



Royal College of Art
Postgraduate Art & Design

Accounts

20
21

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Key Financial Highlights

13%

£67m

Core income* of £67m,
13% from Funding
Council Grants

£10.1m of Donations
and Endowments
income (cash
received) in year

£10.1m

21%

£15.9m net cash inflow
from operating activities,
21% of total income

£15.9m

£31m of capital investment including £24m invested in Battersea South

£31m

£24m

£13.5m of cash and £12.5m of Borrowing at year end

£13.5m

7%

Core underlying operating surplus** of £4.6m, 7% of core income

£12.5m

£4.6m

*Core income is defined as Total Income before Donations and Endowments.

**Core underlying operating surplus is defined as Unrestricted Comprehensive Income for the year.

Financial Review



Caragh Merrick
Treasurer and
Deputy Chair of Council

This is my final year of writing the College's annual financial review: after seven years as Treasurer for the College, and 14 as a member of the Council, I am standing down. Throughout my long involvement with the RCA I have been continually inspired and often astounded by the achievements, creativity and innovation of our students, all of which would not be possible without the support and dedication of our extremely talented academic, technical and professional services staff.

This has been another challenging year, but down to the commitment and hard work of all of our staff we end in an optimistic position. On behalf of my fellow Council members, I would like to thank the leadership and all the staff for the continued cost control which has enabled the College to prioritise its resources on the student experience. This has ensured we delivered the excellence in art and design education and research which has come to be expected from our world leading institution.

Since the start of the pandemic, as well as focusing on expenditure, our attention has also been on managing and protecting our cash flow. As a result, the College secured a £10m Coronavirus Large Business Interruption Loan (CLBIL) in 2020, and drew down £5m of funding in August 2020. To-date, we have spent some £2.5m on the re-setting and safe running of the College's campus buildings. A further £1.5m has been spent on the delivery of enhanced online learning and new digital materials, plus extra direct and indirect financial support for students in the form of hardship, IT and materials funding. This is in addition to other forms of support that have been received from the UK Government and through the generosity of our donors. In June 2021 a further £5m tranche of CLBIL funding was drawn down, which

2020/21 has been an unparalleled year for the College, with our response to the teaching and remote working challenges demanded by an ongoing pandemic continuing to absorb significant effort and resources.

aims to provide the College with additional short-term working capital liquidity to mitigate any further Covid-related risks.

Within this context, in the 2020/21 financial year the College achieved a core operating surplus of 7%, which was in line with the previous year and continued to generate sufficient net cash inflow (2020/21: £15.9m, 21% of total income, 2019/20: £18.7m, 25% of total income), including £10.1m of cash from donations and endowments (2019/20: £8.8m). As in previous years, cash from surpluses has been immediately reinvested, for example, in improving digital infrastructure such as the College's VPN, communication tools and WiFi in Battersea and White City; new digital hardware for both staff and students; ongoing building maintenance as well as new or replacement technical equipment; investing more money in academic and technical staffing; and diverting more money into student support, as outlined below.

This year has seen continued strong student applications, with increased marketing funding focused on increasing the diversity of the student body. The result has been an increase in quality geodiverse applications with incremental growth across all key target markets, including the ASEAN region and India. To further support widening access and participation, the College allocated an initial £0.5m of funding to the Black and African diaspora student support fund this year, which will increase to £1m in 2022/23. As a result of this we are looking forward to welcoming 28 new students supported through the scheme in September 2021.

As a small, intensive research-led institution, research is at the heart of our teaching. Despite a challenging funding environment, the College's researchers and

research centres continue to attract significant income and external investment. This included £5.4m awarded to the Materials Science Research Centre over the next four years by UK Research and Innovation (UKRI) to establish the Textiles Circularity Centre. This centre aims to reduce the UK's reliance on imported and environmentally- and ethically-impactful clothing materials and is one of five circular economy centres funded by UKRI's Interdisciplinary Circular Economy Centres Programme. This builds on the prior year's success of the Helen Hamlyn Centre for Design, which secured £4.9m from Research England to support the establishment of the Design Age Institute. Research income in the year dropped slightly to £3.3m (2019/20: £3.5m), however the addition of these two large grants will see income increase significantly from 2021/22 onwards.

The RCA's knowledge exchange portfolio has grown over the past few years to include new partnerships and collaborations with businesses in a variety of sectors, which is important as we look to diversify our income and widen contributions to the College's surpluses. During the year, income - which has been impacted by Covid-19 - remained at £1.3m. However, a five-year partnership was agreed with OPPO, and we have welcomed the first three RCA Knowledge Exchange Industry Advisors with memorandums of understanding signed with senior figures in EY Seren, Lenovo and McKinsey. In addition, the College's first successful Knowledge Transfer Partnership (KTP) award from InnovateUK also started this year. As a result, we expect income and surpluses to increase in 2021/22.

The transformation of our physical campus is central to the future growth and sustainability of the College. During the year, the College spent £31m on capital additions, which included £24m on the new Battersea

campus (2019/20: £52m, £42.5m of Battersea-related expenditure). These new flagship buildings are a critical element of our strategy. They will provide a physical environment for art and design expertise to collide with science, technology, mathematics and medicine, creating new knowledge and innovations that tackle pressing global challenges and facilitating the exchange of ideas between research, industry and the local community. August 2021 saw the important milestone of practical completion reached, and the handover to internal fit-out contractors. Work remains on track to open to students and staff in January 2022. The building has been in part funded by Government funding in excess of £50m, and this year we exceeded our fundraising target of £40m following an incredibly generous pledge of £8m from RCAUSA on behalf of the Spiegel Family Fund, with around £43m now pledged. The final element of financing for the new campus is a £33m Revolving Credit Facility, of which £2.5m was drawn at year-end.

The external funding environment for the UK educational landscape remains challenging. This year saw a 50% cut in the Government teaching subsidy for Art and Design courses, and London weighting abolished. A key element of our funding from the Government is Institution Specific Targeted Allocation (ISTA), which is the additional OfS funding stream the College receives as a small specialist institution. The RCA was fortunate to receive a share of the £10m additional small specialist funding this year. However, future criteria for ISTA eligibility is expected to be reviewed during 2022.

Following Brexit, EU students lost home status from January 2021, resulting in an expected 60% reduction in new EU students joining the College in September 2021. Our financial sustainability is highly sensitive to our student numbers and it is uncertain what the longer-term effects of the pandemic and Brexit will be. However, in reducing our dependence on any one territory for overseas student applications, and investing in the development of new academic offers that reflect the flexibility of how students may choose to learn in the future, will mitigate risk and exploit opportunities over the coming years.

The College is a member of the Superannuation Arrangements of the University of London (SAUL) pension scheme. During the year, the outcome of the March 2020 actuarial valuation was published, alongside recommendations to close a 15% (or £75 million a year) contribution strain on future benefits

being built up. This included the implementation of a phased increase in the employer contribution rate from 16% to 19% from 1 April 2022, with a further increase from 19% to 21% from 1 January 2023. As a result, the College will see annual pension costs rise by c. £1.5m, with the next formal valuation scheduled for March 2023. SAUL is a defined benefits scheme and, like other schemes in the sector, it remains fundamentally challenged in the present financial environment, therefore we will need to monitor its funding position closely.

Looking ahead, we have continued to scope different scenarios reflecting major variables in student numbers, Government funding levels and variations to the cost of our capital plans, in order to develop robust financial plans for the next five years. Our decisions on where we should invest and where we need to conserve our surplus cash to fund ongoing investment remains a key objective and is guided by the development of a strategic workforce, digital and estate plan. In carrying out this work, we have stress tested the cash headroom and loan covenant compliance under the more pessimistic scenarios.

Mitigations first put in place in 2015/16 have been tested again alongside other key delivery risks and sensitivities as part of the 2020–25 financial plan. The result is that the College's future planning has proved sound.

I leave the College's finances in good shape, but there are lots of headwinds to negotiate, not all of which, as we have seen over the last two years, can be predicted or planned for. However, the resilience and talent of our staff has enabled the College to remain focused on its core values and I am confident it will continue to thrive. In signing off this review, I am delighted to be able to pass over to my successor, the new Chair of the Planning & Resources Committee, Fields Wicker-Miurin. I am confident the College's finances are in safe hands under the leadership of our Director of Finance Amanda White and that Fields will help guide the organisation to an even brighter future.



Caragh Merrick
Treasurer and
Deputy Chair of Council

Overview of the Year

	2018/19	2019/20	2020/21
Core Operating Surplus ¹ as % of Core Income ²	6%	7%	7%
Net Cash Inflow from Operating Activities as % of Total Income	32%	25%	21%
Capital Investment (£m)	18.7	52.0	31.0
Cash and cash equivalents (£m)	20.2	9.5	13.5
Borrowings (£m)	–	3.0	12.5
Net Assets at year end (£m)	146	158	173

Despite the ongoing challenges of operating during a pandemic, the College generated a core operating surplus of £4.6m, 7% of core income (2019/20: £4.4m, 7%). Performance was in line with prior year, with a 4% increase in revenue from tuition fees offset by lower income from campus-related services, research and government furlough funding and a 1% increase in operating expenditure. As in previous years, surpluses were immediately re-invested in maintaining and enhancing the student experience.

To ensure the continuing financial sustainability of the College, the focus has remained on cash management alongside operational efficiency. As a result, EBITDA (earnings before interest, tax depreciation and amortisation) was £17.3m (23% of total income), compared to £16.0m (21% of total income), and with 87 cash liquidity days (in terms of operating expenditure) compared to 65 liquidity days in 2019/20. This resilient performance reflects the underlying strength in student recruitment, both national and international, coupled with the effective response from management to limit the impact of the pandemic.

Cash generation is an important part of the RCA's financial strategy, as the College invests in extending and enhancing its physical, digital and technical services infrastructure as it strives to develop a world-class campus and facilities. The College ended the year with £13.5m of cash, and £12.5m of borrowing, £2.5m from the revolving credit facility and £10m from the CLBIL facility. As such, total debt is well within covenant thresholds (Interest cover not less than 5 and Net debt to total income not more than 50%) and cash held is sufficient to meet the College's current obligations, whilst maintaining an appropriate level of working capital.

The capital programme continues to be funded from a combination of Government funding, philanthropy, existing reserves and new debt, with the completion of the new Battersea South campus on track to open in January 2022. Details of the capital commitments can be found under Note 24 of the accounts.

A range of scenarios has been developed and are being tracked as part of ongoing work to ensure we remain alert to changes in the risk profile, and can adapt long- and short term measures to mitigate risk and protect against major adversity in varying market conditions. Scenario planning and frequent reforecasting are increasingly important aspects in our mapping of the financial outlook to ensure the sustainability of the College.

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- 1 "Core Operating Surplus is defined as Unrestricted Comprehensive Income for the year. Further details can be found on p. 20)
 - 2 Core Income is defined as Total Income before Donations and Endowments. Further details can be found on p. 8)

Total Income

Total income for the year of £76.7m (2019/20: £74.8m) included £10.1m of cash from donations and endowments (2019/20: £8.8m). The College has now exceeded its £40m public philanthropic target in pledges for the new Battersea campus (securing £42.8m to date), this includes £15m from the Sigrid Rausing Trust (recognised in the naming of the Rausing Research and Innovation Building) and an £8m pledge this year from RCAUSA on behalf of the Spiegel Family Fund. To date, £30.8m (c72%) of the £42.8m pledged donations for the new campus have been received.

As well as receiving donations for the College's new Battersea campus, the College was also very fortunate to receive the first tranche of funding from a new £5m "match" grant from the Spiegel Family Fund, which has been pledged to establish the GenerationRCA Endowment. This new endowment will be aimed at ensuring a wider diversity of talent is able to access the RCA's world leading training in art and design.

Core Income

Core income of £66.6m was in line with prior year (2019/20: £66.0m).

Income from tuition fees grew 4% to £51.9m (2019/20: £49.8m), representing c.78% of the College's core income. Student numbers remained similar to the previous year, however there was an increase in the proportion of overseas fee paying students meaning tuition fee revenue increased overall. In addition, the number of students studying for a Graduate Diploma increased, which contributed £0.6m of additional income. The College continues to develop its postgraduate taught programmes, with 2,253 full-time equivalent (FTE) students registering in 2020/21 (excluding Graduate Diploma), 63% of whom were from outside the EU (2019/20: 2,328 FTE, 60% overseas). 115 Graduate Diploma students were enrolled during the year (2019/20, 84).

Applications for places at the College remain strong despite unprecedented times; however we cannot be complacent regarding the uncertainty created by a number of factors including: Covid-19, Brexit, the cost of those living and studying in London, increasing international competition and the financial pressures on UK students through student loan debt. One thing that the pandemic brought, is the need for swift action in the way that we teach. Despite this new teaching and learning environment, our focus continues to be on improving the student experience, launching new learning initiatives, including accelerated programmes, and identifying and delivering further efficiencies in our professional services.

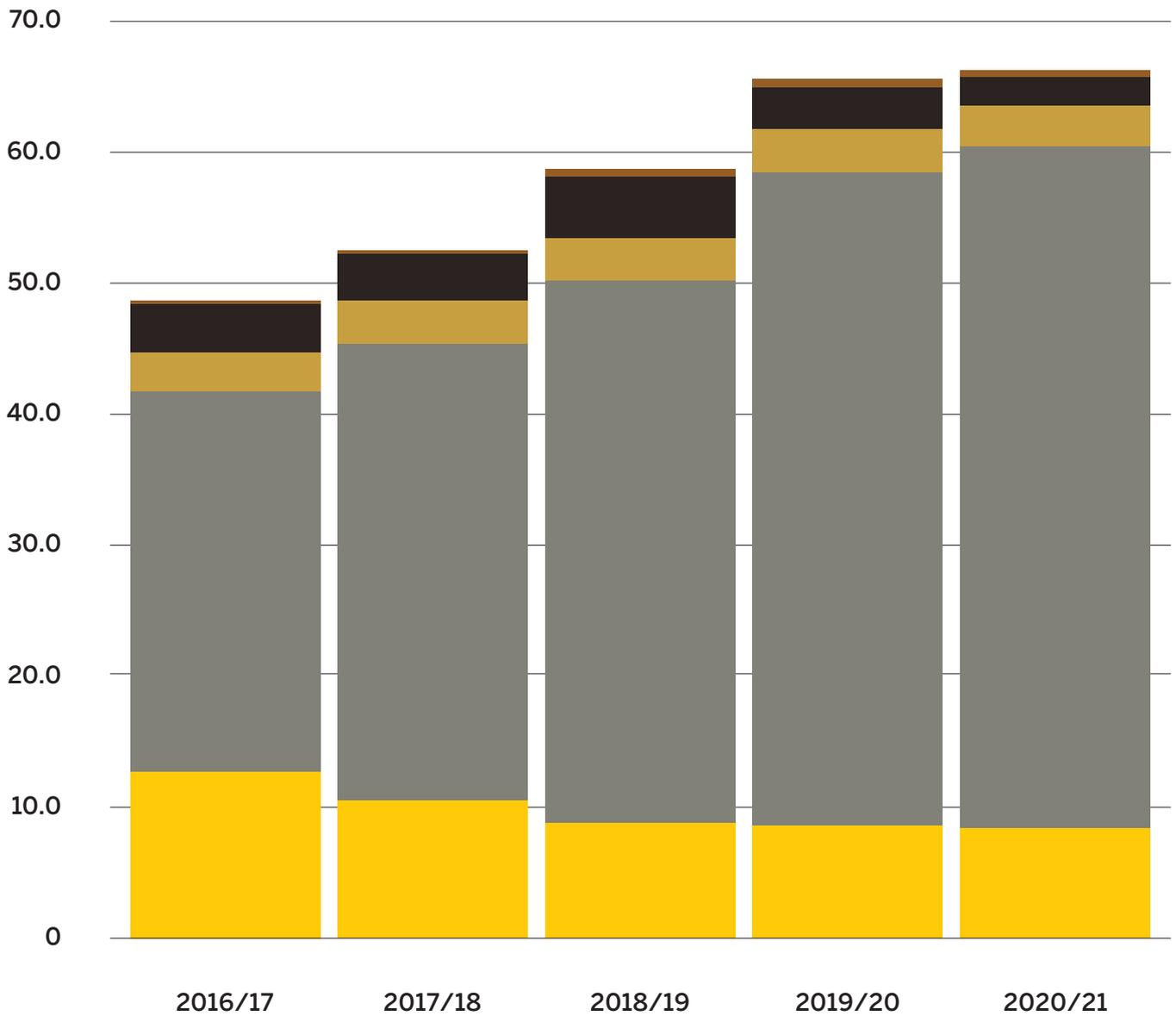
Income from funding body grants fell by £0.3m in 2020/21 to £8.7m. This reduction was due to lower income received from the government's Covid-19 furlough scheme as all staff returned to the College by May 2021.

As a result of the pandemic, and the College's buildings again being partly closed, income from shop sales, student materials and catering was down £0.8m. Income generated from high-quality research, knowledge exchange and executive education also fell slightly, with these activities generating a total of £4.6m of income in 2020/2021 (2019/20: £4.8m). Funding from research grants, contracts and other forms of knowledge exchange (consultancy, studio projects) totalled £3.9m (of which £3.3m was research grants and contracts). Income from executive education totalled £0.6m, which was in line with prior year.

Core Income

- Investment Income
- Other Operating Income
- Research Income
- Tuition Fees
- Funding Body Grants

£m



Total Expenditure

Total expenditure increased marginally by 1% to £63.8m (2019/20: £62.9m), reflecting the additional investment to ensure Covid-secure campus spaces for students and staff, enable face-to-face teaching and further enhance new ways and patterns of working with digital technology, including blended learning as well as the dissemination and exhibition of student work.

Staff costs increased 6% to £29.9m (2019/20: £28.1m), driven by a growth in Academic and Research staffing (£0.6m) plus investment in estates and campus operations (£0.5m) along with human resources (£0.3m), including support for strategic workforce planning, employee experience and the wider initiative on equality, diversity and social inclusion.

Other operating expenditure of £29.5m was 4% below prior year (2019/20: £30.7m). The overall savings have largely been driven by efficiencies across professional services, partially offset by additional investment to expand on the geodiversity of our student population, address digital poverty, improve remote access facilities across the College and provide further hardship funding to top-up those provided by the Government. Property, Infrastructure and Estates related spend increased this year by £0.7m due to additional cleaning, storage and security costs in relation to Covid-19.

Depreciation and amortisation charges increased to £4.1m (2019/20: £3.9m) following investment in IT systems, digital and technical equipment and the addition of extra space taken last year at White City.

Bursaries and Scholarships

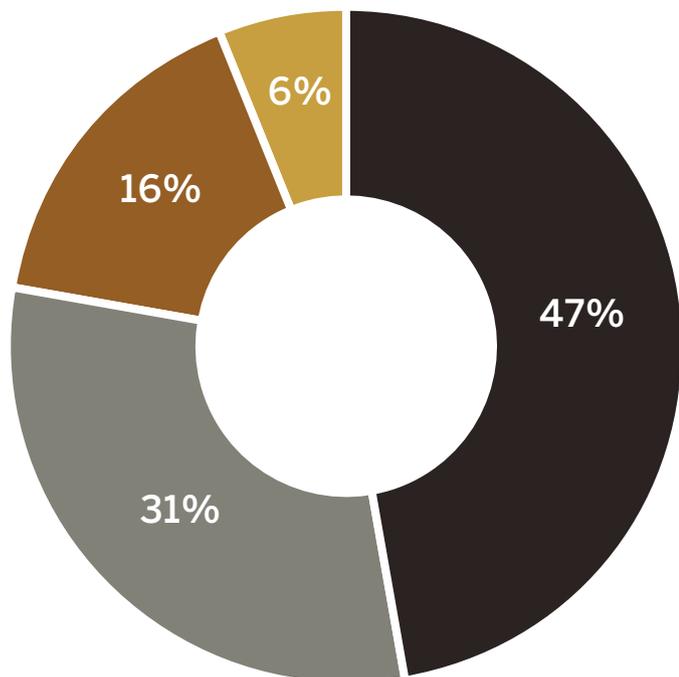
During the year, the College distributed £2.4m of funding in the form of bursaries, scholarships, prizes and awards (representing c. 4% of total spending), with just over £1m of funding related to named scholarships, benefiting students in each of its academic Schools. These named scholarships were mainly awarded during the programme application process, enabling talented applicants to take up places that they would otherwise have had to turn down for financial reasons. Additionally, the College dispersed c. £0.3m to enrolled students to help enable those in financial difficulty to complete their studies. This was mainly allocated via the Continuation Fund, which ran as an open-call for all continuing students, the Back on Track Fund which exists to help students out of crisis situations and the new Opportunities Fund, created from Government funding matched by the College. A further £1m of fee bursaries and funding was provided to Research students (including those studying via part-funded studentship programmes).

To further support widening access and participation, a new GenerationRCA Permanent Endowment fund was established during the year, following a generous gift from RCAUSA on behalf of the Spiegel Family Fund. This fund, which will be a focus for the College's future fundraising, will enable the College to increase funding for students over many generations to come, ensuring a greater diversity of talent is able to access the RCA's world leading training in art and design in the future.

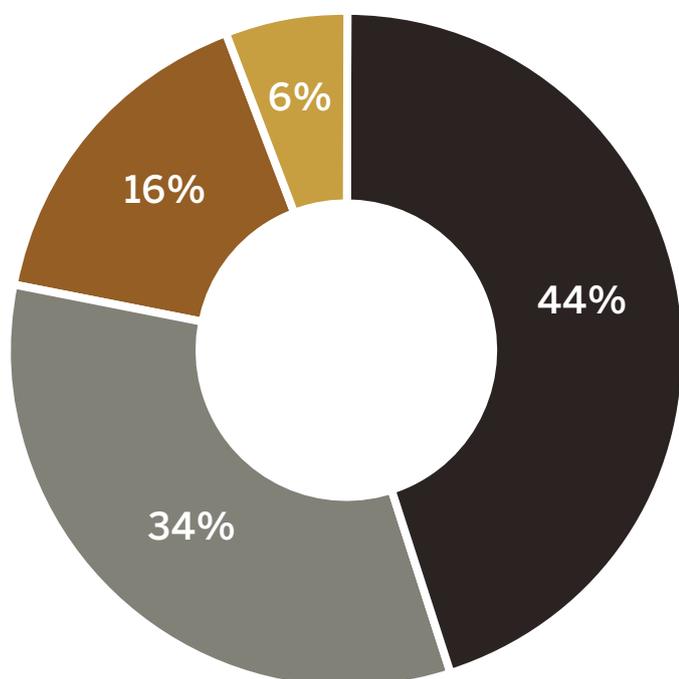
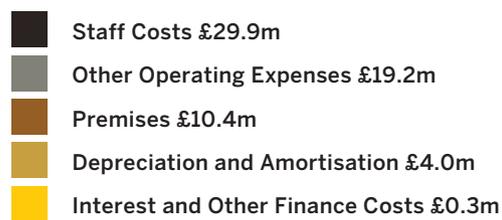
In addition, the College has created a new Black and African diaspora student scholarship fund, with an initial £0.5m of funding allocated to students starting in September 2021 increasing to £1m the following year.

The College's aim is to double overall spending on bursaries and scholarships to 8% of total expenditure by 2023/24 .

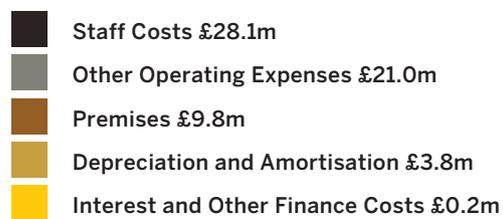
Total Expenditure



2020/21



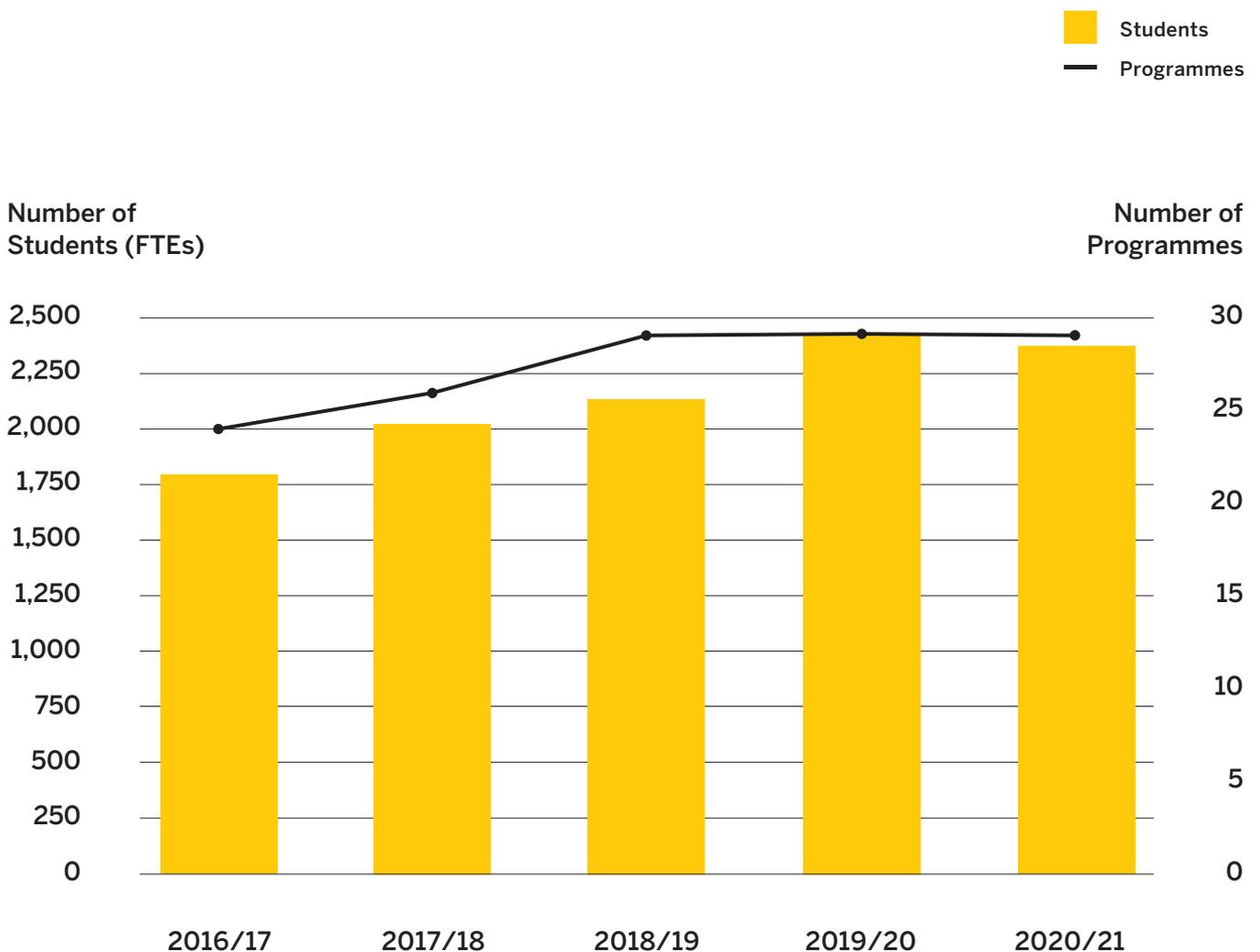
2019/20



Goal 1: To advance art and design education

The Strategic Plan 2016–2021 outlines the roadmap for the development of the College's taught programmes. Over the planning period, the College has developed more flexible teaching models to meet the needs of students and employers. The College is in the process of developing a new 5-year Strategic Plan (2022-2027), underpinned by a vision to 2037 (the RCA's bicentenary), which will continue to build on this work.

The Grand Challenge provides a fantastic example of interdisciplinary collaboration. Building on the success of previous years, nearly 400 students conceived and developed design responses that explore, challenge or improve the practice, culture, principles and ethics of Design for Safety. This year the project was sponsored by Logitech, with contributors from the BBC, CERN, UNDP, Gallup, Unreal Engine, Resilience Shift, World Health Organisation (WHO), Lloyd's Register Foundation (LRF), Elrha / Humanitarian Innovation Fund, vHM Design Futures and Foresight Factory.



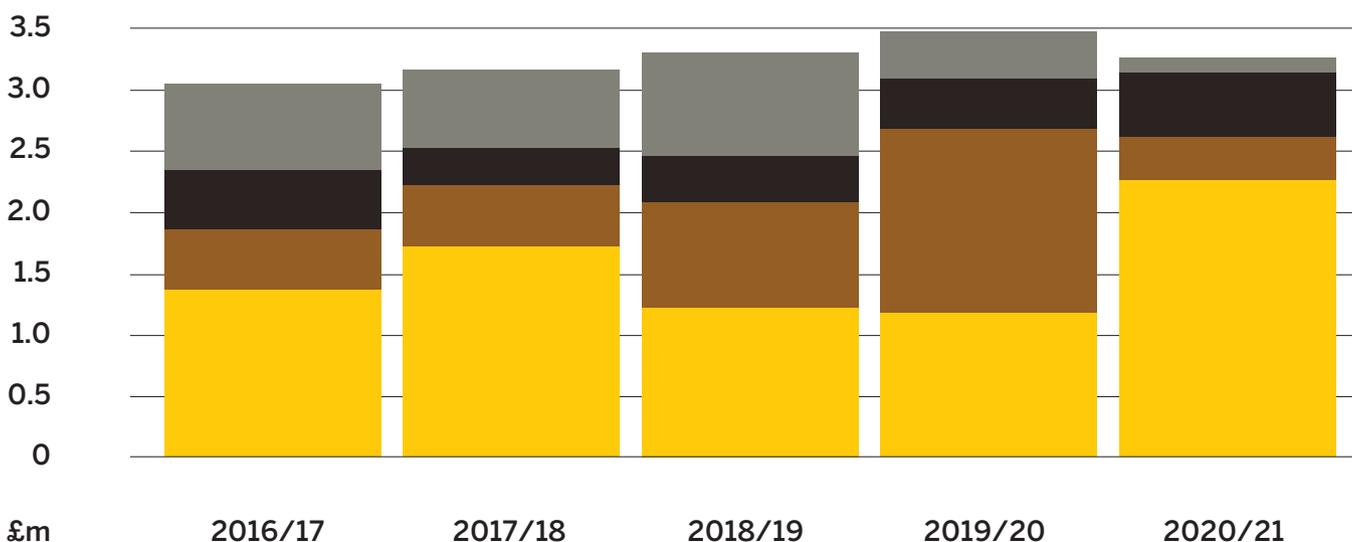
Goal 2: To create new knowledge in art and design through research and scholarship

Despite the continuing disruption of the pandemic, this was another full and successful year for RCA research. In March the College submitted to the UK's Research Excellence Framework (REF2021), returning 100% of REF-eligible staff - a good indicator of the College's research-led approach. The submission illustrated the growth of research at the RCA since REF2014, reporting substantial increases in research income over the REF period (from £8.7m reporting in REF2014 to £20.5m in REF2021), as well as considerable growth in the number of staff submitted to the REF (95 in 2014, 174 in 2021), and in doctoral degrees awarded over the REF period (from 57 in REF2014 to 170 in REF2021).

In terms of research grants won, the College's Research Centres continued to lead the way, responsible for nearly 90% of the £8.8m of new research funding secured in 2020/21. In November, the Materials Science Research Centre was awarded £5.4m from UKRI to establish the Textiles Circularity Centre, one of five interdisciplinary circular economy centres funded by this high-profile scheme. This was followed in March by a further £1m award from EPSRC for the Centre's Consumer Experience (CX) Digital Tools for Dematerialisation for

the Circular Economy project. In April, a member of the team, based in the Helen Hamlyn Centre for Design, was awarded a prestigious UKRI Future Leaders Fellowship, totalling £1.2m of funding over four years. The project explores the use of smart textiles in stroke treatment and rehabilitation, and involves collaborations with colleagues at Newcastle University (neurology) and Imperial College (materials science).

Despite these successes, income fell slightly from £3.5m to £3.3m in the year. The College received its first funding from the Design Age Institute, which was established in the summer of 2019, together with the first tranche of funding for the new Textile Circulatory Centre. This was offset by a reduction in income received from Burberry, following the receipt of a final payment in 2019/20 to establish the Burberry Material Futures Research Group (BMFRG). The BMFRG continues to explore the major challenges of new and sustainable materials, approaches to manufacturing and supply chain processes and innovations in consumer experience and product interaction for the benefit of both the fashion industry and the wider community.



Goal 3: To enhance knowledge exchange and foster innovation

RCA academics and researchers continued to apply their art and design insights to the challenges of the Covid-19 pandemic, with staff in the Helen Hamlyn Centre for Design contributing to the work of the BSI Advisory Group on 'Safe working during the COVID-19 pandemic – General guidelines for organisations', and also collaborating with Critical Care staff at University College Hospital to produce a mural of the letters of thanks they had received from grateful patients, creating a positive workspace for ICU staff. School of Design staff secured a grant from the Covid Response Fund for a project exploring 'Co-Creating Methods for Innovating Nature-based Solutions for Public Health and Green Recovery in a Post-COVID World'.

The College made a submission to the first UK Knowledge Exchange Framework (KEF) assessment exercise, and were delighted with the results, which placed the RCA in the top 10% of all HEIs in England for Public & Community Engagement and for Skills, Enterprise & Entrepreneurship. The College performed extremely well in all categories, and well above the arts specialists peer group in areas such as IP and Commercialisation, Collaborating with Business, and Working with the Public and Third Sectors.

Partnerships and collaborations continue to be developed with businesses in many different sectors, ranging from Samsung to Bentley to BP. A five-year partnership has been agreed with Oppo, and the College welcomed the first three RCA Knowledge Exchange Industry Advisors with MoUs signed with senior figures in EY Seren, Lenovo and McKinsey. The College's first successful Knowledge Transfer Partnership (KTP) award from InnovateUK commenced in 2020/21. A collaboration with award-winning architects Cartwright Pickard on 'Pioneering Architecture for the Later Life Sector', this award enables the Helen Hamlyn Centre for Design to recruit a post-doctoral research to work across the College and the partner organisation to combine inclusive design and design for ageing expertise with architectural innovation in order to develop aspirational, low-cost new housing models for 'later living'.

Executive Education shifted online because of global travel constraints, and found that there was no loss of demand, with 26 custom and open courses delivered during the year. In addition to the continuing appetite for RCA custom short courses from major corporate clients, we have seen growing interest from public sector and regional organisations, including Local Enterprise Partnerships (LEPs) across England, and Northumbrian Water.

Similarly, InnovationRCA ran its start-up incubator programme and its creative brands accelerator largely online in 2020/21, and was delighted to welcome and support a new cohort of graduate companies as well as a number of research staff spin-outs.

Enabling Strategy 1: Institutional positioning

Through our ongoing external communications and marketing campaigns, stakeholder and community engagement, website and social media channels we continue to position the RCA as an international authority on art and design.

For the seventh consecutive year, and despite the institution's small size compared to its competitors, the RCA maintained its position as the world's leading art and design university in the QS World University Rankings by Subject 2021.

The RCA website received over 6.2 million page views, up almost 8% compared to last year. Social media engagement has grown across all channels, with followers now standing at 250,000 (versus 236,000 this time last year).

The RCA's position as a thought-leader in art and design was sustained through external collaborations and partnerships. This included the announcement of the Terra Carta Design Lab, a new collaboration with HRH The Prince of Wales' Sustainable Markets Initiative and RCA Chancellor Sir Jony Ive. Other highlights were a new partnership with the London Business School, and an arts-hackathon with the Serendipity Arts Foundation & Festival, one of the largest multi-disciplinary arts initiatives in the South Asian region.

The College's stakeholder outreach programme included high-profile visits to the College from art, design, architecture and culture editors and journalists as well as meetings with key policy makers and politicians. These events provided opportunities for the Vice-Chancellor to showcase the new Battersea campus, outline the College's strategic plan and advocate for art and design education. The introduction of a stakeholder newsletter, circulated to influential media and public affairs contacts, further reinforced these activities and relationships.

The year culminated in RCA2021, our online graduate exhibition, which drew global media coverage. Highlights included interviews with MA/MSc Innovation Design Engineering students by BBC Radio 4 Inside Science as well as Indian newspaper The Hindu; features on MA Fashion graduates in Dazed, i-D and 1 Granary; US coverage from Fast Company with two features on MA Design Products projects; and features on graduates in The Art Newspaper, British Journal of Photography and Design Week.

Additionally, the Vice-Chancellor was interviewed on Times Radio discussing RCA2021, the College's STEAM ambitions and the impact of Brexit on College admissions. Dr Nadia Danhash, Director of InnovationRCA, featured in a series of broadcast interviews in London and across the UK promoting RCA2021 and the importance of interdisciplinary creative education in solving the world's most pressing challenges.



Enabling Strategy 2: Estates and infrastructure

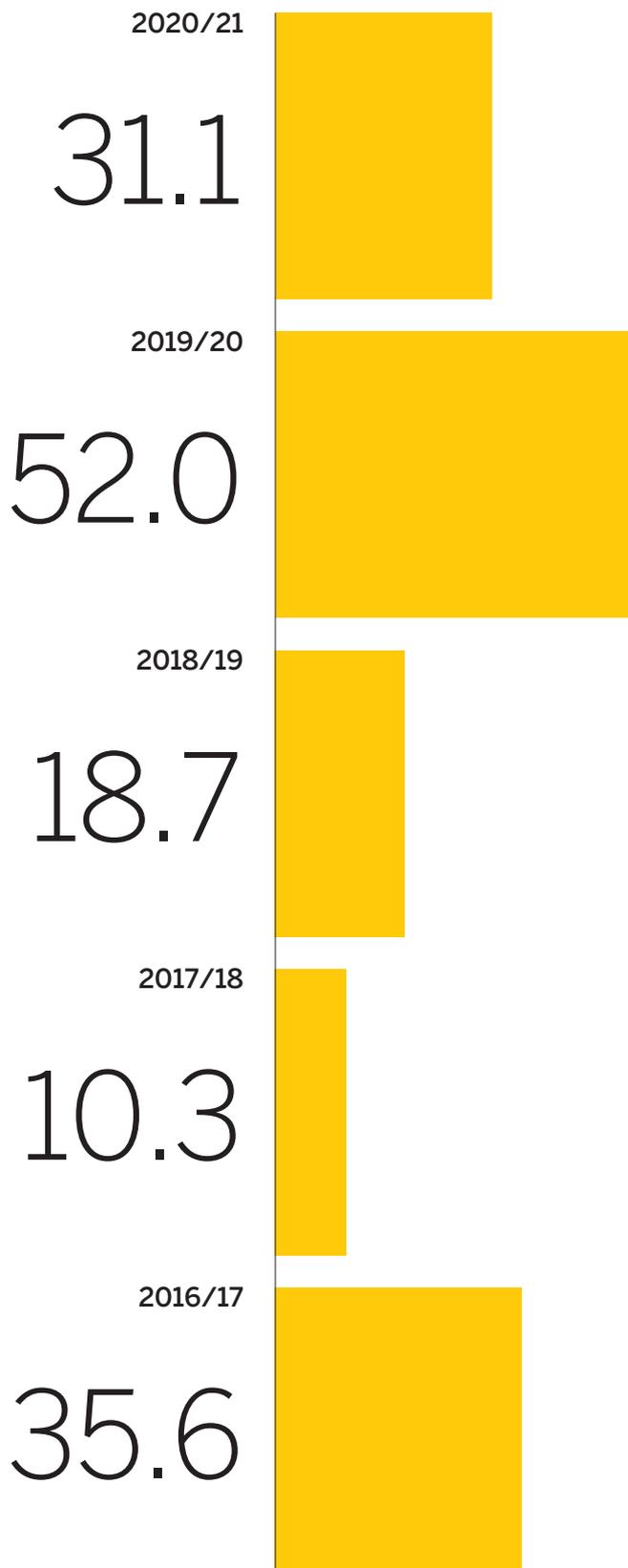
The RCA has invested almost £150m over the last five years in the development of its estate and other infrastructure improvements, which is part of the College's ambition to develop a world-class campus. Across the next five years, a further £70m is planned as the new campus buildings at Battersea are completed and the ongoing refurbishment of our Kensington campus continues, alongside improvements to our digital infrastructure.

In 2020/21, the College spent a total of £31m on capital additions, which included £24m on the new campus development at Battersea (2019/20: £52m, which included £42m of Battersea-related expenditure). The Battersea project was originally 50% match-funded by the Government to a total of £54m, this has now all been drawn. The project has since been expanded to cover improvements to the College's existing Battersea buildings and as a result Council has approved an overall budget of £139m, including risk contingency, with the new Battersea campus due to open to students in January 2022.

As well as investing in the new campus, the College spent a further £5.4m on its existing buildings, including major works to reset the buildings for Covid-19 as well as essential works to replace boilers, ventilation units, electrical distribution boards, and fire stopping rectifications and upgrades.

Additionally, the College invested over £1.5m in IT systems, software and technical equipment. This included enhanced online learning tools, further funding for the College's website and investment in new technology to help streamline the management of visiting lecturer's payments.

Capital Investment (£m)



Total Five-Year Spend: £147.8m

Enabling Strategy 3: People

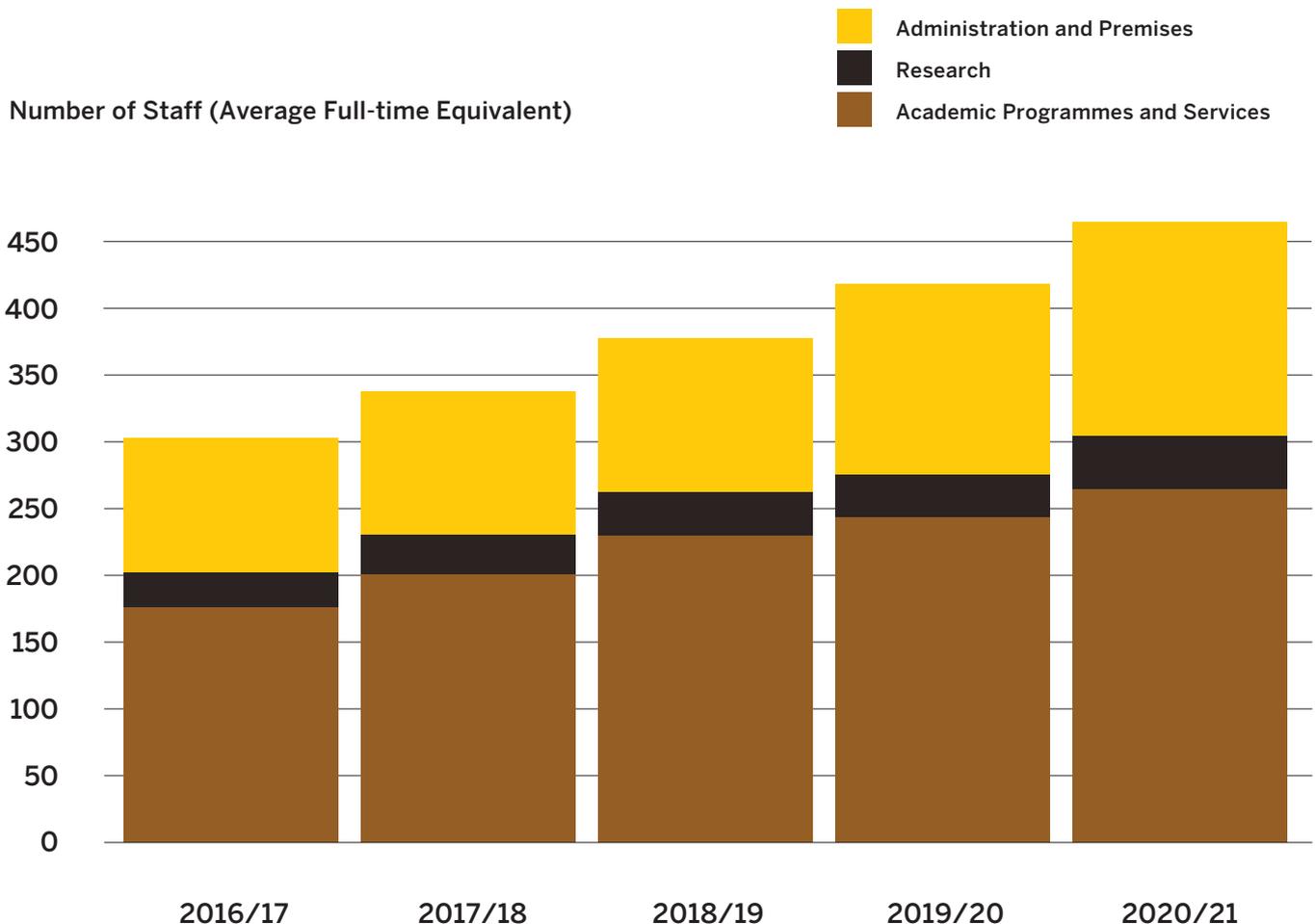
In 2020/21 the RCA employed 555 permanent staff over the course of the academic year, supported by visiting lecturers. The average number of full-time equivalent (FTE) permanent staff was 452 (2019/20: 418). Total staff costs, including spend on visiting lecturers and casual/ agency staff, totalled £34.2m, which was 54% of total expenditure (2019/20: £32.8m, 52%).

As of June 2021, gender representation among contracted staff stood at 56% female and 44% male. The RCA's median gender pay gap for March 2020, reported in October 2021, was 5.2%, compared to a national average of 15.4%. In the previous year it was 4.6% and in 2018 it was 10.9%. In the same period, 71% of contracted staff identified as White, 19% as Black, Asian or other ethnic minority, and 10% preferred not to say. While steps are already underway to improve diversity and representation, including the appointment of Izzie Kpobie-Mensah as Head of Equity & Inclusion

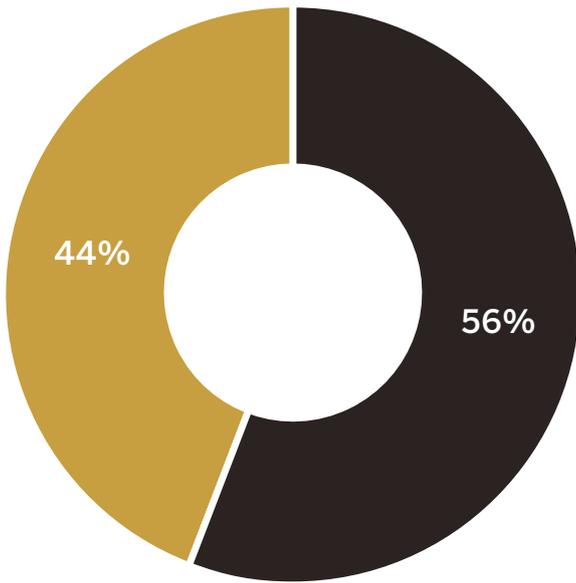
and the publishing of a seven-point action plan towards becoming an anti-racist institution, and our gender pay gap shows improvement, there is more to be done.

The College prides itself on its ability to recruit the very best researchers and practitioners to join the academic staff. It is essential to the unique quality of teaching and research that the College continues to attract and retain world-leading academic staff as well as inspirational practising artists and designers and a large number of highly specialised technicians.

Work on the RCA Strategic Workforce Plan is progressing, capitalising on proposals to develop a more flexible academic model and encompassing a review of professional services, both critical components in defining and developing a workforce that is fit for the future and supports the achievement of the College's strategic aims.

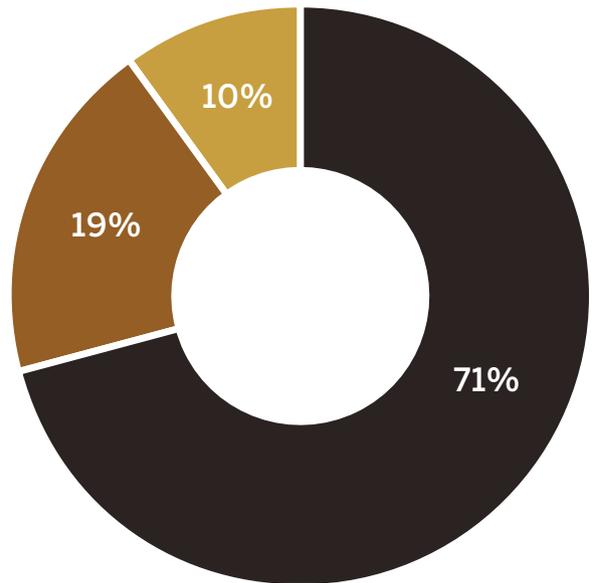


Gender, all contracted staff



Female
Male

Ethnic origin, all contracted staff



white
Black, Asian and other minority ethnic groups
prefer not to say

Median gender pay gap



2020/21

5.2%

2019/20

4.6%

2018/19

10.9%

Enabling Strategy 4: Finance – indicators of financial strength

Surplus for the Year

Core surplus was £4.6m, 7% of core income (2019/20: £4.4m, 7%). As in previous years, cash from surpluses has immediately been reinvested in new digital IT infrastructure, and technical equipment, plus ongoing building maintenance.

Cash Flow from Operating Activities

Net cash inflow from operating activities was £15.9m (21% of total income) in 2020/21, compared to £18.7m in 2019/20 (25% of total income). This decrease was driven by movements linked to the new Battersea South campus.

Borrowings/Cash and Cash Equivalents

At the end of the year, the College held cash of £13.5m (2019/20 £9.5m) and had total borrowings of £12.5m (£10m Coronavirus Large Business Interruption Loan and £2.5m Revolving Credit Facility). During the year the College withdrew the total amount of the CLBIL loan available (£10m), to provide short-term working capital liquidity to mitigate against risks of Covid-19. The College remains on track to repay this funding in two tranches, with 50% due by 30 September 2022 and 50% by 14 July 2023.

The College also has access to a £33m revolving credit facility with HSBC of which £2.5m was drawn at year end. The purpose of the facility is to assist with the financing of, and cash flows relating to, the RCA's [project building a] new Campus at Battersea. The facility is for a 10-year term (from February 2017 to January 2027) and the loan drawdown is subject to quarterly interest rate repayments. There is no charge over the RCA's assets for either of the loan facilities.

The RCA is required to maintain a minimum cash balance of £5m or 40 liquidity days, whichever is higher. Any excess cash will be used to minimise the College's debt position, thereby reducing the level of interest repayments.

Net Assets

The RCA's Balance Sheet remains strong: net assets have increased to £173.4m (2019/20: £158.1m). The main reason for the movement was an increase of c. £41m in the College's fixed assets, primarily linked to spending on the Battersea campus (£24m) along with a new financing lease (£14m) which relates to the purchase and lease of land on the College's Battersea North campus. This back to back lease variation changes the lease term to 40 years (instead of the current c.130 years) and enables the College to purchase the land for £1 at the end of the lease.

Current Ratio

The ratio of Current Assets to Current Liabilities measures an organisation's ability to pay its short term creditors. The College's ratio went from 0.6 to 0.7 during the year. The RCA's cash policy is to use cash reserves to repay debt, meaning the College can redraw debt from the revolving credit facility as required. Therefore cash/current asset levels can be increased when needed.

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

Endowment Assets

The RCA's investments are overseen by the Investment Committee (a subcommittee of the Planning & Resources Committee), which is charged with setting investment policies for the College's endowments and cash reserves, and monitoring their implementation. The College recognises that the investments it makes should reflect the values of the College, its staff and student body, alumni and supporters. The College therefore adopts a socially responsible approach to investment allowing ethical considerations to be taken into account whilst ensuring there is no significant detrimental impact on the investment return.

As at 31 July 2021, Close Brothers, the College's Investment Managers, were holding £26.7m which is the value of total endowments at year end.

Risks

The RCA has a well-developed strategic risk register, which is reviewed by the Audit & Risk Committee at each of its meetings.

There is still significant risk relating to Brexit, including a reduction in the number of EU students studying at the College. In 2020/21, 377 students were from the EU (2019/20: 442), however the College is expecting to see a c. 60% drop in new students joining the College for the 2021/22 academic year, due to the loss of home fee status. Additionally, there are broader risks including the willingness of academic staff to consider UK-based appointments. The RCA's strategic plans on internationalisation, new models of flexible learning (and degree choices), the strengthening of recruitment activities outside the UK, and the modernisation of the College's support services include future year changes aimed at mitigating these risks.

The College continues to update the strategic risk register as well as the risk register specific to the impact of the pandemic on the College. The College continued to follow government guidelines and ensure that the health and safety of students and colleagues was the primary focus. The 2021/22 budget includes a number of risk contingencies due to continued uncertainties surrounding the potential impact again of a lower intake of students.

The financial implications of these risks crystallising have been part of comprehensive stress-testing to ensure the College has the ability to take mitigating actions and continue as a going concern. The College has a number of levers it can use to mitigate the impact of potential downside risks such as a reduction in the levels of planned operating and capital investment, use of the College's investment reserves (£7m) and increased borrowing (within its pre-agreed £43m loan facility).

The development of the Battersea campus is a huge opportunity for the RCA, but some residual risks remain including cost, cashflow, quality and adaptability. Financing for the new campus was originally on a match-fund basis, with the College responsible for funding £54m; however the project cost has increased, leaving the College to fund c. £86m, including through donations. Although the College has the financing in place to complete this project, final project cost remains a risk.

Other important risks include the ongoing investment needed to ensure that the College's physical and digital infrastructure continue to develop in line with innovations in teaching and learning, and research and innovation. Maintaining and enhancing a high quality student experience will be a key focus for the Senior Management Team during a period of growth and change, as well as ensuring there is continued focus on greater diversity of talent (students and staff). Action is being taken to mitigate these and other risks identified in the College's strategic risk register, and both Council and the Senior Management Team will continue to monitor the position closely.

Further information about the College's risk management process is set out on p.27.

Subsidiaries

The RCA owns the following subsidiaries: RCA Angel Investor Club Ltd, to handle investment opportunities for incubator companies supported by InnovationRCA, Postural Support Ltd, set up to develop intellectual property to determine spine health and enabling the design of improved mattresses and seating solutions for people with back problems, and Battersea North Nominee Limited, set up to aid the future purchase of land at the end of a new 40-year lease period. None of these subsidiaries have been consolidated in the accounts as they were dormant during the year.

Conclusion

Amidst the backdrop of a global pandemic the Higher Education sector is subject to, more than ever, financial pressure nationally and internationally. Despite the challenges, the rapid transition to online learning modes and a predominantly disparate workforce and student community, the College remains in a strong market position in postgraduate teaching and world-leading research. This is reflected in the College maintaining its number one position in the QS World University Rankings in art and design, held for the seventh year in 2021. The Strategic Plan 2016–21 remains a critical path for the future, to ensure the RCA remains amongst the best in the world.

To support the sustainable development and growth ambitions of the College, an important part of our financial strategy will be to preserve and continue to build on our surpluses and operating cash flow, to ensure we have funding to remain agile and responsive to change, and to invest accordingly.

Scope of the Financial Statements

The RCA is an exempt charity which operates under the terms of a Royal Charter. The College has no shareholders and it does not distribute profits. Any surpluses which arise on its income and expenditure are reinvested in the RCA's infrastructure, teaching and research activities.

The trustees of the charity are the current Council members (see p.30). The current Charter was granted in 1967, although the RCA was originally founded in 1837 – at that time it was called the Government School of Design.

The RCA has governance arrangements which are similar to those of most pre-1992 English universities. It is regulated by the Office for Students (OfS), which also acts as the College's regulator under the terms of the Charities Act 2011. 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).

The objectives of the RCA are set out in its Charter: to advance learning, knowledge and professional competence, particularly in the field of fine art, in the principles and practice of art and design in their relation to industrial and commercial processes and social developments and other subjects relating thereto through teaching, research and collaboration with industry and commerce.

Public Benefit Statement

The Royal College of Art is an exempt charity under the terms of the Charities Act 2011. As regulator the Office for Students (OfS) requires the exempt charities which it regulates to publish an annual public benefit statement having regard to relevant Charity Commission guidance.

Education

The RCA provides postgraduate programmes in art and design on a non-profit-making basis. Fees charged to UK students do not cover all the costs of teaching those students; some of these costs are subsidised by OfS grants. Fees charged to non-UK domiciled students are set at a full cost level. As noted in previous sections of this report, the College provides bursaries and hardship grants to some of its students, which widen participation and help students of limited means to study at the College. The College continues to review its offer of taught programmes and to develop more flexible options to widen access and ensure that the most talented students continue to benefit from its specialist, high-quality programmes.

The College's vision is to be the world's most influential art and design university, training the world's most prominent artists and leading designers and developing them more than any other higher education institution. The College offers a transformative experience to students who go on to transform the world, and many graduates hold prominent positions in the arts and creative industries.

Research

The RCA undertakes world-leading research in art and design. A particular emphasis is placed on design for an ageing population, including through the Helen Hamlyn Centre for Design and the Design Age Institute. 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. In some cases research is carried out on behalf of commercial sponsors or partners. These projects are conducted on the basis of full cost recovery, with any surplus remaining when the direct and indirect costs of this work have been met being reinvested in the College's infrastructure, teaching and research activities, where permissible by the funder.

Other Activities

The RCA organises public exhibitions, seminars, lectures and conferences which enable students to show their work and also enable the public to engage with the work of the College. 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 primarily to cover costs. The College also operates a significant and well-regarded community engagement programme, which runs workshops, exhibitions and other opportunities for our local communities, schools and young people to work with RCA staff and students. In addition, the College runs collaborative projects with partners, including importantly the local communities around its campuses in Battersea, White City and Kensington.

Policies and Operations

The RCA 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 following statement provides information about the College's governance procedures. The RCA is committed to best practice in corporate governance and we ensure transparency in our corporate governance arrangements by our adaptation of the CUC Higher Education Code of Governance (2020) and regular monitoring of the RCA's adherence to OfS Public Interest Governance Principles.

Council is the governing body of the College, and comprises a majority of independent members together with staff and student or SU sabbatical members. All members are appointed under the College's Statutes. The roles of Chair and Vice-Chair of Council are separated from the role of the College's Chief Executive, the Vice-Chancellor. Council is responsible for the College's ongoing strategic direction, approval of major developments and receiving regular reports from executive officers.

The College is committed to best practice in terms of governance, and in this context the Council established a sub-committee to review its Charter, Statutes and Ordinances. The sub-committee was tasked with ensuring that the College's Charter, Statutes and Ordinances meet OfS Public Interest Governance Principles, reflect the recommendations of the College's 2019 review of Council effectiveness, and meet current legislative requirements. The work was carried out with the assistance of Pinsent Masons and was formally approved by the Privy Council in Spring 2021. The amended Charter, Statutes and Ordinances came into effect 1 November 2021. Key changes are:

- Council will gradually reduce in size over the next two years.
- A new Statute 10 will replace the old Statute 23, to comply with current employment legislation.
- The Court will no longer appoint members of the Council.
- The title of Treasurer will be removed.

Appointment of Chair of Council elect

During the year, the Council established a Search Committee, chaired by an independent member of the Council, to oversee the search for a Chair of Council to succeed Baroness Rebuck at the conclusion of her final term in March 2022. The College engaged executive search firm Odgers & Berndtson, to lead the search. Sir Peter Bazalgette has been appointed by the Council as Chair of Council from 1 March 2022.

OfS Regulatory Framework

The regulatory framework for higher education in England requires institutions to apply to the OfS for registration as a recognised provider. The College submitted its application for registration in April 2018, including a self-assessment of how its management and governance arrangements meet OfS requirements to ensure it continues 'to meet its ongoing registration conditions, provide stability, deliver the courses students have signed up for, manage students' and taxpayers' money appropriately, demonstrate accountability and meet its commitments to other stakeholders'. The College's application was approved by the OfS, and it was formally added to the register with effect from 30 October 2018.

The College's Governance Structure

Council delegates a number of functions to committees. A number of these committees are statutory, including an Audit & Risk Committee, a Remuneration Committee and a Nominations Committee. Other committees, such as the Planning & Resources Committee, play a key role in supporting Council to fulfil its responsibilities under the regulatory framework and demonstrate good governance in accordance with the CUC Code and OfS Public Interest Governance Principles. All Council committees are formally constituted, with terms of reference agreed by the Council, and include a majority of independent members.

Planning & Resources Committee

The Planning & Resources Committee is responsible for monitoring long-term, medium-term and short term planning to ensure the alignment of all aspects of the College's strategy and planning. The Planning & Resources Committee meets four times a year.

Audit & Risk Committee

The Audit & Risk Committee is responsible for monitoring audit findings and considering 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 & Risk Committee also receives and considers assurance and internal control reports from the OfS and other funders, and monitors adherence to regulatory and funding requirements. The Committee reports annually to Council and to the OfS on the operation of the College's internal control procedures, risk

management, governance, value for money, the management and quality assurance of data and other relevant matters. While Senior Management Team members attend meetings of the Audit & Risk Committee as necessary, they are not members of the Committee. At each meeting the Committee offers the internal and external auditors the opportunity of private meetings with the Committee members without officers present. In June 2021 the Committee conducted a review of its terms of reference and membership against the revised CUC Higher Education Audit Code of Practice.

Nominations Committee

The Nominations Committee keeps under regular review, membership of Council and Council subcommittees, making recommendations for appointment. The Nominations Committee ensures robust succession planning and skills analysis. A key consideration for the Nominations Committee is ensuring diversity on Council and subcommittees.

Remuneration Committee

The College has adopted the CUC Higher Education Senior Staff Remuneration Code. The Remuneration Committee determines the remuneration of the Vice-Chancellor and senior staff. The Committee is chaired by an independent member of Council, and includes the Chair of Council and Treasurer.¹ The Vice-Chancellor is not a member of the committee. The Remuneration Committee considers any matters related to senior staff pay in the context of: charity law (namely the obligation for trustees to use charity funds and assets only to further their charitable purposes), CUC guidance and principles set out by the Association of Chief Executives of Voluntary Organisations. It also ensures it complies with the OfS Accounts Direction and with other OfS guidance on senior staff remuneration issued from time to time.

The Remuneration Committee takes into account a range of indicators in considering whether reward proposals for senior staff are justified. These include but are not limited to:

- performance in support of the College's strategic objectives in areas such as teaching, research, management and administration, leadership of staff partnerships and external relations and major initiatives and projects
- comparative benchmark data, for example across the higher education sector in the UK and internationally
- the size, complexity and international reach of the College
- the RCA's global brand and ranking
- salary increase awards for the wider workforce.

The Vice-Chancellor's performance objectives are agreed each year with the Pro-Chancellor. These are considered and endorsed by the Remuneration Committee. The Pro-Chancellor undertakes an annual appraisal discussion with the Vice-Chancellor and then makes a recommendation to the Remuneration Committee on the Vice-Chancellor's remuneration for the coming academic year. In considering the Pro-Chancellor's recommendation, the Committee reviews a range of data and information including:

- the Vice-Chancellor's salary history
- comparative benchmark data, for example across: the HE sector in the UK and internationally and across similar organisations of size, complexity and global standing
- how the Vice-Chancellor's current salary compares to that of other staff in the College
- the Vice-Chancellor's and College's performance over the review period.

The Vice-Chancellor's remuneration is set out in Note 8 to these accounts.

An annual report on the Remuneration Committee's work during the year, together with outcomes, will be presented to Council at its meeting in November.

The Senior Management Team recommends the College's annual revenue and capital budgets to the Planning & Resources Committee. The Senior Management Team advises Council on the College's overall objectives and priorities, and the strategies and policies required to achieve them.

¹ Following the adoption of the revised Charter, Statutes and Ordinances, the role of Treasurer will no longer exist from 1 November 2021. The Chair of the Planning and Resources Committee will be a member of the Remuneration Committee.

Risk Management

On behalf of Council, the Audit & Risk Committee has appointed BDO as the College's internal auditors. The internal auditors review the effectiveness of the College's systems of internal control, including risk management, and their findings are considered by management and reviewed by the Committee.

The Audit & Risk Committee is also responsible for the oversight of the College's policies and procedures for risk management, in accordance with guidelines issued by the OfS. The Senior Management Team maintains a clear framework for managing risk. This links key risks to the objectives set out in the College's Strategic Plan, and documents the actions taken and further actions planned to manage and mitigate each risk. This approach to risk management has been endorsed by the Audit & Risk Committee and Council, and both committees receive termly reports highlighting the current status of strategic risks.

Register of Interests

The RCA 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 asked to declare any interest in business to be considered by the meeting.

Statement on Internal Control

The Audit & Risk Committee, on behalf of Council, has reviewed the effectiveness of the College's system of internal control. 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 RCA's 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.

A professional internal audit team has an annual risk-based programme which is approved by the Audit & Risk Committee. The College's arrangement for risk management control and governance, and economy, efficiency and effectiveness are adequate and effective. This does not mean that all aspects are adequate and effective, but there are no indications of

a material weakness in them. A material weakness is defined as one that could lead to a significant impact on the business, operations or standing of the College.

The College has anti-bribery, anti-money laundering and counter-fraud policies in place. These were reviewed by management and approved by the Audit & Risk Committee in 2021.

Primary Roles and Responsibilities of Council

1. To approve the mission and strategic vision of the RCA, the Strategic Plan (including long-term academic and business plans and key performance indicators), and to ensure that these meet the interests of stakeholders;
2. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the College against the Strategic Plan and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions;
3. To delegate authority to the Vice-Chancellor, as Chief Executive for the academic, corporate, financial, estate and human resource management of the institution within the terms of the Strategic Plan and the budget as agreed by Council. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor;
4. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment and procedures for handling internal grievances and for managing conflicts of interest;
5. To establish processes to monitor and evaluate the performance and effectiveness of Council itself;
6. To conduct its business in accordance with best practice in Higher Education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life;
7. To safeguard and promote the good name and values of the College;

8. To appoint and remove the Vice-Chancellor as Chief Executive, and to put in place suitable arrangements for monitoring his/her performance;
9. To appoint and remove the Chancellor, the Pro-Chancellor and Chair of Council, the Vice-Chair of Council and other senior appointments as determined by Council currently and in the future;
10. To appoint and remove a College Secretary and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability;
11. To be the employing authority for all staff in the institution and to be responsible for oversight of the human resources strategy;
12. To be the principal financial and business authority of the College, to ensure compliance with the OfS terms and conditions of funding for Higher Education institutions, that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the College's assets, property and estate;
13. To be the College's legal authority and, as such, to ensure that systems are in place for meeting all the College's legal obligations, including those arising from contracts, legal commitments made in the College's name and legal obligations in relation to charity law, equality and diversity and health and safety;
14. To receive assurance that adequate provision has been made to uphold the quality of the student experience;
15. To receive assurance that academic governance is effective;
16. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the College;
17. To ensure that the Students' Union operates in a fair, democratic, accountable and financially sustainable manner;

18. To ensure that the RCA's Charter, Statutes and Ordinances are followed at all times and that appropriate advice is available to enable this to happen.

Council are also responsible for ensuring that:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the College's resources and expenditure.



Council & Committee Members

The following served as members of Council during the year:

Ex-officio Members

The Chair and Pro-Chancellor

Baroness Rebuck of Bloomsbury DBE

The Vice-Chancellor

Dr Paul Thompson

The Treasurer¹ and Vice-Chair of Council

Caragh Merrick OBE

The Deputy Vice-Chancellor and Provost

Professor Naren Barfield

The Director of Finance (from 1 November 2021)

Amanda White

The Co-President of the Students' Union

Marnie Hamilton (from 11 May 2021-31 August 2021)

YonYi Sohn (from 1 August 2021)

Aleksandra Stanek (from 1 September 2020 to 10 May 2021)

Independent Members

Sir Peter Bazalgette (from 1 October 2021)

Michael Birshan

Professor Rachel Cooper OBE

Jennifer Duvalier

Mike Forster

Dr Tristram Hunt

Dr Anne-Marie Imafidon MBE

Alan Leibowitz

Richard Petrie

Patrick Plant

Dr Sigrid Rausing

Sudhir Singh

Tom Van Oss

Fields Wicker-Miurin OBE (from 25 March 2021)

Ed Williams

Members appointed by the Senate

Professor Paul Anderson

Professor Graeme Brooker

Rama Gheerawo

Dr Emma Wakelin

One Student elected by the Students

Chenyu Shen (from 1 August 2020 to 31 August 2021)

Anna Mueller (from 1 August 2021)

The following served as members of the statutory subcommittees of Council:

Audit & Risk Committee

Tom Van Oss, Chair

Richard Petrie

Patrick Plant

Sudhir Singh

Remuneration Committee

Jennifer Duvalier, Chair

Baroness Rebuck of Bloomsbury DBE

Caragh Merrick OBE

Judy Roberts, co-opted member

Fields Wicker-Miurin OBE

Nominations Committee

Baroness Rebuck of Bloomsbury DBE, Chair

Dr Paul Thompson

Caragh Merrick OBE

Michael Birshan

Ed Williams

1 Following the adoption of the revised Charter, Statutes and Ordinances, the role of Treasurer will no longer exist from 1 November 2021.

Senior Officers & Advisers

Senior Officers

Vice-Chancellor

Dr Paul Thompson

Deputy Vice-Chancellor and Provost

Professor Naren Barfield

Executive Director Operations

Heather Akif (from 12 April 2021)

Director of Finance

Amanda White

Executive Director of Transformation & Delivery

Dr Philip Harvey

College Secretary

Jocelyn Prudence (to 30 April 2021)

Zioge Smith (from 1 September 2021)

Bankers

HSBC Bank plc

71 Queen Victoria Street

London EC4V 4AY

National Westminster Bank plc

1st Floor

440 Strand

London WC2R 0QS

Solicitors

Stephenson Harwood

1 Finsbury Circus

London EC2M 7SH

Insurers

UM Association Ltd

Hasilwood House

60 Bishopsgate

London EC2N 4AW

External Auditors

KPMG LLP

15 Canada Square

London E14 5GL

Internal Auditors

BDO

55 Baker Street

London W1U 7EU

Investment Managers

Close Brothers Asset Management

10 Exchange Square

Primrose Street

London EC2A 2BY

Independent Auditor's Report to the Council of the Royal College of Art

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Royal College of Art ("the College") for the year ended 31 July 2021 which comprise the statement of comprehensive income and expenditure, the balance sheet, the statement of changes in reserves, cash flow statement and related notes, including the statement of accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021, and of the College's income and expenditure, gains and losses and changes in reserves, and of the College's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Council has prepared the financial statements on the going concern basis as they do not intend to liquidate the College or to cease their operations, and as they have concluded that the College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period")

In our evaluation of the Council's conclusions, we considered the inherent risks to the College's business model and analysed how those risks might affect the College's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Council's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the College will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of the Directors, the Audit and Risk Committee and internal audit as to the College's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Council, Planning and Resources Committee, Audit and Risk Committee and Remuneration Committee minutes; and
- Using analytical procedures to identify unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from tuition fees is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation of some of the College's fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts combinations and other unusual journal characteristics;
- Sample testing of tuition income received in the period 1 July 2021 to 31 October 2021 to determine whether tuition income was recognised in the correct accounting period; and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Council and other management (as required by auditing standards), and from inspection of the College's regulatory and legal correspondence and discussed with Council and other management the policies and procedures regarding compliance with laws and regulations.

As the College is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the College is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, taxation legislation, pensions legislation and specific disclosures required by higher education legislation and regulation and related legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the College is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the College's registration with the Office for Students or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: health and safety legislation and employment legislation, recognising the regulated nature of the College's activities. Auditing standards limit the required audit procedures to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect noncompliance with all laws and regulations.

Other information

The Council is responsible for the other information, which comprises the Financial Review and the Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Financial Review and the Corporate Governance Statement, is consistent with the financial statements.

Council responsibilities

As explained more fully in their statement set out on pages 27 & 28, the Council is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the College'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 it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance,

but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Report on other Legal and Regulatory Requirements

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

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 and managed in accordance with relevant legislation;
- income has been applied in accordance with the College's statutes;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the results of our audit work indicate that the College's grant and fee income, as disclosed in note 4 to the financial statements has been materially misstated.

We have nothing to report in these respects.

The Purpose of our Audit Work and to Whom We Owe our Responsibilities

This report is made solely to the Council and 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 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 College and the Council for our audit work, for this report, or for the opinions we have formed.

Fleur Nieboer
for and on behalf of KPMG LLP

15 Canada Square
Canary Wharf
London E14 5GL

1 December 2021

Statement of Comprehensive Income and Expenditure for the Year ended 31 July 2021

		Year ended 31 July 2021	Year ended 31 July 2020
	Notes	College £'000	College £'000
Income			
Tuition Fees and Education Contracts	1	51,871	49,837
Funding Body Grants	2	8,723	9,045
Research Grants and Contracts	3	3,267	3,489
Other Income	5	2,217	2,973
Investment Income	6	477	652
Donations and Endowments	7	10,125	8,762
Total Income		76,680	74,758
Expenditure			
Staff Costs	8	29,895	28,075
Other Operating Expenses		29,507	30,720
Depreciation and Amortisation	11/12	4,053	3,938
Interest and Other Finance Costs	9	295	153
Total Expenditure	10	63,750	62,886
Surplus Before Other Gains		12,930	11,872
Gain on Investments	14	2,318	530
Total Comprehensive Income for the Year		15,248	12,402
Represented by:			
Endowment Comprehensive Income for the Year		4,447	916
Restricted Comprehensive Income for the Year		6,228	7,116
Unrestricted Comprehensive Income for the Year		4,573	4,370
		15,248	12,402

All items of income and expenditure relate to continuing activities.

Balance Sheet

as at 31 July 2021

		As at 31 July 2021	As at 31 July 2020
	Notes	College £'000	College £'000
Non-current Assets			
Intangible Assets	11	1,652	1,576
Fixed Assets	12	212,228	171,095
Heritage Assets	12/13	16,035	16,035
Investments	14	29,165	24,497
		259,080	213,203
Current Assets			
Stock	15	184	178
Debtors	16	3,664	6,818
Investments	17	609	1,041
Cash and Cash Equivalents	23	13,530	9,526
		17,987	17,563
Less: Creditors: Amounts Falling Due Within One Year	18	(27,520)	(29,417)
		(9,533)	(11,854)
Total Assets Less Current Liabilities		249,547	201,349
Creditors: Amounts Falling Due After More Than One Year	19	(61,743)	(43,217)
Obligations Under Finance Leases	26	(14,424)	–
Total Net Assets		173,380	158,132
Restricted Reserves			
Income and Expenditure Reserve – Endowment Reserve	21	26,731	22,284
Income and Expenditure Reserve – Restricted Reserve	22	3,082	3,509
Unrestricted Reserves			
Income and Expenditure Reserve – Unrestricted		94,135	82,907
Revaluation Reserve		49,432	49,432
Total Reserves		173,380	158,132

The financial statements on p.36 to p.64 were approved by Council on 25th November 2021 and were signed on its behalf by:



Dr Paul Thompson, Vice-Chancellor



Amanda White, Director of Finance

Statement of Changes in Reserves for the Year ended 31 July 2021

	Income and Expenditure Account			Revaluation Reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000	£'000
College					
Balance at 1 August 2020	22,284	3,509	82,907	49,432	158,132
Surplus/(Deficit) from the Income and Expenditure Statement	4,447	6,228	4,573	–	15,248
Other Comprehensive Income	–	–	–	–	–
Release of Restricted Funds spent in Year	–	(6,655)	6,655	–	–
	4,447	(427)	11,228	–	15,248
Balance at 31 July 2021	26,731	3,082	94,135	49,432	173,380

Cash Flow Statement

for the Year ended 31 July 2021

		Year ended 31 July 2021	Year ended 31 July 2020
	Notes	College £'000	College £'000
Cash Flow from Operating Activities			
Surplus for the Year		15,248	12,402
Adjustment for Non-cash Items			
Depreciation	12	3,476	3,550
Amortisation of Intangibles	11	577	388
(Gain) on Investments	14	(2,318)	(528)
(Increase)/Decrease in Stock	15	(6)	(46)
(Increase)/Decrease in Debtors	16	3,154	3,161
Increase in Creditors	18/19	7,353	26,175
Adjustment for Investing or Financing Activities			
Investment Income	6	(477)	(652)
Interest Payable	9	295	153
Finance Lease Payable	26	596	–
Capital Grant Income		(12,024)	(19,617)
Net Cash Inflow from Operating Activities		15,874	18,664
Cash Flows from Investing Activities			
Capital Grant Receipts		12,024	19,617
Disposal of Non-current Asset Investments	14	11,620	13,219
Short-term Deposits	17	432	(136)
Investment Income	6	477	652
Payments Made to Acquire Fixed Assets	12	(30,409)	(50,946)
Payments Made to Acquire Intangible Assets	11	(653)	(1,064)
New Non-current Asset Investments	14	(13,970)	(13,551)
		(20,479)	(32,209)
Cash Flows from Financing Activities			
Interest Paid	9	(295)	(153)
New Unsecured Loans	19	9,500	3,000
Finance Lease Payable	26	(596)	–
		8,609	2,847
Increase/(Decrease) in Cash and Cash Equivalents in the Year		4,004	(10,698)
Cash and Cash Equivalents at Beginning of the Year	23	9,526	20,224
Cash and Cash Equivalents at End of the Year	23	13,530	9,526

Statement of Accounting Policies

A. General information

The Royal College of Art is registered with the Office for Students in England. The address of the College's registered office is Kensington Gore, South Kensington, London SW7 2EU.

B. Statement of compliance

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition). They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the OfS and the Terms and conditions of Research England grant.

The RCA is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

C. Basis of preparation

The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

Going Concern

The College's activities, together with the factors likely to affect its future development, performance and position, are set out in the Financial Review. The Financial Review also describes the financial position of the College, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the College's governing body, Council, and management team consider to be appropriate for the following reasons.

The College has prepared cash flow forecasts for a period of 20 months from the date of approval of these financial statements. After reviewing these forecasts Council is of the opinion that, taking account of severe but plausible downsides, including any continued impact of Covid-19, the College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

Council has considered the following points in reaching its conclusion:

- A number of additional cost and income contingencies have been included in projections to reflect any uncertainty of the 2021/22 year ahead. These cover the costs of delivering teaching in person and remotely, and the risk that there is a continued impact of the pandemic on particular income streams, such as philanthropy, executive education courses and campus-based services e.g. material sales and catering.
- The College's new Battersea campus project continues to progress. The costs of the project continue to be closely monitored.
- The College has a number of levers it can use to mitigate the impact of potential downside risks such as a reduction in the levels of planned operating and capital investment, use of the College's unrestricted investment reserves (£7m).
- During a review of the College's forecasts, cash flow projections have been considered alongside an assessment of the College's two bank loan covenants [i. Net debt to total income must remain <50%, and ii) Interest Cover must be more than 5:1]. The forecasts, even under the severe but plausible downside scenarios, show that there is headroom against these limits and therefore no potential breach of these covenants is expected in 2021/22".

Consequently, Council is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

D. Basis of consolidation

The financial statements include only the College. The College has the following dormant 100% owned subsidiaries, which were not consolidated in 2020/21: RCA Angel Investor Club Ltd, which was set-up to facilitate funding opportunities for InnovationRCA's incubator companies, and Postural Support Ltd which was set up to develop intellectual property to determine spine health and enable the design of improved mattresses and seating solutions to better accommodate people's back problems, and Battersea North Nominee Limited, set up to aid the future purchase of land at the end of a new 40-year lease period.

The financial statements do not include the income and expenditure of the Students' Union as the College does not exercise control or dominant influence over policy decisions.

E. Income recognition

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

Tuition fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income 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. Education contracts are recognised when the Institution is entitled to the income, which is the period in which students are studying, or where relevant, when performance conditions have been met. Investment income is credited to the statement of income and expenditure on a receivable basis. Note that the College applies judgement when estimating doubtful debts, these estimates are based on historical information and College's own expertise.

Funds the RCA 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.

Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the Institution recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non government sources are recognised in income when the RCA is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors in the Statement of Financial Position and released to income as the conditions are met.

Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised in income when the RCA is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Donations with no restrictions are recognised in income when the College is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restriction applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College.

3. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the College has the power to use the capital.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Donations of tangible assets are included within income. The income recognised is valued using a reasonable estimate of their gross value or the amount actually realised. Donated tangible assets are valued and accounted for as tangible assets under the appropriate asset category.

Capital grants

Government capital grants (non-land related) are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance-related conditions being met.

F. Accounting for retirement benefits

The College participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme within the UK and was contracted-out of the second State Pension (prior to April 2016). SAUL is an independently managed pension scheme of over 50 colleges and institutions with links to higher education. Prior to 1 April 2016, pension benefits accrued within SAUL built up on a final salary basis. Following a consultation with Members, the SAUL Final Salary Section closed from 31 March 2016 and all members build up benefits on a career average revalued earnings (CARE) basis from 1 April 2016. The College is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency event of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer may be spread across the remaining participating employers and reflected in the next actuarial valuation.

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the 'Technical Provisions'). The Trustee adopts

assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from Members' accrued pension rights to be met. The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2020. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed by the Trustee and employers in June 2021 and are due to be reviewed at SAUL's next formal valuation in 2023. Although there was a Technical Provisions deficit at 31 March 2020, allowing for post valuation experience to 30 April 2021, SAUL had a Technical Provisions surplus. Therefore, no deficit contributions were required following the 2020 valuation and there is no defined benefit liability (i.e. the present value of any deficit contributions due to SAUL) to be recognised by the Royal College of Art.

G. Employment benefits

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

H. Finance leases

Leases in which the RCA assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

I. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

J. Foreign currency

The functional currency of the College is pounds Sterling. Transactions denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure for the financial year. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

K. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The College's buildings that had been revalued to fair value on the date of transition to the Statement of Recommended Practice (SORP) are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where capital expenditure relates to a leased asset the item is depreciated over the lesser of the useful life of the asset or the length of the lease. Where an item of equipment comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement of components is capitalised as incurred.

Land and buildings

Land and buildings are measured at cost. Chartered quantity surveyors carried out a revaluation as at July 2014. Under FRS 102 the College has opted to use this revaluation as the deemed cost of the College's buildings in the College's Balance Sheet and not to make regular revaluations. The College also adopted the remaining useful economic lives of the buildings according to the valuation.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected lives of up to 100 years.

Buildings are further apportioned into components: their structure, mechanical and electrical plant and fit-out. Each component is depreciated according to the estimated useful life of that component as follows:

Mechanical & Electrical 35 years
Fit-out 25 years
Structure up to 100 years

No depreciation is charged on assets under construction.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Statement of Financial Position.

Equipment

Equipment, including computers 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:

Computer Equipment 3 years
Other Equipment 5 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Statement of Financial Position.

Impairment

A review for impairment of property, plant and equipment is carried out if events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.

Borrowing costs

Borrowing costs which fund the acquisition, construction or production of assets are recognised as expenditure in the period in which they are incurred.

L. Heritage assets

The College 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 in 2009/10 and revalued by an external organisation in 2018/19; this provided an estimate of the value of the collection. Heritage assets are revalued every 3 to 5 years in accordance with the accounting standard. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material. An annual impairment review is carried out on the College's heritage assets; impairment may be due to physical deterioration, breakage, new evidence giving rise to doubts as to its authenticity, or other factors.

M. Intangible assets

Computer software and consultancy costs of implementation costing less than £10,000 per individual item or group of related items are expensed in the year of acquisition. All other software and related consultancy costs are capitalised. Intangible assets are stated at cost and amortised over their expected useful life of three years.

N. Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Surplus or Deficit. Investment properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year. Under FRS 102, the College has disclosed the retail unit in the Dyson Building as an investment property.

O. Investments

Investments consist of endowment asset investments and are included in the Balance Sheet at market value.

P. Stock

Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for slow moving or defective stock.

Q. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

R. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the RCA has a present obligation (legal or constructive) as a result of a past event
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation and
- (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 RCA a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. 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 College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

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

S. Accounting for jointly controlled operations

The College accounts for its share of transactions from joint operations in the Statement of Comprehensive Income and Expenditure.

T. Taxation

The RCA is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and, accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost. The College's subsidiaries are liable to corporation tax in the same way as any other commercial organisation.

U. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the RCA, are held as a permanent restricted fund which the College must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

Transfers are made between unrestricted and restricted reserves to match expenditure incurred on the Battersea construction against donations received and allocated to the project.

Notes to the Accounts for the Year ended 31 July 2021

	Year ended 31 July 2021	Year ended 31 July 2020
	£'000	£'000
1 Tuition and Education Contracts		
Full-time Home and EU Students	8,345	9,406
Full-time International Students	42,469	39,169
Part-time Students	491	446
Other Short Courses	566	816
	51,871	49,837
2 Funding Body Grants		
Recurrent Grants		
Office for Students	5,321	5,382
Research England	2,462	2,684
Capital Grant	74	74
Specific Grants		
Office for Students/Research England Innovation Fund	678	540
HMRC Job Retention Scheme Grant	188	365
	8,723	9,045
3 Research Grants and Contracts		
Research Councils	2,281	1,184
Research Charities	339	1,493
Government (UK and Overseas)	48	234
Industry and Commerce	523	422
Other	76	156
	3,267	3,489
4 Grant and fee income		
The source of grant and fee income (exclusive of VAT), included in notes 1 to 3 is as follows:		
Grant income from the Office For Students	5,321	5,382
Grant income from other bodies	6,595	7,078
Fee income for taught awards	50,573	48,108
Fee income for research awards	732	913
Fee income from non-qualifying courses	566	816
	63,787	62,297

	Year ended 31 July 2021	Year ended 31 July 2020
	£'000	£'000
5 Other Income		
Lettings/Rental Income	159	174
Catering	81	579
Other Services Rendered	613	697
Other Income	1,364	1,523
	2,217	2,973
6 Investment Income		
Investment Income on Endowments	473	545
Other Investment Income	4	107
	477	652
7 Donations and Endowments		
New Endowments	1,901	–
Donations with Restrictions	8,054	8,701
Unrestricted Donations	170	61
	10,125	8,762
8 Staff Costs		
Salaries	23,733	22,286
Social Security Costs	2,615	2,439
Pension Costs	3,415	3,207
Compensation for Loss of Office*	132	143
Total	29,895	28,075
* Compensation for Loss of Office		
No. of Employees	6	3
Amount (£'000)	132	143
Emoluments of the Vice-Chancellor	£	£
Salary	252,747	252,747
Benefits	–	–
Pension Contributions to SAUL	53,194	40,440
	305,941	293,187

No performance related or other bonuses were awarded for the financial year. No sums were paid by way of an expense allowance during the year. No taxable benefits were received during the year.

The remuneration of the Vice-Chancellor, Dr Paul Thompson, along with other senior staff, is determined by the Remuneration Committee which meets annually and comprises independent members of Council, including the Chair and Deputy Chair. The Committee's decisions are informed by the Director of Human Resources, appropriate sector benchmarking and other relevant factors. The Committee has a duty to ensure that the Vice-Chancellor's remuneration is appropriate to attract and retain the required calibre of individual. The College is in the process of developing a new 5-year Strategic Plan (2022-2027), underpinned by a vision to 2037 (the RCA's bicentenary) which is due to be completed by March 2022. Coupled with the delivery of a major new campus, in part funded by an exceptional grant from HM Government, the introduction of a new delivery framework for the MA programme, and the desire to maintain the RCA's preeminence as a leading art and design university, this demands special commitment and talent.

Pay increases to senior College staff, including Dr Thompson, are covered by the Senior Staff Pay policy, which sets a total available pot for allocation to senior staff and which would, in ordinary circumstances, not exceed that available to the broader staff population. In response to the continuing Covid-19 crisis during the financial year, the Vice-Chancellor, Dr Paul Thompson, did not receive a basic pay increase for 2020/21 meaning his salary remained at £253k.

Like all HE organisations in the UK – and indeed worldwide – delivering the College's goals became increasingly challenging from early 2020 onwards as the Covid-19 pandemic began to impact, requiring swift and decisive action to safeguard students and staff while at the same time, continuing to deliver world-class teaching and research. The College rose to meet these challenges, in particular the demands of a very disappointed student body whose expectations were inevitably thwarted by the national lockdowns and implemented emergency academic protocols in order to ensure its student body was able to graduate in time - a key concern of the Universities Minister Michelle Donelan. The year was undoubtedly challenged and demanded considerable commitment and energy on the part of the leadership team; under Dr Thompson's leadership in 2020/21 the RCA was able to count the following among its achievements.

Despite the challenges, the College received a high number of applications for 2020/21, meeting our income target in light of the uncertainty surrounding foreign travel and the wider impact of Covid. The RCA was able to meet its teaching objectives and outcomes; our online academic offer demonstrated tremendous resilience, with students from over 60 countries around the world logging on to RCA teaching and learning for asynchronous learning. At short notice, the College orchestrated a Convocation ceremony in the Royal Albert Hall and a series of physical and digital exhibitions for its graduating students. The RCA's Knowledge Excellence Framework (KEF) was ranked in the upper quartile among research intensive, Russell Group universities. Research objectives and grant income broke RCA records as we reported research income of £24m in the Research Excellence Framework (REF) 2021 versus £7m in 2014 and over achieved against our in-year research grant target. In spite of the challenges of the pandemic, the College remains on track against its 5-year financial plan and investment targets and delivered a 7% surplus (sector average 3% in 20/21). The College continued construction on the new Battersea campus and reached practical completion on 13 August 2021, just beyond the scope of this academic year. The College achieved its philanthropic goal of £40m for the new Battersea campus by £3m. This has been one of the most demanding years ever for universities: delivering major capital programmes, the REF, and teaching against a backdrop of continued uncertainty and challenge caused by the pandemic and the switch between online to 'burst' mode on campus access.

Pay Ratios	Year ended 31 July 2021	Year ended 31 July 2020
Basic Pay Ratio	5.9	5
Total Remuneration Ratio	5.5	6.1

In 2020/2021 the Vice-Chancellor's basic salary was 5.9 times the median pay for all College staff. In 2019/20 this figure was 5 and it compared favourably with the Higher Education Institution (HEI) sector ratio of 7.2¹. The Vice-Chancellor's total remuneration was 5.5 times the median total remuneration and it similarly compares favourably with the sector ratio of 7.7. Benchmark data showed that the Vice-Chancellor's total remuneration was lower than that of a significant proportion of other UK vice-chancellors (117 out of 154 HEIs according to the previous year's data)

The RCA has prepared its median pay disclosure for 2020/21 in accordance with the OfS 2020/21 Accounts Direction definition. This includes permanent and agency staff.

1 <https://www.officeforstudents.org.uk/advice-and-guidance/regulation/senior-staff-pay/>

Remuneration of other higher paid staff, excluding employer's National Insurance and pension contributions:

	Year ended 31 July 2021	Year ended 31 July 2020
	No.	No.
£100,000 to £104,999	3	–
£105,000 to £109,999	1	5
£110,000 to £114,999	1	1
£115,000 to £119,999	–	1
£120,000 to £124,999	1	–
£125,000 to £129,999	2	1
£130,000 to £134,999	–	1
£135,000 to £139,999	1	–
£140,000 to £144,999	–	–
£145,000 to £149,999	1	–
£180,000 to £184,999	1	1
£195,000 to £199,999	1	1
	12	11

No member of Council receives remuneration in respect of his or her duties.

Average Staff Numbers by Major Category:

	No.	No.
Academic Programmes and Services	256	244
Premises	22	17
Research	37	32
Administrative and Other	137	125
	452	418

Average Full-time Equivalent (FTE) staff numbers in 2020/21 were calculated by taking an average of actual staff numbers at 31 July 2021 and 31 July 2020.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. Staff costs includes compensation paid to key management personnel. Compensation consists of salary and benefits and includes employer pension contributions.

The key management personnel at the Royal College of Art are the Vice-Chancellor, the Deputy Vice-Chancellor and Provost, the Executive Director for Operations, Executive Director for Transformation and Delivery, and the Director of Finance.

	£'000	£'000
Key Management Personnel Compensation	1,040	1,144

Notes to the Accounts for the Year ended 31 July 2021

	Year ended 31 July 2021	Year ended 31 July 2020
	College £'000	College £'000
9 Interest and Other Finance Costs		
Loan Interest	295	153
	295	153
10 Analysis of Total Expenditure by Activity		
Academic and Related Expenditure	16,720	17,407
Academic Services	6,030	5,978
Scholarships, Prizes and Awards	2,444	3,044
Sponsored Projects, Exhibitions and Shows	1,276	1,390
Research Grants and Contracts	3,718	2,768
Premises (Including Service Concession Cost)	11,944	10,410
Residences, Catering and Conferences	377	771
Administration and Central Services	15,474	15,095
Depreciation	4,053	3,938
Other Expenses	1,714	2,085
	63,750	62,886
Other Operating Expenses Include:		
External Auditor's Remuneration in Respect of Audit Services	56	57
External Auditor's Remuneration in Respect of Non-audit Services	12	11
Internal Audit	58	52
Operating Lease Rentals – Land and Buildings	2,908	3,399
11 Intangible Assets		
Software		
Cost		
Opening Balance	2,905	1,840
Additions in the Year (Including Intangible Assets Under Construction)	653	1,065
Total Cost	3,558	2,905
Amortisation		
Opening Balance	(1,329)	(941)
Amortisation Charge for the Year	(577)	(388)
Accumulated Amortisation	(1,906)	(1,329)
Net Book Value 31 July 2021	1,652	1,576

The additions during the year relate to the acquisition of software.
The amortisation period is three years.

	Freehold Land & Buildings	Leasehold Land & Buildings	Fixtures, Fittings & Equipment	Fixed Assets Under Construction	Heritage Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
12 Fixed Assets						
College						
Cost and Valuation						
At 1 August 2020	26,032	86,990	9,465	67,613	16,035	206,135
Transfer of Completed Assets from Assets Under Construction	–	791	–	(791)	–	–
Additions	14,041	96	746	29,725	–	44,608
At 31 July 2021	40,073	87,877	10,211	96,547	16,035	250,743
Depreciation						
At 1 August 2020	–	(11,951)	(7,053)	–	–	(19,004)
Charge for the Year	–	(2,736)	(740)	–	–	(3,476)
At 31 July 2021	–	(14,687)	(7,793)	–	–	(22,480)
Net Book Value						
At 31 July 2021	40,073	73,190	2,418	96,547	16,035	228,263
At 31 July 2020	26,032	75,039	2,412	67,613	16,035	187,131

A full valuation of academic, office, ancillary and support buildings was carried out on 31 July 2014 by Gerald Eve. The RCA's heritage assets were revalued by Sotheby's in February 2019.

Notes to the Accounts for the Year ended 31 July 2021

13 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 2021 there were over 1,300 in the collection.

	2021	2020	2019	2018	2017
	£'000	£'000	£'000	£'000	£'000
Total Cost of Acquisitions Purchased	-	3	-	-	-
Value of Acquisitions by Donation	-	-	-	-	-
Total Acquisitions Capitalised	-	3	-	-	-

14 Non-current Investments

	Endowment Assets	Investment Property	Total
	£'000	£'000	£'000
College			
At 1 August 2020	21,847	2,650	24,497
Additions	13,970	-	13,970
Disposals	(11,620)	-	(11,620)
Increase/(Decrease) in Market Value of Investments	2,443	(125)	2,318
At 31 July 2021	26,640	2,525	29,165

The non-current investments have been valued at market value. For the breakdown of Endowment Assets by Investment Class, refer to Note 21.

15 Stock

	Year ended 31 July 2021	Year ended 31 July 2020
	College £'000	College £'000
	184	178
	184	178

Stock consists of stock from the College Shop, catering supplies and precious metals.

16 Debtors

	Year ended 31 July 2021	Year ended 31 July 2020
	College	College
	£'000	£'000
Amounts falling due within one year:		
Debtors	590	704
Accrued Income	1,664	4,490
Prepayments	1,410	1,624
	3,664	6,818

17 Current Investments

Short-term Deposits	609	1,041
	609	1,041

18 Creditors: Amounts Falling Due Within One Year

Sundry Creditors	2,607	3,694
Social Security and Other Taxation Payable	826	848
Accruals and Deferred Income*	22,812	23,753
Staff Annual Leave Accrual	1,275	1,122
	27,520	29,417

* Deferred income includes government grants received to fund capital projects. These are released over the life of the related fixed asset.

Deferred Income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance-related conditions have been met.

Government Grants – Government	3,148	1,678
Research Grants – Non-Government	1,129	702
Grant Income	79	512
Other Income	131	96
	4,487	2,988

Notes to the Accounts for the Year ended 31 July 2021

	Year ended 31 July 2021	Year ended 31 July 2020
19 Creditors: Amounts Falling Due After More Than One Year	College £'000	College £'000
Deferred Income*	49,243	40,217
Unsecured Loans	12,500	3,000
	61,743	43,217
Analysis of Unsecured Loans:		
Due Within One Year or on Demand (Note 18)	–	–
Due Between One and Two Years	10,000	–
Due Between Two and Five Years	–	–
Due in Five Years or More	2,500	3,000
Due After More Than One Year	12,500	3,000
Total Unsecured Loans	12,500	3,000

* Deferred income includes government grants received to fund capital projects. These are released over the life of the related fixed asset.

In July 2020, the College signed a new £43m loan facility agreement with HSBC, which brings together the College's existing Revolving Credit Facility (RCF), which was increased from £28m to £33m at the end of 2019, with a new £10m Coronavirus Large Business Interruption Loan (CLBIL). The College had drawn £2.5m of the £33m RCF at the end of the year (having repaid the £3m drawn at the prior year end). The purpose of the facility is to assist with the financing of, and cash flows relating to, the RCA's project building a new campus at Battersea. The facility is for a ten-year term (from February 2017 to January 2027). The CLBIL facility, of which the full £10m was drawn at the end of the year, is for a three-year term. Loan drawdowns for both facilities are subject to quarterly interest rate repayments, and there is no charge over the RCA's assets

20 Contingent Liabilities

The College is awaiting the outcome of a student fee complaint, which has been referred to the Office of the Independent Adjudicator, who are considering similar cases from across the sector. The outcome of this review is unknown.

	Restricted Permanent Endowments	Unrestricted Permanent Endowments	Restricted Expendable Endowments	2021 Total	2020 Total
21 Endowment Reserves	£'000	£'000	£'000	£'000	£'000
Restricted net assets relating to endowments are as follows:					
Balances at 1 August 2020					
Capital	8,194	5,811	7,615	21,620	20,824
Accumulated Income	115	655	(106)	664	544
	<u>8,309</u>	<u>6,466</u>	<u>7,509</u>	<u>22,284</u>	<u>21,368</u>
New Endowments	–	–	1,785	1,785	–
Investment Income	142	185	145	472	516
Expenditure	(107)	(28)	(119)	(254)	(395)
	35	157	26	218	121
Increase in Market Value of Investments	(229)	129	2,544	2,444	795
At 31 July 2021	<u>8,115</u>	<u>6,752</u>	<u>11,864</u>	<u>26,731</u>	<u>22,284</u>
Represented by:					
Capital	7,965	5,940	11,944	25,849	21,620
Accumulated Income	150	812	(80)	882	664
	<u>8,115</u>	<u>6,752</u>	<u>11,864</u>	<u>26,731</u>	<u>22,284</u>
Analysis by Type of Purpose:					
Scholarships and Bursaries	7,462	–	7,738	15,200	11,563
Research Support	–	–	3,737	3,737	3,274
Prize Funds	608	–	122	730	940
General	45	6,752	267	7,064	6,507
	<u>8,115</u>	<u>6,752</u>	<u>11,864</u>	<u>26,731</u>	<u>22,284</u>
Analysis by Asset:					
Fixed Interest Stocks				8,118	8,949
Equities/Securities				18,522	12,898
Cash and Cash Equivalents (RCA)				(523)	(604)
Cash and Cash Equivalents (Investment Fund)				614	1,041
				<u>26,731</u>	<u>22,284</u>

Notes to the Accounts for the Year ended 31 July 2021

	Unspent Capital Grants	Donations	2021 Total	2020 Total
	£'000	£'000	£'000	£000
22 Restricted Reserves				
Reserves with restrictions are as follows:				
Balances at 1 August 2020	136	3,373	3,509	12,358
New Grants	6,655	–	6,655	7,540
New Donations	–	1,397	1,397	2,195
Capital Grants Utilised	(6,655)	–	(6,655)	(15,965)
Expenditure	–	(1,824)	(1,824)	(2,619)
	–	(427)	(427)	(8,849)
At 31 July 2021	136	2,946	3,082	3,509

	2021 Total	2020 Total
	£'000	£'000
Analysis of Other Restricted Funds/Donations by Type of Purpose:		
Scholarships and Bursaries	1,156	857
Capital Grants	137	136
Prize Funds	101	115
General	1,688	2,401
	3,082	3,509

	At August 2020	Cash Flows	At 31 July 2021
	£'000	£'000	£'000
23 Cash and Cash Equivalents			
Cash and Cash Equivalents	9,526	4,004	13,530
	9,526	4,004	13,530

24 Capital and Other Commitments

	Year ended 31 July 2021	Year ended 31 July 2020
	College	College
	£'000	£'000
Provision has not been made for the following capital commitments:		
Commitments contracted for*	11,482	21,173
	11,482	27,173

* These relate to contracts associated with the College's Battersea South Project.

The Battersea South project is being funded by a mixture of Donations and local authority Capital Grants.

25 Financial Instruments

Unquoted Investments

At 31 July 2021, the College had unquoted equity investments of £1,578,973 which were held at cost. These consist of investments in 57 start-up companies supported by the InnovationRCA Incubator.

The InnovationRCA incubator aims to create new design entrepreneurs and business innovators. The objective is to create new firms that can attract further funding, and 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.

Notes to the Accounts for the Year ended 31 July 2021

26 Lease Obligations

Total rentals payable under operating leases:

	Land and Buildings	
	31 July 2021	31 July 2020
	College	College
	£'000	£'000
Payable During the Year	2,908	3,399
Future Minimum Lease Payments Due:		
Not Later Than One Year	2,779	3,450
Later Than One Year and Not Later Than Five Years	11,114	5,004
Later Than Five Years	4,247	42,970
Total Future Lease Payments Due	18,140	51,424

This represents lease payments that are to be made over the life of the College's leases.

	31 July 2021	31 July 2020
	£'000	£'000
Operating Lease Rentals Receivable During the Year	156	169
Future Minimum Lease Receipts Due:		
Not Later Than One year	156	156
Later Than One Year and Not Later Than Five years	625	625
Later Than Five Years	46	202
Total Future Rental Income Receipts Due	827	983

The College receives rental income under a 15-year lease for letting a ground floor unit of the Dyson Building to the Co-operative Group Food Limited.

Total rentals payable under Finance leases:

	Land and Buildings	
	31 July 2021	31 July 2020
	£'000	£'000
Payable During the Year	596	–
Future Minimum Lease Payments Due:		
Not Later Than One Year	650	–
Later Than One Year and Not Later Than Five Years	2,731	–
Later Than Five Years	34,456	–
Total Future Lease Payments Due	37,837	–

The College entered into finance leasing agreement on August 20th 2020 for the purchase of land on the Battersea North site. The leasing of this land had been recognised as an operating lease in 2019/20 (prior to the signing of the new agreement).

Notes to the Accounts for the Year ended 31 July 2021

27 Pension Scheme

General Description of the Scheme

The Royal College of Art participates in the Superannuation Arrangements of the University of London ("SAUL"), which is a centralised defined benefit scheme within the United Kingdom and was contracted-out of the Second State Pension (prior to April 2016).

SAUL is an independently-managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings ("CARE") basis.

The Royal College of Art is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

Funding Policy

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the "Technical Provisions"). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments which arise from Members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2020. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed by the Trustee and employers in June 2021 and are due to be reviewed at SAUL's next formal valuation in 2023.

At the 31 March 2020 valuation SAUL was 94% funded on its Technical Provisions. However, market movements following the valuation date were positive and the Trustee and the Employers agreed to allow for post-valuation experience up to 30 April 2021. As SAUL was in surplus on its Technical Provisions basis at that date, no deficit contributions were required. However, the Trustee and the Employers have agreed that the ongoing Employers' contributions will increase from a rate of 16% of CARE Salaries to 19% of CARE Salaries from 1 April 2022 and 21% of CARE Salaries from 1 January 2023.

Accounting Policy

The Royal College of Art is a Participating Employer in SAUL. 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 at 31 March 2020 was £3,612 million representing 94% of the liabilities. The market value of SAUL's assets at 30 April 2021 was £4,369 million representing 109% of the estimated liabilities.

It is not possible to identify an individual Employer's share of the underlying assets and liabilities of SAUL. The Royal College of Art's accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid (i.e. cash amounts) in accordance with paragraphs 28.11 of FRS 102.

Although there was a Technical Provisions deficit at 31 March 2020, allowing for post valuation experience to 30 April 2021, SAUL had a Technical Provisions surplus. Therefore, no deficit contributions were required following the 2020 valuation and there is no defined benefit liability (i.e. the present value of any deficit contributions due to SAUL) to be recognised by the Royal College of Art.

28 Related Party Transactions Note

Due to the nature of the College's operations and the composition 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 and usual procurement procedures. £0 of payments were made to Council members for the reimbursement of incidental expenses during the year (2019/20, £35).

During the year, the following transactions took place with companies in which Council or staff members had interests:

The College paid £394,530 to the Victoria and Albert Museum (2019/20, £496,820) for reimbursement of fees for the History of Design programme (run jointly by the College and the Victoria and Albert Museum). Paul Thompson and Tristram Hunt are members of the College's Council and have interests in the Victoria and Albert Museum.

The College paid £277,913 to the RCA student Union, this was all in relation to subvention (from August 2020 to July 2021).

The College paid £6,356 to the British Library in respect of a curating art project with the RCA and some loans (2019/20 £290). Patrick Plant and Dr Anne Marie Imafidon are members of the of the College's Council, and a Board member of the British Library and a member of the British Library Advisory Council, respectively.

The College paid £4,181 to Mitie plc, in regards to historic work (2019/20 £20,734). Jennifer Duvalier is a member of the College's Council and a non-executive Director at Mitie

The College received £53,576 from Lancaster University (2019/20 £754) in regards to funding project. Rachel Cooper is a member of the College's Council and a professor at Lancaster University.

The College paid £350 to Interior Educators for a subscription fee (2019/20 £350). Graeme Brooker is head of Interior Design at the RCA and a Director of Interior Educators.

The College paid £5,700 to the British Film Institute for the hire of NFT. Michael Birshan is a member of College's Council and a Governor of the British Film Insitute.

29 Jointly Controlled Operations

Velocity 400 Ltd was incorporated on 2 October 2015 as a private company limited by guarantee for the purpose of providing, among other services, a shared procurement service to enable its members to enjoy economies of scale in the procurement of goods, works and services and to benefit from the expertise of procurement professionals.

Velocity 400 Ltd consists of The Royal College of Art, the Royal Academy of Music, the Royal College of Music, Trinity Laban, Regents University, Ravensbourne University London, University of Roehampton London, University of East London and University of Buckingham.

Notes to the Accounts for the Year ended 31 July 2021

30 US Department of Education Supplemental Schedule

In satisfaction of its obligations to facilitate students' access to US federal financial aid, the Royal College of Art is required, by the US Department of Education, to present the following Supplemental Schedule in a prescribed format.

The amounts presented within the schedules have been:

- prepared under the historical cost convention, subject to the revaluation of certain fixed assets;
- prepared using United Kingdom generally accepted accounting practice, in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 edition);
- presented in pounds sterling.

The schedules set out how each amount disclosed has been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting principles generally accepted in the United States of America.

Primary Reserve Ratio		Year ended 31 July 2021	Year ended 31 July 2020
		£'000	£'000

Page Line item/related disclosure

37	Balance Sheet – Unrestricted income and expenditure reserve	Expendable Net Assets	(80,766)	(49,858)
		Total Expenses and Losses Without Donor Restrictions	61,672	59,872

Equity Ratio		Year ended 31 July 2021	Year ended 31 July 2020
		£'000	£'000

Page Line item/related disclosure

37	Balance Sheet – Unrestricted income and expenditure reserve	Modified Net Assets	173,380	158,132
		Modified Assets	277,067	230,766

Net Income Ratio		Year ended 31 July 2021	Year ended 31 July 2020
		£'000	£'000

Page Line item/related disclosure

38	Statement of Changes in Reserves – total of movement shown for Income & Expenditure Reserve and Revaluation Reserve	Change in Net Assets Without Donor Restrictions	4,573	4,370
		Total Revenues and Gains Without Donor Restrictions	66,370	64,506

		Year ended 31 July 2021	Year ended 31 July 2020
	Notes	£'000	£'000
Net Assets without donor restrictions		143,567	132,339
Net Assets with donor restrictions	21/22	29,813	25,793
Restricted in perpetuity	21	(14,867)	(14,775)
Term endowments	21	(11,864)	(7,509)
Other intangible assets	11	(1,652)	(1,576)
Property, Plant and Equipment	12/13	(228,263)	(187,130)
Line of credit for long term purposes	19	12,500	3,000
Modify for post implementation debt not related to purchase of assets	19	(10,000)	-
Expendable Net Assets		(80,766)	(49,858)
Total Expenses and Losses Without Donor Restrictions			
Total Operating Expenses less Endowment and Restricted expenditure	10/21	61,672	59,872
Total Expenses and Losses Without Donor Restrictions		61,672	59,872
Modified Net Assets			
Net assets without donor restrictions		143,567	132,339
Total Net Assets with Donor Restrictions	21/22	29,813	25,793
Modified Net Assets		173,380	158,132

Notes to the Accounts for the Year ended 31 July 2021

		<u>31 July 2021</u>	<u>31 July 2020</u>
	Notes	£'000	£'000
Modified Assets			
Total assets	11/12/13/14/15/16/17/23	277,067	230,766
Modified Assets		<u>277,067</u>	<u>230,766</u>
Change in Net Assets Without Donor Restrictions			
Change in Net Assets Without Donor Restrictions		4,573	4,370
Change in Net Assets Without Donor Restrictions		<u>4,573</u>	<u>4,370</u>
Total Revenues and Gains Without Donor Restrictions			
Total Operating Revenue and Other Additions	1/2/3/5/7/21/22	66,847	65,157
Investment return appropriated for spending		(477)	(652)
Total Revenues and Gains Without Donor Restrictions		<u>66,370</u>	<u>64,505</u>



Design

Scott Doran and Ian Vickers – Eureka! Design Consultants
(MA Graphic Design & Art Direction, 1992)

Typeface

Benton Sans

