



Royal Academy of Music

Financial Statements 2015–16



The Royal Academy of Music, Britain's oldest conservatoire, was established by 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.

Registered Address: Marylebone Road, London NW1 5HT



Contents

Foreword from the Principal	3
The Governing Body	4
Operating and Financial Review for the year ended 31 July 2016	5
Mission	5
Strategic Plan	5
Equality and diversity	5
Past, present and future	5
Financial Overview	13
Corporate Governance Statement	17
Statement on Internal Control and Risks	19
Responsibilities of the Governing Body	20
Independent Auditors' Report to the Academy's Governing Body	21
Statement of Accounting Policies	22
Consolidated Statement of Comprehensive Income and Expenditure	26
Consolidated and Academy Statement of Changes in Reserves	27
Consolidated and Academy Balance Sheet	28
Consolidated Cash Flow Statement	29
Notes to the Financial Statements	30



Foreword from the Principal



I am regularly asked what is special about the Royal Academy of Music. Whilst the outstanding experience, alongside the range and depth of delivery has made it one of the world's leading conservatoires for preparing students for professional life, I focus most of all on the dynamism and individuality of our exceptionally talented young musicians. It is the vitality of the student body as much as the dedication and expertise of the staff that defines our uniquely productive environment.

We are utterly committed to our identity as a vibrant international musical community, embedded within one of the world's most cosmopolitan cities. As musicians, our language speaks across all divides. We know about the many benefits of collaboration and the free exchange of ideas, without regard for international boundaries. Every year we welcome students from over 50 countries to study here, and this fact makes me as proud as any aspect of the Academy. We are determined that, despite the challenges ahead for higher education institutions as a result of the referendum and the UK's impending exit from the European Union, the Academy's unique character, 'worldclassness' and collaborations with overseas institutions will be maintained or enhanced, and that EU students are not deterred or prevented from studying with us, or EU staff working with us, as they are integral to our training.

From period performance to every contemporary idiom – via an outstanding programme of solo, chamber, orchestral, compositional, operative and musical theatre activity – Academy graduates have become renowned for how they shape and influence the creative industries in which they work across the world. It starts with a sense of belonging to a great institution, and the confidence and expertise gained, as well as other critical life skills: habitual self-review, self-determination and entrepreneurial flair, to name just three, so that a musical career is understood as a way of life, not just a job. However distinguished its past as Britain's oldest conservatoire, the Academy is chosen by students as a

place to study for what we offer today – the blend of practical, artistic, social and intellectual qualities which allow our graduates to make a durable impression on 21st-century cultural life.

Tracking each Academy student's journey is extraordinarily exciting; it encourages those privileged to teach here to question the quality and effectiveness of our work at every turn. We seek to realise the potential of each and every person who comes here, in what is a uniquely purposeful and inspiring community of musicians. We respect our significant traditions going back nearly 200 years, but we encourage students to 'critique' what is already here and to challenge themselves, fellow students and staff, as each discover the identity and skills to carry them into, and through, their professional life.

There are no great secrets about how we achieve this: we constantly seek to employ the very best teachers; we plan our unrivalled Diary of Events to provide thrilling opportunities across the whole spectrum; our study programmes enfold the principal study in ways which provide an evolving menu of developing skills – reflected in our strong careers profile; and the special pride we take in witnessing students' successes in the very best professional circumstances.

The atmosphere of any institution is always hard to describe, but it is generally accepted that the Academy is a wonderfully open, stimulating, supportive and friendly place, encouraging and pursuing the realisation of goals which instil confidence and allow students to greet the challenges ahead and absorb the vast range of artistic influences which nurture an ever-more sympathetic and interesting musician. The Academy does not offer one particular school of teaching. Finding the right teacher for students and building appropriate opportunities around the focal point of great mentoring is what makes the ethos of the Academy particularly appealing.

The redevelopment of the Academy's theatre has offered a once-in-a-lifetime opportunity to look at spaces throughout the Academy's site to ensure that they are fit for purpose and meet our strategic aims. The new theatre and recital hall, due to open next year, will provide world-class performance spaces appropriate to the talents of our students and increase significantly access for our ever-expanding and diverse audiences. The construction of a ramp at the main entrance to the building during summer 2017, will, at long last, provide step-free access directly to the foyer, greatly improving access to the Duke's Hall, David Josefowitz Recital Hall and the new theatre and recital hall.

Professor Jonathan Freeman-Attwood
Principal

The Governing Body

Patron

HM The Queen

President

HRH The Duchess of Gloucester GCVO HonFRAM

Vice-Presidents

Lord Burns GCB HonFRAM

Sir Elton John CBE HonRAM DMus

Sir David Lumsden MA DPhil HonRAM HonFRCO

Sir Curtis Price KBE HonRAM

Independent Members of the Governing Body

Dame Jenny Abramsky CBE DBE HonRAM (Chair)

Lady Sainsbury of Turville CBE HonFRAM FSA
(Deputy Chair)

The Rt Hon Lord Sumption OBE PC FSA HonFRAM
(Deputy Chair)

John Burgess HonFRAM

Robin Butler

Lucy Crowe FRAM – appointed November 2015

Matthew Ferrey HonFRAM

Lesley Garrett CBE FRAM – retired July 2016

Lady Heywood

Timothy Parker – appointed November 2015

Laurel Powers-Freeling HonFRAM – retired July 2016

Sir Martin Smith HonFRAM – retired July 2016

Professor Sir Richard Trainor KBE BA MA DPhil FKC

Anthony Travis HonFRAM

John Willan BMus FRAM FRSA FCA

William de Winton – appointed September 2016

Damian Wisniewski BSc(Eng) ACGI LRAM ACA
– appointed September 2016

Elected Members of Governing Body

Patrick Russill HonRAM (Academic Staff Representative)

Liz Williams HonARAM (Administrative Staff
Representative)

Richard Buck (Student Union President and Student
Representative) – retired July 2016

Quinn Parker (Student Union President and Student
Representative) – appointed August to November
2016

Principal

Professor Jonathan Freeman-Attwood BMus MPhil
HonRAM FKC FRNCM

Senior Management Team

Mark Racz BA MFA HonRAM, Deputy Principal

Professor Timothy Jones MA DPhil LTCL HonRAM,
Deputy Principal (Programmes & Research)

Judith Barber BSc CPFA HonARAM, Director of Finance

Carol McCormack BA HonARAM, Director of
Communications

Kirsty MacDonald, Deputy Principal (Advancement &
Campaigns) – appointed November 2016

Secretary to the Governing Body

Melanie Mullin BA, Secretary and Registrar – to
November 2015

Sandra Green HonARAM – appointed February 2016

Committee Membership:

Audit Committee

John Willan

Damian Wisniewski

Linda Peka (external member) – appointed September 2016

Finance & General Purposes Committee

Anthony Travis (Chair)

John Burgess

Matthew Ferrey

Timothy Parker

William de Winton

Professor Jonathan Freeman-Attwood

Mark Racz

Judith Barber

Investment Sub-Committee

Matthew Ferrey (Chair)

John Burgess

Anthony Travis

Judith Barber

Nominations Committee

Dame Jenny Abramsky (Chair)

Lady Sainsbury of Turville

The Rt Hon Lord Sumption

Anthony Travis

Professor Timothy Jones

Remuneration Committee

Dame Jenny Abramsky (Chair)

Anthony Travis

John Willan

Honorary Degrees & Awards Committee

Dame Jenny Abramsky (Chair)

John Willan

Lesley Garrett

Lucy Crowe

Operating and Financial Review for the year ended 31 July 2016

The Governors of the Royal Academy of Music present their annual report and audited Financial Statements for the year ended 31 July 2016 and confirm that they comply with the requirements of the Charities Act 1993, as amended by the Charities Act 2006, the Academy's Charter and the Statement of Recommended Practice 'Accounting for Further and Higher Education' (SORP 2015) published in March 2014.

Mission

The Academy operates under the terms of its Royal Charter, granted in 1830, which requires it 'to promote the Cultivation of the Science of Music'. The Academy aims to enrich musical culture through the training and education of the most talented students to the highest standards. To this end it offers full-time programmes of study at undergraduate and postgraduate levels; it promotes musical research; it cultivates an ambitious, student-centred artistic programme, producing over 500 public events each year; it is the custodian of globally-renowned collections that support its educational purposes; and it engages in outreach activities designed to enhance pre-tertiary music-educational opportunities and to encourage wider access to higher education.

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

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

The Academy contributes to the advancement of education through: its full-time programmes of study; its calendar of publically 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 in higher education; and through the

conservation, display, interpretation, and practical use of its collections to educational ends.

The public benefit of the Academy's core activities to the advancement of arts, culture and heritage is self-evident. By finding the most promising British and international musical talent and nurturing it through the delivery of world-class education and vocational training, we are able to produce 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.

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 2016, the Academy invested £3.0m from our endowment income and other funds raised by the Development Department in scholarships and financial support for talented musicians, many of whom could not otherwise afford to attend the Academy. 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.

Equality and diversity

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

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. 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.

The exciting roster of new appointments during the year is intended to build on existing strengths by appointing individuals who are in the vanguard of professional practice, work at the highest level and are dedicated and inspirational teachers. Appointments included:

- Daniel Bowling, Head of Musical Theatre;
- Gareth Hancock, Director of Royal Academy Opera;
- Dave Holland, Patron of Junior Academy Jazz;
- Dave Liebman: International Jazz Artist in Residence 2015/16;
- John Ramster, visiting producer (previously Resident Producer and Drama Lecturer);
- Larry Goldings: Visiting Professor of Jazz 2015/16
- Lucy Crowe and Timothy Parker, members of the Governing Body;
- Ben Hughes, professor in orchestral studies;
- Mary King: professor of singing, Musical Theatre;
- Mark Wilde, Mary Nelson, Yvonne Howard, Ben Johnson, Andrew Foster-Williams and Giles Underwood: professors of singing;
- Morgan Hayes and Edmund Finnis: professors of composition;
- Rodney Friend: professor of violin;
- Steven Osborne, Visiting Professor of Piano;
- Tom Brady: vocal coach, Musical Theatre.

The programme of staff development for the year included training in assessment, additional learning support, and research-based teaching. The programme for the coming year will address issues identified in the annual monitoring reports for the programmes.

Staff numbers have remained practically unchanged with 223 full-time equivalent (FTE) members in 2015/16, compared with 225 FTEs the year before. 60% of these are teaching and teaching support staff, many of whom are part-time and who bring a wealth of industry experience to their roles.

Facilities

We require extensive and bespoke facilities for one-to-one teaching across all performance and compositional disciplines. Ample space is essential for individual practice and rehearsal, requiring high-quality soundproofing and the on-going purchase and maintenance of nearly 200 pianos and essential audio and HD video recording, live streaming and cutting-edge interactive equipment.

Technology is necessary to train students to function in a profession increasingly driven by change in this area and there were several significant technological developments during the course of the year, all designed to enhance the students' learning experience. The most significant of these was the pilot of an electronic submission framework for written course work. A formal review process followed the pilot and an electronic submission

system will be unrolled across all programmes of study during the next two years.

Work on the redevelopment of the theatre and the addition of a new recital hall commenced fully in summer 2016. Improvements to the theatre space will include a balcony, additional seats, a larger orchestra pit, improved sight lines and better acoustics. The recital hall will offer wonderful performing opportunities for students with integrated recording facilities.

A significant amount of planning has taken place to ensure that students are not adversely affected by the closure of the theatre and associated building works. The new temporary Aybrook Street Academic Centre, close to the Academy, provides large classrooms and soundproofed practice pods for individual practice. We also have an agreement with David Tang to use the excellent facilities at China Exchange in Soho, where academic classes are delivered in two lecture theatres, and soloists and small ensembles have given free concerts in China Exchange's main performance venue.



Figaro: Royal Academy Opera at Hackney Empire October/November 2015

The American Church on Tottenham Court Road is being used by Royal Academy Opera for the intensive early weeks of opera rehearsals before the production moves into its performance venue. The pilot of taking Royal Academy Opera and Musical Theatre out to external venues in London has been a huge success and of enormous benefit to students, who performed a diverse range of repertoire from Mozart's *Le nozze di Figaro* at Hackney Empire and Monteverdi's *L'incoronazione di Poppea* at Shoreditch Town Hall, to *Sweeney Todd* and *Rags* at Hoxton Hall. Ambika P3, in the depths of the University of Westminster building, was the unusual venue for Rimsky Korsakov's *May Night* and Gavin Bryars' installation work *Sinking of the Titanic*, curated by Paul Morley alongside Academy student composers in collaboration with lighting designers from Rose Bruford College. Students enjoyed performing to packed venues and discovering new and enthusiastic audiences across London.

'Excellent in almost every respect, and I wouldn't have missed it for the world... There wasn't a weak link among the singers, all of whom deserve to be singled out' *The Sunday Times* on *May Night*, March 2016.

Students are looking forward to continuing the offsite experience over the coming year with performances at the Hackney Empire and the Round Chapel amongst others.

As part of the strategic development of facilities for students, the Academy's campus has been extended from its site on the Marylebone Road to incorporate the Cross Keys practice centre, and St Mark's Church for orchestral and ensemble rehearsals and recordings. In addition, a reorganisation of administrative spaces on the top floor of the York Gate building has resulted in the creation of several extra practice rooms. These short-, medium- and long-term arrangements mean that current students have substantially more specialist rehearsal, teaching and practice facilities than any of their predecessors at the Academy.



Programmes

This was the first year of the revised BMus curriculum (following the periodic review in 2014/15). The programme's external examiners commented positively on the enhancements represented in the new curriculum, in particular the coherence of the student experience in years 1 and 2. Further enhancements will be made to the curriculum in the next year.

This year saw the formal introduction of a new suite of post-masters taught programmes: a Professional Diploma for students wishing to focus on a particular area of their professional development, and an Advanced Diploma for the elite bracket of students with artistic achievements at the very highest level. The numbers and quality of students taking both these new programmes grew significantly from the pilot year and, given the success of the first year of delivery, we plan a major expansion of the Professional Diploma. The Advanced Diploma will remain, by its nature, a small elite programme.

The provision of world-class one-to-one teaching is the central component of the student's educational experience, universally recognised as the sole means of training musicians to the highest professional level. To complement this, the Academy has a full and diverse schedule of master-classes, ensemble coaching, performance classes and workshops for students in all departments, designed to equip them for successful and varied careers in what is an increasingly complex and fast-changing music profession, both in the UK and internationally.

Museum and Collections

In line with its Collections Policy, the Academy has acquired the use of several new high-quality instruments during the course of the year as part of the continuing development of the prestigious Calleva Collection. These instruments enhance the Academy's ability to support its programmes of study and research culture with a world-leading collection of instruments and musical artefacts.

The Academy is one of the four key partners (with the Royal College of Music, the Horniman Museum and the University of Edinburgh) involved in the HEFCE-funded project, the Musical Instruments Interface for Museums (MINIM), which will bring together all the UK's public musical instrument collections on a single online database. This has several advantages for the Academy including improved catalogue data for our own instruments, a prominent platform to advertise the scope and quality of our collections and an efficient research tool for Academy students and staff to be able to access significant amounts of information about our instruments (including the instrument that they might have on long-term loan from the collections). Once the MINIM project has been completed in 2016/17, the Academy will continue to develop the recording strand of the project to develop a database of the sounds of our instruments in the hands of the succeeding generations of talented musicians who have access to them.

Artistic projects

Student performance opportunities are another crucial and integral part of the educational experience, and the Academy presents nearly 500 performance events each academic year, requiring both industry-standard venues (concerts and theatres) as well as professional level concert management, marketing and box office facilities to attract audiences of all ages to enjoy the work of the Academy.

Autumn term projects started with the Academy's Baroque Ensemble performing with Rachel Podger and renowned harpsichordist and forte pianist Kristian Bezuidenhout. Celebrated physicist and broadcaster Dr Brian Cox gave a lecture on the physics of time, alongside a performance by violin professor Jack Liebeck and Academy students of Messiaen's Quartet for the End of Time. Orchestral projects included Elgar's *Symphony No 2* with Edward Gardner, Brahms' *Symphony No 1* with Robin Ticciati, Haydn and Beethoven with Trevor Pinnock, and Scriabin and Britten with Yan Pascal Tortelier. Contemporary music projects included a side-by-side by London Sinfonietta at the Royal Festival Hall.

Spring term performances by the Academy's Symphony Orchestra with Christian Thielemann and Semyon Bychkov, to celebrate the 80th anniversary of Richard Strauss' visit to the Academy, can be viewed online at the website. The first collaboration with the Royal Academy of Dramatic Art (RADA) was a resounding success with Royal Academy Opera working with RADA's technical students on an Opera Scenes

production in RADA's Vanburgh Theatre. The Academy's hosting of the Menuhin Competition and performance by the Academy Symphony Orchestra in the Senior Finals at the Royal Festival Hall were a great achievement and attracted fine reviews. Live streaming by our recording team of all of the competition rounds, which proved to be a triumph, reached 34,000 people in 138 countries.

Recording studios

The Academy's recording facilities are being redeveloped as part of the theatre project. In addition to filming many orchestral and other public events, provision for student recordings has been greatly increased. We are constantly seeking ways to ensure our students are prepared for the professional world. By embracing this particular aspect of music making, it is hoped that each of our students will find another dimension of creative fulfilment and professional success.



Research

In line with its Research Policy, the Academy implemented the first phase of its Open Access Policy in 2015/16. All staff who publish in academic journals are required to ensure that there is Open Access to those examples of their published work. The Academy has moved beyond HEFCE's base line requirements and has taken steps through its research funding policy to encourage staff to make as much as possible of their research output Open Access.

Research training was delivered to 28 members of staff and circa £20,000 was disbursed in support of research projects.

The Academy hosted a three-day conference-festival on the Historical Pianist in the Piano Gallery and the Cobbe Collection at Hatchlands Park, Guildford. The event brought together performer-researchers, instrument experts and keyboard instruments in two historical instrument collections, providing a platform for artistic research focusing on the creative potential in historical sources.

There were over 57 research events during the course of the academic year.

Collaborations

The Academy participates in high-profile collaborations with leading international conservatoires and professional ensembles. In recent years we have undertaken major projects with The Juilliard School, including the World and North American Premieres of Sir Peter Maxwell Davies' *Kommilitonen!*, two BBC Proms, and performances at the Lincoln Centre and at the BachFest in Leipzig. Over 50 members of staff have taken leading roles in artistic and educational projects at other institutions, including Eastman School of Music, YST Conservatory of Music, Yonsei University Seoul, and the OSESP Academy São Paulo. Members of staff also act as external assessors at other UK higher education institutions.

The Academy is part of a second successful consortium with the Conservatoire for Dance and Drama and the Royal College of Music which has been awarded £2.95 million for the Virtual Conservatoire: a ground-breaking collaborative project which will explore how advancements in digital technology can transform the conservatoire curriculum to develop innovative learning and teaching methodologies, provide students with enhanced facilities and offer exceptional training experience.

The Academy celebrated the 25th Anniversary of its annual collaboration with the great south German Abbey of Neresheim. Over the years some 350 Academy students have benefitted from the Neresheim course.



Vocal students at Neresheim Abbey

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

League tables

In this year's National Student Survey (NSS) the Academy scored higher than our competitors in the conservatoire sector for overall satisfaction, and in the categories of teaching, advice and support, and organisation and management of the programme. The NSS surveyed final-year students on our Undergraduate programmes between February and May 2016. Out of a potential pool of 75 students at the Academy, 68 responded to the survey.

Our enhancement strategy for improving feedback to students includes the introduction of an electronic submission and feedback system in 2016/17, clearer guidance for students in how to make use of the many forms of feedback they receive, and a stronger advisory role for Tutors in order to help students engage more fully with the feedback we provide on their assessed work.

The Destinations of Leavers in Higher Education (DLHE) survey was conducted on behalf of the Academy by the Career Group, University of London, for the first time in 2016. 75% of leavers from the 2014/15 academic year responded to the survey, with the results showing that 100% of UK domiciled Academy graduates from the BMus programme are either employed or undertaking further study. The score of 100% will be judged against our benchmark of 93.7%. This is the highest benchmark in the sector because of our incomparable historical record in this measure.

Student numbers

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

		2015/16	2014/15
Applicants	UG UK/EU	730	720
	UG Overseas	202	259
	PG UK/EU	836	839
	PG Overseas	461	436
		2,229	2,254
Enrolments	UG UK/EU	100	86
	UG Overseas	28	27
	PG UK/EU	164	178
	PG Overseas	59	72
		351	363

International recruitment

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

International numbers (non-EU) are up by 6% from last year, including year-on-year increases in Chinese enrolment over the past three years. Excellent progress has been made in Japan following the Principal's visit there in January 2016, and we have undertaken a series of institutional visits and staff exchanges, as well as planning a major collaborative orchestral project with the Tokyo University of the Arts in 2018. Japanese student numbers are up nearly 50% from 2014/15.

With the current uncertainty regarding the future of EU recruitment post the referendum result, the Deputy Principal has been given enhanced responsibility for developing a robust strategy for international recruitment and overseeing its implementation beginning in the 2016/17 academic year. This will also include planning for European recruitment in the era after Britain leaves the EU. There will be a single point of contact for all international activity with the exception of the Academy's programme of overseas auditions, which will continue to be organised by the Registry.

The Academy will recruit market-specific specialists on fixed term contracts to undertake research and make recommendations on developing recruitment in target markets and a range of further exchanges and collaborations are planned.

Results for 2015/16

Academy programmes have the intensive practice-based focus necessary for elite musical training, encompassing essential skills for success at the highest level. We train graduates who make a significant impact on the profession by: raising performance standards; identifying and pursuing creative agendas; and forging innovative career paths and business models. Creative individuality and independent thinking lie at the heart of the Academy's ethos.

Following the assessment round at the end of the 2015/16 academic year, the Examinations Board ratified 73 BMus awards and 131 MA awards. Given the competition for entry to the programme it was pleasing but not surprising to see the preponderance of Firsts and Upper Seconds among the BMus cohort. The external examiners commented on the very high overall standard of student achievement, and the outstanding levels achieved by the large number of students in the upper echelons of the First-Class bracket.

BMus Awards	2015/16		2014/15	
	No	%	No	%
First	45	60%	43	50%
Upper Second	26	35%	31	36%
Lower Second	2	3%	11	13%
Third	-	0%	1	<1%

The proportion of postgraduate students who achieved a Distinction was also impressive. The

external examiners commended the programme for developing musicians whose artistry, technique and professional development are kept in a fine balance, all at a very high level.

MA/MMus Awards	2015/16		2014/15	
	No	%	No	%
Distinction	87	67%	86	54%
Merit	37	28%	68	43%
Pass	7	5%	10	6%

Under the powers of the Academy's Royal Charter, the Examinations Board may award a DipRAM 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 37 (28%) such awards were made (48 (29%): 2014/15).



Graduation July 2016

Learning support

During 2015/16 the Academy reviewed its student support mechanisms and significantly revised them to blend the learning support team more thoroughly within staff delivering the programmes of study. An undergraduate tutor has been given specific responsibility for liaising between teaching staff and learning support staff. The Academy's learning support tutor has developed a bespoke package of online training for Academy staff, tailored to the specific needs of the institution and its programmes of study.

3. To demonstrate outstanding engagement with the wider community.

Open Academy

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

Open Academy has continued to provide outstanding musical and educational opportunities for children, adults with learning disabilities, teachers, older people and people diagnosed with dementia and their carers, through workshops, performances and training sessions with over 26 partners. Outreach projects

include Vital Arts (the arts organisation for Barts Health NHT Trust) to deliver arts projects for the well-being of patients, staff and the wider hospital community; Camden Music Service, Spitalfields Music, Wigmore Hall, Kings Place, Glyndebourne, Westminster Arts and a range of schools in Camden, Westminster, Tower Hamlets, Haringey, Southwark and Hackney.

During the year 49 projects, involving 273 Academy students, delivered a wide range of creative music workshops, performances and training sessions to 6,125 participants, including 3,994 children in school settings.

An important recent development is project work with dementia sufferers, which is now being supported by a collaborative research project with the Wellcome Trust.

Junior Academy

Junior Academy offers a unique opportunity to talented and committed young musicians from all backgrounds, who want to be inspired, challenged and encouraged in their aim to make the very best of their musical ability. Junior Academy is a fundamental and integral part of the Academy and continues to provide the highest quality music education through its First Strings, Primary Academy and Junior Academy programmes.

A particularly important development is the Chance to Play scheme, where students from BAME backgrounds are invited to join the First Strings programme as beginners.



Junior Academy: First String Experience

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.

We offer a large number of bursaries each year in addition to our 35 Music and Dance Scheme government-funded places and are grateful for the continuing support of Wolfson Foundation, Leverhulme Trust, Sir Elton John Trust and a number of individual benefactors.

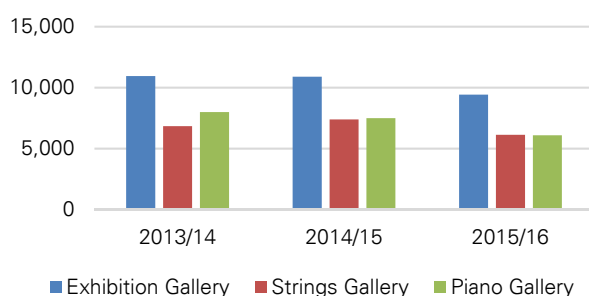
		2015/16	2014/15
Junior Academy:	Applications	182	173
	Enrolments	43	58
Primary Academy:	Applications	65	85
	Enrolments	15	19
First Strings:	Applications	85	92
	Enrolments	30	30
Total number of bursaries offered		71	73

Junior Academy cellist, Sheku Kanneh-Mason, won the 2016 BBC Young Musician Competition, performing in the Final at the Barbican Concert Hall with the BBC Symphony Orchestra, conducted by Academy alumnus Mark Wigglesworth. In addition, trumpeter, Alexander Ridout, won the BBC Young Musician Jazz Award in March.

Museum and Collections

The Academy's Museum and Collections contribute to music's capacity to inspire, unite, console and stimulate 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.

Number of visitors



The Museum regularly holds lecture-recitals, seminars, workshops, special events and family activities, all open to the public for free.

The strategic aims of the Museum and Collections are:

1. to develop vibrant displays throughout the Academy and its galleries and increase engagement with the collections - through lively interpretation, outreach and programming;
2. to support the culture of musical research and practice in the Academy and beyond, demonstrated through displays and events;
3. to increase access to the collections and information about them for users within the Academy and for the wider public - using digital means as well as traditional methods; and
4. to enable active use of the collections today – whilst responsibly preserving them for tomorrow.

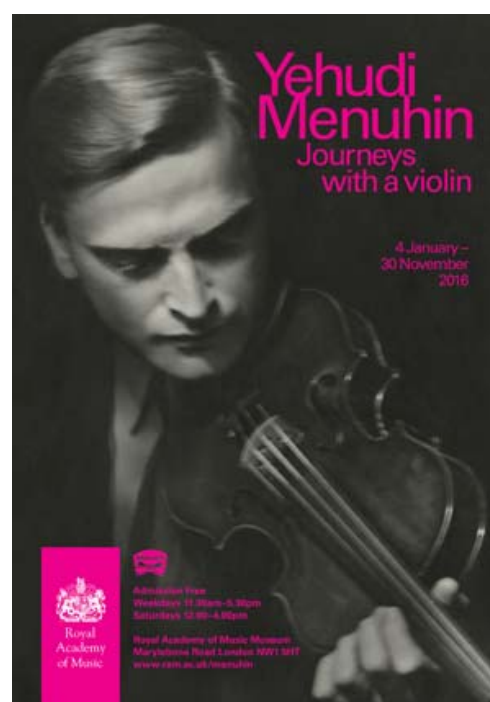
The Museum and Collections team continues to provide a valuable service for researchers beyond the Academy. In 2015/16 there were 227 enquiries from external researchers, which led to 74 visits to the

Museum from external researchers. There were 503,945 unique page views by 19,056 users and 17,476 returning users to the collections web pages. Of the 150 short-term loans of instruments from the collections, 15% were to external performers enabling them to undertake practice-based research projects. The Museum staff curated five exhibitions and organised 64 collections-related events.

In addition to the permanent galleries dedicated to Strings, Pianos and the Academy's history, major temporary exhibitions included 'War Music' (April 2014 to October 2015), which explored the reality of the battlefield during the First World War. Music was heard on the battlefield, in concert halls, camps and churches and this exhibition took a broad look at the relationship between music and war against the background of radical musical change. This special exhibition displayed a host of popular and familiar songs, designed to inspire loyalty and patriotism, and original instruments, images and manuscripts. It also followed the Academy's own story during the war and events.

During April 2016, the Academy hosted the Menuhin Competition and the Museum played a central role in many of the Academy's celebrations in honour of Yehudi Menuhin. An exhibition, 'Yehudi Menuhin: Journeys with a Violin', drawn from the Foyle Menuhin Archive, celebrated 100 years since his birth.

'Early Modern Music: Sounds from the Spencer Collection' (January 2017 to March 2018) will feature highlights from this rare and beautiful assemblage of 16th-century lutes, guitars and manuscripts. The exhibition will also look at the notion of collecting via this collection's creator, Robert Spencer, HonRAM (1932 to 1997).



Alumni Network

Academy graduates have a global influence on all spheres of the music industries.

Launched in June 2010, the Alumni Network exists to keep the Academy present in the minds and lives of its alumni and provides a wide-ranging professional support service and social network for graduands and alumni. Our global Academy family is central to all that we stand for, and we are committed to expanding our international alumni operations and developing centres of activity across the world. In some countries, ie Hong Kong, a 'centre' may be physical, offering concerts, reunions and professional development opportunities. In other countries it may only be possible, or necessary, to run a virtual alumni 'centre' due to distances involved or the number of alumni located. Many countries will have both. Virtual and physical 'centres' will provide visiting students and alumni, as well as returning alumni, the opportunity to feel connected and supported.

So far, the Academy's Alumni Network has centres and Network Managers in place in Australia, Germany, Hong Kong, Japan, New Zealand, and the United States.

Access

The Academy has finally been granted planning permission to construct a ramp at the front of the building. Work will commence during 2017 to enable completion in advance of the opening of the new theatre and recital hall. This is a welcome development which will allow improved access for all users of the building.



Artist's impression of ramp

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

Our ambition is to ensure that no prospective student with the appropriate talent and potential, irrespective of background, is denied the chance of studying here. We also aim to help relieve and grow the budget in areas where better opportunities and facilities need to

be offered to students and staff. This is essential if we are to keep a step ahead of economic and political unknowns which, as recent history has shown, can rapidly undermine the status quo.

The Academy has made transformative progress in developing income generation. Continuing our growth of philanthropic income is essential to recruit the best students, as well as giving us the resources to undertake capital projects to enhance the quality of our programmes.

2015/16 has been another successful year raising funds for both bursaries and scholarships and the theatre project. The challenge of meeting targets has been more than met, with targets for both bursaries and general income exceeded.

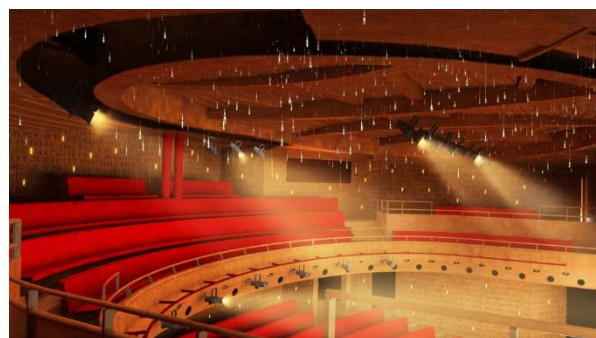
The Academy has invested in new posts within the Development Department, including a Prospect Research Manager, a Trusts and Foundations Manager, and a Philanthropy Manager.

Towards the Bicentenary

In its 2016 Review of Specialist Institutions, HEFCE recently acknowledged our world-class status, while also increasing our funding. It is excellent and reassuring news and yet we have far more to achieve. However robust it appears now, our current financial model is unlikely to match our ambition to raise prospects significantly for both students and staff in the coming years.

The Governing Body and Senior Management Team have been working together to build a new fundraising strategy that will take us through to our 200th birthday in 2022, and beyond. At present we are calling this 'Towards our Bicentenary'. Kirsty MacDonald has been appointed Deputy Principal (Advancement & Campaigns) to lead this campaign.

Raising money in a congested market is a genuine challenge, and one in which our Development Department has made outstanding strides in the last decade or so. Thanks to their work, we have been able to build up our patronage and general support to a level that keeps us competitive in our allocation of bursaries and scholarships, while also funding educational and capital projects.



The new theatre

Financial Overview

For the first time the Academy is presenting its Financial Statements under FRS102 and in line with the new Statement of Recommended Practice: Accounting for Further and Higher Education (SORP 2015). As a result of the changes from the previous SORP 2007 there are significant movements in certain figures which impact on the bottom line and prior year figures have been re-stated to provide appropriate comparators. Note 23 on pages 42 to 44 shows the movement between the old and new versions, identifying the adjustments made.

Key changes include:

- The inclusion of restricted capital donations in the Statement of Comprehensive Income (SOCl). We are in the midst of fundraising for our theatre re-development and new recital hall and we have been fortunate to receive £7.3m in donations for the project in 2015/16 (£1.1m: 2014/15). The result is that the restricted donations income has risen, leading to a surplus of £7.8m, however, this is specifically identified as funding for the theatre project and is not part of the Academy's general funds. Similarly, the majority of gifts made to the endowment fund are given with restrictions on their use.
- The revaluation of investments and the actuarial loss/gain on the RAM1967 Pension Scheme are important but can mask the underlying operating activity. Consequently, when considering the SOCl, a more meaningful figure for understanding the Academy's financial health and sustainability is to consider the result without accounting for restricted and endowment income. In this case the figure is a deficit of £1.9m (£0.2m deficit: 2014/15). After the exclusion of the losses on the RAM1967 Pension Scheme this converts to a surplus of £410,000. This was a planned outturn reflecting the one-off revenue costs associated with the theatre capital project. Costs of alternative teaching space, practice rooms and performance venues all had to be incurred to ensure the student and staff experience remained excellent.
- There have also been changes to the way in which fees and bursaries are recorded. Previously a donation intended to pay a student's fees would be accounted for as both a donation and fee income, with a corresponding entry under bursary expenditure. It is now shown only as a donation. As a result, fee income and general educational expenditure will both appear lower than in previous years.



Monteverdi's *L'incoronazione di Poppea* - Royal Academy Opera at Shoreditch Town Hall, May 2016

Summary of income and expenditure	2015/16 £000	2014/15 £000
Income before Donations and Endowments	15,638	15,460
Donations and Endowments	4,329	4,698
Theatre donations	7,286	1,047
Expenditure	(18,556)	(18,073)
Operating surplus before other gains or losses	8,697	3,132
Gain/(loss) on disposal of Fixed Assets	43	(10)
Loss on investments/actuarial loss in respect of RAM1967 pension scheme	(911)	(941)
Total Comprehensive income	7,829	2,181
Represented by:		
Endowment comprehensive income for the year	2,156	1,410
Restricted comprehensive income for the year	7,456	879
Unrestricted comprehensive income for the year	(1,948)	(202)
Revaluation reserve comprehensive income for the year	165	94
	7,829	2,181

Since the introduction of the new SORP 2015, capital donations for the new theatre are required to be included as income, producing a surplus of £7,829,000.

However the operating surplus, after exclusion of these restricted donations and other adjustments is £410,000, as shown below.

Total Comprehensive Income for the year from above	7,829	2,181
Exclude Endowment Comprehensive Income (generally restricted in use)	(2,156)	(1,410)
Exclude Restricted Comprehensive Income (mainly theatre donations)	(7,456)	(879)
Exclude Revaluation Reserve Comprehensive Income (notional sum)	(165)	(94)
Exclude actuarial loss on RAM1967 Pension Scheme for the year	2,358	1,745
Operating surplus after adjustments	410	1,543
Operating surplus after adjustments as percentage of total income	1.5%	7.3%
Donations and Endowments:		
Revenue donations	3,516	4,125
Capital donations and endowments including Theatre	8,099	1,620
	11,615	5,745

The new Consolidated Balance Sheet also shows changes from the previous SORP2007 and a table indicating the movements can be found in Note 23. Key changes include:

- The revaluation of the Musical Instrument Collection which increased by £21.4m at 1 August 2014 to provide a revised figure on transition. Annual revaluations are not planned although the condition of the collection will be monitored to ensure that any deterioration is recognised;
- The inclusion of a share of the Universities Superannuation Scheme pension deficit, which was not previously recognised in the Academy's accounts, valued at £132,000;
- The removal of deferred capital grants totalling £18.3m.

In conjunction with these changes the Academy undertook a review of the Long-Term Maintenance provision associated with the lease of the main buildings and adjusted it to more accurately reflect the requirements of the lease.

Liquidity

The Academy has £20.8m of cash and cash deposits (£17.8m: 2014/15), which have accumulated over several years to provide a buffer against uncertainty in the economic climate and as a result of the EU Referendum. In addition, the increase over the last year is a result of donations for the theatre project. Current assets exceeded current liabilities by £17.9m (£14.9m: 2014/15). Overall liquidity is healthy but a large 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, some through a HEFCE Catalyst grant and some from our own reserves.

Endowments

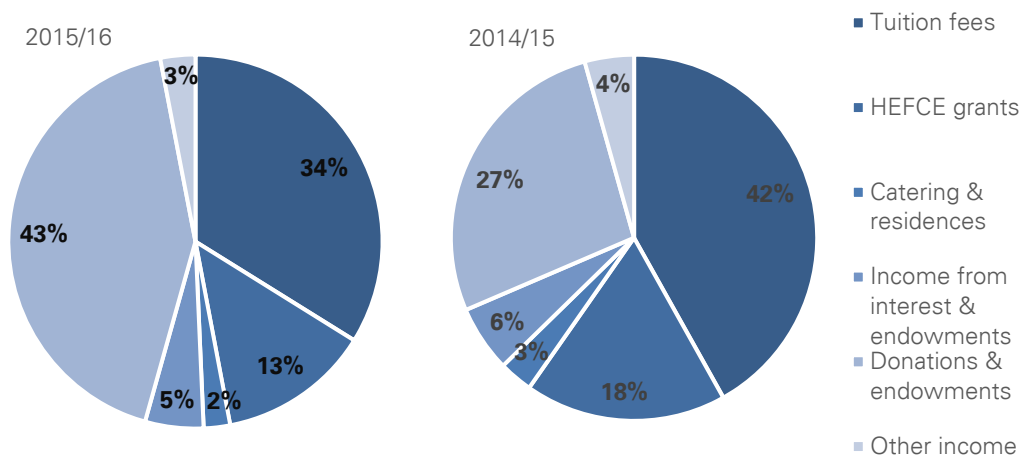
The Academy has a number of endowment assets which form its Legacy Pool. It represents the accumulated capital funds donated or bequeathed to the Academy for various purposes but mainly to provide scholarships, bursaries and prizes for the benefit of students. These investments are managed by external fund managers within strategic guidelines set by the Finance & General Purposes Committee. The market values of the combined endowment and fixed asset investments were £36.6m at 31 July 2016 compared with £34.2m the year before, although £1.2m of funds were added to the portfolio during the year. The value of the portfolio grew by 4%. The fixed asset investment comprises general unrestricted Academy funds of £4.1m 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% (2.7%: 2014/15). The Academy will add further money to the portfolio as and when gifts are received.

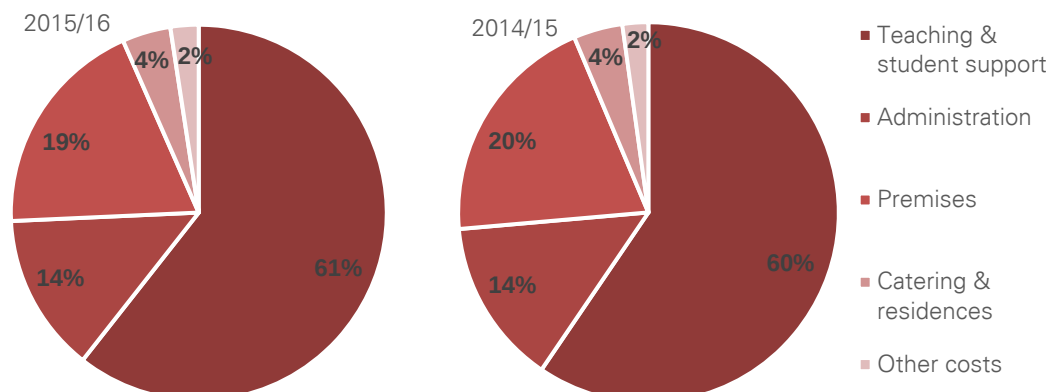
Procurement

In seeking ongoing efficiencies and improved value for money the Academy has joined the Ensemble Purchasing Consortium, allowing the appointment of a part-time Procurement Manager. As a small institution the Academy is not in a position to support a full-time role but although only in existence for a few months the benefits are already being felt. More specifically we have had advice in acquiring a new telephone system and multifunction printers, along with support in tendering for potential contractors to construct the new entrance ramp.

Income



Expenditure



Funding

The revised formula for specialist institutions funding (RISTA) has resulted in a significant increase in Higher Education Funding Council for England (HEFCE) grant for 2016/17, as the grant is now allocated according to a formula based on prior year student numbers rather than the previous three-stage process of recalculation as actual student numbers were confirmed. The Academy's total recurrent grant from HEFCE for 2016/17 (Teaching, Research and Higher Education Innovation Fund grant) has increased by 45% from 2015/16.

HEFCE said of the Academy's submission for institution-specific funding: ***'This institution was seen to be setting global standards in conservatoire education. There was compelling evidence that hugely impressive major international artists were both engaging with and emerging from the institution. Collaborations with other leading institutions around the world were seen as indicative of the esteem in which the peer group holds the Royal Academy of Music.'***

The Academy's submission to RISTA was based on the premise that small, specialist institutions would receive additional funding support based on the extent to which they could demonstrate that they are 'world class', both in the quality of educational provision and in terms of the quality of our alumni and their influence on the global music industry. Any significant reduction in EU student numbers would seriously undermine our ability to maintain this international credibility, not just within the EU but worldwide, and would undermine the UK's position as one of the leading global providers of quality higher education. There is also concern that the Academy's excellent DLHE statistics are undoubtedly helped by our graduates' access to the single market.

The Academy is in the midst of an exciting period as we approach our bicentenary in 2022. The completion of the theatre and the addition of a new recital hall will enable the Academy to continue to develop its role as a central London arts venue with two new performing spaces. The entrance ramp will improve access arrangements for all our visitors and we hope the focus on our international campaign will continue to provide us with some of the best student talent from around the world. We are confident that our underlying financial position and clear strategic vision will enable us to do all this, and more.



Corporate Governance Statement

The Corporate Governance Statement and Statement on Internal Control and Risks relates to the financial year 1 August 2015 to 31 July 2016, and up to 23 November 2016 when the 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 Higher Education Funding Council for England (HEFCE), and subject to the terms and conditions of the Memorandum of assurance and accountability between HEFCE and institutions (HEFCE 2016/12).

The Academy endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life, and the guidance provided by the Committee of University of Chairs in The Higher Education Code of Governance.

The Academy is an independent corporation whose legal status derives from a Royal Charter granted in 1830. It is also a charity registered with the Charity Commission and a company registered with Companies House. 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 considered to be out of date in some ways and will be updated, subject to Privy Council approval, to ensure that it is relevant and fit for purpose for many years to come. The size and composition of the Governing Body and independent members' terms of office are under review, and the terms of office for staff and student members are to be extended to enable them to engage fully in the business of the Governing Body.

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. The Governing Body comprises the President, 10 to 15 independent members who are 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 which 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 and Academic Board, which are formally constituted as Committees of the Governing Body with written terms of reference and reporting structures. 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. In addition, working groups are constituted as required, such as the Theatre Management Group, which oversees 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 effect from 22 February 2016 a new Secretary to the Governing Body was appointed.

Corporate Governance arrangements are reviewed annually and amended as the Governing Body sees fit. A formal review of effectiveness of the Audit Committee was completed in July 2016 which benchmarked the Committee against best practice in the sector. As a result, a number of recommendations were agreed to enhance governance and are in the process of being implemented. An external member of the Audit Committee has been appointed with effect from September 2016 to provide additional expertise and scrutiny of the Academy's operations.

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 HEFCE and monitors adherence with regulatory requirements and provides the Governing Body and the Principal with a 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 persons suitable for nomination as independent members to ensure that the Governing Body has appropriate expertise to meet its short- and long-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 challenge is to identify high-calibre individuals who meet these priorities and have sufficient time to devote to the Academy as active members of the Governing Body, Committees and Working Groups.

The **Remuneration Committee** is responsible for recommending the terms of employment and remuneration of the Principal and members of the Senior Management Team.

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

The **Chief Executive Officer** of the Academy is the Principal 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 terms of the Memorandum of assurance and accountability between HEFCE and the Academy, 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, Deputy Principal (Programmes and Research), Director of Finance, Director of Communications and the Deputy Principal (Campaigns and Advancement).

Fundraising

Philanthropy plays an increasingly important role in the life of the Academy – providing vital support for its students, buildings and programmes. The Academy's fundraising activities are carried out by our own development team working closely with senior volunteers (such as members of the Governing Body) and Academy leadership and staff (such as members of the Senior Management Team or Heads of Departments).

Our fundraising is focussed on building relationships with fellow music-lovers who might be interested in supporting the Academy. We engage our community (Patrons, concert and event attendees, alumni, visitors and friends) in the life of the Academy through personalised contact and activities. We keep accurate records of our constituents on our database. We do not mail or telephone individuals who do not have a connection to the Academy nor do we buy lists from agencies.

There are no fundraisers acting on behalf of the Academy which require monitoring.

No complaints were received by the Academy about its fundraising activities.

We are very aware of the need to protect vulnerable people and other members of the public from unreasonable intrusion on their privacy, undue pressure to give money or other property, or unreasonably persistent approaches to obtain donations to the charity.

In accordance with the regulations of the 1998 Data Protection Act and our Data Protection Policy, we do not share personal information with a third party.

Statement on Internal Control and Risks

The Governing Body has, in accordance with its Charter and Bye-Laws and the Memorandum of assurance and accountability between HEFCE and institutions, 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 2016 and up to the date of approval of the Financial Statements, and accords with HEFCE 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;
- 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. Changes in risk assessments are reported to the Audit Committee; and
- 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;
- capital works being delayed and over-budget;
- disruption of the student experience as a result of the building; and
- possible crystallisation of the USS deficit.

Discussions are ongoing with USS regarding the final bullet point above. All other risks listed are discussed by senior management on a weekly or monthly basis with mitigating actions in place.

The Academy is subject to review by internal audit which, for 2015/16, 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 Memorandum of assurance and accountability between HEFCE and institutions (2016/12) and report on the adequacy and effectiveness of the Academy's system of internal control, make recommendations for improvement and monitor implementation.

The Governing Body's full review of the effectiveness of the system of internal control for the period 1 August 2015 to 23 November 2016 was informed by the Audit Committee, the work of the internal auditors and the Senior Management Team, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter.

The Corporate Governance Statement and Statement on Internal Control and Risks was approved by the Governing Body and the Principal on 23 November 2016, 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 audited Financial Statements each financial year.

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 terms and conditions of the Memorandum of assurance and accountability between HEFCE and the Academy, 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; and
- 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 HEFCE of any significant changes in its circumstances that could impact on the mutual interests of the Academy and HEFCE;
- using public funds for proper purpose and seeking to achieve value for money from public funds; and
- delivering its charitable purpose for the public benefit:
 - sending required returns and information to HEFCE;

- 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 HEFCE'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 formalised 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; and
- the existence of sub-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.

Independent Auditors' Report to the Academy's Governing Body

We have audited the group and parent institution financial statements (the "financial statements") of the Royal Academy of Music for the year ended 31 July 2016 which comprise the consolidated statement of comprehensive income and expenditure, the consolidated and Academy balance sheets, the consolidated statement of cash flows, the consolidated and Academy statement of changes in reserves and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Respective responsibilities of the Governing Body and Auditors

As explained more fully in the Statement of Corporate Governance, the Governing Body are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards of Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Governing Body as a body in accordance with paragraph 14(2) of the Academy's articles and section 124B of the Education Reform Act 1988 and for no other purpose. We do not, in giving these opinions, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and institution's affairs as at 31 July 2016, and of the group's income and expenditure, gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102); and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE 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;
- income has been applied in accordance with the institution's articles of governance;
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- The statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group.

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

24/11/16

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. The new SORP 2015 came into effect for the accounting year 2015/16 and as a result new accounting policies were approved by the Audit Committee on 8 June 2015.

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 and York Gate Music Trust was dissolved 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 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' but 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 Teachers' Pension Scheme (TPS), a Group Personal Pension Scheme (GPPS); the National Employment Savings Trust (NEST); and the Universities Superannuation Scheme (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 Academy has only four members in the USS and a liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

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 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 which 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 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 Cross Keys practice rooms are being depreciated over 10 years, 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 or 15 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 which 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:

- the Academy has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- 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. Transition to SORP

The Academy is preparing its Financial Statements in accordance with FRS102 for the first time and has therefore applied the first time adoption requirements. An explanation of how the transition to SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the Academy is provided in Note 23.

Application of first time adoption grants certain exemption from the full requirements of SORP in the transition period. The following exemptions have been taken into these Financial Statements.

Fair value at 1 August 2014 has been used for the deemed cost of musical instruments on transition.

16. Significant estimates and accounting judgements

In the preparation of the 2016 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 2016, 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.

Consolidated Statement of Comprehensive Income and Expenditure

	<i>Note</i>	<i>Consolidated 2016 £000</i>	<i>Academy 2016 £000</i>	<i>Consolidated 2015 £000</i>	<i>Academy 2015 £000</i>
Income					
Tuition fees	1	9,229	9,229	8,883	8,883
Funding council grants	2	3,584	3,584	3,780	3,780
Research grants and contracts	3	22	22	2	2
Other income	4	1,427	1,166	1,554	1,293
Investment income	5	1,376	1,376	1,241	1,241
Total Income before Donations and Endowments		15,638	15,377	15,460	15,199
Donations and Endowments (excluding Theatre donations)	6	4,329	4,329	4,698	4,698
Theatre donations	6	7,286	7,286	1,047	1,047
Total Income		27,253	26,992	21,205	20,944
Expenditure					
Staff costs	7	10,259	10,259	10,128	10,128
Other operating expenses		7,412	7,151	7,128	6,867
Depreciation	10	721	691	685	655
Interest and other finance costs	8	164	164	132	132
Total Expenditure	9	18,556	18,265	18,073	17,782
Operating Surplus before Other Gains or Losses		8,697	8,727	3,132	3,162
Gain/(loss) on disposal of Fixed Assets		43	43	(10)	(10)
Gain on investments		1,447	1,447	804	804
Surplus for the year		10,187	10,217	3,926	3,956
Actuarial loss in respect of RAM1967 Pension Scheme	18	(2,358)	(2,358)	(1,745)	(1,745)
Total Comprehensive Income for the year		7,829	7,859	2,181	2,211
Represented by:					
Endowment comprehensive income for the year		2,156	2,156	1,410	1,410
Restricted comprehensive income for the year		7,456	7,456	879	879
Unrestricted comprehensive income for the year		(1,948)	(1,918)	(202)	(172)
Revaluation reserve comprehensive income for the year		165	165	94	94
		7,829	7,859	2,181	2,211

Since the introduction of the new SORP 2015, capital donations for the new theatre are required to be included as income, producing a surplus of £7,829,000.

However the operating surplus, after exclusion of these restricted donations and other adjustments is £410,000, as shown below

	<i>2016 £000</i>	<i>2015 £000</i>
Total Comprehensive Income for the year from above	7,829	2,181
Exclude Endowment Comprehensive Income (generally restricted in use)	(2,156)	(1,410)
Exclude Restricted Comprehensive Income (mainly theatre donations)	(7,456)	(879)
Exclude Revaluation Reserve Comprehensive Income (notional sum)	(165)	(94)
Exclude actuarial loss on RAM1967 Pension Scheme for the year	2,358	1,745
Operating surplus after adjustments	410	1,543

The Notes on pages 30 to 44 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 Account			Revaluation Reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
Balance at 1 August 2014	30,204	1,725	107,144	74	139,147
Surplus/(deficit) from the income and expenditure statement	1,410	879	(202)	94	2,181
Release of restricted capital funds spent in year	-	(1,538)	1,538	-	-
Balance at 1 August 2015	31,614	1,066	108,480	168	141,328
Surplus/(deficit) from the income and expenditure statement	2,156	7,456	(1,948)	165	7,829
Release of restricted capital funds spent in year	-	(5,411)	5,411	-	-
Balance at 31 July 2016	33,770	3,111	111,943	333	149,157

Academy	Income and expenditure Account			Revaluation Reserve	Total
	<i>Endowment</i>	<i>Restricted</i>	<i>Unrestricted</i>		
Balance at 1 August 2014	30,204	1,725	106,274	74	138,277
Surplus/(deficit) from the income and expenditure statement	1,410	879	(172)	94	2,211
Release of restricted capital funds spent in year	-	(1,538)	1,538	-	-
Balance at 1 August 2015	31,614	1,066	107,640	168	140,488
Surplus/(deficit) from the income and expenditure statement	2,156	7,456	(1,918)	165	7,859
Release of restricted capital funds spent in year	-	(5,411)	5,411	-	-
Balance at 31 July 2016	33,770	3,111	111,133	333	148,347

Consolidated and Academy Balance Sheet

	<i>Note</i>	<i>Consolidated 2016 £000</i>	<i>Academy 2016 £000</i>	<i>Consolidated 2015 £000</i>	<i>Academy 2015 £000</i>
Non-Current Assets					
Fixed Assets:					
Heritage	10a	67,241	66,431	67,294	66,454
Operational	10a	35,471	35,471	30,472	30,472
		102,712	101,902	97,766	96,926
Non-current Investments	11	35,696	35,696	33,608	33,608
		138,408	137,598	131,374	130,534
Current Assets					
Stock		125	11	109	12
Trade and other receivables	12	888	868	542	535
Current Investments	13	13,900	13,900	11,285	11,285
Cash and cash equivalents		6,948	6,934	6,521	6,505
		21,861	21,713	18,457	18,337
Creditors: Amounts falling due within one year	14a	(3,934)	(3,898)	(3,530)	(3,508)
Net Current Assets		17,927	17,815	14,927	14,829
Total Assets less Current Liabilities		156,335	155,413	146,301	145,363
Creditors: Amounts falling due after more than one year	14b	(112)	-	(98)	-
Provisions					
Pension provisions	15	(6,979)	(6,979)	(4,778)	(4,778)
Other provisions	15	(87)	(87)	(97)	(97)
Total Net Assets		149,157	148,347	141,328	140,488
Restricted Reserves					
Income and Expenditure Reserve - Endowment	16	33,770	33,770	31,614	31,614
Income and Expenditure Reserve - Restricted	17	3,111	3,111	1,066	1,066
		36,881	36,881	32,680	32,680
Unrestricted Reserves					
Income and Expenditure Reserve - Unrestricted		111,943	111,133	108,480	107,640
Revaluation reserve		333	333	168	168
		112,276	111,466	108,648	107,808
Total Funds		149,157	148,347	141,328	140,488

The Notes on pages 30 to 44 form part of these Financial Statements.

The Financial Statements were approved by the Governing Body and authorised for issue on 23 November 2016.



Dame Jenny Abramsky
Chair of Governing Body



Professor Jonathan Freeman-Attwood
Principal

Consolidated Cash Flow Statement

	<i>Note</i>	<i>2016</i> <i>£000</i>	<i>2015</i> <i>£000</i>
Cash flow from operating activities			
Surplus for the year		10,187	3,926
Adjustments for non-cash items			
Depreciation/impairment of Fixed Assets	10a	721	685
Gain on investments	11	(1,447)	(804)
Decrease/(increase) in stocks		(16)	3
Decrease/(increase) in debtors	12	(346)	10
Increase in creditors	14	404	1
Decrease in pension provisions	15	(157)	(130)
Decrease in other provisions	15	(10)	(69)
Receipt of donated equipment	6	(57)	(142)
Adjustment for investing or financing activities			
Investment income	5	(1,376)	(1,241)
New endowments	16	(814)	(573)
(Profit)/loss on sale of fixed assets		(43)	10
Capital grant income		(7,298)	(1,110)
Net cash inflow/(outflow) from operating activities		<u>(252)</u>	<u>566</u>
Cash flows from investing activities			
Proceeds from sale of operational tangible assets		43	18
Capital grant receipts		7,298	1,110
Disposal of non-current asset investments		2,860	7,228
Withdrawal of current asset investments deposits		2,011	2,054
Investment income		1,376	1,241
Purchase of operational tangible fixed assets		(5,610)	(1,816)
New non-current asset investments		(3,501)	(10,623)
New current asset investment deposits		(4,626)	(2,107)
		<u>(149)</u>	<u>(2,895)</u>
Cash flows from financing activities			
New endowments received	16	814	573
New unsecured loans		14	3
		<u>828</u>	<u>576</u>
Increase/(decrease) in cash and cash equivalents in the year		<u>427</u>	<u>(1,753)</u>
Cash and cash equivalents at 1 August 2015		6,521	8,274
Cash and cash equivalents at 31 July 2016		<u>6,948</u>	<u>6,521</u>

Notes to the Financial Statements

	<i>Consolidated</i> 2016 <i>£000</i>	<i>Academy</i> 2016 <i>£000</i>	<i>Consolidated</i> 2015 <i>£000</i>	<i>Academy</i> 2015 <i>£000</i>
1. Tuition fees				
Full-time UK and EU	5,160	5,160	4,657	4,657
Full-time International	3,275	3,275	3,454	3,454
Junior and Intermediate	794	794	772	772
	<u>9,229</u>	<u>9,229</u>	<u>8,883</u>	<u>8,883</u>
2. Funding Council Grants				
Recurrent Teaching grant	2,974	2,974	3,075	3,075
Recurrent Research grant	308	308	439	439
Other special funding	168	168	150	150
Capital grant	134	134	116	116
	<u>3,584</u>	<u>3,584</u>	<u>3,780</u>	<u>3,780</u>
3. Research Grants and Contracts				
Research Councils	22	22	2	2
	<u>22</u>	<u>22</u>	<u>2</u>	<u>2</u>
4. Other Income				
Residences and catering	623	623	632	632
Other operating income	804	543	922	661
	<u>1,427</u>	<u>1,166</u>	<u>1,554</u>	<u>1,293</u>
5. Investment Income				
Investment income	1,189	1,189	1,061	1,061
Other interest receivable	187	187	180	180
	<u>1,376</u>	<u>1,376</u>	<u>1,241</u>	<u>1,241</u>
6. Donations and Endowments				
New Endowments	814	814	573	573
PRC income utilised	1,556	1,556	1,534	1,534
Restricted donations	7,664	7,664	1,205	1,205
Unrestricted donations *	1,524	1,524	2,291	2,291
Donation of assets (non-cash)	57	57	142	142
	<u>11,615</u>	<u>11,615</u>	<u>5,745</u>	<u>5,745</u>

*Includes donation income of £1.2m from ABRSM (£1.2m: 2015)

7. Staff

	<i>Consolidated 2016 £000</i>	<i>Academy 2016 £000</i>	<i>Consolidated 2015 £000</i>	<i>Academy 2015 £000</i>
Staff Costs				
Wages and salaries	8,761	8,761	8,610	8,610
Social Security costs	714	714	684	684
Change in USS pension provision parameters	13	13	80	80
Other pension costs	771	771	754	754
	<u>10,259</u>	<u>10,259</u>	<u>10,128</u>	<u>10,128</u>
Principal's Emoluments	£		£	
Salary	178,765		173,452	
Benefits	16,571		16,452	
Pension contributions to USS	27,388		96,709	
	<u>222,724</u>		<u>286,613</u>	

The Principal is required as part of his contract to live on the Academy premises. The premises are an integral part of the main Academy building and the apportioned costs associated with the Principal's residence are £16,571 (£16,452: 2015). Pension contributions for the Principal were reduced in 2015/16 due to Scheme changes.

There were no staff, excluding the Principal, who received emoluments (including taxable benefits but excluding employer's pension contributions) in excess of £100,000.

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

Staff numbers	<i>2016 FTE</i>	<i>2015 FTE</i>
Teaching	128	132
Support	8	8
Other academic services	12	13
Central administration and services	31	30
General education	17	15
Student/staff facilities	3	3
Premises	15	16
Catering and residence	9	8
	<u>223</u>	<u>225</u>

Key Management Personnel

Key Management Personnel comprises the Senior Management Team, including the Principal, being those persons having authority and responsibility for planning, directing and controlling the activities of the Academy.

	<i>2016 £000</i>	<i>2015 £000</i>
Key management personnel compensation	<u>586</u>	<u>635</u>

8. Interest and other finance costs

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2016</i>	<i>2016</i>	<i>2015</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net charge on pension schemes	164	164	132	132

9. Total expenditure by Activity

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2016</i>	<i>2016</i>	<i>2015</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Teaching	7,504	7,504	7,190	7,190
Support	481	481	497	497
Other academic services	455	455	509	509
Central administration and services	2,537	2,537	2,548	2,548
General education	2,630	2,630	2,396	2,396
Student/staff facilities	176	176	163	163
Premises	3,500	3,470	3,554	3,524
Long-term maintenance	48	48	65	65
Catering and residence	774	774	753	753
Research grants and contracts	23	23	2	2
Other services rendered - Academy Chimes	264	3	264	3
Other expenses	164	164	132	132
	18,556	18,265	18,073	17,782
Other operating expenses include:				
External auditors' remuneration in respect of audit services	58		46	
External auditors' remuneration in respect of non-audit services	12		57	
Internal auditors' remuneration	19		21	
Operating lease rentals				
Land and buildings	821		773	
Other	88		88	

10. Tangible Fixed Assets

a) Consolidated

Cost or valuation	Operational				Heritage				Grand Total £000
	Long Leasehold Land and Buildings	Assets in the Course of Construction	Equipment	Operational Instrument Collection	Subtotal Operational Assets	Heritage Instrument Collection	Menuhin & Spencer Collections	Subtotal Heritage Assets	
	Cost £000	Cost £000	Cost £000	Valuation £000	£000	Valuation £000	Cost £000	£000	
At 1 August 2015	24,404	1,937	7,159	7,130	40,630	65,820	2,103	67,923	108,553
Additions	-	5,458	159	50	5,667	-	-	-	5,667
Disposals	-	-	(62)	-	(62)	-	-	-	(62)
At 31st July 2016	24,404	7,395	7,256	7,180	46,235	65,820	2,103	67,923	114,158
Depreciation									
At 1 August 2015	7,199	-	2,959	-	10,158	-	629	629	10,787
Disposals	-	-	(62)	-	(62)	-	-	-	(62)
Charge for the year	390	-	278	-	668	-	53	53	721
At 31 July 2016	7,589	-	3,175	-	10,764	-	682	682	11,446
Net Book Value									
At 31 July 2016	16,815	7,395	4,081	7,180	35,471	65,820	1,421	67,241	102,712
At 31 July 2015	17,205	1,937	4,200	7,130	30,472	65,820	1,474	67,294	97,766

Over 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: 2015).

b) Academy

Cost or valuation	Operational					Heritage			Grand Total £000
	Long Leasehold Land and Buildings	Assets in the Course of Construction	Equipment	Operational Instrument Collection	Subtotal Operational Assets	Heritage Instrument Collection	Menuhin & Spencer Collections	Subtotal Heritage Assets	
	Cost £000	Cost £000	Cost £000	Valuation £000	£000	Valuation £000	Cost £000	£000	
At 1 August 2015	21,627	1,937	7,162	7,131	37,857	65,820	905	66,725	104,582
Additions	-	5,458	159	50	5,667	-	-	-	5,667
Disposals	-	-	(62)	-	(62)	-	-	-	(62)
At 31 July 2016	21,627	7,395	7,259	7,181	43,462	65,820	905	66,725	110,187
Depreciation									
At 1 August 2015	4,427	-	2,958	-	7,385	-	271	271	7,656
Disposals	-	-	(62)	-	(62)	-	-	-	(62)
Charge for the year	390	-	278	-	668	-	23	23	691
At 31 July 2016	4,817	-	3,174	-	7,991	-	294	294	8,285
Net Book Value									
At 31 July 2016	16,810	7,395	4,085	7,181	35,471	65,820	611	66,431	101,902
At 31 July 2015	17,200	1,937	4,204	7,131	30,472	65,820	634	66,454	96,926

11. Non-Current Investments

At Market Value		Consolidated and Academy Total Investments £000
At 1 August 2015		33,608
Purchases of investments		3,501
Proceeds from sales of investments		(2,860)
Appreciation on disposal/revaluation		1,447
At 31 July 2016		35,696
Represented by:		
Fixed Interest Stocks		22,847
Equities		2,560
Property		3,951
Other		6,338
		35,696

12. Trade and Other Receivables

	Consolidated 2016 £000	Academy 2016 £000	Consolidated 2015 £000	Academy 2015 £000
Amounts falling due within one year:				
Trade Debtors	111	105	210	206
Prepayments and accrued income	777	763	332	329
	888	868	542	535

13. Current Investments

	Consolidated 2016 £000	Academy 2016 £000	Consolidated 2015 £000	Academy 2015 £000
Short-term deposits:				
91 days to less than 1 year	4,177	4,177	2,029	2,029
1 year to less than 2 years	9,723	9,723	9,256	9,256
	13,900	13,900	11,285	11,285

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 2016 the weighted average interest rate of these fixed rate deposits was 0.94% pa and the remaining weighted average period for which the interest rate was fixed was 179 days. The fair value of the deposits was not materially different from book value.

14. Creditors

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2016</i>	<i>2016</i>	<i>2015</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
a) Amounts falling due within one year:				
Trade Creditors	14	2	7	-
Fees in Advance	1,738	1,738	1,717	1,717
Deferred Revenue (Performance Related Conditions)	504	504	456	456
Taxation and social security	251	252	236	236
Other Creditors and Accruals	1,427	1,402	1,114	1,099
	<u>3,934</u>	<u>3,898</u>	<u>3,530</u>	<u>3,508</u>
Deferred Revenue includes the following items of income which are deferred until specific performance related conditions are met:				
Teaching grants	442	442	421	421
Research grants	32	32	1	1
Other grants	30	30	34	34
	<u>504</u>	<u>504</u>	<u>456</u>	<u>456</u>
b) Amounts falling due after more than one year:				
Loan from Chimes Consultancy	112	-	98	-
	<u>112</u>	<u>-</u>	<u>98</u>	<u>-</u>

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 management agreement.

15. Provisions

	<i>Consolidated & Academy</i>		
	<i>USS deficit</i>	<i>RAM1967</i>	<i>Other</i>
	<i>funding</i>	<i>defined</i>	<i>Provisions -</i>
	<i>obligation</i>	<i>benefit</i>	<i>Leasehold</i>
	<i>£000</i>	<i>obligation</i>	<i>Dilapidations</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2015	132	4,646	4,778
Transfer from Income and Expenditure Account	15	2,520	2,535
Utilised in year	(6)	(328)	(334)
At 31 July 2016	<u>141</u>	<u>6,838</u>	<u>6,979</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 has assessed future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision.

16. Endowment Reserve

	<i>Consolidated and Academy</i>				<i>2015</i>	
	<i>Unrestricted Permanent £000</i>	<i>Restricted Permanent £000</i>	<i>Subtotal Permanent £000</i>	<i>Restricted Expendable £000</i>	<i>Grand Total £000</i>	<i>Grand Total £000</i>
Capital						
At 1 August 2015	4,569	20,239	24,808	5,901	30,709	29,424
Appreciation of endowment asset investments	215	824	1,039	244	1,283	712
New endowments received	700	61	761	53	814	573
At 31 July 2016	5,484	21,124	26,608	6,198	32,806	30,709
Accumulated Income						
At 1st August 2015	-	551	551	354	905	780
Investment income	172	691	863	202	1,065	992
Expenditure	(172)	(636)	(808)	(198)	(1,006)	(867)
Net income accumulated in current year	-	55	55	4	59	125
At 31 July 2016	-	606	606	358	964	905
Total Funds						
At 1 August 2015	4,569	20,790	25,359	6,255	31,614	30,204
At 31 July 2016	5,484	21,730	27,214	6,556	33,770	31,614
Analysis by fund-type						
Bursary and prize funds	1,117	21,730	22,847	2,585	25,432	23,603
Teaching and masterclass funds	-	-	-	758	758	728
Development funds	4,358	-	4,358	-	4,358	4,187
Other funds	9	-	9	3,213	3,222	3,096
	5,484	21,730	27,214	6,556	33,770	31,614
Analysis by asset						
Property					3,500	2,933
Investment					22,509	23,341
Cash					1,531	1,379
Other funds					6,230	3,961
					33,770	31,614

17. Restricted Reserves

	<i>Consolidated and Academy</i>		<i>2016</i>	<i>2015</i>
	<i>Unspent Capital Grants £000</i>	<i>Other Restricted Funds £000</i>	<i>Total £000</i>	<i>Total £000</i>
At 1 August 2015	963	103	1,066	1,725
Donations	7,298	653	7,951	1,472
Capital grants utilised	(5,411)	-	(5,411)	(1,538)
Expenditure	-	(495)	(495)	(593)
At 31 July 2016	2,850	261	3,111	1,066
Analysis of Other Restricted Funds by type of purpose:				
Bursary and prize funds	154		29	
Teaching funds	72		27	
Research funds	-		15	
Other funds	35		32	
	261		103	

18. Pension Scheme costs

Superannuation contributions are paid to the Teachers' Pensions Scheme (TPS) for teaching staff, to a Group Personal Pension Scheme (GPPS) for administrative staff, to the National Employment Savings Trust (NEST) for those not eligible for other schemes or to the Universities Superannuation Scheme (USS) for a small number of eligible staff. 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 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.

	2016	2015
	£000	£000
Total pension cost for the year was:		
Teachers' Pension Scheme: employer's contributions paid	471	410
Group Personal Pension Scheme: employer's contributions paid	228	220
Universities Superannuation Scheme (<i>gross including deficit recovery portion</i>)	72	141
National Employment Savings Trust	6	5
Total pension cost	777	776

Teachers' Pension Scheme

The TPS is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010), and the Teachers' Pension Scheme Regulations 2014. 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 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 Act.

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 £15.1bn; and
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was 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.

The total cost charged to the profit and loss account is £72,000 (£141,000: 2015) as shown above. The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme 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. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	As at 31 July 2016	As at 31 July 2015
Discount rate	3.60%	3.30% 3.5% in the first year and 4.0% thereafter
Pensionable salary growth	n/a	
Pension increases (CPI)	2.20%	2.20%

Use of these mortality tables reasonably reflects the actual USS experience. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables – no age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMA 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	As at 31 July 2016	As at 31 July 2015
Males currently aged 65 (years)	24.30	24.20
Females currently aged 65 (years)	26.50	26.40
Males currently aged 45 (years)	26.40	26.30
Females currently aged 45 (years)	28.80	28.70

	As at 31 July 2016	As at 31 July 2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85.00%	82.00%

Royal Academy of Music Pension Scheme 1967

The Academy operates a funded defined benefit scheme which is managed by the Prudential Assurance Company Limited and was closed to future accruals of pension benefit on 31 March 2005. The Academy is funding the scheme deficit with minimum contributions of £312,000 per annum with effect from 1 April 2011. Scheme liabilities have been valued using the projected unit method. A full actuarial valuation was carried out as at 31 December 2012 and the results of that valuation have been projected to 31 July 2016 for FRS17 purposes. The next triennial valuation is underway.

Main assumptions used to value RAM1967 Scheme liabilities under FRS102

	As at 31 July 2016	As at 31 July 2015
Discount rate	2.70%	3.60%
Inflation assumption – RPI	3.00%	3.55%
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	5.00%*	5.00%*
Increases to pensions in payment for all members in respect of service up to 31 December 2003	5.00%*	5.00%*
Increase to pensions in payment for all members in respect of service after 1 January 2004	3.00%	3.55%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	0.00%	0.00%
*Fixed rates 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 2016	As at 31 July 2015
Retiring today	Males	88.10	88.00
	Females	90.50	90.30
Retiring in 20 years	Males	90.40	90.30
	Females	92.80	92.70

	As at 31 July 2016 £000	As at 31 July 2015 £000
Analysis of amount (charged)/credited to other finance income		
Expected return on pension scheme assets	400	444
Interest on pension scheme liabilities	(562)	(574)
Net charge to other finance income (Note 8)	(162)	(130)
Analysis of other comprehensive income/(loss)		
Actual return less expected return on pension scheme assets	930	778
Experience gains and losses arising on scheme liabilities	(3,288)	(2,523)
Total other comprehensive income/(loss)	(2,358)	(1,745)
Amounts recognised in the statement of financial position		
Present value of scheme liabilities	19,254	15,804
Fair value of scheme assets	12,416	11,158
Deficit in scheme - net pension liability	(6,838)	(4,646)

	2016		2015			
Reconciliation of Scheme assets and liabilities	Assets	Liabilities	Net	Assets	Liabilities	Net
	£000	£000	£000	£000	£000	£000
Deficit in scheme at beginning of the year	11,158	(15,804)	(4,646)	10,013	(13,104)	(3,091)
Movement in year:						
Contributions	328	-	328	320	-	320
Other finance income/(charge)	400	(562)	(162)	444	(574)	(130)
Benefits paid	(400)	400	-	(397)	397	-
Actuarial gain/(loss)	930	(3,288)	(2,358)	778	(2,523)	(1,745)
Deficit in scheme at end of the year	12,416	(19,254)	(6,838)	11,158	(15,804)	(4,646)

	2016	2015
	£000	£000
Actual return on scheme assets		
Expected return on pension scheme assets	400	444
Actuarial gain/(loss)	930	778
Actual return on scheme assets	1,330	1,222

Analysis of scheme Assets	Long term	Long term
	ROR expected	ROR expected
	(incl annuities)	(incl annuities)
Equities	1,904	1,805
Bonds	2,744	2,796
Property	625	-
Cash	172	66
Total market value of invested assets	5,445	4,667
Secured pensions in payment	6,971	6,491
	12,416	11,158
<i>Long-term ROR expected (excl Annuities)</i>	2.70%	3.60%

History of experience gains and losses	2016	2015	2014
Experience adjustments on scheme assets			
Amount (£000)	930	778	337
Percentage of scheme assets	7.5%	7.0%	3.4%
Experience adjustments on scheme liabilities			
Amount (£000)	3,288	2,523	1,198
Percentage of scheme liabilities	-17.1%	-16.0%	-9.1%
Actuarial gain/(loss) recognised in other comprehensive income			
Amount (£000)	(2,358)	(1,745)	(861)
Percentage of scheme liabilities	12.2%	11.0%	6.6%
Cumulative actuarial loss recognised in other comprehensive income	(9,186)	(6,828)	(5,083)
History of Defined Benefit Scheme			
Present Value of Defined Benefit Obligation	(19,254)	(15,804)	(13,104)
Fair Value of Scheme Assets	12,416	11,158	10,013
Deficit arising in the scheme	(6,838)	(4,646)	(3,091)

Group Personal Pension Scheme

A Group Personal Pension Scheme (GPPS) was started on 1 April 2005 for all Administration 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 £228,000 (£220,000: 2015).

19. Capital Commitments

Provision has not been made for the following capital commitments at 31 July 2016:

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2016</i>	<i>2016</i>	<i>2015</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Capital Commitments contracted for	8,066	8,066	-	-

20. Lease Obligations

Total rentals payable under operating leases:

	<i>Land and Buildings</i>	<i>Plant and Machinery</i>	<i>2016 Total</i>	<i>2015 Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Payable during the year	821	88	909	861
Future minimum lease payments due:				
Not later than 1 year	557	43	600	666
Later than 1 year and not later than 5 years	1,914	110	2,024	1,988
Later than 5 years	18,260	-	18,260	18,006
Total lease payments due	21,552	241	21,793	21,521

21. Related Party Transactions

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 RAM Student Union (RAMSU) is a separate entity which is classed as a related party for the purposes of these Financial Statements. A grant of £46,820 (£45,695: 2015) 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 ABRSM to the Academy was £1.2m (£1.2m: 2015).

In accordance with the exemptions contained within Financial Reporting Standard 102, no disclosure has been made for transactions between the Academy and fully owned group undertakings.

Note 23. a) Reconciliation between SORP 2007 I&E and new SORP 2015 SoCI for the year ended 31 July 2015

	2007 SORP	STRGL items*				Effect of transition to 2015 SORP										2015 SORP	2007 SORP	Effect of transition to 2015 SORP		2015 SORP
	Consolidated	RAM1967 Pension provision	Endowment/ Non-current investments	Subtotal STRGL items	Grant income	Employee Leave accrual	RAM1967 Pension provision	USS Pension provision	Removal of Deferred Capital Grants	Endowment/ Non-current investments	Fixed Assets	LTM Provision calculation basis	Subtotal Effect of transition to 2015 SORP	Subtotal Consolidated accounting adjustments	Consolidated	Academy	Accounting adjustments already itemised	Eliminate removal of non- Academy Deferred Capital Grants	Academy	
Year ended 31 July 2015	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Income																				
Tuition Fees	10,139	-	-	-	(1,041)	-	-	-	-	(215)	-	-	(1,256)	(1,256)	8,883	10,139	(1,256)	-	8,883	
Funding Council Grants	4,074	-	-	-	(249)	-	-	-	(45)	-	-	-	(294)	(294)	3,780	4,074	(294)	-	3,780	
Research Grants and Contracts	2	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2	-	-	2	
Other Income	6,087	-	-	-	(4,181)	-	-	-	(335)	-	(17)	-	(4,533)	(4,533)	1,554	5,796	(4,533)	30	1,293	
Investment Income	1,141	-	-	-	-	-	100	-	-	-	-	-	100	100	1,241	1,141	100	-	1,241	
Total Income before Donations and Endowments	21,443	-	-	-	(5,471)	-	100	-	(380)	(215)	(17)	-	(5,983)	(5,983)	15,460	21,152	(5,983)	30	15,199	
Donations and Endowments	-	-	573	573	(5,172)	-	-	-	-	-	-	-	5,172	5,745	5,745	-	5,745	-	5,745	
Total Income	21,443	-	573	573	(299)	-	100	-	(380)	(215)	(17)	-	(811)	(238)	21,205	21,152	(238)	30	20,944	
Expenditure																				
Staff Costs	10,067	-	-	-	-	3	-	58	-	-	-	-	61	61	10,128	10,067	61	-	10,128	
Other Operating Expenses	8,344	-	-	-	(1,040)	-	-	-	-	(215)	-	39	(1,216)	(1,216)	7,128	8,083	(1,216)	-	6,867	
Depreciation	685	-	-	-	-	-	-	-	-	-	-	-	-	-	685	655	-	-	655	
Interest and Other Finance Costs	-	-	-	-	-	-	130	2	-	-	-	-	132	132	132	-	132	-	132	
Total Expenditure	19,096	-	-	-	(1,040)	3	130	60	-	(215)	-	39	(1,023)	(1,023)	18,073	18,805	(1,023)	-	17,782	
Operating Surplus before Other Gains or Losses	2,347	-	573	573	741	(3)	(30)	(60)	(380)	-	(17)	(39)	212	785	3,132	2,347	785	30	3,162	
Gain/(loss) on disposal of Fixed Assets	-	-	-	-	-	-	-	-	-	-	(10)	-	(10)	(10)	(10)	-	(10)	-	(10)	
Gain/(loss) on Investments	-	-	804	804	-	-	-	-	-	-	-	-	-	804	804	-	804	-	804	
Surplus for the year	2,347	-	1,377	1,377	741	(3)	(30)	(60)	(380)	-	(27)	(39)	202	1,579	3,926	2,347	1,579	30	3,956	
Actuarial Gain/(loss) in respect of RAM1967 Pension Scheme	-	(1,775)	-	(1,775)	-	-	30	-	-	-	-	-	30	(1,745)	(1,745)	-	(1,745)	-	(1,745)	
Total Comprehensive Income for the year	2,347	(1,775)	1,377	(398)	741	(3)	-	(60)	(380)	-	(27)	(39)	232	(166)	2,181	2,347	(166)	30	2,211	

* These columns represent items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Statement of Comprehensive Income (SoCI). These columns do not include recognition of valuation changes arising from the adoption of the 2015 SORP which are included within the 'Effect of transition to 2015 SORP' columns.

Note 23. b) Reconciliation between SORP 2007 Balance Sheet and new SORP 2015 Statement of Financial Position at 31 July 2015

	2007 SORP	Effect of transition to 2015 SORP										2015 SORP	2007 SORP	Effect of transition to 2015 SORP		2015 SORP
	Consolidated	Grant income	Employee Leave accrual	RAM1967 Pension provision	USS Pension provision	Removal of Deferred Capital Grants	Endowment/ Non-current investments	Fixed Assets	Cash deposits >/< 90 days	LTM provision calculation basis	Subtotal Effect of transition to 2015 SORP	Consolidated	Academy	Consolidated adjustments	2015 SORP transition - Removal of Deferred Capital Grants	Academy
Year ended 31 July 2015	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Non-Current Assets																
Fixed Assets: Heritage	67,294	-	-	-	-	-	-	-	-	-	-	67,294	66,454	-	-	66,454
Operational	30,472	-	-	-	-	-	-	-	-	-	-	30,472	30,472	-	-	30,472
	97,766	-	-	-	-	-	-	-	-	-	-	97,766	96,926	-	-	96,926
Non-Current Investments	4,046	-	-	-	-	-	29,562	-	-	-	29,562	33,608	4,046	29,562	-	33,608
	101,812	-	-	-	-	-	29,562	-	-	-	29,562	131,374	100,972	29,562	-	130,534
Endowment Assets	31,614	-	-	-	-	-	(31,614)	-	-	-	(31,614)	-	31,614	(31,614)	-	-
Current Assets																
Stock	112	(3)	-	-	-	-	-	-	-	-	(3)	109	14	(3)	1	12
Trade and Other Receivables	542	-	-	-	-	-	-	-	-	-	-	542	535	-	-	535
Current Investments	13,337	1	-	-	-	-	2,052	-	(4,105)	-	(2,052)	11,285	13,337	(2,052)	-	11,285
Cash and Cash Equivalents	2,415	1	-	-	-	-	-	-	4,105	-	4,106	6,521	2,400	4,106	(1)	6,505
	16,406	(1)	-	-	-	-	2,052	-	-	-	2,051	18,457	16,286	2,051	-	18,337
Creditors: Amounts falling due within one year	(3,587)	160	(103)	-	-	-	-	-	-	-	57	(3,530)	(3,565)	57	-	(3,508)
Net Current Assets	12,819	159	(103)	-	-	-	2,052	-	-	-	2,108	14,927	12,721	2,108	-	14,829
Total Assets less Current Liabilities	146,245	159	(103)	-	-	-	-	-	-	-	56	146,301	145,307	56	-	145,363
Creditors: Amounts falling due after more than one year	(98)	-	-	-	-	-	-	-	-	-	-	(98)	-	-	-	-
Provisions																
Pension Provisions	(4,646)	-	-	-	(132)	-	-	-	-	-	(132)	(4,778)	(4,646)	(132)	-	(4,778)
Other Provisions	(1,127)	-	-	-	-	-	-	-	-	1,030	1,030	(97)	(1,127)	1,030	-	(97)
Total Net Assets	140,374	159	(103)	-	(132)	-	-	-	-	1,030	954	141,328	139,534	954	-	140,488
Deferred Capital Grants	18,308	-	-	-	-	(18,308)	-	-	-	-	(18,308)	-	17,468	(18,308)	840	-
Restricted Reserves																
Income and Expenditure Reserve - Endowment	31,614	-	-	-	-	-	-	-	-	-	-	31,614	31,614	-	-	31,614
Income and Expenditure Reserve - Restricted	-	102	-	-	-	964	-	-	-	-	1,066	1,066	-	1,066	-	1,066
Unrestricted Reserves																
Income and Expenditure Reserve - Unrestricted	18,834	57	(103)	-	(132)	17,344	-	71,450	-	1,030	89,646	108,480	18,834	89,646	(840)	107,640
Revaluation Reserve	71,618	-	-	-	-	-	-	(71,450)	-	-	(71,450)	168	71,618	(71,450)	-	168
	90,452	57	(103)	-	(132)	17,344	-	-	-	1,030	18,196	108,648	90,452	18,196	(840)	107,808
	140,374	159	(103)	-	(132)	-	-	-	-	1,030	954	141,328	139,534	954	-	140,488

Note 23. c) Reconciliation between SORP 2007 Balance Sheet and new SORP 2015 Opening Statement of Financial Position at 1 August 2014

	2007 SORP	Effect of transition to 2015 SORP										2015 SORP	2007 SORP	Effect of transition to 2015 SORP			2015 SORP
	Consolidated 2014	Grant income	Employee Leave accrual	RAM 1967 Pension provision	USS Pension provision	Removal of Deferred Capital Grants	Endowment/ Non-current investments	Fixed Assets	Cash deposits >/< 90 days	LTM Provision calculation basis	Subtotal Effect of transition to 2015 SORP	Consolidated 2014	Academy 2014	Consolidated adjustments	2015 SORP transition - Removal of Deferred Capital Grants	Academy 2014	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Non-Current Assets																	
Fixed Assets: Heritage	35,645	-	-	-	-	-	-	31,700	-	-	31,700	67,345	34,776	31,700	-	66,476	
Operational	39,428	-	-	-	-	-	-	(10,252)	-	-	(10,252)	29,176	39,429	(10,252)	-	29,177	
	75,073	-	-	-	-	-	-	21,448	-	-	21,448	96,521	74,205	21,448	-	95,653	
Non-Current Investments	952	-	-	-	-	-	28,457	-	-	-	28,457	29,409	952	28,457	-	29,409	
	76,025	-	-	-	-	-	28,457	21,448	-	-	49,905	125,930	75,157	49,905	-	125,062	
Endowment Assets																	
	30,204	-	-	-	-	-	(30,204)	-	-	-	(30,204)	-	30,204	(30,204)	-	-	
Current Assets																	
Stock	112	-	-	-	-	-	-	-	-	-	-	112	11	-	(2)	9	
Trade and Other Receivables	552	-	-	-	-	-	-	-	-	-	-	552	548	-	-	548	
Current Investments	15,368	-	-	-	-	-	1,747	-	(5,883)	-	(4,136)	11,232	15,368	(4,136)	-	11,232	
Cash and Cash Equivalents	2,391	-	-	-	-	-	-	-	5,883	-	5,883	8,274	2,370	5,883	1	8,254	
	18,423	-	-	-	-	-	1,747	-	-	-	1,747	20,170	18,297	1,747	(1)	20,043	
Creditors: Amounts falling due within one year																	
	(4,048)	617	(98)	-	-	-	-	-	-	-	519	(3,529)	(4,019)	519	1	(3,499)	
Net Current Assets																	
	14,375	617	(98)	-	-	-	1,747	-	-	-	2,266	16,641	14,278	2,266	-	16,544	
Total Assets less Current Liabilities																	
	120,604	617	(98)	-	-	-	-	21,448	-	-	21,967	142,571	119,639	21,967	-	141,606	
Creditors: Amounts falling due after more than one year																	
	(95)	-	-	-	-	-	-	-	-	-	-	(95)	-	-	-	-	
Provisions																	
Pension Provisions	(3,091)	-	-	-	(72)	-	-	-	-	-	(72)	(3,163)	(3,091)	(72)	-	(3,163)	
Other Provisions	(1,235)	-	-	-	-	-	-	-	-	1,069	1,069	(166)	(1,235)	1,069	-	(166)	
Total Net Assets																	
	116,183	617	(98)	-	(72)	-	-	21,448	-	1,069	22,964	139,147	115,313	22,964	-	138,277	
Deferred Capital Grants																	
	17,488	-	-	-	-	(17,488)	-	-	-	-	(17,488)	-	16,618	(17,488)	870	-	
Restricted Reserves																	
Income and Expenditure – Endowment	30,204	-	-	-	-	-	-	-	-	-	-	30,204	30,204	-	-	30,204	
Income and Expenditure – Restricted	-	424	-	-	-	1,301	-	-	-	-	1,725	1,725	-	1,725	-	1,725	
Unrestricted Reserves																	
Income and Expenditure – Unrestricted	18,388	193	(98)	-	(72)	16,187	-	71,477	-	1,069	88,756	107,144	18,388	88,756	(870)	106,274	
Revaluation Reserve	50,103	-	-	-	-	-	-	(50,029)	-	-	(50,029)	74	50,103	(50,029)	-	74	
	68,491	193	(98)	-	(72)	16,187	-	21,448	-	1,069	38,727	107,218	68,491	38,727	(870)	106,348	
	116,183	617	(98)	-	(72)	-	-	21,448	-	1,069	22,964	139,147	115,313	22,964	-	138,277	

Royal Academy of Music

Marylebone Road
London NW1 5HT

Tel. +44 (0)20 7873 7373

Fax +44 (0)20 7873 7374

www.ram.ac.uk

Registered Charity No. 310007

Patron: **HM The Queen**

President: **HRH The Duchess of Gloucester GCVO**

Principal: **Jonathan Freeman-Attwood**

Facebook: **royalacademyofmusic**

Twitter: **RoyalAcadMusic**

Instagram: **royalacademyofmusic**



University of London