- Transparency and accountability.

Guiding principles for senior staff remuneration

The Academy's vision is to be the conservatoire of choice for top global talent aspiring to a successful, creative, professional career. The Academy admits students of the highest quality and engages and retains staff of the highest calibre, as set out in the Strategic Plan.

It is therefore required to recruit, retain and reward suitably qualified senior staff to deliver excellence and high performance across the institution. The Academy maintains a fair, appropriate, transparent and justifiable approach to remuneration, and demonstrates effective use of resources through the principles listed below.

- a) Remuneration shall take into account the context in which the Academy operates.
- b) Remuneration shall be linked to the value delivered by an individual role-holder.
- c) Remuneration must consider matters of equality, diversity and inclusion with a view to ensuring that there are no biases pertaining to gender or other protected characteristics within the pay structure.
- d) The Academy shall be clear about what is expected from staff, ie what is 'normal' and what is 'exceptional' performance.
- e) Remuneration may vary according to individual performance.
- f) Awards made in respect of annual bonus arrangements linked to the achievement of specific annual objectives should not be consolidated.
- g) From time to time the value of a role may need to be reviewed in light of changing conditions, sustained performance or developed experience.
- h) Non-achievement of an individual's expected contribution should have consequences.
- i) Severance payments must be reasonable and justifiable.

The principles of procedural fairness

- a) Senior staff remuneration shall be determined in the context of the Academy's approach to rewarding all of its staff, and in particular, consideration should be given annually to the rate of increase of the average remuneration of all other staff.
- b) No individual shall be involved in deciding his or her own remuneration.
- c) Remuneration Committees must be independent and competent.
- d) The head of the institution (Hol) must not be a member of the Remuneration Committee.
- e) Remuneration Committees, when considering Hol remuneration, must be chaired by a lay governor who is not Chair of the Governing Body.

The principles of transparency and accountability

The Academy will publish an annual statement containing:

- a) A list of post holders within the remit of the Remuneration Committee.
- b) The Academy's position on the remuneration for senior post holders within the remit of Remuneration Committee.
- c) The Academy's main comparator institutions.
- d) The pay multiple of the Hol and the median earnings of the Academy's whole workforce, illustrating over time how that multiple changes and, if it is significantly above average, an explanation for this.
- e) An explanation of any significant changes.

Academy approach to Senior Management Team remuneration

The Remuneration Committee is responsible for determining the salaries of the Principal as HOI and the Senior Management Team, and has oversight of the pay framework for the Academy.

The post holders within the remit of the Remuneration Committee are:

- Principal.
- Deputy Principal and Dean.
- Deputy Principal – Programmes and Research.
- Deputy Principal – Advancement.
- Director of Finance.

The members of the Remuneration Committee, including its Chair, are appointed by the Governing Body. The Committee consists of three Independent Members, one of whom is the Chair of the Governing Body, together with the Director of Human Resources. The Chair of the Governing Body may not be the Chair of the Remuneration Committee.

The Remuneration Committee meets once per year, unless there are no matters for consideration. The Remuneration Committee did not meet during the academic year 2017-18 as no changes to the Principal and Senior Management Team remuneration were proposed during the year above the annual cost of living increase, applicable to all staff.

Factors influencing senior remuneration

A number of factors will be considered by the Remuneration Committee when determining reward for senior post holders:

- The Academy is a specialist institution of international reach, with c 800 students and c 700 staff.
- A finite number of specialist musical educators and leaders exist in the UK and globally.
- A key facet of the Academy's mission is to widen access to music education by enhancing its outreach activities, developing its lifelong learning provision through the work of the Junior Academy and Open Academy, and broadening recruitment to its programmes of study.

Other factors for consideration include:

- Benchmarking rates against comparative UK conservatoires.
- Complexity, scale and scope of the Senior Management Team positions.
- Impact of the role, on students, staff, visitors, donors, research, resources and finances, the Academy and the conservatoire sector.
- Discretion, level of accountability, degree of autonomy and decision-making authority.
- Level of experience and sector specific expertise.
- Reputation and academic or professional credibility.
- Ability to recruit and retain key staff.
- Performance in support of the Academy strategic objectives, and in areas such as the TEF; Research Excellence Framework (REF); student admissions and retention, awards and DLHE statistics; the number of visitors to public events and the museum; the number of external participants in Open Academy projects; and the number of prestigious bursaries, scholarships and competitions that are won by our students.
- Management and leadership of staff.
- Strategic partnerships and external relations internationally and nationally.
- Major initiatives and capital projects such as building works.

Sources of data for the Remuneration Committee

Sources of comparative data for the Remuneration Committee to utilise include:

- a) Higher Education Statistics Agency (HESA) data.
- b) The Universities and Colleges Employer Association's (UCEA) Senior Staff Remuneration Survey.
- c) The CUC Vice-Chancellor Salary Survey.
- d) Reports and reviews from external experts commissioned by the Committee.
- e) Internal analysis of salary distributions and the Higher Education Role Analysis (HERA) system.

Non-Senior Management Team remuneration

For non-Senior Management Team roles, the Academy subscribes to the HERA system, through which all roles are evaluated and assessed to determine the pay grade and salary range against the national pay scales, based on transparent criteria and to ensure pay equity and the elimination of discrimination.

The Academy subscribes to UCEA, which negotiates the nationally agreed annual cost-of-living pay award with unions, on behalf of its members. Once agreed, the cost-of-living pay award is applied to all staff.

Additional staff pay awards, including incremental awards and one-off payments for exceptional work are evaluated on a termly basis by the Senior Management Team.

The Academy offers a Group Personal Pension plan (GPP) for all non-teaching staff, the Teachers' Pension Scheme (TPS) for all teaching staff, the Universities Superannuation Scheme (USS) for a handful of staff who were already members of USS when they joined the Academy and the National Employment Savings Trust (NEST) for any staff not eligible for the other schemes. All staff are automatically enrolled into a pension scheme according to pensions enrolment criteria.

Market forces supplements may be applied, where necessary, to attract or retain staff, upon provision of evidence of external market rates.

Pay multiples

The value for the Academy of the pay multiple of the HoI basic salary against the median of all staff is 4.50 for 2017-18. Comparative data will be provided in subsequent reports, as the metric develops.

The total remuneration for the Principal, with comparator data, is as follows:

	2017-18	2016-17
Emoluments of the Principal	£	£
Salary	187,267	180,445

Expenses

The expenses of the Principal are authorised by the Chair of the Governing Body. The expenses of the Director of Finance are authorised by the Principal. All other staff expenses are authorised by the Director of Finance. All staff are expected to adhere to principles of seeking value for money, in hospitality, business travel, accommodation or otherwise. Expenses are expected to be reasonable and not excessive.

Public sector trade union facility time

The Academy is required to report on the paid time off during working hours for trade union representatives to carry out trade union duties. This data covers the period 1 April 2017 to 31 March 2018.

Total Number and FTE of union officials employed	1 no and 1 FTE
Percentage of time spent on facility time	1%-50%
Total cost of facility time	£580
Total pay bill	£11,142,739
Percentage of pay bill spent on facility time	0.01%
Time spent on paid trade union activities as a percentage of total paid facility hours	1%

Independent Auditors' Report to the Academy's Governing Body

Opinion

We have audited the financial statements of the Royal Academy of Music ('the Academy') and its subsidiaries (the 'group') for the year ended 31 July 2018 which comprise the Consolidated and Academy Statements of Comprehensive Income and Expenditure, the Consolidated and Academy Statement of Changes in Reserves, the Consolidated and Academy Balance Sheet, the Consolidated Cash Flow statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice)).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the Academy's affairs as at 31 July 2018, and of the group's and Academy's surplus, comprehensive income and expenditure and changes in reserves and of the group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Basis for opinion

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

Conclusions relating to going concern

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

- the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governing Body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group and Academy's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The Governing Body is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Governing Body

As explained more fully in the Statement of Responsibilities of the Governing Body set out on page 28, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governing Body is responsible for assessing the group and Academy's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other required reporting

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by HEFCE, the OfS and Research England have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

Use of the audit report

This report is made solely to the Governing Body as a body in accordance with Academy's Supplemental Royal Charter and its Schedule of Bye-Laws and the Governing Body's Statement of Primary Responsibilities. Our audit work has been undertaken so that we might state to the Governing Body 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 group and Academy and the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Chartered Accountants and Statutory Auditors
90 Victoria Street
Bristol BS1 6DP

Statement of accounting policies

FRS 102 is the new single comprehensive Financial Reporting Standard and SORP 2015 is the education sector's interpretation of FRS 102.

1. Accounting convention

The Financial Statements have been prepared under the historical cost convention, modified for the revaluation of the Academy's listed investments, in accordance with applicable Accounting Standards and the Statement of Recommended Practice: 'Accounting for Further and Higher Education' (SORP), published in March 2014. The institution is a public benefit entity and has therefore applied the relevant public benefit requirement of the applicable accounting standards.

2. Basis of consolidation

The consolidated Financial Statements comprise the Academy's activities and those of its charitable subsidiary undertaking, the RAM Collections Trust, as well as its trading subsidiary, Academy Chimes Limited. RAM Development Company Limited was dormant during the year. The consolidated Financial Statements do not include those of the Students' Union because the Academy does not control those activities as it is a separate entity. Intra-group transactions are eliminated on consolidation.

3. Recognition of income

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is credited to income over the period in which students are studying. Bursaries funded from external donations or endowment income are omitted from expenditure and fee income and recognised as donations or interest receivable accordingly. Bursaries funded from general or designated funds are included within bursary expenditure and fee income.

Funds the Academy receives and disburses as paying agent on behalf of a funding body are excluded from income and expenditure where the Academy is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grants and donations

A Performance Related Condition (PRC) is a condition that requires the performance of a particular level of service or units of output to be delivered with payment of, or entitlement to, the resources conditional on that performance.

Grants and donations without PRC or any other type of restriction are recognised in full within the Consolidated Statement of Comprehensive Income and Expenditure on entitlement to the income. This includes donations of assets.

Government and non-government grants with PRCs include annual grants such as OfS or Funding Council Teaching and Research grant and bursary grants where the academic year and/or students to whom the grants relate are stipulated. They may also include grants for specific research projects to fund academic posts over a number of years. These grants are deferred on the balance sheet until the PRC has been met, at which point the grant is released to income.

Where no PRC attaches to a government or non-government grant but there are nevertheless restrictions imposed on the use of funds, the grant income is recognised in full when the Academy is entitled to the income. It is retained within a restricted reserve until being used in line with the restriction, at which point a reserve transfer is made to release the reserve to general funds.

Capital grants are treated in the same way as revenue grants.

Endowments

An endowment fund is a form of charitable trust retained for the benefit of the Academy for the long-term and is subdivided into a capital and accumulated income element. A donation to establish an endowment fund which prohibits conversion of capital to income creates a 'permanent'

endowment fund and such funds must generally be held indefinitely. If the Academy has power to use the capital then the endowment fund is 'expendable' although the Academy would be unlikely to use this power in the short-term.

The investment income from permanent endowment funds may be restricted or unrestricted in use depending on the requirements of the donor whereas investment income from expendable endowment funds will always be restricted in use.

New endowment funds are credited to the Consolidated Statement of Comprehensive Income and Expenditure on entitlement and then transferred to an endowment fund within the Balance Sheet. Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure and, if restricted, reserved within the endowment fund for future spend in accordance with restrictions. Expenditure against the restricted endowment fund is debited to the Consolidated Statement of Comprehensive Income and Expenditure and charged to the endowment fund.

Appreciation/depreciation of endowment investments is recorded within the Consolidated Statement of Comprehensive Income and Expenditure and then transferred to the capital element of the endowment funds.

Other investment income

Other investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis. Appreciation/depreciation of investments is credited/debited to the Consolidated Statement of Comprehensive Income and Expenditure and then transferred to the General Fund or Endowment funds, as appropriate.

4. Accounting for retirement benefits

The Academy contributes to four different pension schemes for current employees: the TPS; a GPPS; the NEST; and the USS. The TPS and USS are defined benefit schemes, externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries. The GPPS and NEST are defined contribution schemes.

The assets of the TPS are held in separate trustee-administered funds. Because of the nature of the Scheme, the Scheme's assets are not hypothecated to individual institutions and Scheme-wide contributions are set. The Academy is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis. Therefore, it accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the Scheme in respect of the accounting period.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities attributable to institutional members due to the mutual nature of the Scheme and therefore the Scheme is accounted for as a defined contribution retirement benefit scheme. The amount charged to the Consolidated Statement of Comprehensive Income and Expenditure represents the contributions payable to the Scheme and a liability is recorded within provisions for any contractual commitment to fund past deficits within the USS. The Academy had only seven members in the USS at the end of 2017-18.

The Academy also operates a defined benefit pension scheme, The Royal Academy of Music Pension Scheme 1967 (RAM1967), which is closed to new members, and which provides retirement benefits based on the length of service and final pensionable salary for certain employees. The operating and financing costs of the Scheme are recognised separately in the income and expenditure account. Service costs are spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The cost of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The differences between actual and expected returns during the year, including changes in actuarial assumptions are recognised in the Statement of Comprehensive Income and Expenditure. The Academy's net obligation in respect of the RAM1967 Scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods: that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are deducted.

5. Employment benefits

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

6. Leases

Rental costs under operating leases are charged to expenditure in equal annual amounts over the term of the lease. Any lease premiums or incentives are spread over the lease term.

7. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Musical Instrument Collection assets which were revalued to fair value prior to 1 August 2014, the date of transition to the revised SORP, are measured on the basis of deemed cost, being the revalued amount at the transition date.

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

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each balance sheet.

Donations received towards the cost of buildings or other assets are released to income on entitlement or when PRCs, if they exist, have been met (refer to income recognition policy for further details). The income is then transferred to a restricted reserve to fund remaining asset purchase costs.

Land and buildings

Expenditure that adds value to the main Academy property is capitalised and depreciated over 40 years on a straight line basis.

Academy buildings are being depreciated over 90 years, in line with the length of the lease.

The recently completed Susie Sainsbury Theatre and Angela Burgess Recital Hall are being depreciated over 50 years.

The York Gate building was acquired with the aid of a specific grant from the Heritage Lottery Fund and was subsequently refurbished. The refurbishment costs of the York Gate building and the cost of the David Josefowitz Recital Hall have also been capitalised and are being depreciated over 71 and 28 years respectively. Fit-out costs for York Gate are being depreciated over 13 years. The depreciation for the York Gate buildings was recalculated on transfer of the assets to the Academy in 2013.

The fit-out costs of the Cross Keys practice rooms are being depreciated over 10 years, this being the length of the lease.

Buildings under construction within the Academy are accounted for at cost based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Equipment and Collection of Musical Instruments

Expenditure on the purchase of equipment and other items is depreciated on a straight line basis as follows:

Equipment/working instruments/artefacts
5, 8, 10, 15, 20, 25 or 40 years or not depreciated

Collection of Prestigious Musical Instruments

Not depreciated as their long economic life and high residual value mean depreciation is not material

Assets in excess of £5,000 are capitalised. All other equipment is written off in the year of acquisition.

8. Heritage assets

Since its foundation in 1822, the Academy has acquired important collections of instruments, manuscripts, paintings, photographs, busts, drawings, teaching aids and artefacts, batons, furnishings, memorabilia and other objects which have been bought or donated over the years. The majority of the instruments have been valued and are recorded in the Balance Sheet, most as working assets but a few, primarily stringed instruments made by Stradivari and Amati, are considered to be of such international importance that they are not generally used for educational or musical purposes but are on display in the Academy's museum, which is open to the public. Consequently they fall to be treated as heritage assets as they are held primarily for their contribution to knowledge and culture. The Spencer Collection and the Menuhin Collection were both purchased by the Academy and are also included in the Balance Sheet as heritage assets. The other items of the type described above are numerous and many have relatively low intrinsic values, however many of them have unique associations with their original owner or with the Academy. These assets are not considered to be of a heritage nature but are nevertheless an important part of the Academy's history and assist in preserving its reputation and attraction to current and potential students and teachers. Full details of the collections, which are fully catalogued and include both heritage and non-heritage assets, together with opening times for the museum and access policy, are given on the Academy's website at www.ram.ac.uk/museum.

The key stringed instruments that are held as heritage assets (all of which have been donated to the Academy) are included in the Balance Sheet at fair value as at 1 August 2014, the date of transition to SORP, and are no longer revalued. The carrying amounts are reviewed annually for impairment. Donated heritage assets are not depreciated as, given their long economic life and high residual value, depreciation would not be material. Heritage assets purchased by the Academy are included in the Financial Statements at cost and are depreciated over 40 years. Costs in connection with the preservation and conservation of heritage assets are charged to the Income and Expenditure Account as they are incurred.

9. Investments

Listed investments held within Non-Current investments are stated at market value at the Balance Sheet date. Gains or losses are attributed to the appropriate fund.

Current asset investments are held at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure. They include building society deposits with a deposit term greater than 90 days.

10. Cash and cash equivalents

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and cash deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. They include building society deposits with a deposit term less than 90 days and no material penalty for early withdrawal.

11. Stock

The majority of the stock held relates to the Academy Chimes music shop with minor amounts for canteen stock. Stock is stated at the lower of cost and net realisable value.

12. Provisions, contingent liabilities and contingent assets

Provisions are recognised when:

- a) The Academy has a present legal or constructive obligation as a result of a past event.
- b) It is probable that an outflow of economic benefits will be required to settle the obligation.
- c) A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the Academy a possible obligation whose existence will only be confirmed by the occurrence of otherwise uncertain future events not wholly within the control of the Academy. Contingent liabilities also arise in circumstances where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Academy a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within its control.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the Notes.

Maintenance of premises

The Academy has a provision for the maintenance of its buildings which it is required to carry out in accordance with the terms of its lease. This is based on a 15 year maintenance plan which is reviewed on an annual basis. The provision represents the estimated cost, at the Balance Sheet date, of maintenance work falling due within the cyclical programme under the lease.

The cost of routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

13. Taxation status

As a registered charity the Academy is exempt from taxation in respect of income received within categories covered by Part II of the Corporation Tax Act 2010, to the extent that such income is applied exclusively for charitable purposes. The Academy is partially exempt in respect of Value Added Tax (VAT) so it can only recover a minor element of VAT charged on its inputs.

14. Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted reserves include endowments (see Note 16) and non-endowment funds which the donor has designated for a specific purpose.

15. Significant estimates and accounting judgements

In the preparation of the 2018 consolidated Financial Statements, it is the responsibility of management to make informed judgements and estimates that affect the reported values for assets, liabilities, income and expenditure.

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date of 31 July 2018, are listed as follows:

Deferred benefit scheme pension provision

The Academy is the sole member of the RAM1967 Pension Scheme which is a defined benefit scheme, and for which a provision is recorded within the balance sheet. The recognised liability is based on the valuation provided by professionally qualified independent actuaries which is based on

a number of assumptions. These include the future cash flows of the Scheme, the discount rate used (which is based on average AA rated UK corporate bond rates that reflect the duration of our liability), the pensionable salary growth going forward and proposed price inflation (which is based on the RPI). Further details can be found in Note 18.

The net interest expense is based on the interest rates of AA rated corporate bonds and the deficit position.

Management review the assumptions made to derive the provisions recorded within the Balance Sheet to ensure that they are reasonable.

USS pension provision

The provision for the USS deficit is based on current contribution rates and there is a significant risk that the year-end provision as calculated will not reflect the position following the outcome of negotiations on future deficit contributions and their duration.

16. Prior year adjustments

During 2017-18 the Academy carefully reviewed the method used to determine staff full-time equivalent numbers. As a result the number of teaching staff for 2016-17, shown in Note 7 of the accounts, has been increased by 28, mainly due to the inclusion of Junior Academy staff numbers.

17. Post balance sheet events

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to affected schemes.

Consolidated Statement of Comprehensive Income and Expenditure

	Note	Consolidated 2018 £000	Academy 2018 £000	Consolidated 2017 £000	Academy 2017 £000
Income					
Tuition fees	1	10,458	10,458	9,682	9,682
OfS and funding council grants	2	5,818	5,818	5,114	5,114
Research grants and contracts	3	31	31	2	2
Other income	4	1,746	1,473	1,688	1,407
Investment income	5	1,436	1,435	1,459	1,459
Total income before donations and endowments		19,489	19,215	17,945	17,664
Donations and endowments	6	6,577	6,577	3,883	3,883
Theatre donations	6	7,806	7,806	2,695	2,695
Total income		33,872	33,598	24,523	24,242
Expenditure					
Staff costs	7	11,630	11,630	10,715	10,715
Other operating expenses		9,537	9,264	8,791	8,510
Depreciation	10	1,096	1,066	713	683
Interest and other finance costs	8	112	112	183	183
Total Expenditure	9	22,375	22,072	20,402	20,091
Operating surplus before other gains or losses		11,497	11,526	4,121	4,151
Gain on disposal of fixed assets		33	33	40	40
Gain on investments		1,665	1,665	2,885	2,885
Surplus for the Year		13,195	13,224	7,046	7,076
Actuarial gain in respect of RAM1967 Pension Scheme		141	141	2,469	2,469
Total comprehensive income for the year		13,336	13,365	9,515	9,545
Represented by:					
Endowment comprehensive income for the year		1,679	1,679	2,757	2,757
Restricted comprehensive income for the year		9,480	9,480	3,095	3,095
Unrestricted comprehensive income for the year		1,929	1,958	3,272	3,302
Revaluation reserve comprehensive income for the year		248	248	391	391
		13,336	13,365	9,515	9,545

Since the introduction of SORP 2015, capital donations for the new theatre are required to be included as income, producing a surplus of £13,336,000, while associated capital expenditure is excluded.

However, the operating surplus, after exclusion of these restricted donations and other adjustments is £1,788,000 as shown below. This includes two significant legacies totalling £1,333,000.

	2018 £000	2017 £000
Total comprehensive income for the year from above	13,336	9,515
Exclude endowment comprehensive income (generally restrictive in use)	(1,679)	(2,757)
Exclude restricted comprehensive income (mainly theatre donations)	(9,480)	(3,095)
Exclude revaluation reserve comprehensive income (notional sum)	(248)	(391)
Exclude actuarial gain on RAM1967 Pension Scheme for the year	(141)	(2,469)
Operating surplus after adjustments*	1,788	803

* 2018 - £2,047,000 after adding back externally funded share of theatre depreciation.

The Notes on pages 45 to 58 form part of these financial statements.

All items of income and expenditure arise from continuing operations.

Consolidated and Academy Statement of Changes in Reserves

Consolidated	Income and Expenditure Accounts				Total
	Endowment	Restricted	Unrestricted	Revaluation Reserve	
Balance at 1 August 2016	33,770	3,111	111,943	333	149,157
Surplus from the income and expenditure statement	2,757	3,095	3,272	391	9,515
Release of restricted capital funds spent in year	-	(5,578)	5,578	-	-
Balance at 1 August 2017	36,527	628	120,793	724	158,672
Surplus from the income and expenditure statement	1,679	9,480	1,929	248	13,336
Release of restricted capital funds spent in year	-	(8,823)	8,823	-	-
Balance at 31 July 2018	38,206	1,285	131,545	972	172,008

Academy	Income and Expenditure Accounts				Total
	Endowment	Restricted	Unrestricted	Revaluation Reserve	
Balance at 1 August 2016	33,770	3,111	111,133	333	148,347
Surplus from the income and expenditure statement	2,757	3,095	3,302	391	9,545
Release of restricted capital funds spent in year	-	(5,578)	5,578	-	-
Balance at 1 August 2017	36,527	628	120,013	724	157,892
Surplus from the income and expenditure statement	1,679	9,480	1,958	248	13,365
Release of restricted capital funds spent in year	-	(8,823)	8,823	-	-
Balance at 31 July 2018	38,206	1,285	130,794	972	171,257

Consolidated and Academy Balance Sheet

	Note	Consolidated 2018 £000	Academy 2018 £000	Consolidated 2017 £000	Academy 2017 £000
Non-current assets					
Fixed Assets: Heritage	10a	67,136	66,386	67,188	66,408
Operational	10a	57,037	57,037	46,989	46,989
		<u>124,173</u>	<u>123,423</u>	<u>114,177</u>	<u>113,397</u>
Non-current Investments	11	42,352	42,352	40,250	40,250
		<u>166,525</u>	<u>165,775</u>	<u>154,427</u>	<u>153,647</u>
Current assets					
Stock		99	6	105	9
Trade and other receivables	12	1,447	1,442	553	546
Current investments	13	3,002	3,002	4,263	4,263
Cash and cash equivalents		8,929	8,904	8,892	8,862
		<u>13,477</u>	<u>13,354</u>	<u>13,813</u>	<u>13,680</u>
Creditors: amounts falling due within one year	14a	(4,012)	(3,981)	(5,111)	(5,073)
Net current assets		<u>9,465</u>	<u>9,373</u>	<u>8,702</u>	<u>8,607</u>
Total assets less current liabilities		<u>175,990</u>	<u>175,148</u>	<u>163,129</u>	<u>162,254</u>
Creditors: amounts falling due after more than one year	14b	(91)	-	(95)	-
Provisions					
Pension provisions	15	(3,760)	(3,760)	(4,255)	(4,255)
Other provisions	15	(131)	(131)	(107)	(107)
Total net assets		<u>172,008</u>	<u>171,257</u>	<u>158,672</u>	<u>157,892</u>
Restricted reserves					
Income and expenditure reserve - endowment	16	38,206	38,206	36,527	36,527
Income and expenditure reserve - restricted	17	1,285	1,285	628	628
		<u>39,491</u>	<u>39,491</u>	<u>37,155</u>	<u>37,155</u>
Unrestricted reserves					
Income and expenditure reserve - unrestricted		131,545	130,794	120,793	120,013
Revaluation reserve		972	972	724	724
		<u>132,517</u>	<u>131,766</u>	<u>121,517</u>	<u>120,737</u>
Total funds		<u>172,008</u>	<u>171,257</u>	<u>158,672</u>	<u>157,892</u>

The Notes on pages 45 to 58 form part of these Financial Statements.

The Financial Statements were approved by the Governing Body and authorised for issue on 22 November 2018.

Dame Jenny Abramsky
Chair of Governing Body

Professor Jonathan Freeman-Attwood
Principal

Consolidated Cash Flow Statements

	Note	2018 £000	2017 £000
Cash flow from operating activities			
Surplus for the year		13,195	7,046
Adjustments for non-cash items			
Depreciation/impairment of fixed assets	10a	1,096	713
Gain on investments	11	(1,665)	(2,885)
Decrease in stocks		6	20
Decrease/(increase) in debtors	12	(894)	335
Increase/(decrease) in creditors	14	(1,099)	1,177
Decrease in pension provisions	15	(354)	(255)
Increase in other provisions	15	24	20
Receipt of donated equipment	6	(23)	(62)
Adjustments for investing or financing activities			
Investment income	5	(1,436)	(1,459)
New endowments	16	(238)	(272)
Loss on sale of fixed assets		(33)	(39)
Capital grant income		(9,138)	(2,728)
Net cash (outflow)/inflow from operating activities		(559)	1,611
Cash flows from investing activities			
Proceeds from sale of operational tangible assets		36	40
Capital grant receipts		9,138	2,728
Disposal of non-current asset investments		927	99
Withdrawal of current asset investment deposits		4,283	16,586
Investment income		1,436	1,459
Purchase of operational tangible fixed assets		(11,072)	(12,117)
New non-current asset investments		(1,363)	(1,768)
New current asset investments deposits		(3,022)	(6,949)
		363	78
Cash flows from financing activities			
New endowments received	16	238	272
Bonus shares		(1)	-
Repayments of amounts borrowed		(4)	(17)
		233	255
Increase in cash and cash equivalents in the year		37	1,944
Cash and cash equivalents at 1 August 2017		8,892	6,948
Cash and cash equivalents at 31 July 2018		8,929	8,892

Notes to Financial Statements

	Consolidated 2018 £000	Academy 2018 £000	Consolidated 2017 £000	Academy 2017 £000
1 Tuition fees				
Full-time UK and EU	5,622	5,622	5,433	5,433
Full-time International	3,957	3,957	3,378	3,378
Junior and Intermediate	879	879	871	871
	<u>10,458</u>	<u>10,458</u>	<u>9,682</u>	<u>9,682</u>
2 OfS and funding council grants				
Recurrent teaching grant	4,473	4,473	4,487	4,487
Recurrent research grant	301	301	322	322
Other special funding	150	150	153	153
Capital grant	894	894	152	152
	<u>5,818</u>	<u>5,818</u>	<u>5,114</u>	<u>5,114</u>
3 Research grants and contracts				
Research councils	31	31	2	2
	<u>31</u>	<u>31</u>	<u>2</u>	<u>2</u>
4 Other income				
Residences and Catering	705	705	645	645
Other operating income	1,041	768	1,043	762
	<u>1,746</u>	<u>1,473</u>	<u>1,688</u>	<u>1,407</u>
5 Investment income				
Investment income	1,380	1,380	1,317	1,317
Other interest receivable	56	55	142	142
	<u>1,436</u>	<u>1,435</u>	<u>1,459</u>	<u>1,459</u>
6 Donations and endowments				
New endowments	238	238	272	272
PRC income utilised	1,657	1,657	1,524	1,524
Restricted donations	8,856	8,857	3,266	3,266
Unrestricted donations*	3,609	3,609	1,454	1,454
Donation of assets (non-cash)	23	23	62	62
	<u>14,383</u>	<u>14,384</u>	<u>6,578</u>	<u>6,578</u>

* Includes donation income of £1.5975m from the ABRSM (£1.247m: 2017).

7 Staff costs

	Consolidated 2018 £000	Academy 2018 £000	Consolidated 2017 £000	Academy 2017 £000
Wages and salaries	9,786	9,786	9,122	9,122
Social Security costs	880	880	790	790
Change in USS pension provision parameters	(11)	(11)	5	5
Other pension costs	975	975	798	798
	<u>11,630</u>	<u>11,630</u>	<u>10,715</u>	<u>10,715</u>
Principal's emoluments	<u>£</u>		<u>£</u>	
Salary	187,267		180,445	
Benefits	3,681		3,569	
Pension contributions and pay in lieu of pension contributions	<u>31,763</u>		<u>30,732</u>	
	222,711		214,746	
Use of accommodation	<u>13,897</u>		<u>14,126</u>	
	<u>236,608</u>		<u>228,872</u>	

The Principal is no longer part of a pension scheme therefore his salary contains a pension equivalent, now rolled into a single sum. This is shown separately above.

The Principal is required as part of his contract to live on Academy premises. The premises are an integral part of the main Academy building and the apportioned costs associated with the Principal's use of the residence are £13,897 (£14,126: 2017).

The Principal's remuneration is set by the Remuneration Committee (of which the Principal is not a member) after consideration of his performance over time, his success in meeting strategic objectives, and salaries at other comparable higher education institutions, nationally and internationally. The salary does not reflect a corporate-world equivalent but rather takes into account the skills required to run a high-level complex institution, with long working hours. The Principal's salary was last reviewed in May 2016, when he withdrew from the pension scheme.

The Principal's basic salary is 4.50 times the median pay of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the Academy to its staff.

The Principal's total remuneration is 5.68 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration paid by the Academy to its staff.

A severance payment was made to one member of staff in 2017-18 (three members of staff totalling £43,192: 2016-17).

It has been agreed that the Academy will adhere to the CUC Higher Education Senior Staff Remuneration Code.

The number of staff, excluding the Principal, who received emoluments (including taxable benefits but excluding employer's pension contributions) in excess of £100,000 in the following ranges was:

	2018	2017
£125,000-£129,999	<u>1</u>	<u>1</u>

Notes to Financial Statements (continued)

The average number of persons employed by the Academy and the group during the year, expressed as full-time equivalents (FTE), are shown in the table below:

	2018	Restated 2017
	FTE	FTE
Staff numbers		
Teaching*	156	149
Support	7	6
Other academic services	16	16
Central administration and services	43	37
General education	18	16
Student/staff facilities	3	3
Premises	18	16
Catering and residence	7	8
Research grants and contracts	-	-
	<u>268</u>	<u>251</u>
* Includes Junior Academy staff	16	15

Key management personnel

Key management personnel comprises the Senior Management Team, including the Principal, being those persons having authority for planning, directing and controlling the day-to-day activities of the Academy.

	2018	2017
	£000	£000
Key management personnel compensation	<u>709</u>	<u>648</u>

8 Interest and other finance costs

	Consolidated 2018	Academy 2018	Consolidated 2017	Academy 2017
	£000	£000	£000	£000
Net charge on pension schemes	<u>112</u>	<u>112</u>	<u>183</u>	<u>183</u>

9 Total expenditure by activity

	Consolidated 2018	Academy 2018	Consolidated 2017	Academy 2017
	£000	£000	£000	£000
Teaching	8,359	8,359	7,810	7,810
Support	438	438	434	434
Other academic services	703	703	597	597
Central administration and services	3,300	3,296	2,982	2,978
General education	3,461	3,461	2,859	2,859
Staff/student facilities	185	185	175	175
Premises	4,581	4,551	4,219	4,189
Long-term maintenance	58	58	58	58
Catering and residence	874	874	803	803
Research grants and contracts	31	31	1	1
Other services rendered - Academy Chimes	273	4	281	4
Other expenses	112	112	183	183
	<u>22,375</u>	<u>22,072</u>	<u>20,402</u>	<u>20,091</u>

Other operating expenses include:

External auditors' remuneration:

Audit services	55	48
Non-audit services	-	52

Internal auditors' remuneration

	19	19
Operating lease rentals		
Land and buildings	1,351	1,050
Other	43	50

10 Tangible fixed assets

a) Consolidated	Operational				Subtotal Operational Assets £000	Heritage Instrument Collection £000	Heritage Menuhin and Spencer Collections £000	Subtotal Heritage Assets £000	Total Grand Total £000
	Long Leasehold Land and Buildings £000	Assets in the Course of Construction £000	Equipment £000	Operational Instrument Collection £000					
Cost or valuation	Cost	Cost	Cost	Valuation		Valuation	Cost		
At 1 August 2017	24,430	19,198	7,556	7,192	58,376	65,820	2,103	67,923	126,299
Additions	-	9,434	1,606	55	11,095	-	-	-	11,095
Disposals	-	-	(112)	-	(112)	-	-	-	(112)
Transfer	28,632	(28,632)	-	-	-	-	-	-	-
At 31 July 2018	53,062	-	9,050	7,247	69,359	65,820	2,103	67,923	137,282
Depreciation									
At 1 August 2017	7,980	-	3,407	-	11,387	-	735	735	12,122
Disposals	-	-	(109)	-	(109)	-	-	-	(109)
Charge for the year	728	-	316	-	1,044	-	52	52	1,096
At 31 July 2018	8,708	-	3,614	-	12,322	-	787	787	13,109
Net book value									
At 31 July 2018	44,354	-	5,436	7,247	57,037	65,820	1,316	67,136	124,173
At 31 July 2017	16,450	19,198	4,149	7,192	46,989	65,820	1,368	67,188	114,177

99% of the value of instruments held as heritage assets is represented by 22 stringed instruments including six made by Antonio Stradivari.

There were no disposals of heritage assets during the year (nil: 2017).

10 Tangible fixed assets

b) Academy	Operational				Subtotal Operational Assets £000	Heritage Instrument Collection £000	Heritage		Subtotal Heritage Assets £000	Total Grand Total £000
	Long Leasehold Land and Buildings £000	Assets in the Course of Construction £000	Equipment £000	Operational Instrument Collection £000			Menuhin and Spencer Collections £000			
Cost or valuation	Cost	Cost	Cost	Valuation		Valuation	Cost			
At 1 August 2017	21,653	19,198	7,559	7,193	55,603	65,820	905	66,725	122,328	
Additions	-	9,434	1,606	55	11,095	-	-	-	11,095	
Disposals	-	-	(112)	-	(112)	-	-	-	(112)	
Transfer	28,632	(28,632)	-	-	-	-	-	-	-	
At 31 July 2018	50,285	-	9,053	7,248	66,586	65,820	905	66,725	133,311	
Depreciation										
At 1 August 2017	5,208	-	3,406	-	8,614	-	317	317	8,931	
Disposals	-	-	(109)	-	(109)	-	-	-	(109)	
Charge for the year	728	-	316	-	1,044	-	22	22	1,066	
At 31 July 2018	5,936	-	3,613	-	9,549	-	339	339	9,888	
Net Book Value										
At 31 July 2018	44,349	-	5,440	7,248	57,037	65,820	566	66,386	123,423	
At 31 July 2017	16,445	19,198	4,153	7,193	46,989	65,820	588	66,408	113,397	

11 Non-current investments

	Consolidated and Academy Total Investments £000
At market value	
At 1 August 2017	40,250
Purchases of investments	1,363
Proceeds from sales of investments	(927)
Appreciation on revaluation	1,665
Bonus issue	1
At 31 July 2018	42,352
Represented by:	
Equities	28,543
Fixed interest stocks	2,873
Property	3,972
Other	6,964
	42,352

12 Trade and other receivables

	Consolidated 2018 £000	Academy 2018 £000	Restated Consolidated 2017 £000	Restated Academy 2017 £000
Trade debtors	146	143	144	144
Prepayments and accrued income	1,301	1,299	409	402
	1,447	1,442	553	546

13 Current investments

	Consolidated 2018 £000	Academy 2018 £000	Restated Consolidated 2017 £000	Restated Academy 2017 £000
Short-term deposits	3,002	3,002	4,263	4,263

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months' maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit on placement.

At 31 July 2018 the weighted average interest rate of these fixed rate deposits was 0.93% and the remaining weighted average period for which the interest rate was fixed was 102 days. The fair value of the deposits was not materially different from the book value.

14 Creditors

	Consolidated 2018 £000	Academy 2018 £000	Consolidated 2017 £000	Academy 2017 £000
a) Amounts falling due within one year:				
Trade creditors	9	-	15	-
Fees in advance	2,162	2,162	2,167	2,167
Deferred revenue (PRCs)	489	489	599	599
Taxation and social security	13	14	247	249
Other creditors and accruals	1,339	1,316	2,083	2,058
	<u>4,012</u>	<u>3,981</u>	<u>5,111</u>	<u>5,073</u>

Deferred revenue includes the following items of income which are deferred until specific performance related conditions are met:

Teaching grants	466	466	540	540
Research grants	-	-	31	31
Other	23	23	28	28
	<u>489</u>	<u>489</u>	<u>599</u>	<u>599</u>

b) Amounts falling due after more than one year:

Loan from Chimes Consultancy	91	-	95	-
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The loan from Chimes Consultancy shown in Note 14 is interest free and unsecured. Chimes Consultancy manages the Academy Chimes shop. The loan is used to purchase stock for the shop which commenced trading on 1 August 2006. This loan is repayable in full at the end of the current management agreement which ends on 17 February 2023.

15 Provisions

	Consolidated and Academy			
	USS deficit funding obligation £000	RAM1967 defined benefit obligation £000	Total Pension Provisions £000	Other Provisions – Leasehold Dilapidations £000
At 1 August 2017	142	4,113	4,225	107
Transfer from income and expenditure account	(9)	(32)	(41)	58
Utilised in year	(9)	(445)	(454)	(34)
At 31 July 2018	<u>124</u>	<u>3,636</u>	<u>3,760</u>	<u>131</u>

The obligation to fund the past deficit on the USS arises from the contractual obligation with the pension Scheme for total payments relating to benefits arising from past performance.

Management have assessed future employees within the USS and salary payments over the period of the contracted obligation in assessing the value of this provision.

16 Endowment reserve

	Unrestricted Permanent £000	Consolidated and Academy Restricted Permanent £000	Subtotal Permanent £000	Restricted Expendable £000	Grand Total £000	2017 Grand Total £000
Capital						
At 1 August 2017	5,895	22,973	28,868	6,682	35,550	32,806
Appreciation of endowment asset investments	232	900	1,132	272	1,404	2,472
New endowments received	-	1	1	236	237	272
Bonus issue	-	1	1	-	1	-
At 31 July 2018	6,127	23,875	30,002	7,190	37,192	35,550
Accumulated income						
At 1 August 2017	-	617	617	360	977	964
Investment income	194	756	950	228	1,178	1,157
Expenditure	(194)	(727)	(921)	(220)	(1,141)	(1,144)
Net income accumulated in current year	-	29	29	8	37	13
At 31 July 2018	-	646	646	368	1,014	977
Total funds						
At 1 August 2017	5,895	23,590	29,485	7,042	36,527	33,770
At 31 July 2018	6,127	24,521	30,648	7,558	38,206	36,527
Analysis by fund type						
Bursary and prize funds	1,248	24,521	25,769	3,121	28,890	27,564
Teaching and masterclass funds	-	-	-	847	847	815
Advancement funds	4,869	-	4,869	-	4,869	4,684
Other funds	10	-	10	3,590	3,600	3,464
	6,127	24,521	30,648	7,558	38,206	36,527
Analysis by asset						
Investments					35,748	34,497
Cash					3,403	2,953
Other current assets					(945)	(923)
					38,206	36,527

There are no deficit balances on any endowment fund.

17 Restricted reserves

	Consolidated and Academy		2018	2017
	Unspent Capital Grants £000	Other Restricted Funds £000	Total £000	Total £000
At 1 August 2017	-	628	628	3,111
Donations	9,138	762	9,900	3,571
Investment income	-	10	10	5
Appreciation of restricted investments	-	13	13	22
Capital grants utilised	(8,823)	-	(8,823)	(5,578)
Expenditure	-	(443)	(443)	(503)
At 31 July 2018	315	970	1,285	628
Analysis of other restricted funds by type of purpose				
Bursary and prize funds		899		421
Teaching funds		24		152
Research funds		-		9
Other funds		47		46
		970		628

18 Pension scheme costs

Superannuation contributions are paid to the TPS for teaching staff, to the USS for a small number of staff, to a GPPS for administrative staff or to the NEST for those not eligible for other schemes. The assets of these schemes are held separately from the assets of the Academy in independently administered funds. The Royal Academy of Music Pension Scheme 1967 (RAM1967) for administrative staff was closed to future accruals of pension benefit on 31 March 2005, however, the Scheme continues to be operated by the Prudential Assurance Company and the Academy is undertaking deficit funding.

	2018	2017
	£000	£000
Total pension cost for the year was:		
TPS: employer's contributions paid	553	500
GPP: employer's contributions paid	360	234
USS: gross including deficit recovery portion	60	62
NEST: employer's contributions paid	11	9
Total pension cost	984	805

Teachers' Pension Scheme

The TPS is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Services Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014.

The valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

Employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration.

Total Scheme liabilities for service to the effective date of £191.5bn, and notional assets of £176.6bn, giving a notional past service deficit of £15.0bn.

An employer cost cap of 10.9% of pensionable pay.

Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>.

Lord Hutton, who chaired the Independent Public Services Pension Commission, published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012, and the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three-and-a-half year period, for people who would fall up to three-and-a-half years outside of the 10-year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012.

The arrangements for a reformed Teachers' Pension Scheme, in line with the remainder of the recommendations made by Lord Hutton, have now been implemented. The Career Average Revalued Earnings (CARE) scheme was implemented from 1 April 2015, whereby benefits will accrue on a career average basis and there is a normal pension age aligned to the state pension age.

Universities Superannuation Scheme

The USS is a contributory, defined benefit scheme. At the end of the year the Academy had seven members.

The total cost charged to the profit and loss account is £60,000 (£62,000: 2017) as shown above.

The latest available complete actuarial valuation of the Retirement Income Builder section of the scheme is at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method. The valuation at 31 March 2017 is underway but not yet completed.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6bn and the value of the scheme's technical provisions was £46.9bn indicating a shortfall of £5.3bn. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018.

	As at 31 March 2018	As at 31 March 2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	2018	2017
Pre-retirement	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females	98% of SAPS S1NA "light" YOB unadjusted for males
Post-retirement	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females	99% of SAPS S1NA "light" YOB with a -1 year adjustment for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% per annum for males and 1.6% per annum for females	CMI_2014 with a long-term rate of 1.5% per annum

The current life expectancies on retirement at age 65 are:

		As at 31 July 2018	As at 31 July 2017
Males	currently aged 65 (years)	24.50	24.40
Females	currently aged 65 (years)	26.00	26.60
Males	currently aged 45 (years)	26.50	26.50
Females	currently aged 45 (years)	27.80	29.00

	As at 31 July 2018	As at 31 July 2017
Scheme assets	£63.6bn	£60.6bn
Total Scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88.00%	77.00%

Royal Academy of Music Pension Scheme 1967

The Academy operates a funded defined benefit scheme which is managed by the Prudential Assurance Company Ltd and was closed to future accruals of pension benefit on 31 March 2005. The Academy is funding the Scheme deficit with contributions of £345,062 per annum with effect from 1 January 2018 and increasing by 2.55% pa thereafter. An additional contribution of £100,000 was made during 2018. Scheme liabilities have been valued using the projected unit method. A full actuarial valuation was carried out at 31 December 2015 and the results of that valuation have been projected to 31 July 2018 for FRS17 purposes.

Main assumptions used to value RAM1967 Scheme liabilities under FRS102	As at 31 July 2018	As at 31 July 2017
Discount rate	2.90%	2.80%
Inflation assumption – RPI	3.30%	3.30%
Inflation assumption – CPI	n/a	n/a
Rate of increase in salaries	n/a	n/a
Increases to deferred pensions in excess of GMP before retirement	5%*	5%*
Increases to pensions in payment for all members in respect of service up to 31 December 2003	5%*	5%*
Increases to pensions in payment for all members in respect of service after 1 January 2004	3.30%	3.30%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	0.00%	0.00%

* Fixed rates in rules of Scheme

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The expected age at death on retirement at age 65 are:

		As at 31 July 2018	As at 31 July 2017
Retiring today	Males	87.10	87.20
	Females	89.00	89.10
Retiring in 20 years	Males	88.80	89.00
	Females	90.90	91.00

	2018 £000	2017 £000
Analysis of amount (charged)/credited to other finance income		
Expected return on pension scheme assets	298	315
Interest on pension scheme liabilities	(407)	(495)
Net charge to other finance income (Note 8)	(109)	(180)

Analysis of other comprehensive income/(loss)

Actual return less expected return on pension scheme assets	(1,091)	(747)
Experience gains and losses arising on scheme liabilities	1,232	3,216
Total other comprehensive income	141	2,469

Amounts recognised in the statement of financial position

Present value of scheme liabilities	13,516	14,723
Fair value of scheme assets	9,880	10,610
Deficit in scheme – net pension liability	(3,636)	(4,113)

Reconciliation of scheme assets and liabilities						
	2018			2017		
	Assets £000	Liabilities £000	Net £000	Assets £000	Liabilities £000	Net £000
Deficit in scheme at beginning of the year	10,610	(14,723)	(4,113)	12,416	(19,254)	(6,838)
Movement in year:						
Contributions	445	-	445	436	-	445
Other finance income/(charge)	298	(407)	(109)	315	(495)	(109)
Benefits paid	(382)	382	-	(1,810)	1,810	-
Actuarial gain/(loss)	(1,091)	1,232	141	(747)	3,216	141
Deficit in scheme at end of year	9,880	(13,516)	(3,636)	10,610	(14,723)	(3,636)
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Actual return on scheme assets				2018	2017	
				£000	£000	
Expected return on pension scheme assets				298	315	
Actuarial loss				(1,091)	(747)	
Actual return on scheme assets				(793)	(432)	
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Analysis of Scheme Assets				Long-term ROR expected (including annuities)	Long-term ROR expected (including annuities)	
Equities				1,600	1,474	
Bonds				3,286	2,632	
Property				406	394	
Cash				38	232	
Total market value of invested assets				5,330	4,732	
Secured pensions in payment				4,550	5,878	
				9,880	10,610	
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Long-term ROR expected (excluding annuities)				2.90%	2.80%	
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History of experience gains and losses	2018	2017	2016	2015	2014	
Experience adjustments on Scheme assets						
Amount (£000)	(1,091)	(747)	930	778	337	
Percentage of scheme assets	(11.0%)	(7.0%)	7.5%	7.0%	3.4%	
Experience adjustments on scheme liabilities						
Amount (£000)	(1,232)	(3,216)	3,288	2,523	1,198	
Percentage of Scheme liabilities	9.1%	21.8%	(17.1%)	(16.0%)	(9.1%)	
Actuarial gain/(loss) recognised in other comprehensive income						
Amount (£000)	141	2,469	(2,358)	(1,745)	(861)	
Percentage of Scheme liabilities	(1.0%)	(16.8%)	12.2%	11.0%	6.6%	
Cumulative actuarial loss recognised in other comprehensive income	(6,576)	(6,717)	(9,186)	(6,828)	(5,083)	
<hr/>						
History of defined benefit Scheme						
Present value of defined benefit obligation	(13,516)	(14,723)	(19,254)	(15,804)	(13,104)	
Fair value of Scheme assets	9,880	10,610	12,416	11,158	10,013	
(Deficit) arising in the scheme	(3,636)	(4,113)	(6,838)	(4,646)	(3,091)	

Group Personal Pension Scheme

A GPPS was started on 1 April 2005 for all administrative staff. This Scheme is a defined contribution scheme with employee and employer contributions being based on length of service. There were no contributions outstanding or prepaid at the balance sheet date and the amount of employer contributions paid during the year were £360,000 (£234,000: 2017).

19 Capital commitments

	Consolidated 2018 £000	Academy 2018 £000	Consolidated 2017 £000	Academy 2017 £000
Capital commitments contracted for	20	20	5,020	5,020

20 Lease obligations

Total rentals payable under operating leases:

	Land and Buildings £000	Plant and Machinery £000	2018 Total £000	2017 Total £000
Payable during the year	1,082	43	1,125	1,100
Future minimum lease payments due:				
Not later than 1 year	891	43	934	908
Later than 1 year and not later than 5 years	3,136	26	3,162	3,383
Later than 5 years	29,648	-	29,648	30,721
Total lease payments due	34,757	112	34,869	36,112

21 Related party transactions

The independent members of the Academy's Governing Body are the trustees for charitable law purposes. Due to the nature of the Academy's operations and the members of the Governing Body being drawn from large public and private sector organisations, it is inevitable that transactions may take place with organisations in which a member of the Governing Body may have an interest. A Register of Interests is maintained for members of the Governing Body, senior officers of the Academy and directors of fully owned subsidiaries. The Register of Interests has been reviewed by the Director of Finance. All transactions involving organisations in which a member of the Governing Body may have an interest, are conducted at arm's length and in accordance with the Academy's Financial Regulations and usual procurement procedures.

No trustee (member of the Governing Body) received any remuneration or reimbursement of expenses during the year.

On occasions trustees may make donations for specific purposes but they receive nothing in exchange.

The Royal Academy of Music Students' Union (RAMSU) is a separate entity which is classed as a related party for the purposes of these financial statements. A grant of £42,600 (£42,050: 2017) was due to the RAMSU for their work in supporting students during the year.

The Associated Board of the Royal Schools of Music (ABRSM) is a registered charity (no 292182) and a company limited by guarantee (no 1926395) established by four Royal Schools of Music for the benefit of music education. The ABRSM makes an annual donation which is divided equally between the four schools. The Board of the ABRSM includes members of the Governing Body of the Royal Academy of Music.




The value of the donation from the ABRSM to the Academy was £1,597,500 (£1,247,000: 2017).

Academy Chimes is a subsidiary of the Royal Academy of Music. During the year Academy Chimes sold goods on behalf of the Academy at a total cost of £6,130. At the end of the year £836 was owed to the Academy.

Patron
HM The Queen

President
HRH The Duchess of Gloucester GCVO

Principal
Professor Jonathan Freeman-Attwood CBE

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