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# RCA ANNUAL ACCOUNTS 2011/ 12



Royal College of Art

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# Royal College of Art

# Financial Statements For the Year Ended 31 July 2012

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# Treasurer's Report for the Year Ended 31 July 2012

The Royal College of Art is the world's most influential wholly postgraduate university for the study of art and design. The RCA has a distinctive role in preparing its postgraduate students for careers in art, design and the creative sector – indeed the College is widely viewed as a crucible of the creative industries. In 2011/12 it had almost 1,100 students enrolled, approximately 25 per cent of whom came from countries outside the EU.

The College is an exempt charity, which operates under the terms of a Royal Charter. The current Charter was granted in 1967, although the College was originally founded in 1837 – at that time it was known as the Government School of Design. This year is the 175th anniversary of the College's foundation, and an exhibition and other events to mark the occasion will take place during the 2012/13 academic year.

The College has governance arrangements that are similar to those of pre-1992 English universities. It is funded by the Higher Education Funding Council for England (HEFCE), which also acts as the College's regulator under the terms of the Charities Act 2006. The College's accounts are required to follow the format laid down in the *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP).

## Estates Masterplan

The College agreed a new strategic plan in 2010, and this was complemented with an Estates Masterplan, drawn up in conjunction with Haworth Tompkins, the architects who designed the College's Battersea North Site development. The Masterplan was agreed by Council in November 2011. It provides a blueprint for the reconfiguration of space in the College's Kensington buildings following the completion of the Battersea development and also provides accommodation for new academic programmes that the College plans to offer and for the expansion and reconfiguration of support services, the library and administrative functions.

The Dyson Building, which forms the largest element of the Battersea North development, reached practical completion in early March. InnovationRCA moved in to the purpose-built incubator spaces in April and the remaining areas of the building were occupied during the summer vacation. It was formally opened by Sir James Dyson on 24 September 2012.

In November 2011 Council agreed in principle to proceed with the construction of the Woo Building, which forms the third and final phase of the Battersea North development. This will be financed through a donation of £1.5 million from Sir Po Shing and Lady Helen Woo and additional borrowing of £4 million, with the balance coming from the College's reserves. The total cost of the Woo Building is expected to be just over £13 million. The project has now reached

RIBA stage E and tenders are being sought for the main construction contract. It is expected that Council will be asked to give final approval to the project in November 2012 and construction will start on site in early 2013. The current project programme suggests that practical completion will be achieved in late 2014, although this is subject to negotiation with the successful contractor.

## Funding

During the year HEFCE made a series of announcements about future funding following the increase in undergraduate fees, which came into effect for new students this autumn. Funding for postgraduate taught courses has continued on an interim basis (it had originally been expected that this funding would cease), and HEFCE has also continued the College's targeted allocations (institutional premium) funding at approximately the same level in 2012/13 as that which applied in the previous year. A review of the system of targeted allocations has been announced. The review is taking place this autumn and the outcome will be known in December 2012. Institutions were asked to make submissions to the review panel by 1 October 2012 and the College duly made its case. The review is about the detailed working of the system, not about the principle of having targeted allocations. The review panel will base its decisions on three criteria – high cost, distinctiveness of academic provision and additional public value. The College has made a robust case for funding on the basis that its activity clearly fulfils all three of these criteria. Applications for places at the College remain strong, particularly from overseas students. The number of students enrolled increased last year to 1,062 and a further increase is expected in 2012. The completion of the Dyson Building means that the College has additional space to accommodate the extra numbers. The College has increased its home/EU fees to £9,000 in 2012.

This figure was chosen as it is the maximum fee allowed at undergraduate level (although as a postgraduate institution the College is not bound to set fees below this level). However, the effect of increased tuition fees at undergraduate level on the ability of students to finance postgraduate study is not yet known and the College does not intend to increase home fees again until at least 2015, by which time the higher undergraduate costs will have worked their way through to all home/EU students.

## Results for the Year

The consolidated income and expenditure results for the year to 31 July 2012 show a surplus of just under £1 million. This is lower than the previous year's figure but represents a very comfortable margin bearing in mind the difficulties in the general economic climate.

Income from HEFCE grants fell by £1 million during the year, but this was more than made up by a £2 million rise in fee income. Income from other sources fell slightly, reflecting the difficult economic climate and recent uncertainty over the tax relief available on private donations. Payroll costs rose modestly – this reflects an increase in headcount, which has been necessitated by the increased number of students studying at the College. Non-staff costs also rose – the main reason for this increase was the substantial increase in expenditure on premises due to the summer refurbishment programme.

The College's balance sheet remains strong – general reserves have increased to just under £10 million and cash reserves remain above £11 million, despite capital expenditure of just under £8 million being incurred during the year.

## Investments

The College set up an Investment Committee in 2010/11. The Committee is chaired by John Studzinski and is charged with setting investment policies for the College's endowments and cash reserves and monitoring their implementation. The Committee reviewed the College's investment management arrangements and decided that the funds previously invested in iShares, amounting to just under £5 million, should be transferred to an active manager. A competitive process was undertaken and it was decided that the funds should be invested in the Baring Dynamic Asset Allocation fund. The rest of the College's portfolio remains under the management of Ruffer Investment Management LLP.

## Payment of Creditors

The College is fully committed to the prompt payment of its suppliers' invoices, and aims to pay in accordance with contractual conditions, or where no such conditions exist, within 30 days of receipt of invoice or of the goods or services concerned.

## Risks

The College has a well-developed risk register that is reviewed by the Audit Committee at each meeting. The most significant risk on the register at the end of the 2011/12 financial year is the possible effect of increased costs at undergraduate level impacting on the willingness of students to apply for postgraduate study. Other important risks are the threat to student recruitment represented by the economic difficulties in Europe and increasing costs and continued uncertainty about the size and timing of reductions in public funding for the College. Action is being taken to mitigate these risks inasmuch as it is in the College's power to do so.

## Subsidiaries

During the year the College continued to use a subsidiary – RCA Design Group Ltd – to act as the developer of the Dyson Building on the Howie Street North site. This arrangement has been made necessary in order to safeguard the College's position in respect of the recovery of input VAT on the project. The College also has a dormant subsidiary company – Lion & Unicorn Press Ltd.

## Conclusion

The HE sector in the UK is undergoing unprecedented change and financial pressure. However the College remains in a strong market position and has an agreed strategy to take it forward over the next few years.



**Eric Hagman CBE**  
Treasurer

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# Public Benefit Statement

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The Royal College of Art is an exempt charity under the terms of the Charities Act 2006. As such the College has charitable status for taxation purposes but it is regulated by the Higher Education Funding Council for England (HEFCE). HEFCE requires exempt charities that it regulates to publish an annual public benefit statement having regard to the Charity Commission guidance on public benefit.

The College is incorporated by Royal Charter – it has no shareholders and it does not distribute profits. Any surpluses which arise on its income and expenditure are reinvested in the College's teaching and research activities.

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## Education

The College provides postgraduate courses in art and design on a non profit-making basis. Fees charged to EU-domiciled students are well below the cost of teaching those students as their costs are subsidised by HEFCE grants. Fees charged to non-EU domiciled students are set at a full cost level. The College provides bursaries and hardship grants to some of its students, partly from HEFCE resources and partly from other resources. These bursaries and hardship payments help students of limited means to study at the College. Many College graduates hold prominent positions in the creative industries.

## Research

The College undertakes research in art and design. A particular emphasis is placed on design for an ageing population – the Helen Hamlyn Research Centre is particularly strong in this area. Much of the research carried out at the College is funded by charities and UK research councils and is undertaken in order to advance knowledge and understanding. This research activity is not carried on a profit-making basis. In some cases research is carried out on behalf of commercial sponsors – any profits arising on such research are reinvested in the College's teaching and research activities, where permissible.

## Other Activities

The College organises public exhibitions, seminars, lectures and conferences that enable students to show their work and also enable the public to engage with the work of the College. The College also operates a schools liaison programme, known as ReachoutRCA. All College exhibitions and lectures are free of charge to members of the public and any charge which might be made for conferences or seminars is designed to cover costs only.

## Policies and Operations

The College has adopted policies on environmental and ethical issues and makes every effort to operate in a sustainable and responsible way. These policies are available on the College's website.

# Corporate Governance Statement

The College is a corporation formed by Royal Charter with charitable status, so it does not fall within the regulation of the London Stock Exchange, but nevertheless the Council is satisfied that the College has, throughout the year ended 31 July 2012 been in compliance with all the Code provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to Colleges.

The College also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland that was issued by the Committee of University Chairmen in November 2004.

## Summary of the Structure of Corporate Governance

The Council comprises lay and academic persons appointed under the College's Statutes, the majority of whom are non-executive. The roles of Chairman and Vice-Chairman of Council are separated from the role of the College's Chief Executive, the Rector. The matters specifically reserved to the Council for decision are set out in the College's Statutes. By custom and under the HEFCE Financial Memorandum, the Council is responsible for the College's ongoing strategic direction, approval of major developments and receiving regular reports from Executive Officers on day-to-day operations. The Council meets four times a year and has several Committees, including a Finance Committee, a Buildings and Estates Committee, an Audit Committee and a Remuneration Committee. All these Committees are formally constituted with terms of reference and comprise mainly lay members of Council.

The Senior Management Team recommends to the Finance Committee the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The Senior Management Team advises Council on the College's overall objectives and priorities and the strategies and policies to achieve them. The Nominations Committee considers nominations for vacancies on Council and Committee membership under the relevant Statute. The Remuneration Committee determines the remuneration of the most senior staff.

The Audit Committee meets three times annually, with the Internal and External Auditors to discuss audit findings and to consider detailed internal audit reports and recommendations for the improvement of the College's systems of internal control, together with management's response and implementation plans. The Audit Committee also receives and considers assurance and internal control reports from HEFCE and monitors adherence to the regulatory requirements. The Audit Committee reports annually to Council and to HEFCE on the operation of the College's internal control procedures, risk management, value for money and other relevant matters. Whilst senior management team members attend meetings of the Audit Committee as necessary, they are not members of the Committee, and at each meeting the Committee offers the Internal and External Auditors the opportunity of private meetings with the Committee members without officers present.

The Buildings and Estates Committee is responsible for estates planning and maintenance issues.

## Risk Management

On behalf of Council, the Audit Committee has appointed Deloitte and Touche Public Sector Internal Audit Ltd as the College's internal auditors. The internal auditors review the effectiveness of the College's systems of internal control. The results were considered by management and reviewed by the Audit Committee. The Audit Committee is also responsible for the oversight of the College's policies and procedures for Risk Management, in accordance with guidelines issued by HEFCE. A risk management policy for the College has been approved by Council, and a Risk Framework has been presented to the Council by the Audit Committee. The risk management policy sets out the College's underlying approach to risk management and documents the roles and responsibilities of senior managers, Council and other key parties. During the year the Pro-Rector (Academic) and other senior officers attended the Committee to discuss their perceptions of the key risks facing the College and the Audit Committee has updated the risk register accordingly.

A number of other key plans and strategies have been drawn up, including an emergency plan and an IT security policy. These address areas of risk identified by the risk framework. The disaster recovery plan includes a telephone cascade system under which all College staff could be contacted in an emergency. Records of the cascade system, and duplicate copies of all systems and data on the College network, are kept off-site.

## Register of Interests

The College maintains a Register of Interests completed by Council members and senior managers and these declared interests are updated annually. Additionally agendas at all meetings of Council and its Committees have 'declaration of interests' as the first substantive item. Members and officers are invited to declare any interest in business to be considered by the meeting at that time.

## Responsibilities of the Council

The Council is responsible for the administration and management of the affairs of the College and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the accounts are prepared in accordance with the Royal Charter and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between HEFCE and the Council of the College, the Council, through its designated office holder, is required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit for that year.

In causing the accounts to be prepared, the Council has to ensure that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- the College had adequate resources to continue in operation for the foreseeable future and for this reason the financial statements are prepared on the going concern basis

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The Council has taken reasonable steps to:

- ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the College and prevent and detect fraud
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial 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 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 Council
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee and Council
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Council, has reviewed the effectiveness of the College's system of internal control. Two unrelated attempts to defraud the College were discovered during the year – no financial loss resulted but the Audit Committee asked the internal auditors to investigate both incidents. The auditors made recommendations on how controls could be tightened and these recommendations have been implemented. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The maintenance and integrity of the Royal College of Art website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



# Council and Committee Members

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The following served as members of Council during the year:

## **Ex Officio**

### **The Provost**

Sir James Dyson

### **The Chairman and**

### **Pro-Provost**

Sir Neil Cossons

### **The Rector and Vice-Provost**

Dr Paul Thompson

### **The Treasurer**

Mr Eric Hagman

### **The Pro-Rector (Academic)**

Professor Naren Barfield

### **The Pro-Rector (Operations)**

Jane Alexander

### **The President of the**

### **Students Union**

Ms Rebecca Court

## **Members Appointed by the Court**

Mr Charles Allen-Jones  
(Vice-Chairman)

Professor Richard Burdett

Mr Rupert Hambro  
(from 1 December 2011)

Ms Betty Jackson

Mrs Joanna Kennedy

Mr Robin Levien

Ms Caragh Merrick

Ms Sarah Miller

Sir Idris Pearce

(to 31 January 2012)

Sir Idris Pearce

Ms Cathy Turner

Professor Martin Roth

Lady Ritblat

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## **Members Appointed by the Senate**

Professor Joan Ashworth

Professor Wendy Dagworthy

Professor Tony Dunne

Professor Dale Harrow

Professor Jeremy Myerson

Professor Jane Pavitt

Professor Martin Smith

## **One Student elected by the Students**

Mr Andrew Lacon

## **Co-opted Members**

Professor Sir Roy Anderson  
(to 30 November 2011)

Mr Tony Brierley

Dr David Good

Sir Mark Jones

Professor Sir Keith O’Nions  
(from 1 December 2011)

Mr Paul Priestman

Dame Gail Rebuck

Mr John Studzinski

Mr Matthew Freud

(to 23 November 2011)

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The following served as members of the other Committees directly concerned with financial matters:

## **Finance Committee**

Mr Eric Hagman,  
Chairman

Mr Charles Allen-Jones

Mr Paul Priestman

Dr Paul Thompson

Mr Tony Brierley

Professor Sir Roy Anderson  
(to 30 November 2011)

## **Audit Committee**

Ms Caragh Merrick, Chairman

Mr Ashley Hall

Mr Roger Miles

(from 1 April 2012)

Ms Sarah Miller

Mr Tony Brierley

Mr David Thompson

## **Remuneration Committee**

Sir Neil Cossons, Chairman

Mr Charles Allen Jones

Mr Eric Hagman

Ms Cathy Turner

Dr Paul Thompson

## **Buildings and Estates Committee**

Sir Idris Pearce, Chairman  
(to 31 January 2012)

Professor Peter Bearman  
(to 31 October 2011)

Mr Robert Evans

Ms Joanna Kennedy  
(Chairman from  
1 February 2012)

Dr Paul Thompson

Professor Jo Stockham

(to 31 March 2012)

Professor Martin Smith

(from 1 April 2012)

Mr Garry Philpott

Ms Jane Alexander

Mr Charles Allen Jones

Mr Alan Leibowitz

(from 1 February 2012)

Professor Derek Walker

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## **Investment Committee**

Mr John Studzinski, Chairman

Mr Eric Hagman

Mr Tony Brierley

## **Institutional Advancement Committee**

Mr John Studzinski, Chairman  
Mr Matthew Freud

(to 23 November 2011)

Mr Rupert Hambro

(from 1 December 2011)

Dame Gail Rebuck

Mr Rumi Verjee



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# Senior Officers and Advisers

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## **Rector and Vice Provost**

Dr Paul Thompson

## **Pro-Rector(Academic)**

Professor Naren Barfield

## **Pro-Rector (Operations)**

Jane Alexander

## **Director of Finance & Estates**

Nick Cattermole

## **Academic Registrar**

Corinne Smith

## **Director of Research**

Professor Jeremy Aynsley

## **Head of Information & Learning Services**

Peter Hassell

## **Director of the Helen Hamlyn Research Centre**

Professor Jeremy Myerson

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## **Bankers**

National Westminster Bank plc

180 Brompton Square

SW3 1XJ

## **Solicitors**

Stephenson Harwood

1 Finsbury Circus

EC2M 7SH

## **Insurers**

UM Association Ltd

Hasilwood House

60 Bishopsgate

EC2N 4AW

## **External Auditors**

KPMG LLP

15 Canada Square

E14 5GL

## **Internal Auditors**

Deloitte & Touche Public Sector Ltd

3 Victoria Square

St Albans

AL1 3TF

## **Investment Managers**

Ruffer LLP

80 Victoria Street

SW1E 5JL

Baring Asset Management

155 Bishopsgate

London

EC2M 3XY

# Independent Auditors' Report to the Council of the Royal College of Art

We have audited the group and College financial statements (the 'financial statements') of The Royal College of Art for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated and College Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council, in accordance with the Charters and Statutes of the College. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it 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 Council for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of the Council and Auditor

As explained more fully in the Responsibilities of the Council set out on pages 8 and 9 the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the Audit of the Financial Statements

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

## Opinion on Financial Statements

### In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and College as at 31 July 2012 and of the consolidated income and expenditure, recognised gains and losses and cash flows for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

### In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

## Matters on which We Are Required to Report by Exception

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

- the statement of internal control is inconsistent with our knowledge of the College and Group.

**Neil Thomas**

**For and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants  
15 Canada Square  
London E14 5GL  
22 November 2012**

# Consolidated Income & Expenditure Account for the Year Ended 31 July 2012

Income	Note	2011/12 £'000	2010/11 £'000
Funding Council Grants	1	13,479	14,496
Tuition Fees and Education Contracts	2	11,695	9,379
Research Grants and Contracts	3	1,547	1,577
Other Operating Income	4	4,537	4,662
Endowment and Investment Income	5	441	525
<b>Total Income</b>		<b>31,699</b>	<b>30,639</b>
<b>Expenditure</b>			
Staff Costs	6	13,581	13,111
Other Operating Expenses	7	15,298	14,497
Depreciation	10	2,069	1,754
Interest and Other Finance Costs	8	218	213
<b>Total Expenditure</b>	9	<b>31,166</b>	<b>29,575</b>
Surplus/(Deficit) on Continuing Operations after Depreciation of Tangible Fixed Assets at Valuation before Exceptional Items		533	1,064
<b>Surplus/(Deficit) on Continuing Operations after Depreciation of Assets at Valuation and Disposal of Assets</b>		<b>533</b>	<b>1,064</b>
Surplus Transferred to Accumulated Income in Endowment Funds	18	448	336
Surplus/(Deficit) for the Year Retained within General Reserves		<b>981</b>	<b>1,427</b>

The Income and Expenditure account has been prepared in respect of continuing operations.

# Statement of Historical Cost Surpluses and Deficits for the Year Ended 31 July 2012

	Note	2011/12 £'000	2010/11 £'000
Surplus/(Deficit) after Depreciation of Assets at Valuation		533	1,064
Difference between the Historical Cost Depreciation Charge and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	19	1,342	1,342
<b>Historical Cost Surplus</b>		<b>1,875</b>	<b>2,406</b>

# Statement of Consolidated Total Recognised Gains and Losses for the Year Ended 31 July 2012

Surplus/(Deficit) on Continuing Operations after Depreciation of Assets at Valuation and Disposal of Assets	Note	2011/12 £'000	2010/11 £'000
		533	1,064
Appreciation of Endowment Asset Investments	18	124	1,056
Endowment Additions	18	487	526
<b>Total Recognised Gains/ (Loss) Relating to the Year</b>		<b>1,144</b>	<b>2,646</b>

# Balance Sheets as at 31 July 2012

Balance Sheet as at 31 July 2012	Note	Consolidated 2012 £'000	Consolidated 2011 £'000	College 2012 £'000	College 2011 £'000
<b>Fixed Assets</b>					
Tangible Assets	10	83,332	77,528	83,332	77,528
Other Fixed Asset Investments	11	551	479	551	479
<b>Endowment Asset Investments</b>	12	14,140	13,977	14,140	13,977
<b>Current Assets</b>					
Stock		66	83	66	83
Debtors	13	1,571	2,729	1,571	2,729
Investments	14	11,055	15,240	11,055	15,240
Cash at Bank and in Hand		5	22	5	22
<b>Total Current Assets</b>		<b>12,697</b>	<b>18,074</b>	<b>12,697</b>	<b>18,074</b>
<b>Creditors: Amounts Falling Due Within One Year</b>	15	5,937	6,658	5,937	6,658
<b>Net Current Assets</b>		6,760	11,416	6,760	11,416
<b>Total assets less current liabilities</b>		104,783	103,400	104,783	103,400
<b>Creditors: Amounts Falling Due After More Than One Year</b>	16	8,818	9,856	8,818	9,856
<b>Net Assets</b>		<b>95,965</b>	<b>93,544</b>	<b>95,965</b>	<b>93,544</b>
<b>Represented by:</b>					
<b>Deferred Capital Grants</b>	17	18,944	17,667	18,944	17,667
<b>Endowments</b>					
Expendable	18	4,534	4,237	4,534	4,237
Permanent		9,606	9,740	9,606	9,740
<b>Total Endowments</b>		<b>14,140</b>	<b>13,977</b>	<b>14,140</b>	<b>13,977</b>
<b>General Reserves</b>					
Revaluation Reserve	19	53,027	54,369	53,027	54,369
General Reserves Excluding Pension Reserve		9,854	7,531	9,854	7,531
<b>Total General Reserves</b>	20	<b>9,854</b>	<b>7,531</b>	<b>9,854</b>	<b>7,531</b>
<b>Total</b>		<b>95,965</b>	<b>93,544</b>	<b>95,965</b>	<b>93,544</b>

The financial statements on pages 11 to 32 were approved  
by the Council on 22 November 2012 and signed on its behalf by:



**Dr Paul Thompson**  
Rector



**Eric Hagman**  
Treasurer

# Cash Flow Statement

<b>Consolidated Cash Flow Statement for the Year Ended 31 July 2012</b>	<b>Note</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Net Cash Inflow/(Outflow) from Operating Activities	24	2,433	4,165
Returns on Investments and Servicing of Finance	25	295	387
Capital Expenditure and Financial Investment	26	(5,993)	(6,496)
Cash (Outflow)/Inflow Before Use of Liquid Resources and Financing		(3,235)	(1,944)
Management of Liquid Resources	27	4,185	2,481
Financing New Loans Loans Repaid		(968)	(914)
Decrease in Cash		(18)	(377)
<b>Reconciliation of Net Cash Flow to Movement in Net Funds</b>			
(Decrease)/Increase in Cash in the Period	27	(18)	(377)
Cash Inflow from Liquid Resources	27	(4,185)	(2,481)
Movement in Net Funds in Period		(4,203)	(2,858)
Net Funds at 1 August		16,482	19,340
Net Funds at 31 July		<b>12,279</b>	<b>16,482</b>



# Statement of Principal Accounting Policies

## A Accounting Convention

The Accounts have been drawn up in accordance with the 2007 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) and applicable accounting standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and of buildings for which a cost is not readily ascertainable. The accounts have been prepared on the basis that the College is a going concern as there is no indication that this will change in the foreseeable future.

## B Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the College and the RCA Design Group Ltd (subsidiary). The RCA Design Group has been dormant for a number of years but during 2009/10 it was revived in order to provide development services for Phase 2 of the College's Battersea North Site development. The accounts of the other subsidiary, Lion & Unicorn Press Ltd, have not been consolidated, as it was dormant during the period. The consolidated financial statements do not include those of the Students' Union because the College does not control those activities.

## C Income Recognition

Funding council grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not spent during the period in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund, and is reported in the statement of total recognised gains and losses.

## D Agency Arrangements

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

## **E Land and Buildings**

Land and buildings are stated at cost or at valuation. Chartered Quantity Surveyors carried out a revaluation in December 1998. Under FRS 15 the College has opted to use the 1998 valuation as the balance sheet value, and not to make regular revaluations. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful life of 50 years.

A review for impairment is conducted if events or changes in market conditions indicate that the carrying amount of any fixed asset may not be recoverable.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

## **F Equipment**

Equipment, including PCs and software, costing less than £10,000 per individual item or group of related items is expensed in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

Computing Equipment	3 years
Other Equipment	5 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grants are treated as deferred capital grant received in advance and released to income over the expected useful life of the equipment (the period of the grant in respect of specific research projects).

## **G Leased Assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the College substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

## **H Heritage Assets**

The College Art Collection consists mainly of works of art acquired free of charge from former students and artists associated with the College. Most items in the collection had nil or little value at the date of acquisition as the artists were not well known. An internal valuation of the collection was carried out during 2009/10. This provided an estimate of the value of the collection, which has been used to bring the collection on to the balance sheet in line with FRS 30 (heritage assets). Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

## **I Investments**

Endowment Asset Investments are included in the balance sheet at market value. Short term investments consist of cash balances, which are invested in interest bearing deposit accounts.

## **J Stocks**

Stocks are stated at the lower of cost or net realisable value. Where necessary, provision is made for slow-moving and defective stocks.

## **K Maintenance of Premises**

The College has a rolling maintenance plan, which is reviewed on an annual basis. The cost of routine and corrective maintenance is charged to the income and expenditure account as incurred.

## **L Accounting for Charitable Donations**

Unrestricted donations:

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds:

Where charitable donations are restricted to a particular objective specified by the donor these are accounted for as an endowment. There are three main types:

- Restricted permanent endowment – the capital of the fund is to be maintained and the income thereon applied to the purposes specified by the donor
- Unrestricted permanent endowments – the capital of the fund is to be maintained but the income can be applied to the general purposes of the College
- Restricted expendable endowments – the capital of the fund can be spent for purposes specified by the donor.

Donations for fixed assets:

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the estimated useful life of the asset in question.

## **M Taxation Status**

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 2006 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax.

## **N Pension Scheme**

The Royal College of Art participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme and is contracted-out of the Second State Pension. SAUL is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in SAUL, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation. A formal valuation of SAUL is carried out every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of SAUL's position are carried out between formal valuations.

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**O Foreign Currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

**P Gifts in Kind, Including Donated Tangible Fixed Assets**

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

**Q Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised in the financial statements when the College has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a possible, rather than present, asset arising from a past event.

**R Financial Instruments**

The College uses derivative financial instruments called interest rate caps to reduce exposure to interest rate movements.

**S Intra-group Transactions**

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Balances between the College and its associates and joint ventures are not eliminated; unsettled normal trading transactions are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity the part relating to the College's share is eliminated.

# Notes to the Accounts for the Year Ended 31 July 2012

<b>1. Funding Council Grants</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
Recurrent Grant	12,863	13,155
Specific Grants	452	1,217
HEFCE Matched Grants	0	38
Deferred Capital Grants Released in Year		
Buildings (note 17)	164	86
<b>Total</b>	<b>13,479</b>	<b>14,496</b>

<b>2. Tuition Fees and Education Contracts</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
Full-time Home Fees	5,134	4,380
Overseas Fees	6,196	4,687
Part-time Home Fees	228	211
Other Short Course Fees	137	101
<b>Total</b>	<b>11,695</b>	<b>9,379</b>

<b>3. Research Grants and Contracts</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
Research Councils Grants	575	648
UK Based Charities	447	487
UK Industries & Commerce	457	436
Other EU	68	6
<b>Total</b>	<b>1,547</b>	<b>1,577</b>

<b>4. Other Operating Income</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>	
Lettings	319	167	
Catering Services	577	590	
Other Services Rendered	1,775	2,290	
Degree Shows Income	175	317	
Other Deferred Grants Released (note 18)	168	161	
Other Income	1,523	1,137	
<b>Total</b>	<b>4,537</b>	<b>4,662</b>	
<b>5. Endowment and Investment Income</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>	
Income from Expendable Endowments	83	87	
Income from Permanent Endowments	125	141	
Other Interest Receivable	233	297	
<b>Total</b>	<b>441</b>	<b>525</b>	
<b>6. Staff Costs</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>	
Contracted Staff	10,871	9,969	* Restructuring relates to costs in respect of redundancies following a restructuring exercise.  £0 was payable to senior staff in respect of redundancy (£167,560 in 2010/11) under the terms of the College's voluntary redundancy scheme.
Projects and Other Staff	579	838	
	11,450	10,807	
Social Security Costs	960	886	
Pension Costs (note 24)	1,158	1,094	
	13,568	12,787	
Restructuring Costs*	13	324	
<b>Total</b>	<b>13,581</b>	<b>13,111</b>	
	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>	
<b>Emoluments of the Rector</b>	200	175	
<b>Total</b>	<b>200</b>	<b>175</b>	

Employer's pension contributions paid on behalf of the Rector amounted in total to £40,518 (£49,526 in 2010/11). The £49,526 in 2010/11 consisted of £37,339 of contributions for the year ended 31st July 2011 and £12,187 in respect of contributions payable for the previous year. Payment of these backdated contributions due for 2009/10 was delayed until 2010/11 because the tax implications of them did not become clear until the new government announced its policies on the taxation of pension contributions. The Rector receives the same pension benefits as those applicable to all staff at the College.

## Remuneration of Other Higher paid Staff, Excluding Employer's Pension Contributions

No other member of staff, apart from the Rector, received emoluments of more than £100,000.

Average Full-time Equivalent Staff:	Number 2011/12	Number 2010/11	Average FTE staff numbers in 2011/12 were calculated by taking an average of actual staff numbers at 31 July 2011 and 31 July 2012.
Academic Courses and Services	148	150	
Premises	22	27	
Catering	7	8	
Research	19	22	
Administrative and Other	64	50	
<b>Total</b>	<b>260</b>	<b>257</b>	

7. Other Operating Expenses	2011/12 £'000	2010/11 £'000
Academic Courses	2,880	2,495
Central Library & Learning Resources	133	132
Computing & Information Services	138	120
Administrative Services	944	821
Rents and Rates	662	647
Heat, Light, Water and Power	452	455
Minor Works	659	162
Other Premises Costs	1,732	1,405
Degree Shows	613	538
Grants to Students' Union	108	86
Scholarships, Prizes and Awards	772	930
Catering	376	449
Research Projects Expenditure	795	1,038
Sponsored Projects/ Exhibitions etc	571	575
HEFCE Student Bursaries	3,131	2,915
HEFCE Earmarked Expenditure	448	920
Other Educational Expenses	802	686
Other Expenses	82	123
<b>Total</b>	<b>15,298</b>	<b>14,497</b>

Other Operating Expenses include:	2011/10 £'000	2010/11 £'000	* Includes £39,825 (2010–11 – £37,855) in respect of the College.
Auditors' Remuneration: External Auditors in Respect of Audit Services *	42	41	
Internal Audit	30	23	
Hire of Machinery – Operating Leases	0	0	
<b>8. Interest and Other Finance Costs</b>	<b>2010/11 £'000</b>	<b>2010/11 £'000</b>	
Bank Loans not Wholly Repayable within 5 Years	218	213	



9. Analysis of Expenditure by Activity	2011/12 Staff Costs	Depreciation	Operating Expenditure	Total Expenditure	2010/11 Total Expenditure
	£'000	£'000	£'000	£'000	£'000
Academic Departments	6,765	393	2,880	10,038	8,973
Academic Services	949	0	1,060	2,009	1,922
Administration Services	2,125	0	944	3,069	3,050
General Educational	23	0	721	744	686
HEFCE Bursaries	0	0	3,131	3,131	2,915
Student Awards and Support	0	0	772	772	930
Other Services	963	0	884	1,847	1,629
Premises	1,155	1,676	3,505	6,336	5,199
Catering	328	0	376	704	804
Research Grants and Contracts	1,090	0	795	1,885	2,005
Earmarked Expenditure	183	0	448	631	1,462
<b>Total per Income and Expenditure Account</b>	<b>13,581</b>	<b>2,069</b>	<b>15,516</b>	<b>31,166</b>	<b>29,575</b>
<b>The Depreciation Charge has been funded by:</b>					
Deferred Capital Grants Released (note 17)		332			
Revaluation Reserve Released (note 19)		1,342			
General Income		395			
<b>Total</b>		<b>2,069</b>			

<b>10. Tangible Fixed Assets</b> (Consolidated and College)	<b>Land &amp; Buildings</b>	<b>Equipment</b>	<b>Assets in the Course of Construction</b>	<b>Heritage Assets</b> £'000	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
<b>Cost/Valuation</b>					
At 1 August 2011	70,054	1,373	11,578	11,008	94,013
Transfer to Land & Buildings	11,578	0	(11,578)	0	0
Additions at Cost	7,261	319	293	0	7,873
Disposals at Cost	0	0	0	0	0
At 31 July 2012	88,893	1,692	293	11,008	101,886
<b>Depreciation</b>					
At 1 August 2011	15,177	1,308	0	0	16,485
Charge for Year	1,981	88	0	0	2,069
Disposals at Cost	0	0	0	0	0
At 31 July 2012	17,158	1,396	0	0	18,554
<b>Net Book Value</b>					
At 31 July 2012	71,735	296	293	11,008	83,332
At 1 August 2011	54,877	65	11,578	11,008	77,528

The College's land and buildings include those inherited from the 1851 Commission, which were revalued in 1998, the refurbished Sculpture Building and the Sackler Building. The Dyson building was completed during 2011/12 and the cost has been transferred from assets in the course of construction to land and buildings. The remainder of the costs in assets in the course of construction relate to Phase 3 of the College's Battersea Campus, the Woo Building.

#### Heritage assets

The College has an art collection which consists mainly of works of art acquired free of charge from former students and artists associated with the College. Most items in the collection had nil or little value at the date of acquisition as the artists were not well known. Over time some items in the collection have appreciated in value. At 31 July 2011 there were over 1,100 items in the collection. An RCA internal valuation of the collection took place over the 2009/10 financial year. This estimate was used to capitalise the collection and recognise it on the balance sheet at 1 August 2010 in line with FRS 30 (Heritage assets). There were no significantly valuable pieces acquired during 2011/12.

<b>11. Other Fixed Assets</b>	<b>Other Fixed Asset Investments</b>				Other fixed asset investments consists of unused income generated from the Development Fund, an unrestricted permanent endowment (see note 18).
<b>Consolidated and College</b>	<b>£'000</b>				
At 1 August 2011	479				
Additions	72				
Disposals	0				
At 31 July 2012	551				
<b>12. Endowment Asset Investments</b>	<b>Consolidated 2011/12</b>	<b>Consolidated 2010/11</b>	<b>College 2011/12</b>	<b>College 2010/11</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Balance at 1 August	13,977	12,758	13,977	12,758	
Additions	6,577	2,518	6,577	2,518	
Disposals	(6,391)	(1,940)	(6,391)	(1,940)	
Unrealised Appreciation (note 18)	124	1,056	124	1,056	
Increase/(Decrease) in Cash Balance	(147)	(415)	(147)	(415)	
<b>Balance at 31 July</b>	<b>14,140</b>	<b>13,977</b>	<b>14,140</b>	<b>13,977</b>	
Represented by:					
Fixed Interest Stocks (Listed)	3,470	5,891	3,470	5,891	
Equities (Listed)	9,451	6,866	9,451	6,866	
Cash Balances	1,219	1,220	1,219	1,220	
<b>Total</b>	<b>14,140</b>	<b>13,977</b>	<b>14,140</b>	<b>13,977</b>	
<b>13. Debtors</b>	<b>Consolidated &amp; College 2011/12</b>		<b>Consolidated &amp; College 2010/11</b>		* relate to significant pledges to RCA's Battersea campus.
<b>Amounts Falling Due within One Year</b>	<b>£'000</b>		<b>£'000</b>		
Debtors	566		632		
Donors*	300		550		
Prepayments	345		309		
Accrued Income	60		107		
	<b>1,271</b>		<b>1,598</b>		
<b>Amounts Falling Due after One Year</b>					
HEFCE Matched Funding	0		531		
Donors*	300		600		
	<b>1,571</b>		<b>1,131</b>		
<b>Total</b>	<b>300</b>		<b>2,729</b>		
<b>14. Investments</b>	<b>Consolidated &amp; College 2011/12</b>		<b>onsolidated &amp; College 2010/11</b>		Deposits are held with banks operating in the London market and licensed by the Financial Services Authority.
	<b>£'000</b>		<b>£'000</b>		
Deposits Maturing:					
In 1 Year or Less	10,055		15,240		
Between 1 and 2 Years	1,000		0		
<b>Total</b>	<b>11,055</b>		<b>15,240</b>		

<b>15. Creditors: Amounts Falling Due within One Year:</b>	<b>Consolidated &amp; College 2011/12 £'000</b>		<b>Consolidated &amp; College 2010/11 £'000</b>	
Sundry Creditors	1,344		2,441	
Social Security and Other				
Taxation Payable	397		413	
Accrued Expenditure	326		637	
Deferred Income – Projects and Sponsorships	509		1,294	
Other Deferred Income	1,668		470	
Student Fee Deposits for 2012/13	655		433	
Bank Loan	1,038		970	
<b>Total</b>	<b>5,937</b>		<b>6,658</b>	

<b>16. Creditors: Amounts Falling Due after more than One Year:</b>	<b>Consolidated &amp; College 2011/12 £'000</b>		<b>Consolidated &amp; College 2010/11 £'000</b>	
Bank Loan	<b>8,818</b>		<b>9,856</b>	
Due within 1—2 Years	1,099		1,038	
Due within 2—5 Years	3,717		3,505	
Due after more than 5 Years	4,002		5,313	
<b>Total</b>	<b>8,818</b>		<b>9,856</b>	

<b>17. Deferred Capital Grants</b>	<b>Consolidated &amp; College 2011/12 HEFCE £'000</b>	<b>Consolidated &amp; College 2011/12 Non-HEFCE £'000</b>	<b>2011/12 Total £'000</b>	<b>2010/11 Total £'000</b>	Grants received for projects which have not yet been completed have been deferred and will be released to the income and expenditure account over the life of the projects concerned.
At 1 August					
Buildings	7,702	9,965	17,667	15,207	
Equipment	0	0	0	116	
<b>Total</b>	<b>7,702</b>	<b>9,965</b>	<b>17,667</b>	<b>15,323</b>	
Grants Received during the Year					
Buildings	193	1,416	1,609	2,590	
Equipment	0	0	0	0	
<b>Total</b>	<b>193</b>	<b>1,416</b>	<b>1,609</b>	<b>2,590</b>	
Released to Income and Expenditure					
Buildings	(164)	(168)	(332)	(130)	
Equipment	0	0	0	(117)	
<b>Total</b>	<b>(164)</b>	<b>(168)</b>	<b>(332)</b>	<b>(247)</b>	
At 31 July					
Buildings	7,731	11,213	18,944	17,667	
Equipment	0	0	0	0	
<b>Total</b>	<b>7,731</b>	<b>11,213</b>	<b>18,944</b>	<b>17,667</b>	

<b>18. Consolidated Endowment Investments</b>	<b>Unrestricted Permanent £'000</b>	<b>Restricted Permanent £'000</b>	<b>Total Permanent £'000</b>	<b>Restricted Expendable £'000</b>	<b>2011/12 Total £'000</b>	<b>2010/11 Total £'000</b>
Balances at 1 August 2011						
Capital	4,089	4,799	8,888	4,130	13,018	11,809
Accumulated Income	-	852	852	107	959	949
	<b>4,089</b>	<b>5,651</b>	<b>9,740</b>	<b>4,237</b>	<b>13,977</b>	<b>12,758</b>
Transfers	0	(169)	(169)	169		
Additions	0	51	51	436	487	526
Investment Income	16	109	125	83	208	228
Expenditure	(16)	(166)	(182)	(474)	(656)	(591)
Increase in Market Value of Investments	16	25	41	83	124	1,056
<b>At 31 July 2012</b>	<b>4,105</b>	<b>5,501</b>	<b>9,606</b>	<b>4,534</b>	<b>14,140</b>	<b>13,977</b>

<b>Represented by:</b>	<b>Closing Capital Value £'000</b>	<b>Closing Accumulated Income £'000</b>	<b>Total £'000</b>
Scholarships, Awards & Prize Funds	6,703	908	7,611
Development Fund	4,105	0	4,105
Helen Hamlyn Endowment	505	0	505
Helen Hamlyn Chair of Design	1,919	0	1,919
<b>Total</b>	<b>13,232</b>	<b>908</b>	<b>14,140</b>

#### **Scholarships, Awards & Prize Funds**

Consists of numerous restricted permanent and expendable endowments to fund prizes or awards to students.

#### **Development Fund**

Up until 2010 this was a separate charity which was consolidated into the College's accounts, as well as being an unrestricted permanent endowment. In June 2010, the Charity was formally dissolved and is now an unrestricted permanent endowment.

#### **Helen Hamlyn Endowment**

This restricted expendable endowment funds the activities of the Helen Hamlyn Centre for Design.

#### **Helen Hamlyn Chair of Design**

This restricted expendable endowment funds the Helen Hamlyn Chair of Design.

<b>19. Revaluation Reserve</b>	<b>Land &amp; Buildings</b>	<b>(Re-stated) Heritage Assets *</b>	<b>Total</b>	* Heritage assets refers to the College collection. See note 10.
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
<b>Valuation</b>				
At 1 August 2011	<b>43,361</b>	<b>11,008</b>	<b>54,369</b>	
<b>Contributions to Depreciation</b>				
At 1 August 2011	(13,433)	0	(13,433)	
Released in Year	(1,342)	0	(1,342)	
At 31 July 2012	<b>(14,775)</b>	<b>0</b>	<b>(14,775)</b>	
<b>Net Revaluation Amount</b>				
At 31 July 2012	<b>42,019</b>	<b>11,008</b>	<b>53,027</b>	
At 1 August 2011	<b>43,361</b>	<b>11,008</b>	<b>54,369</b>	

<b>20. Movement on Reserves</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
Surplus/(Deficit) after Depreciation of Assets at Valuation	533	1,064
Released from Revaluation Reserve	1,342	1,342
Historical Cost Surplus	1,875	2,406
Balance Brought Forward at 1 August	7,531	4,762
Historic Cost Surplus for the Year	1,875	2,406
Transfer to Specific Endowments	448	363
<b>General Reserves at 31 July</b>	<b>9,854</b>	<b>7,531</b>

<b>21. Lease Obligations</b>	<b>Consolidated &amp; College 2011/12 £'000</b>	<b>Consolidated &amp; College 2010/11 £'000</b>
Operating Lease Commitments in Respect of Buildings and Equipment on Leases Expiring :		
Between One and Five Years	4	4
Over Five Years	554	554
<b>Total</b>	<b>558</b>	<b>558</b>

## **22. Capital Commitments**

The College did not have any significant capital commitments at 31 July 2012 although is in the process of tendering for the construction project for Phase 3 of the Battersea Campus.

### 23. Pension Scheme

The Royal College of Art participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The Royal College of Art has now adopted FRS17 for accounting for pension costs.

It is not possible to identify the Royal College of Art's share of underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8 — 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified independent actuaries. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

<b>Discount rate</b>	<b>31 March 2011</b>
<b>Pre-retirement</b>	<b>6.8% p.a.</b>
<b>Post-retirement</b>	<b>4.7% p.a.</b>
<b>General* Salary Increases</b>	<b>3.75% p.a. until 31 March 2014, 4.50% p.a. thereafter</b>
<b>Retail Prices Index Inflation (RPI)</b>	<b>3.5% p.a.</b>
<b>Consumer Price Index Inflation (CPI)</b>	<b>2.8% p.a.</b>
<b>Pension Increases in Payment (Excess Over GMP)</b>	<b>2.8% p.a.</b>
<b>Mortality - Base Table**</b>	
<b>Mortality - Future Improvements</b>	<b>Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25% p.a.</b>

\* an additional allowance is made for promotional Salary increases

\*\* SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and - 0.4 years for females

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS 17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes (the introduction of a Career Average Revalued Earnings, or "CARE", benefit structure) to SAUL's benefit structure will apply from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members as replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is ten years from the valuation date.



<b>24. Reconciliation of Operating Activities</b>	<b>Consolidated 2011/12 £'000</b>	<b>Consolidated 2010/11 £'000</b>	
Surplus/(Deficit) Before Tax and Exceptional Items	533	1,064	
Depreciation (note 10)	2,069	1,754	
Deferred Capital Grants Released to Income (note 17)	(332)	(247)	
Investment and Endowment returns (note 5)	(441)	(525)	
Decrease (Increase) in Stocks	17	(31)	
Decrease (Increase) in Debtors	1,158	371	
(Decrease) Increase in Creditors	(789)	1,566	
Interest Payable	218	213	
Net Cash Inflow/(Outflow) from Operating Activities	<b>2,433</b>	<b>4,165</b>	
<b>Change in Net Funds</b>	<b>At 01-Aug-11 £'000</b>	<b>Cashflows £'000</b>	<b>At 31-Jul-12 £'000</b>
Cash at Bank and in Hand	22	(17)	5
Endowment Cash (note 12)	1,220	(1)	1,219
	<b>1,242</b>	<b>(18)</b>	<b>1,224</b>
<b>25. Returns on Investments and Servicing of Finance</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>	
Income from Endowment Investments (note 18)	208	228	
Other Interest Received (note 18)	233	297	
Income from Unrestricted Endowment Fund	72	75	
Interest Paid	(218)	(213)	
Net Cash Inflow from Returns on Investments and Servicing of Finance	<b>295</b>	<b>387</b>	

<b>26. Capital Expenditure and Financial Investment</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
Tangible Assets Acquired	(7,873)	(9,034)
Endowment Assets Acquired	(6,577)	(2,518)
Receipts from Sale of Endowment Assets	6,391	1,940
Deferred Capital Grants Received (note 17)	1,609	2,590
Endowments Additions	487	526
Net Cash (Outflow)/Inflow from Capital Expenditure and Financial Investment	<b>(5,963)</b>	<b>(6,496)</b>

<b>27. Analysis of Changes in Net Funds</b>	<b>At 01-Aug-11 £'000</b>	<b>Cashflows £'000</b>	<b>Non-cash Changes £'000</b>	<b>At 31-Jul-12 £'000</b>
Endowment Asset Investments (note 12)	1,220	(1)	0	1,219
Cash at Bank and in Hand	22	(17)	0	5
<b>Total</b>	<b>1,242</b>	<b>(18)</b>	<b>0</b>	<b>1,224</b>
Current Asset Investments	15,240	(4,185)	0	11,055
Changes in Net Funds	16,482	(4,203)	0	12,279
Financing				
Loan: Due within One Year	(970)	(68)	0	(1,038)
Loan: Due after more than One Year	(9,856)	1,038	0	(8,818)
	<b>5,656</b>	<b>(3,233)</b>	<b>0</b>	<b>2,423</b>

## **28. Financial Instruments**

### **Unquoted Investments**

At 31 July 2012, the College had unquoted equity investments of £485,000 which were held at cost. These consist of investments in nine start up companies supported by the InnovationRCA Incubator. During the year, the College accepted £140,000 for its investment in one such company. This was included in other incomes (see note 4).

The InnovationRCA incubator aims to create new design entrepreneurs and business innovators. The objective is to create new firms that can attract further funding, create intellectual assets that can be licensed, or sold to other firms.

These investments have been recognised as equity investments and they have subsequently been impaired to nil so there is no carrying value in the balance sheet.

### **Hedging**

The College has entered into a hedging arrangement, an interest rate cap, which caps the interest rate payable on its long term loan at 5% to reduce exposure to interest rate increases (see Note 16 for details of the loan).

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## 29. Related Party Transactions

Due to the nature of the College's operations and the make-up of its Council and staff it is inevitable that transactions will take place with external bodies, trusts and organisations with which Council members and/or staff may be associated. The College maintains a Register of Interests in which all such interests are declared, and all transactions are conducted at arm's length and in accordance with the College's financial regulations. Payments of £15.80 (2010/11 £1,227) in respect of incidental expenses were made to Council members during the year.

During the year, the College awarded design work to Research Studios, a firm owned by Professor Neville Brody, who is also Dean of the School of Communications at the College. Overall, the amount payable to Research Studios for the work is £52,400.

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## 30. Access Funds

Access Funds have not been included in the Income and Expenditure Account:

	2011/12 £'000	2010/11 £'000
Balance Brought Forward as at 1 August	5	4
Received from HEFCE	27	29
Payments Made to Students	(25)	(28)
Balance Carried Forward as at 31 July	7	5

Grants totalling £273,400 were received from HEFCE during the year for work undertaken by the National Film & Television School. These grants were passed on to the NTFS, and have not been included in the College's Accounts. The College receives an administration charge for this which is shown in other income.

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