



ROYAL
ACADEMY
OF MUSIC

ANNUAL REPORT AND FINANCIAL STATEMENTS

2016-17



INSPIRING GREAT MUSICIANS SINCE 1822



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



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Foreword from the Principal



The Royal Academy of Music is the oldest conservatoire in the UK, founded in 1822. Despite our venerable past we are also one of the most progressive conservatoires in the world, training our students to be at the cutting edge of the music industry in the 21st Century. Our estate has recently been transformed to meet the needs of 800 students from nearly 60 countries, in 20 departments ranging from classical instrumental, vocal and composition, to jazz, musical theatre and all forms of contemporary music. We are proud that at the end of 2017 a new theatre and recital hall will be completed, together with a striking new entrance to the main building that will markedly improve accessibility for up to c500 public events we hold each year.

Academy students represent the very best talent from around the world, with approximately 50% from the UK, 25% from the European Union and 25% from other countries. This vibrant international mix is fundamental to our ethos and how we approach music. We owe our existence to European culture – our first professors were almost all from the Continent – and today our students, alumni and faculty represent a truly global family.

We encourage the free exchange of ideas across all boundaries, both intellectually and practically. We have recently led fruitful collaborations and exchanges with leading European institutions, projects with The Juilliard School in New York and Tokyo Geidai. Overseas tours are a regular feature of Academy life.

Recruitment to all the Academy's programmes continues to be strong with a far larger number of high quality applicants than there are places on offer. The Academy continues to be vigorous in its efforts to increase access through the work of Open Academy, Junior Academy, and an additional series of partnerships with relevant bodies and organisations.

Our programmes remain effective in training our students for a fulfilling life in music. The Academy's destination statistics remain among the top percentile of all UK higher education institutions and our alumni make an evermore significant contribution to the musical life of the UK and other countries. A key aspect of our provision for our students is the unparalleled artistic profile of visiting artists and teachers. Distinguished visitors to the Academy in 2016-17 included John Adams, Semyon Bychkov, Sir Mark Elder, Edward Gardner, Claude Michel Schoenberg, Christian Thielemann and Magnus Lindberg.

As we approach our bicentenary in 2022 we continue to develop ever more exciting ways of building on our rich traditions to forge new musical paths.

Professor Jonathan Freeman-Attwood
Principal



ROYAL
ACADEMY
OF MUSIC

The Governing Body and Management

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 (Trustees)

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)

Lord Blackwell – appointed March 2017

John Burgess HonFRAM

Robin Butler

Lucy Crowe FRAM

Matthew Ferrey HonFRAM

Lady Heywood – retired December 2016

Amanda Hill – appointed March 2017

Rehmet Kassim-Lakha – appointed September 2017

Timothy Parker

Professor Sir Richard Trainor KBE BA MA DPhil FRC HonFRAM

Anthony Travis HonFRAM – retired July 2017

John Willan BMus FRAM FRSA FCA

William de Winton

Damian Wisniewski BSc(Eng) ACGI LRAM ACA

Elected Members

Academic Staff Representatives:

Patrick Russill MA HonRAM – retired July 2017

Melanie Ragge MPhil(Cantab) MA(Cantab) LRAM DipRCM HonARAM – appointed September 2017

Jon Thorne – appointed September 2017

Administrative Staff Representatives:

Liz Williams HonARAM – retired July 2017

Kathryn Adamson MA HonFRAM – appointed September 2017

Student Union President and Student Representatives:

Quinn Parker BMus – retired July 2017

Rachael O'Brien BMus – appointed August 2017

Principal

Professor Jonathan Freeman-Attwood BMus MPhil HonRAM FRC FRNCM FRCM

Senior Management Team

Mark Racz BA MFA HonRAM, Deputy Principal & Dean

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

Judith Barber BSc CPFA HonARAM, Director of Finance

Kirsty MacDonald BA MA Oxon, Deputy Principal (Campaigns & Advancement)

Secretary to the Governing Body

Sandra Green HonARAM

Trustee Committee Membership as at 1 September 2017:

Audit Committee

John Willan (Chair)
Rehmet Kassim-Lakha
Damian Wisniewski

Finance & General Purposes Committee

Lord Blackwell (Chair)
John Burgess
Matthew Ferrey
Timothy Parker
William de Winton

Gift Acceptance Committee

Dame Jenny Abramsky (Chair)
The Rt Hon Lord Sumption
Professor Sir Richard Trainor

Honours & Awards Committee

Dame Jenny Abramsky (Chair)
John Willan
Lucy Crowe

Investment Sub-Committee

Matthew Ferrey (Chair)
John Burgess
William de Winton

Nominations Committee

Dame Jenny Abramsky (Chair)
Lady Sainsbury of Turville
The Rt Hon Lord Sumption

Remuneration Committee

Dame Jenny Abramsky (Chair)
Lord Blackwell
John Willan

Operating and Financial Review for the year ended 31 July 2017

The Governors of the Royal Academy of Music present their Annual Report and audited Financial Statements for the year ended 31 July 2017 and confirm that they comply with the requirements of the Charities Act 2011, the Academy's Charter and the Statement of Recommended Practice 'Accounting for Further and Higher Education' (SORP 2015).

Mission

The Academy 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 ambitious, student centred artistic programmes, producing 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, performances and other activities, to the public benefit in terms of:

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

The Academy contributes to the advancement of education through: its 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 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.

During 2016-17 in the region of 28,500 people attended concerts, recitals, masterclasses, lectures and other events, the majority of which were free of charge to the public.

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 2017, the Academy invested £3.3 million 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. The Academy is looking at ways to grow the endowment to allow us to support even greater numbers of students. We recognise that not everyone has the same level of educational opportunity, support or information, and we continue to develop our successful access initiatives through the work of the Junior Academy and through Open Academy, our outreach department.

Equality and diversity

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

Past, present and future

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

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

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

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

We are proud and delighted to have been rated 'Gold' in the new Teaching Excellence Framework (TEF), created by the UK Government to measure the quality of teaching in the higher education sector. In 2017 the Academy has also been ranked top UK conservatoire both in the Guardian University Guide 2018 and the Complete University Guide league table for arts, drama and music.

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:

- John Adams, Visiting Professor of Composition
- Christian Thielemann, Carl Maria von Weber Visiting Professor of Conducting
- Sir Mark Elder, Barbirolli Chair of Conducting
- James Ehnes, Visiting Professor of Violin
- Pascal Rogé, Visiting Professor of Piano
- Kate Paterson, Head of Vocal Studies
- Brindley Sherratt, John Shirley-Quirk Professor of Singing

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 remain constant with 223 full time equivalent (FTE) members in 2016-17, compared with 222 FTEs the year before. 71% 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

In order to fulfil our mission we draw on extensive and bespoke facilities for one to one teaching across all performance and compositional disciplines. Ample space is essential for individual and team practice and rehearsal, requiring high quality soundproofing. Technology is necessary to train students to function in a profession increasingly driven by change. The ongoing purchase and maintenance of 155 pianos and essential audio and HD video recording, live streaming and cutting edge interactive equipment, enable our students to engage intensively in their studies. Other significant technological developments during the course of the year were 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 was unrolled for most submission requirements at the end of 2016-17. It will be unrolled across all programmes of study in 2017-18.

Work on the redevelopment of the theatre and the addition of a new recital hall commenced fully in Summer 2016. The new theatre and recital hall were designed by Ian Ritchie Architects and were recently nominated in the World Architecture Festival 2017 Finals for Education. The design of the 311 seat theatre brings the audience closer to the stage on all sides, like a traditional opera house, and increases the size of both the orchestra pit and the auditorium. The space is acoustically engineered by Ove Arup. The new recital hall seats 100 people and will also serve as a hi-tech recording studio and rehearsal space, offering students a fully professional experience. The two venues are acoustically separated but both back on to an airy internal space that leads directly to the Academy's main staircase, which has been opened out to improve movement around the building and transform the way it is used.

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 Aybrook Street Academic Centre, close to the Academy, provides large classrooms and soundproofed practice pods for individual practice. We also have an agreement with the late Sir David Tang to use the excellent facilities at China Exchange in Soho, where academic classes are delivered in two lecture theatres. Soloists and small ensembles have given concerts in China Exchange's main performance venue.

The American Church on Tottenham Court Road, and St Mary Magdalene Church in Munster Square, are being used by Royal Academy Opera for the intensive early weeks of opera rehearsals before the production moves into its performance venues. 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 Offenbach 'Orphée aux enfers' at Hackney Empire and Kurt Weil's 'Dreigroschenoper' at Shoreditch Town Hall, and 'Love's Labour's Lost' at Hackney Empire. Students enjoyed performing to packed venues and discovering new and enthusiastic audiences across London.

Students are looking forward to having further offsite opportunities after the new theatre comes into use for our opera and musical theatre productions.

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. When the building works are complete in December 2017, students will have substantially more specialist rehearsal, teaching and practice facilities than any of their predecessors at the Academy.

Programmes

Our curricula offer a finely tuned combination of principal study, practical activities, professional development and academic components, designed to provide students with everything they need for a successful career in music. Our emphasis is on one to one lessons and small group teaching, and our tailored approach to professional development ensures that we have one of the best employability records of any British university.

All our programmes benefit from a vibrant research culture, to which students at all levels contribute. We have particular strengths in research through creative practice – through artistic collaboration, the creation of new texts, or the investigation of performance traditions. Artistic and intellectual curiosity are given every opportunity and encouragement to flourish.

Postgraduate (PG) study is a vital part of the Academy's musical culture and we have one of the largest body of postgraduate musicians in the UK. Postgraduates work in a uniquely collaborative performance environment ideally suited to helping talented musicians from across the globe to achieve their musical ambitions. In 2016-17 there was a PhD exchange event with the Sibelius Academy in Helsinki. This was the first stage of an ongoing programme of informal collaboration between the research student programmes at the two institutions.

We continue to enhance the content and delivery of our programmes of study. The most significant enhancement to the undergraduate (UG) experience during 2016-17 was the development of a suite of specialist Historical Performance options, made available to students in other departments. This enhancement has clear professional development benefits for the large number of participants and has also had a positive impact on the quality and range of artistic projects centred on baroque and classical repertoire. The suite of post masters taught programmes introduced in 2015-16 became more deeply embedded in the Academy's educational and artistic culture in 2016-17. The number of participants increased, the quality of the delivery and student achievements was further improved, and the Academy is pleased that these offerings are already widely acknowledged to be a significant addition to the opportunities that advanced musicians have for professional training in the UK.

In 2016-17 we undertook the five-yearly periodic review of the BMus Jazz programme. A range of industry specialist and external academics had a significant input into the planning of the review and the review process itself. The programme was given a clean bill of health and the range and quality of its creative components was strongly commended by the review panel. A series of enhancements to the delivery of jazz history components was proposed by the review panel and accepted by the Academy. These will be implemented in the academic year 2017-18.



Spring rehearsals with Barak Schmool, Spring 2017

Museum and Collections

Since its foundation in 1822 the Academy has acquired important collections of musical artefacts. Our instrumental collections include fine stringed instruments such as Stradivari's 'Viotti ex-Bruce' 1709 violin and others of the Italian, French, German and Dutch schools from the Becket and Rutson Collections. In recent years we have worked closely with the Calleva Foundation in the development of a unique collection of contemporary instruments, commissioning stringed instruments from the world's finest makers. In 2016-17 five new instruments were added to the Calleva Collection including two double basses by the leading German maker Stefan Johann Krattenmacher.

Students are offered the use of many of these instruments, providing an important boost to their musical development.

The Academy also holds important collections of historic performance materials, manuscripts, artworks and memorabilia, and correspondence belonging to composers and performing musicians. These include the collections of such great figures as Sir John Barbirolli, Sir Henry Wood, Lord Menuhin, Otto Klemperer, Sir Colin Davis, Kenny Wheeler, Nadia Boulanger, Robert Spencer and David Munrow. This extensive archive offers students, staff and members of the public unique insights into the creative processes of great musicians, as well as knowledge about performance practice.

Our Museum galleries are a high profile public forum for the display of highlights from our collections and for public events related to the collections and the research undertaken on them.

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 Higher Education Funding Council for England (HEFCE) funded project – the Musical Instruments Interface for Museums (MINIM) – which brings together all the UK's public musical instrument collections on a single online database. The MINIM project was completed in 2016-17, greatly enhancing public accessibility to information about the great instruments in our collections.

Artistic projects

Student performance opportunities are another crucial and integral part of the educational experience, and the Academy presents c500 performance events each academic year, requiring industry standard venues (concerts halls 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.

The Royal Academy Manson Ensemble's CD of Stravinsky's 'The Soldier's Tale', conducted by Oliver Knussen and featuring Harriet Walter, Sir George Benjamin and Sir Harrison Birtwistle in speaking roles, received positive reviews in the national press and online.

Autumn term



Ton Koopman directs Bach Cantatas, November 2016

Events during the Autumn term included 'High Fives' a series of performances of 5th symphonies by Shostakovich, Mahler and Prokofiev with Sir Mark Elder, Edward Gardner and Yan Pascal Tortelier. Magnus Lindberg and Oliver Knussen were in residency in November with a mini Lindberg festival and Ton Koopman, renowned Bachian and recipient of the Bach Prize, directed the November Bach Cantata concert.

Major off site performances included our Symphony Orchestra and Big Band at Cadogan Hall as part of the London Jazz Festival and Royal Academy Opera performed Handel's 'Alcina' at the Roundchapel Hackney.

Masterclasses included vocal masterclasses from Iestyn Davies and Brindley Sherratt, string masterclasses from Tasmin Little, Levon Chilingirian and Anssi Karttunen, and many other public and private classes across all instrumental departments.

The Sir Peter Maxwell Davies Lecture Series was launched and talks will focus on composers, complementing the existing Barbirolli and Henry Wood Lecture Series.

Spring term

In the space of just two weeks in January and February 2017, Royal Academy Opera's production of Offenbach's 'Orphée aux enfers' at Hackney Empire played to just short of 3,000 people and proved popular with audience and critics alike.

Our latest collaboration with The Juilliard School involved 22 brass students from both institutions performing Gabrieli with conductor Reinhold Friedrich in a popular Friday Series concert. They went on to record this repertoire for our CD release on the Academy Linn Records series. At the same time, the Manson Ensemble performed side by side with the London Sinfonietta in Thomas Adès 'In Seven Days' to a packed Royal Festival Hall. The Academy Manson Ensemble's recording of Stravinsky's Soldier's Tale conducted by Oliver Knussen with Dame Harriet Walter, Sir George Benjamin and Sir Harrison Birtwistle, was released by Linn Records on 24 March 2017.

Other activities included a side by side with the Nash Ensemble, our Russian Chamber Music series, the 2017 Academy International Jazz Festival, Haydn and Mozart symphonies with Trevor Pinnock, and the Academy Symphony Orchestra performing Ravel, Debussy and Falla with Manuel Lopez Gomez. We were also delighted to collaborate with Laurence Cummings and the London Handel Festival in 'Music for the Sun King'.

Masterclasses included visiting vocal professors Simon Keenlyside and Susan Bullock, cellist Hannah Roberts and Robert Levin gave classes on both fortepiano and modern piano.



Orphée aux enfers at Hackney Empire, February 2017

Summer term

One of the highlights of the Summer term was a residency at Shoreditch Town Hall with four performances by Royal Academy Opera of Kurt Weill's 'Threepenny Opera', and three days of immersive contemporary events entitled 'The Art of Chaos' in The Ditch, a labyrinth of rooms underneath the Town Hall. Our Musical Theatre Company's production of 'Love's Labour's Lost' garnered excellent reviews and five-star ratings.



Love's Labour's Lost, Hackney Empire, July 2017

Semyon Bychkov returned to conduct the Academy Symphony Orchestra and a chorus formed of every vocal and opera student in Mahler's powerful 'Resurrection' Symphony, at the Royal Festival Hall on 22 June 2017, as part of the Southbank Centre's Belief and Beyond Belief series.

This year's Piano Festival was our most ambitious with 80 musicians performing over the three days. Attendance was up from last year and many of the 20 free concerts and events reached capacity. Its final concert on 28 June 2017 was broadcast on BBC Radio 3 and in the interval, Head of Piano and curator, Joanna MacGregor, discussed the educational motivation behind the programme.

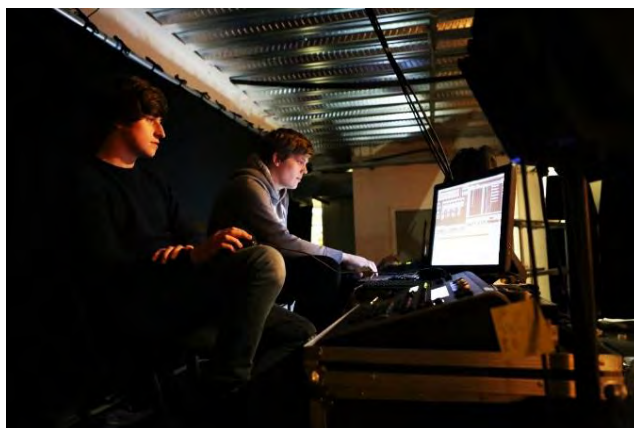
Masterclasses were given by artists including visiting professor of violin, James Ehnes, which was broadcast on Facebook Live, Stephen Hough, Reinhold Friedrich, Patrick Messina and Tasmin Little. Sir Mark Elder, Barbirolli Chair of Conducting, continued his series of interviews in celebration of his 70th year. The creator of stage classics 'Les Misérables' and 'Miss Saigon', Claude-Michel Schönberg, gave a masterclass to Academy Musical Theatre students on 5 May 2017.

The Summer term included Wigmore Hall performances by the Sainsbury Royal Academy Soloists and the Patrons Award Winners' Recital. Musical Theatre also performed 'Cabaret' at the Royal Overseas League in Mayfair.

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

We actively encourage the interaction of performers, composers, instrument makers and scholars, and support projects that promote creative and intellectual curiosity, in both students and staff. We aim to re-evaluate and build on our musical traditions and generate new types of creative practice. Such projects include the analysis and application of performance materials and research on instruments, as well as the critical and reflective study of practice itself. Many of our research events are open to the public, including experimental workshops, composer forums, probing interviews with leading figures from the music profession, lecture recitals, and symposia and colloquia.

In 2016-17 over 50 members of Academy staff were involved in research projects. The Academy disbursed some £25,000 to support some of these projects but over 70% of the work was undertaken with support from industry and private sources. Research outputs included single authored books, articles in academic journals, public performances of new compositions, CD recordings of new and rare repertoire, and new scholarly and performing editions of historical repertoire.

There were 57 research events during the course of the academic year, over half of which were open to the public.

Collaborations

The Academy and The Juilliard School have collaborated on a number of major transatlantic projects and in March 2017, Academy and Juilliard brass players completed a recording of works by Giovanni Gabrieli and his contemporaries, for release on the Linn label early in 2018. The recording is the culmination of a joint project under the direction of Reinhold Friedrich, renowned trumpet soloist and Principal Trumpet of the Lucerne Festival Orchestra. Following a concert in the Duke's Hall on 3 February 2017, the CD was recorded in St Mark's Church and produced by Jonathan Freeman-Attwood. Future collaborations with Juilliard are currently under discussion.

We have undertaken a series of institutional visits and staff exchanges with Tokyo University of the Arts, which will culminate in a major collaborative orchestral project with them in 2018.

The Academy is part of a successful consortium with the Conservatoire for Dance and Drama and the Royal College of Music, which has been awarded £2.95 million from HEFCE for the Virtual Conservatoire: a collaborative project which will explore how advancements in digital technology can enhance the conservatoire curriculum, create new learning and teaching methodologies, and provide students with enhanced facilities.



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

League tables

The Academy has scored highest in overall student satisfaction among UK conservatoires in the National Student Survey (NSS), for the second year running. Final year undergraduates were questioned about their experience of studying and 92.73% of Academy students responded that they were satisfied. The overall NSS satisfaction rate for higher education institutions was 84%.

The NSS survey tracks the quality of higher education by collecting detailed feedback from students on a number of aspects of their learning experience, using 27 different questions. The Academy also scored highest of all UK conservatoires in the rating of statements 'Staff have made the subject interesting', 'The course is intellectually stimulating', 'Feedback on my work has been timely', 'I have been able to contact staff when I needed to' and 'The course is well organised and running smoothly'.

The Destinations of Leavers in the Higher Education (DLHE) survey was conducted on behalf of the Academy by IFF Research, following confirmation from CoSector (University of London), who previously administered the survey, that they could no longer offer the service to smaller institutions at a competitive rate. 88% of leavers from the 2015-16 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 the benchmark of 94%.

Student numbers

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

Applicants	2016-17	2015-16	New Enrolments	2016-17	2015-16
UG UK/EU	596	730	UG UK/EU	96	100
UG Overseas	187	202	UG Overseas	21	28
PG UK/EU	828	836	PG UK/EU	177	164
PG Overseas	438	461	PG Overseas	74	59
	<u>2,049</u>	<u>2,229</u>		<u>368</u>	<u>351</u>

International recruitment

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

International numbers (non EU) are up by over 9% from last year, which represents the highest ever number of international students at the Academy. With the current uncertainty regarding the future of EU recruitment following the referendum result, the Deputy Principal & Dean has been given enhanced responsibility for international recruitment and has implemented a wide range of new initiatives. This will also include planning for EU recruitment in the era after Britain leaves the EU. There is now a single point of contact for all international activities, with the exception of the Academy's programme of overseas auditions, which will continue to be organised by the Registry.

Results for 2016-17

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 2016-17 academic year, the Examinations Board ratified two Certificate of Higher Education awards, three Diploma of Higher Education awards, 86 BMus awards, 166 Postgraduate 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. Press reports during the year have drawn attention to the fact that the Academy awards one of the highest prevalence of First Class degrees

in the sector. This is due to the very high standard of students following competitive intake procedures, the intensive four year education and training they receive at the Academy, and their focus on the development of their professional skills in preparation for joining the upper echelons of the music industry after graduation. As the external examiners have commented, it does not reflect grade inflation. The external examiners continued to commend the Academy on the quality of the delivery of its programmes and its students' achievements.

BMus Awards	2016-17		2015-16		MA/MMus Awards	2016-17		2015-16	
	No	(%)	No	(%)		No	(%)	No	(%)
First	57	(67)	45	(62)	Distinction	97	(58)	87	(67)
Upper Second	21	(25)	26	(35)	Merit	48	(29)	37	(28)
Lower Second	5	(6)	2	(3)	Pass	21	(13)	7	(5)
Third	2	(2)	0	(0)					

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

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 52 such awards were made (37: 2015-16). Post masters awards were also made by the Examinations Board, including 18 Advanced Diplomas and 13 Professional Diplomas.



Graduation July 2017

Student Union

Our Student Union supports all our students, not only in offering advice and representation, but also in creating the inclusive social atmosphere for which the Academy is known.

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 our learning and participation department, Open Academy, we extend this opportunity beyond our enrolled students and into the communities of London and surrounding regions. Open Academy provides valuable experience for students in this vital and expanding area of professional work. Academy students benefit directly by engaging in innovative creative learning and participation projects, and discovering an application of their skills beyond the traditional concert platform. All undergraduates can take electives in Creative Music Leadership and postgraduates can explore the area as part of their professional portfolio by choosing our Creative Learning and Participation pathway.

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

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

During the year 51 projects, involving 276 Academy students, delivered a wide range of creative music workshops, performances and training sessions to 6,500 participants, including 3,035 children in school settings.

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.

On Saturdays, the Academy transforms into its Junior Academy and occupies all areas to create one of the most unique musical learning atmospheres available to young musicians. Intensive individual lessons, a variety of performance opportunities, specialist classes and excellent teaching staff all add to the musical vibrancy of the Junior Academy. Students are immersed in a busy schedule of enriching musical activity with likeminded musicians, forming strong bonds and lasting friendships along the way.



Composers Workshop with John Adams and Junior Academy String Quartet

A particularly important development is the Chance to Play scheme, where students from disadvantaged backgrounds are awarded full scholarships to join the First Strings programme as beginners. Howard Ionascu, Director of Junior Academy, is currently applying for significant external funding to expand the numbers in this important initiative.

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 offered 65 bursaries for 2016-17 (62: 2015-16), in addition to our 35 Music and Dance Scheme Government funded places. We are grateful for the continuing support of the Wolfson Foundation, Leverhulme Trust, Sir Elton John Trust and a number of individual benefactors.

Applicants	2016-17	2015-16	Enrolments	2016-17	2015-16
Junior Academy	183	182	Junior Academy	52	43
Primary Academy	118	65	Primary Academy	21	15
First Strings	164	85	First Strings	30	20
First Guitar	62	25	First Guitar	10	10

Junior Academy students enjoyed considerable success again in BBC music competitions during 2016, when Edward Hyde and Florence Cain won BBC Radio 2's Young Chorister of the Year. The grand finale was held at Manchester Cathedral, and broadcast on BBC Radio 2 on 26 October 2016. The two Young Choristers of the Year 2016 can expect a range of performance opportunities, and appearances on BBC television and radio programmes.

Widening Participation

The Academy's 'significant work' towards diversity in classical music was celebrated by Darren Henley, Chief Executive of Arts Council England (ACE) in a speech presenting ACE's 'Equality, Diversity and the Creative Case' during the 2016 Diversity Event in Manchester in December. The report analysed data about programming, participation, audiences and access to funding in all areas of the arts and cultural sector over the last year. In his speech, Henley explained the importance of education in encouraging diversity and social mobility and praised the Academy's approach and our work to increase participation among black and minority ethnic (BAME) students through Open Academy, its collaborations with music education hubs and through the Chance to Play scheme.

In addition, Disney Theatrical Productions is funding three BAME students to study on the Academy's Musical Theatre Programme, offering them the opportunity to fulfil their talent in financial security, and demonstrating both organisations' commitment to diversity in the field of musical theatre. In addition to this, The Mackintosh Foundation is also supporting a BAME Musical Theatre student.

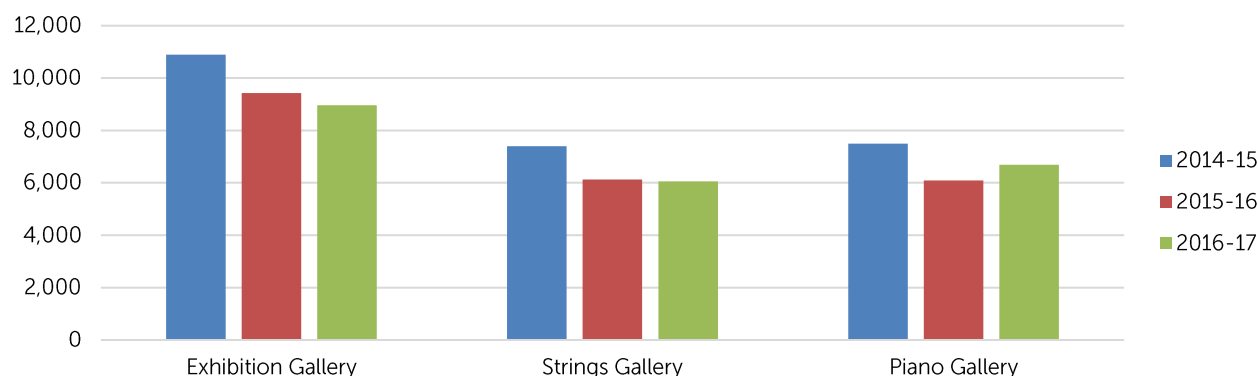
Museum and Collections

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.

In addition to the permanent galleries dedicated to Strings, Pianos and the Academy's history, the major temporary exhibition from January 2017 until March 2018 is 'The Spencer Collection: A Musical Banquet'. This showcases some of the highlights from the vast collection of early stringed instruments and manuscripts belonging to the late Academy professor, Robert Spencer HonRAM (1932 to 1997). Rare lutes, guitars, images and Tudor and Elizabethan music, as well as a biographical film are amongst the items on display. Three further smaller exhibitions were housed in the Tertis case in the main building.

The Museum regularly holds lecture-recitals, seminars, workshops, special events and family activities, open to the public free of charge. During the year there were over 9,000 visitors to the Museum Galleries. In addition, the Museum hosted 55 public events and 19 other events, some supporting the exhibition, attended by 1,254 people; 62 guided tours attended by 448 people; and 587 students on education guided visits.

Gallery visitor numbers



Building works during the construction of the theatre affected visitor numbers, particularly during the summer vacation period in 2017, when the main entrance to the Museum was closed in order to replace the steps and improve accessibility.

In the summer of 2016, HEFCE reviewed its funding of university museums and galleries. Competitive bids were invited from HEIs and an expert international panel judged funding applications based on the contribution that individual museums and collections make to the wider research community. The terms of the review opened the funding opportunities to a much wider range of institutions and so competition for the available funds was stiffer than in the past. The Academy's application was successful in securing a stable level of funding for five years.

Alumni Network

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

Launched in June 2010, the Alumni Network provides a social network and professional support service for graduands and alumni. We are committed to expanding our international alumni operations further and developing centres of activity across the world to extend our global Academy family. Virtual and physical centres provide visiting students and alumni with the opportunity to feel connected and supported. In some countries, such as Hong Kong, a centre may be physical, offering concerts, reunions and professional development opportunities, whereas in other countries it may only be possible, or necessary, to run a virtual centre due to distances involved or the number of alumni. Many countries will have both. So far, the Academy's Alumni Network has centres and Network Managers in Australia, Germany, Greece, Hong Kong, Japan, New Zealand, and the United States.

In September 2016 the Alumni Network welcomed Miloš Karadaglić as its President of Alumni. Milos succeeds conducting alumnus Edward Gardner, Chief Conductor of the Bergen Philharmonic Orchestra, who is also Sir Charles Mackerras Chair of Conducting at the Academy.

Graduation is one of the highlights of the year and at the ceremony on 5 July 2017, alumna Annie Lennox OBE received an Honorary Doctorate of the University of London. Fellowship of the Royal Academy of Music (FRAM) was awarded to alumni John Bradbury (clarinet), Allan Clayton (tenor), Ruman Gumba (conductor), Thomas Gould (violin), Ashley Solomon (recorder and baroque flute) and Rachel Tucker (musical theatre). Our annual Associate of the Royal Academy of Music (ARAM) ceremony honouring the significant contributions recent graduands have made to the music profession demonstrated yet again the breadth and quality of the impact that our students make on musical life.

Access

Work commenced in April 2017 to build a ramp at the main entrance to improve access for all users of the building. The project was completed in November 2017, in time for the opening of the fully accessible theatre.

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

Philanthropy plays a significant role in the life of the Academy and supports our mission to develop and educate the musicians of tomorrow. The Academy has raised over £25 million since 2013 and plans are in progress to determine the scope and scale of a campaign to celebrate the Bicentenary in 2022.

2016-17 has been another successful year during which targets were exceeded. The focus of our fundraising efforts over the last 12 months has been to raise funds for scholarships in order to ensure that no prospective student with the appropriate talent and potential, irrespective of background, is denied the chance of studying here. We have also focused on raising funds for the theatre and recital hall. Furthermore, we successfully raised unrestricted funds to help relieve the budget pressures across the Academy. The majority of philanthropic income has come from trusts and individuals, with considerable income from legacies, and modest income from companies.

A new Deputy Principal role was created and filled in Autumn 2016 with responsibility for all philanthropic income, alumni relations, marketing and communications. Since then, the team has grown to seven fundraisers supported by a team of researchers and administrators, the costs of which have been underwritten by a private donor.

The Bicentenary Campaign plans are progressing and key building blocks have been completed during this year. This includes internal consultation with staff in order to draft a case for support document which describes our ambitions and priorities; an operations audit was completed setting our recommendations for improving our financial procedures, research, and database management; and work to build a broader base of supporters for the Academy through targeted research.



New ramp at the main entrance to improve access for all users of the building

Financial Overview

This is the second year that the Academy is presenting its Annual Report and Financial Statements under FRS102 and in line with the new Statement of Recommended Practice: Accounting for Further and Higher Education (SORP 2015). It is worth highlighting, as we did last year, one of the key changes from the previous SORP, which impacts on the Academy's figures, is the inclusion of restricted capital donations in the Statement of Comprehensive Income (SOCl). We are still in the process of fundraising for our theatre re-development and new recital hall and received £2.7 million in donations for the project in 2016-17 (£7.3 million: 2015-16). The HEFCE undertook a review of specialist institutional funding and the Academy was delighted to be awarded an additional £1.5 million from 2016-17 to support the higher costs of teaching in a music conservatoire. Overall the Academy has achieved a surplus of £9.5 million for 2016-17 (£7.8 million: 2015-16).

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, as these figures can mask the underlying activity. In this case the unrestricted comprehensive income shows a surplus of £3.3 million (£1.9 million deficit: 2015-16). After the exclusion of the actuarial gain on the RAM1967 Pension Scheme this converts to a surplus of £803,000 (£400,000: 2015-16). This is after allowing for 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. The surplus will be reinvested in teaching, the estate and the infrastructure of the Academy, in line with our strategic objectives.

	2016-17 £000	2015-16 £000
Summary of income and expenditure		
Income before Donations and Endowments	17,945	15,638
Donations and Endowments	3,883	4,329
Theatre donations	2,695	7,286
Expenditure	(20,402)	(18,556)
Operating surplus before other gains or losses	4,121	8,697
Gain on disposal of Fixed Assets	40	43
Gain/(loss) on investments and actuarial gain/(loss) in respect of RAM1967 pension scheme	5,354	(911)
Total Comprehensive income	9,515	7,829
Represented by:		
Endowment comprehensive income for the year	2,757	2,156
Restricted comprehensive income for the year	3,095	7,456
Unrestricted comprehensive income for the year	3,272	(1,948)
Revaluation reserve comprehensive income for the year *	391	165
	9,515	7,829

* Revaluation of the Fixed Asset Investment

Since the introduction of the new SORP 2015, capital donations for the new theatre are required to be included as income, producing a surplus of £9,515,000, whilst associated capital expenditure is excluded.

However the operating surplus, after exclusion of these restricted donations and other adjustments is £803,000, as shown below.

Total Comprehensive Income for the year from above	9,515	7,829
Exclude Endowment Comprehensive Income (generally restricted in use)	(2,757)	(2,156)
Exclude Restricted Comprehensive Income (mainly theatre donations)	(3,095)	(7,456)
Exclude Revaluation Reserve Comprehensive Income	(391)	(165)
Exclude actuarial (gain)/loss on RAM1967 Pension Scheme for the year	(2,469)	2,358
Operating surplus after adjustments	803	410

Operating surplus after adjustments as percentage of total income	3.3%	1.5%
Revenue donations	3,611	3,516
Capital donations and endowments including Theatre	2,967	8,099
Total Donations and Endowments	6,578	11,615

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

Liquidity

The Academy has £13.2 million of cash and cash deposits (£20.8 million: 2015-16), which has reduced as it has been expended on building the new theatre and recital hall. The Academy's own funds have also been invested in the redesign of the front entrance to improve accessibility by creating a ramp. There will be a further drop in cash deposits during 2017-18 in order to complete both capital projects. Current assets exceeded current liabilities by £8.7 million (£17.9 million: 2015-16). Overall liquidity has reduced but remains healthy with a significant proportion of the cash reserves 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 £40.3 million at 31 July 2017 compared with £35.7 million the year before, although £1.5 million of funds were added to the portfolio during the year. The value of the portfolio grew by 7%. The fixed asset investment comprises general unrestricted Academy funds of £5.5 million which are not required in the short term and which are placed with the fund managers to achieve a better rate of return. The investment income grew during the year and equated to a net yield of 2.9% (2.9%: 2015-16). The Academy will add further money to the portfolio as and when gifts are received.

Procurement

The appointment of a part time Procurement Manager via Ensemble Purchasing has provided opportunities to improve procurement procedures, both seeking efficiencies and mitigating risks. Activities during 2016-17 included tendering for contractors to construct the new entrance ramp, and work around contracts for cleaning services, stationery and printing. A range of staff members have benefitted from bespoke procurement training.

Capital Projects

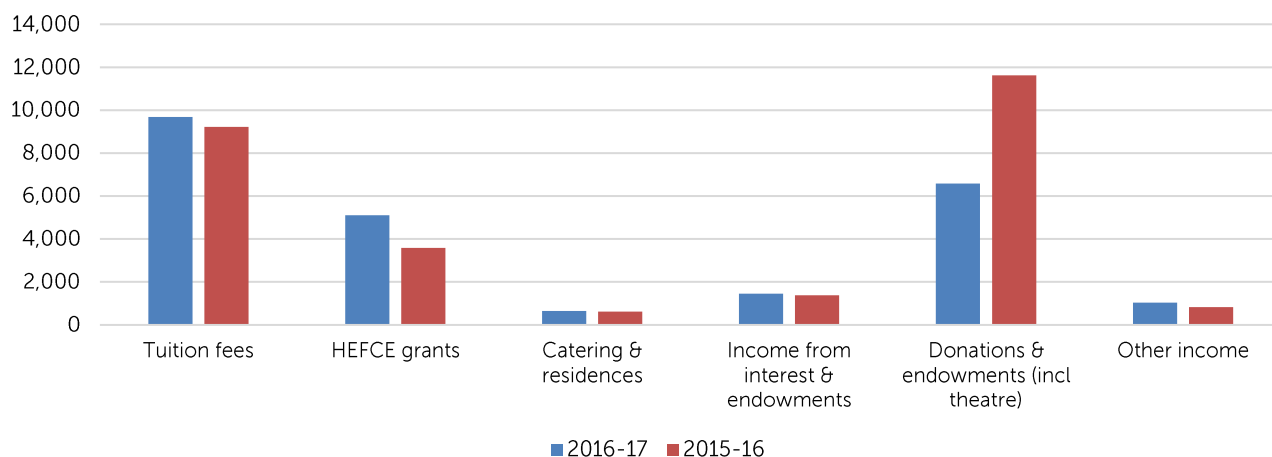
The new theatre will open during the first quarter of 2018. This will be an important addition to the Academy's existing suite of world class teaching and performance spaces and greatly enhance the Opera and Musical Theatre experience for both students and audiences alike.

The project involved the expansion and full refurbishment of the existing theatre situated at the heart of the building. Given the Academy's location, it also involved complicated logistics and required the maintenance of a fully functioning live teaching site whilst the work was progressing.

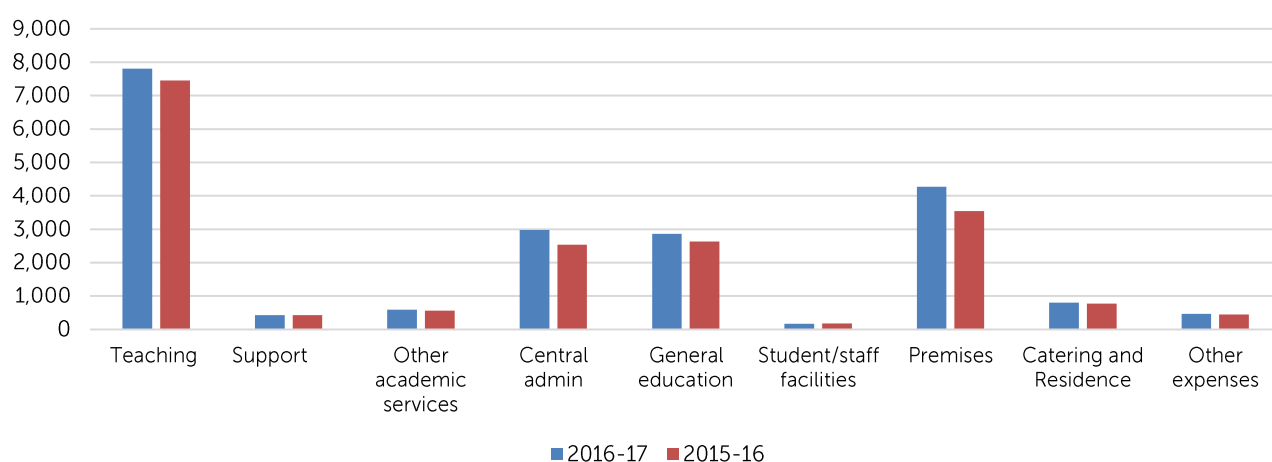
At the inception of the project, the Academy sought expert advice as to the most appropriate costing, design and construction model to employ. One option was to close the entire building and strip out the existing theatre so that a full design and costing exercise could have been completed prior to construction tender. Whilst compelling from the viewpoint of early price and program certainty, the Governing Body determined it was vital to continue a full programme of teaching. Closing the building and decanting staff and students to allow this would have been untenable from both a cost and disruption perspective and therefore this option was not pursued. The only alternative was for the Academy to accept a proportion of the unknown price risk.

From the outset, we have endeavoured to keep a tight control on costs and have employed industry cost consultants to assist us. A range of discoveries on site, as well as high winds, delayed the initial erection of the crane for a number of weeks and delays in completing the design and the fact that work is taking place within a listed building have made this a complicated and challenging project to manage. The final cost of the theatre (inclusive of VAT) is now anticipated to be circa £27 million (up from initial estimate of £19 million). The increase will be met from additional fundraising and from the Academy's reserves. As the work draws to a close both students and staff are looking forward to the opening of the stunning new performance spaces and the opportunities they will offer.

Income (£000)



Expenditure (£000)



Changes from 2015-16 to 2016-17

The bar charts above indicate some large changes in income and expenditure between the years but these do not reflect significant changes in activity. On the income side, both tuition fees and HEFCE grant have increased as a result of recruiting an extra 30 students along with the additional institution specific targeted allocation referred to above, whilst theatre donations are down by £4.6 million compared with the previous year. A backdated VAT claim also led to a refund of £237,000, £170,000 of which related to the theatre project. On the expenditure side, changes are smaller with an increase in premises costs as a significant rate rebate was received in 2015-16, together with the scheduled rent review which impacted in 2016-17, increasing annual rents by £240,000. The investment in the Bicentenary Campaign is reflected in an increase in Central administration costs.

Funding

The revised formula for specialist institutions funding (RISTA) has resulted in a significant increase in HEFCE grant for 2016-17; 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) increased by 45% from 2015-16.

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

The future

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

We are confident that the breadth of our activities will continue to attract the best student talent from around the world. To enable a wide range of students to attend the Academy, based on their talent and potential, rather than their financial capability, our priority now is to increase our endowment fund to allow us to invest in more scholarships and bursaries for students who might not otherwise be able to enjoy the education we offer. This remains one of the key planks to ensuring that the Academy can remain at the forefront of music education globally.



Corporate Governance Statement

The Corporate Governance Statement and Statement on Internal Control and Risks relates to the financial year 1 August 2016 to 31 July 2017, and up to 22 November 2017 when the Annual Report and end of year Financial Statements were approved by the Governing Body.

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

The Academy is a higher education institution, part funded by HEFCE, and subject to the terms and conditions of the Memorandum of assurance and accountability between HEFCE and institutions (HEFCE 2017/08).

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

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 to 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 & 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. A Gift Acceptance Committee was also established during the year. 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.

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 and a number of recommendations to enhance governance have been implemented. An external member of the Audit Committee was appointed with

effect from September 2016 to provide additional expertise and scrutiny of the Academy's operations and this appointment has been extended for a further two years.

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 term needs. The priorities for recruitment are to widen the diversity of members and enhance the financial, business, professional, and fundraising skills of the Governing Body. During 2016-17 Perrett Laver was appointed to assist in the recruitment of high calibre individuals who met these priorities and we are pleased to announce that three new members were appointed: Lord Blackwell, Amanda Hill and Rehmet Kassim-Lakha.

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 & Dean, Deputy Principal (Programmes & Research), Deputy Principal (Campaigns & Advancement) and the Director of Finance.

Fundraising

The Academy's fundraising activities are led by the Deputy Principal (Campaigns & Advancement) and carried out by our in-house Development team working closely with senior volunteers (such as members of the Governing Body) and Academy leadership and staff (including members of the Senior Management Team or Heads of Departments).

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. We follow the regulations governing charitable giving. We have recently updated our Privacy Policy, created a Donor Charter, and established a Gift Acceptance policy and procedure. From January 2017, donations of £10,000 are detailed in a gift agreement between the donor and the Academy which sets out payment terms and gift designation.

There are no fundraisers acting on behalf of the Academy who 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 third parties. We are in the process of ensuring that we will be compliant with General Data Protection Regulations by May 2018.



John Adams conducts Junior Academy Symphony Orchestra, November 2016

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 2017 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.
- 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.
- The increasing need to provide student bursaries.
- Capital works being delayed and over budget.
- Disruption of the student experience as a result of the building works.
- Possible crystallisation of the USS pension scheme deficit.

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

The Academy is subject to review by internal audit which, for 2016-17, 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 (2017/08) 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 2016 to 22 November 2017 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 22 November 2017, and signed on its behalf by

Dame Jenny Abramsky
Chair of Governing Body

Professor Jonathan Freeman-Attwood
Principal

Responsibilities of the Governing Body

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

The Governing Body is responsible for 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.
- 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.
- 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 treasury management policy.
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance and General Purposes Committee.

- A professional internal audit provider, whose annual programme is approved by the Audit Committee.
- An ongoing process designed to identify the principal risks (whether business, operational, compliance, financial or educational) to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.
- The existence of 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

Opinion

We have audited the financial statements of the Royal Academy of Music (the 'Academy') and its subsidiaries (the 'group') for the year ended 31 July 2017 which comprise the Consolidated and Academy Statements of Comprehensive Income and Expenditure, the Consolidated and Academy Statement of Changes in Reserves, the Consolidated and Academy Balance Sheets, the Consolidated Cash Flow Statement and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice)).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the Academy's affairs as at 31 July 2017, and of the group's and Academy's surplus, comprehensive income and expenditure and changes in reserves and of the group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Governing Body

As explained more fully in the Statement of Responsibilities of the Governing Body set out on page 27 the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. This report is made solely to the Governing Body as a body in accordance with the Academy's Supplemental Royal Charter and its Schedule of Bye-Laws and the Governing Body's Statement of Primary Responsibilities. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and Academy and the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other Required Reporting

Opinion on other matters prescribed in the 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;
- funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

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

Statement of Accounting Policies

FRS 102 is the new single comprehensive Financial Reporting Standard and SORP 2015 is the education sector's interpretation of FRS 102. The new SORP 2015 came into effect for the accounting year 2015-16.

1. Accounting Convention

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

2. Basis of Consolidation

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

3. Recognition of Income

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

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

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

Grants and donations

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

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

Government and non Government grants with PRCs include annual grants such as 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 had only six members in the USS during 2016-17 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 the revised SORP, are measured on the basis of deemed cost, being the revalued amount at the transition date.

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

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

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

Land and buildings

Expenditure 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 the Cross Keys practice rooms are being depreciated over 10 years, this being the length of the lease.

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

Equipment and Collection of Musical Instruments

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

Equipment/working instruments/artefacts

5 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:

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

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

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

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

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the Notes.

Maintenance of Premises

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

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

13. Taxation Status

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

14. Reserves

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

15. Significant estimates and accounting judgements

In the preparation of the 2017 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 2017, 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.

16. Prior year adjustments

During 2016-17 the Academy carefully reviewed the allocation of certain costs, such as masterclasses and external examiners, between pay and non pay. As a result the pay costs for 2015-16 have been reduced by £150k and the non pay costs have increased by an equivalent amount. At the same time the classification of costs associated with the Recording Department have been revised, so costs are now more accurately allocated between Teaching and Other Academic Services, whereas previously they were within Teaching and Support. Notes 7 and 9 have been restated accordingly.

Consolidated Statement of Comprehensive Income and Expenditure

		Consolidated 2017 £000	Academy 2017 £000	Restated Consolidated 2016 £000	Academy 2016 £000
	Note				
Income					
Tuition Fees	1	9,682	9,682	9,229	9,229
Funding Council Grants	2	5,114	5,114	3,584	3,584
Research Grants and Contracts	3	2	2	22	22
Other Income	4	1,688	1,407	1,427	1,166
Investment Income	5	1,459	1,459	1,376	1,376
Total Income before Donations and Endowments		17,945	17,664	15,638	15,377
Donations and Endowments	6	3,883	3,883	4,329	4,329
Theatre donations	6	2,695	2,695	7,286	7,286
Total Income		24,523	24,242	27,253	26,992
Expenditure					
Staff Costs	7	10,715	10,715	10,109	10,109
Other Operating Expenses		8,791	8,510	7,562	7,301
Depreciation	10	713	683	721	691
Interest and Other Finance Costs	8	183	183	164	164
Total Expenditure	9	20,402	20,091	18,556	18,265
Operating Surplus before Other Gains or Losses		4,121	4,151	8,697	8,727
Gain on disposal of Fixed Assets		40	40	43	43
Gain on Investments		2,885	2,885	1,447	1,447
Surplus for the year		7,046	7,076	10,187	10,217
Actuarial Gain/(Loss) in respect of RAM1967 Pension Scheme		2,469	2,469	(2,358)	(2,358)
Total Comprehensive Income for the year		9,515	9,545	7,829	7,859
Represented by:					
Endowment comprehensive income for the year		2,757	2,757	2,156	2,156
Restricted comprehensive income for the year		3,095	3,095	7,456	7,456
Unrestricted comprehensive income for the year		3,272	3,302	(1,948)	(1,918)
Revaluation reserve comprehensive income for the year*		391	391	165	165
		9,515	9,545	7,829	7,859

*Revaluation of Fixed Asset Investment

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 £9,515,000, whilst associated capital expenditure is excluded.

However the operating surplus, after exclusion of these restricted donations and other adjustments is £803,000, as shown below.

Total Comprehensive Income for the year from above	9,515	7,829
Exclude Endowment Comprehensive Income (generally restricted in use)	(2,757)	(2,156)
Exclude Restricted Comprehensive Income (mainly theatre donations)	(3,095)	(7,456)
Exclude Revaluation Reserve Comprehensive Income	(391)	(165)
Exclude actuarial (gain)/loss on RAM1967 Pension Scheme for the year	(2,469)	2,358
Operating surplus after adjustments	803	410

The Notes of pages 41 to 51 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	Total
	Endowment	Restricted	Unrestricted	Reserve	
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 1 August 2016	33,770	3,111	111,943	333	149,157
Surplus from the income and expenditure statement	2,757	3,095	3,272	391	9,515
Release of restricted capital funds spent in year	-	(5,578)	5,578	-	-
Balance at 31 July 2017	36,527	628	120,793	724	158,672

Academy	Income and Expenditure Account			Revaluation	Total
	Endowment	Restricted	Unrestricted	Reserve	
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 1 August 2016	33,770	3,111	111,133	333	148,347
Surplus from the income and expenditure statement	2,757	3,095	3,302	391	9,545
Release of restricted capital funds spent in year	-	(5,578)	5,578	-	-
Balance at 31 July 2017	36,527	628	120,013	724	157,892

Consolidated and Academy Balance Sheet

	Note	Consolidated 2017 £000	Academy 2017 £000	Consolidated 2016 £000	Academy 2016 £000
Non-Current Assets					
Fixed Assets:					
Heritage	10a	67,188	66,408	67,241	66,431
Operational	10a	46,989	46,989	35,471	35,471
		114,177	113,397	102,712	101,902
Non-Current Investments	11	40,250	40,250	35,696	35,696
		154,427	153,647	138,408	137,598
Current Assets					
Stock		105	9	125	11
Trade and Other Receivables	12	553	546	888	868
Current Investments	13	4,263	4,263	13,900	13,900
Cash and Cash Equivalents		8,892	8,862	6,948	6,934
		13,813	13,680	21,861	21,713
Creditors: Amounts falling due within one year	14a	(5,111)	(5,073)	(3,934)	(3,898)
Net Current Assets		8,702	8,607	17,927	17,815
Total Assets less Current Liabilities		163,129	162,254	156,335	155,413
Creditors: Amounts falling due after more than one year	14b	(95)	-	(112)	-
Provisions					
Pension Provisions	15	(4,255)	(4,255)	(6,979)	(6,979)
Other Provisions	15	(107)	(107)	(87)	(87)
Total Net Assets		158,672	157,892	149,157	148,347
Restricted Reserves					
Income and Expenditure Reserve - Endowment	16	36,527	36,527	33,770	33,770
Income and Expenditure Reserve - Restricted	17	628	628	3,111	3,111
		37,155	37,155	36,881	36,881
Unrestricted Reserves					
Income and Expenditure Reserve - Unrestricted		120,793	120,013	111,943	111,133
Revaluation reserve		724	724	333	333
		121,517	120,737	112,276	111,466
Total Funds		158,672	157,892	149,157	148,347

The notes on pages 41 to 51 form part of these Financial Statements.

The Financial Statements were approved by the Governing Body and authorised for issue on 22 November 2017.

Dame Jenny Abramsky
Chair of Governing Body

Professor Jonathan Freeman-Attwood
Principal

Consolidated Cash Flow Statement

	Note	2017 £000	2016 £000
Cash flow from operating activities			
Surplus for the year		7,046	10,187
Adjustments for non-cash items			
Depreciation/impairment of Fixed Assets	10a	713	721
Gain on investments	11	(2,885)	(1,447)
Decrease/(increase) in stocks		20	(16)
Decrease/(increase) in debtors	12	335	(346)
Increase in creditors	14	1,177	404
Decrease in pension provisions	15	(255)	(157)
Increase/(decrease) in other provisions	15	20	(10)
Receipt of donated equipment	6	(62)	(57)
Adjustment for investing or financing activities			
Investment income	5	(1,459)	(1,376)
New endowments	16	(272)	(814)
Profit on sale of fixed assets		(39)	(43)
Capital grant income		(2,728)	(7,298)
Net cash inflow/(outflow) from operating activities		<u>1,611</u>	<u>(252)</u>
Cash flows from investing activities			
Proceeds from sale of operational tangible assets		40	43
Capital grant receipts		2,728	7,298
Disposal of non current asset investments		99	2,860
Withdrawal of current asset investments deposits		16,586	2,011
Investment income		1,459	1,376
Purchase of operational tangible fixed assets		(12,117)	(5,610)
New non-current asset investments		(1,768)	(3,501)
New current asset investment deposits		(6,949)	(4,626)
Net cash inflow/(outflow) from investing activities		<u>78</u>	<u>(149)</u>
Cash flows from financing activities			
New endowments received	16	272	814
New unsecured loans		-	14
Repayments of amounts borrowed		(17)	-
		<u>255</u>	<u>828</u>
Increase in cash and cash equivalents in the year		<u>1,944</u>	<u>427</u>
Cash and cash equivalents at 1 August 2016		<u>6,948</u>	<u>6,521</u>
Cash and cash equivalents at 31 July 2017		<u>8,892</u>	<u>6,948</u>

Notes to the Financial Statements

		Consolidated 2017 £000	Academy 2017 £000	Consolidated 2016 £000	Academy 2016 £000
1	Tuition fees				
	Full time UK and EU	5,433	5,433	5,160	5,160
	Full time International	3,378	3,378	3,275	3,275
	Junior and Intermediate	871	871	794	794
		<u>9,682</u>	<u>9,682</u>	<u>9,229</u>	<u>9,229</u>
2	Funding Council Grants				
	Recurrent Teaching grant	4,487	4,487	2,974	2,974
	Recurrent Research grant	322	322	308	308
	Other Special funding	153	153	168	168
	Capital grant	152	152	134	134
		<u>5,114</u>	<u>5,114</u>	<u>3,584</u>	<u>3,584</u>
3	Research Grants and Contracts				
	Research Councils	2	2	22	22
		<u>2</u>	<u>2</u>	<u>22</u>	<u>22</u>
4	Other Income				
	Residences and catering	645	645	623	623
	Other operating income	1,043	762	804	543
		<u>1,688</u>	<u>1,407</u>	<u>1,427</u>	<u>1,166</u>
5	Investment Income				
	Investment income	1,317	1,317	1,189	1,189
	Other interest receivable	142	142	187	187
		<u>1,459</u>	<u>1,459</u>	<u>1,376</u>	<u>1,376</u>
6	Donations and Endowments				
	New Endowments	272	272	814	814
	PRC income utilised	1,524	1,524	1,556	1,556
	Restricted donations	3,266	3,266	7,664	7,664
	Unrestricted donations *	1,454	1,454	1,524	1,524
	Donation of assets (non cash)	62	62	57	57
		<u>6,578</u>	<u>6,578</u>	<u>11,615</u>	<u>11,615</u>

* Includes donation income of £1.247 million from the ABRSM (£1.2 million: 2016).

7 Staff

	Consolidated 2017 £000	Academy 2017 £000	Restated Consolidated 2016 £000
Staff Costs			
Wages and salaries	9,122	9,122	8,611
Social Security costs	790	790	714
Change in USS pension provision parameters	5	5	13
Other pension costs	798	798	771
	<u>10,715</u>	<u>10,715</u>	<u>10,109</u>
Principal's Emoluments	£		£
Salary	210,721		178,765
Pension contributions to USS	4,025		27,388
	<u>214,746</u>		<u>206,153</u>

The Principal is no longer part of a pension scheme (from 2016) therefore his salary contains a pension equivalent, now rolled into a single sum.

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

	2017	2016
£120,000 to £129,999	1	-

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

Staff numbers	2017 FTE	Restated 2016 FTE
Teaching	121	126
Support	6	7
Other academic services	16	15
Central administration and services	37	31
General education	16	16
Student/staff facilities	3	3
Premises	16	15
Catering and residence	8	9
	<u>223</u>	<u>222</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. The appointment of a third Deputy Principal during 2016-17 has increased the size of the Senior Management Team.

	2017 £000	2016 £000
Key management personnel compensation	<u>648</u>	<u>586</u>

8 Interest and other finance costs

	Consolidated 2017 £000	Academy 2017 £000	Consolidated 2016 £000	Academy 2016 £000
Net charge on pension schemes	<u>183</u>	<u>183</u>	<u>164</u>	<u>164</u>

9 Total expenditure by activity

	Consolidated 2017 £000	Academy 2017 £000	Restated Consolidated 2016 £000	Academy 2016 £000
Teaching	7,810	7,810	7,451	7,451
Support	434	434	425	425
Other academic services	597	597	564	564
Central administration and services	2,982	2,978	2,537	2,537
General education	2,859	2,859	2,630	2,630
Student/staff facilities	175	175	176	176
Premises	4,219	4,189	3,500	3,470
Long term maintenance	58	58	48	48
Catering and Residence	803	803	774	774
Research grants and contracts	1	1	23	23
Other services rendered - Academy Chimes	281	4	264	3
Other expenses	183	183	164	164
	20,402	20,091	18,556	18,265

Other operating expenses include:

External auditors' remuneration in respect of audit services	48	58
External auditors' remuneration in respect of non audit services	52	12
Internal auditors' remuneration	19	19
Operating lease rentals in respect of land and buildings	1,050	821
Other operating lease rentals	50	88

10 Tangible Fixed Assets

a) Consolidated

	OPERATIONAL				Subtotal	HERITAGE		Subtotal	TOTAL
	Long Leasehold Land and Buildings	Assets in the Course of Construction	Equipment	Operational Instrument Collections	Operational Assets	Heritage Instrument Collection	Menuhin & Spencer Collections	Heritage Assets	Grand Total
Cost or valuation	Cost £000	Cost £000	Cost £000	Valuation £000	£000	Valuation £000	Cost £000	£000	£000
At 1 August 2016	24,404	7,395	7,256	7,180	46,235	65,820	2,103	67,923	114,158
Additions	26	11,803	338	12	12,179	-	-	-	12,179
Disposals	-	-	(38)	-	(38)	-	-	-	(38)
At 31 July 2017	24,430	19,198	7,556	7,192	58,376	65,820	2,103	67,923	126,299
Depreciation									
At 1 August 2016	7,589	-	3,175	-	10,764	-	682	682	11,446
Disposals	-	-	(37)	-	(37)	-	-	-	(37)
Charge for the year	391	-	269	-	660	-	53	53	713
At 31 July 2017	7,980	-	3,407	-	11,387	-	735	735	12,122
Net Book Value									
At 31 July 2017	16,450	19,198	4,149	7,192	46,989	65,820	1,368	67,188	114,177
At 31 July 2016	16,815	7,395	4,081	7,180	35,471	65,820	1,421	67,241	102,712

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: 2016)

b) Academy

Cost or valuation	OPERATIONAL				Subtotal Operational Assets	HERITAGE		Subtotal Heritage Assets	TOTAL Grand Total
	Leasehold Land and Buildings	Long Assets in the Course of Construction	Equipment	Operational Instrument Collection		Heritage Instrument Collection	Menuhin & Spencer Collections		
	Cost	Cost	Cost	Valuation		Valuation	Cost		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 August 2016	21,627	7,395	7,259	7,181	43,462	65,820	905	66,725	110,187
Additions	26	11,803	338	12	12,179	-	-	-	12,179
Disposals	-	-	(38)	-	(38)	-	-	-	(38)
At 31 July 2017	21,653	19,198	7,559	7,193	55,603	65,820	905	66,725	122,328
Depreciation									
At 1 August 2016	4,817	-	3,174	-	7,991	-	294	294	8,285
Disposals	-	-	(37)	-	(37)	-	-	-	(37)
Charge for the year	391	-	269	-	660	-	23	23	683
At 31 July 2017	5,208	-	3,406	-	8,614	-	317	317	8,931
Net Book Value									
At 31 July 2017	16,445	19,198	4,153	7,193	46,989	65,820	588	66,408	113,397
At 31 July 2016	16,810	7,395	4,085	7,181	35,471	65,820	611	66,431	101,902

11 Non-Current Investments

	Consolidated and Academy Total Investments £000
At Market Value	
At 1 August 2016	35,696
Purchases of investments	1,768
Proceeds from sales of investments	(99)
Appreciation on revaluation	2,885
At 31 July 2017	40,250
Represented by:	
Equities	26,364
Fixed Interest Stocks	2,982
Property	3,932
Other	6,972
	40,250

12 Trade and Other Receivables

	Consolidated 2017 £000	Academy 2017 £000	Consolidated £000	Academy 2016 £000
Amounts falling due within one year:				
Trade Debtors	144	144	111	105
Prepayments and accrued income	409	402	777	763
	553	546	888	868

13 Current Investments

	Consolidated 2017 £000	Academy 2017 £000	Consolidated 2016 £000	Academy 2016 £000
Short term deposits	4,263	4,263	13,900	13,900

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 0.66% pa and the remaining weighted average period for which the interest rate was fixed was 159 days. The fair value of the deposits was not materially different from book value.

14 Creditors

a) Amounts falling due within one year:	Consolidated 2017 £000	Academy 2017 £000	Consolidated 2016 £000	Academy 2016 £000
Trade Creditors	15	-	14	2
Fees in Advance	2,167	2,167	1,738	1,738
Deferred Revenue (Performance Related Conditions)	599	599	504	504
Taxation and social security	247	249	251	252
Other Creditors and Accruals	2,083	2,058	1,427	1,402
	5,111	5,073	3,934	3,898

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

Teaching grants	540	540	442	442
Research grants	31	31	32	32
Other grants	28	28	30	30
	599	599	504	504

b) Amounts falling due after more than one year:	Consolidated 2017 £000	Academy 2017 £000	Consolidated 2016 £000	Academy 2016 £000
Loan from Chimes Consultancy	95	-	112	-

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 which currently ends on 17 February 2018.

15 Provisions

	Consolidated & Academy USS deficit funding obligation £000	RAM1967 defined benefit obligation £000	Total Pension Provisions £000	Other Provisions Leasehold Dilapidations £000
At 1 August 2016	141	6,838	6,979	87
Transfer from Income and Expenditure Account	8	(2,289)	(2,281)	58
Utilised in year	(7)	(436)	(443)	(38)
At 31 July 2017	142	4,113	4,255	107

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

	Consolidated and Academy					2016 Grand Total £000
	Unrestricted Permanent £000	Restricted Permanent £000	Subtotal Permanent £000	Restricted Expendable £000	Grand Total £000	
Capital						
At 1 August 2016	5,484	21,124	26,608	6,198	32,806	30,709
Appreciation of endowment asset investments	411	1,595	2,006	466	2,472	1,283
New endowments received	-	254	254	18	272	814
At 31 July 2017	5,895	22,973	28,868	6,682	35,550	32,806
Accumulated Income						
At 1 August 2016	-	606	606	358	964	905
Investment income	193	746	939	218	1,157	1,065
Expenditure	(193)	(735)	(928)	(216)	(1,144)	(1,006)
Net income accumulated in current year	-	11	11	2	13	59
At 31 July 2017	-	617	617	360	977	964
Total Funds						
At 1 August 2016	5,484	21,730	27,214	6,556	33,770	31,614
At 31 July 2017	5,895	23,590	29,485	7,042	36,527	33,770
Analysis by fund type						
Bursary and prize funds	1,201	23,590	24,791	2,773	27,564	25,432
Teaching and masterclass funds	-	-	-	815	815	758
Development funds	4,684	-	4,684	-	4,684	4,358
Other funds	10	-	10	3,454	3,464	3,222
	5,895	23,590	29,485	7,042	36,527	33,770
Analysis by asset						
Investments					34,497	31,624
Cash					2,953	1,531
Other current assets					(923)	615
					36,527	33,770

There are no deficit balances on any endowment fund.

17 Restricted Reserves

	Consolidated and Academy			2016 Total £000
	Unspent Capital Grants £000	Other Restricted Funds £000	Total £000	
At 1 August 2016	2,850	261	3,111	1,066
Donations	2,728	843	3,571	7,951
Investment income	-	5	5	-
Appreciation of restricted investments	-	22	22	-
Capital Grants utilised	(5,578)	-	(5,578)	(5,411)
Expenditure	-	(503)	(503)	(495)
At 31 July 2017	-	628	628	3,111
Analysis of Other Restricted Funds by type of purpose:				
Bursary and prize funds		421		154
Teaching funds		152		72
Other funds		46		35
		619		261

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 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 (RAM1967) for administrative staff was closed to future accruals of pension benefit on 31 March 2005, however, the scheme continues to be managed by the Prudential Assurance Company and the Academy is undertaking deficit funding.

	2017 £000	2016 £000
Total pension cost for the year		
Teachers Pension Scheme: employer's contributions paid	500	471
Group Personal Pension Scheme: employer's contributions paid	234	228
Universities Superannuation Scheme (gross including deficit recovery portion)	62	72
National Employment Savings Trust	9	6
Total pension cost	805	777

Teachers' Pension Scheme

The TPS is a statutory, unfunded, 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 Public Services Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above 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 £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.1 billion.
- An employer cost cap of 10.9% of pensionable pay.
- Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

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

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

<https://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 TPS, 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 £62,000 (£72,000: 2016) 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. The valuation at 31 March 2017 is underway.

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 £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. 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:

	<u>As at 31 July 2017</u>	<u>As at 31 July 2016</u>
Discount rate	2.57%	3.60%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	2.20%

The main demographic assumption used relates to the mortality assumptions. 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 one year

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

	<u>As at 31 July 2017</u>	<u>As at 31 July 2016</u>
Males currently aged 65	24.40 years	24.30 years
Females currently aged 65	26.60 years	26.50 years
Males currently aged 45	26.50 years	26.40 years
Females currently aged 45	29.00 years	28.80 years
Scheme assets	£60.0 bn	£49.8 bn
Total scheme liabilities	£77.5 bn	£58.3 bn
FRS 102 total scheme deficit	£17.5 bn	£8.5 bn
FRS 102 total funding level	77.00%	85.00%

Royal Academy of Music Pension Scheme 1967

The Academy operates a funded defined benefit scheme which is managed by the Prudential Assurance Company Ltd and was closed to future accruals of pension benefit on 31 March 2005. The Academy is funding the scheme deficit with contributions of £336,482 pa with effect from 1 January 2017 and increasing by 2.55% pa thereafter. Scheme liabilities have been valued using the projected unit method. A full actuarial valuation was carried out at 31 December 2015 and the results of that valuation have been projected to 31 July 2017 for FRS17 purposes.

Main assumptions used to value RAM1967 Scheme liabilities under FRS 102:

	As at 31 July 2017	As at 31 July 2016
Discount rate	2.80%	2.70%
Inflation assumption - RPI	3.30%	3.00%
Inflation assumption - CPI	n/a	n/a
Rate of increase in salaries	n/a	n/a
Increases to deferred pensions in excess of GMP before retirement	5%*	5%*
Increases to pensions in payment for all members in respect of service up to 31 December 2003	5%*	5%*
Increase to Pension in payment for all members in respect of service after 1 January 2004	3.30%	3.00%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	0.00%	0.00%

* Fixed rates in rules of scheme

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

		As at 31 July 2017	As at 31 July 2016
Retiring today	Males	87.20	88.10
	Females	89.10	90.50
Retiring in 20 years	Males	89.00	90.40
	Females	91.00	92.80

	2017 £000	2016 £000
Analysis of amount (charged)/credited to other finance income		
Expected return on pension scheme assets	315	400
Interest on pension scheme liabilities	(495)	(562)
Net charge to other finance income (Note 8)	(180)	(162)

Analysis of other comprehensive income/(loss)

Actual return less expected return on pension scheme assets	(747)	930
Experience gains and losses arising on scheme liabilities	3,216	(3,288)
Total other comprehensive income/(loss)	2,469	(2,358)

Amounts recognised in the statement of financial position

Present value of scheme liabilities	14,723	19,254
Fair value of scheme assets	10,610	12,416
Deficit in scheme - net pension liability	(4,113)	(6,838)

	Assets £000	2017 Liabilities £000	Net £000	Assets £000	2016 Liabilities £000	Net £000
Reconciliation of Scheme assets and liabilities						
Deficit in scheme at beginning of the year	12,416	(19,254)	(6,838)	11,158	(15,804)	(4,646)
Movement in year:						
Contributions	436	-	436	328	-	328
Other finance income/(charge)	315	(495)	(180)	400	(562)	(162)
Benefits paid	(1,810)	1,810	-	(400)	400	-
Actuarial gain/(loss)	(747)	3,216	2,469	930	(3,288)	(2,358)
Deficit in scheme at end of the year	10,610	(14,723)	(4,113)	12,416	(19,254)	(6,838)

	2017 £000	2016 £000
Actual return on scheme assets		
Expected return on pension scheme assets	315	400
Actuarial gain/(loss)	(747)	930
Actual return on scheme assets	(432)	1,330

	Long term ROR expected (including annuities)	Long term ROR expected (including annuities)
Analysis of Scheme Assets		
Equities	1,474	1,904
Bonds	2,632	2,744
Property	394	625
Cash	232	172
Total market value of invested assets	4,732	5,445
Secured pensions in payment	5,878	6,971
	10,610	12,416

Long term ROR expected (excluding Annuities) 2.80% 2.70%

	2017	2016	2015	2014
History of experience gains and losses				
Experience adjustments on scheme assets				
Amount (£000)	(747)	930	778	337
Percentage of scheme assets	(7.0)	7.5	7.0	3.4
Experience adjustments on scheme liabilities				
Amount (£000)	(3,216)	3,288	2,523	1,198
Percentage of scheme liabilities	21.8	(17.1)	(16.0)	(9.1)
Actuarial gain/(loss) recognised in other comprehensive income				
Amount (£000)	2,469	(2,358)	(1,745)	(861)
Percentage of scheme liabilities	(16.8)	12.2	11.0	6.6
Cumulative actuarial gain/(loss) recognised in other comprehensive income	(6,717)	(9,186)	(6,828)	(5,083)
History of Defined Benefit Scheme				
Present Value of Defined Benefit Obligation	(14,723)	(19,254)	(15,804)	(13,104)
Fair Value of Scheme Assets	10,610	12,416	11,158	10,013
Surplus/(deficit) arising in the scheme	(4,113)	(6,838)	(4,646)	(3,091)

Group Personal Pension Scheme

A GPPS was started on 1 April 2005 for all administrative staff. This scheme is a defined contribution scheme with employee and employer contributions being based on length of service. There were no contributions outstanding or prepaid at the balance sheet date and the amount of employer contributions paid during the year were £234,000 (£228,000: 2016).

19 Capital Commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	Consolidated 2017 £000	Academy 2017 £000	Consolidated 2016 £000	Academy 2016 £000
Capital Commitments contracted for	5,020	5,020	8,066	8,066

20 Lease Obligations

	Land and Buildings £000	Plant and Machinery £000	2017 Total £000	2016 Total £000
Total rentals payable under operating leases:				
Payable during the year	1,050	50	1,100	909
Future minimum lease payments due:				
Not later than 1 year	864	44	908	600
Later than 1 year and not later than 5 years	3,314	69	3,383	2,024
Later than 5 years	30,721	-	30,721	18,260
Total lease payments due	35,949	163	36,112	21,793

21 Related Party Transactions

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

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

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

The Royal Academy of Music Student Union (RAMSU) is a separate entity which is classed as a related party for the purposes of these financial statements. A grant of £42,050 (£46,820: 2016) 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 £1,247,000 (£1,200,000: 2016).

Academy Chimes is a subsidiary of the Royal Academy of Music. During the year Academy Chimes sold goods on behalf of the Academy at a total cost of £6,042. At the end of the year £1,710 was owed to the Academy.

Patron: HM The Queen
President: HRH The Duchess of Gloucester GCVO
Principal: Professor Jonathan Freeman-Attwood

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