

Annual Report & Accounts

2015/16



Royal College of Art
Postgraduate Art & Design

Content

| | |
|---|-----------|
| Rector's Foreword | 3 |
| 2015/16 Facts & Figures | 5 |
| Student Nationalities & Numbers | 7 |
| News & Events in 2015/16 | 9 |
| Campus Development: Battersea South & White City | 23 |
| Research, Knowledge Exchange & Innovation | 25 |
| Development & Alumni Relations | 36 |
| Donors & Sponsors | 41 |
| RCA Honorary Degrees | 43 |
| Appointments | 44 |
| 2015/16 Accounts | 45 |
| Treasurer's Report | 46 |
| Key Financial Highlights | 50 |
| Scope of the Financial Statements | 68 |
| Public Benefit Statement | 68 |
| Summary of the Structure of Corporate Governance | 69 |
| Council & Committee Members | 73 |
| Senior Officers & Advisers | 75 |
| Auditor's Report | 76 |
| Statement of Comprehensive Income & Expenditure | 78 |
| Balance Sheets | 79 |
| Statement of Changes in Reserves | 80 |
| Cash Flow Statement | 81 |
| Statement of Accounting Policies | 82 |
| Notes to the Accounts | 89 |

Rector's Foreword

2015/16 has been an extraordinary year of achievement for the RCA. In March 2016, the Chancellor of the Exchequer (the UK's finance minister) announced an unprecedented £54m to support the RCA's programme of growth in research fields allied to design and technology. The grant, to support the creation of a new flagship building on land immediately adjacent to our Battersea campus, will enable the RCA to embark upon its strategic vision 2016–21. This sees the creation of research centres in materials science, computer science and intelligent mobility, and marks the advent of new MA programmes in fields as diverse as landscape architecture and robotics.

This year also saw the RCA win – for the second consecutive year – the much-prized number one position in the QS World University Rankings for art and design. The only global ranking for the subject, the results are based upon peer review and consider graduation destination, esteem and research excellence.

In July 2016, 610 students from 64 different countries graduated from the RCA, reflecting the truly global nature of this university. As ever, the amazingly diverse and stimulating work those students presented in the Show in June was a testament to their individual talent, ingenuity and creative spirit. I wish all of these recent alumni the very best of luck in their chosen paths and hope that they will stay in close contact with the university over the decades ahead.

The staff and faculty of the RCA deserve a special note of thanks. It is the extraordinary new knowledge generated in research projects that informs our teaching and ensures that the RCA remains a pioneer in both the practice and theory of new design and fine art. All staff have worked with great dedication to ensure that their students

‘It is the extraordinary new knowledge generated in research projects that informs our teaching and ensures that the RCA remains a pioneer in both the practice and theory of new design and fine art.’

receive a rigorous, at times demanding, programme of research and learning.

As ever, I would like to thank HEFCE for its continued support of the Royal College of Art, and our donors and supporters. Finally, especial thanks to the RCA's Council, its governing body, led by Provost Sir James Dyson OM and chaired by Baroness Rebuck DBE. It is the vigilance and support of Council and our Honorary Treasurer Caragh Merrick that have enabled us to have such a successful 2015/16.

Dr Paul Thompson
Rector



Dr Paul Thompson, Rector

2015/16 Facts & Figures

6

Schools

24

Programmes

No. 1

**Art and Design University,
QS World University Rankings**

34

**Start-ups Launched
by 53 Graduates Since 2008**

1

Innovation Lab

896

Visiting Lecturers

69

Student Nationalities

1,607

Students

£43.7M

Core Income*

£2.3M

**Capital
Investment**

19,911

RCA Alumni Worldwide

1.47M

Website Visitors

£2.7M

**New Endowments
to Support Students**

305,791

Social Media Followers

469

Permanent Staff

3

Research Centres

1

Royal Charter

| | | | | | |
|--|---|---|--|---|---|
|  |  |  |  |  |  |
| Australian 4 | Austrian 5 | Azerbaijani 1 | Bahraini 1 | Barbadian 1 | Belgian 17 |
|  |  |  |  |  |  |
| Brazilian 5 | British 659 | Bulgarian 2 | Canadian 17 | Chilean 6 | Chinese 110 |
|  |  |  |  |  |  |
| Colombian 4 | Croatian 5 | Cypriot (EU) 2 | Czech 6 | Danish 26 | Estonian 2 |
|  |  |  |  |  |  |
| Finnish 15 | French 48 | German 61 | Ghanaian 1 | Greek 17 | Hong Kong 10 |
|  |  |  |  |  |  |
| Hungarian 9 | Icelandic 1 | Indian 26 | Iranian 4 | Irish 17 | Israeli 8 |
|  |  |  |  |  |  |
| Italian 52 | Japanese 21 | Jordanian 1 | Kazakhstani 2 | South Korean 116 | Kuwaiti 2 |
|  |  |  |  |  |  |
| Latvian 4 | Lebanese 5 | Lithuanian 7 | Luxembourger 2 | Macao 1 | Malaysian 5 |
|  |  |  |  |  |  |
| Mexican 2 | Moroccan 1 | Dutch 22 | New Zealander 3 | Nigerian 1 | Norwegian 7 |
|  |  |  |  |  |  |
| Omani 2 | Pakistani 1 | Peruvian 3 | Filipino 2 | Polish 19 | Portuguese 14 |
|  |  |  |  |  |  |
| Romanian 8 | Russian 9 | Saudi 2 | Singaporean 8 | Slovakian 1 | Slovenian 4 |
|  |  |  |  |  |  |
| Spanish 38 | Swedish 21 | Swiss 19 | Taiwanese 36 | Thai 8 | Turkish 8 |
|  |  |  | | | |
| Ukrainian 1 | US American 58 | Vietnamese 1 | | | |
| | | | | | Total 1,607 |

| | Number of Applicants 2015/16 | Students Enrolled 2015/16 | Number of Students 2015/16 |
|----------------------------------|---------------------------------|------------------------------|-------------------------------|
| School of Architecture: | | | |
| Architecture | 208 | 52 | 118 |
| Interior Design | 106 | 26 | 49 |
| School Total | 314 | 78 | 167 |
| School of Communication: | | | |
| Animation | 79 | 30 | 51 |
| Information Experience Design | 100 | 63 | 73 |
| Visual Communication | 239 | 48 | 130 |
| School Total | 418 | 141 | 254 |
| School of Design: | | | |
| Design Interactions | - | - | 17 |
| Design Products | 148 | 51 | 90 |
| Global Innovation Design | 93 | 12 | 21 |
| Innovation Design Engineering | 172 | 52 | 108 |
| Service Design | 54 | 32 | 59 |
| Vehicle Design | 61 | 23 | 49 |
| School Total | 528 | 170 | 344 |
| School of Fine Art: | | | |
| Painting | 328 | 51 | 93 |
| Photography | 152 | 56 | 87 |
| Print | 85 | 40 | 70 |
| Sculpture | 247 | 67 | 112 |
| School Total | 812 | 214 | 362 |
| School of Humanities: | | | |
| Critical & Historical Studies | 4 | 2 | 17 |
| Critical Writing in Art & Design | 57 | 25 | 45 |
| Curating Contemporary Art | 96 | 28 | 45 |
| History of Design | 81 | 33 | 66 |
| School Total | 238 | 88 | 173 |
| School of Material: | | | |
| Ceramics & Glass | 68 | 28 | 52 |
| Fashion | 297 | 58 | 106 |
| Jewellery & Metal | 80 | 25 | 46 |
| Textiles | 142 | 53 | 99 |
| School Total | 587 | 164 | 303 |
| Other: | | | |
| HHCD Doctoral Programme | 2 | 1 | 4 |
| Totals | 2,899 | 856 | 1,607 |

Note: these figures represent individual students, not 'full-time equivalent' (FTE) adjusted numbers (HESA)

News & Events in 2015/16

August 2015

Innovation Design Engineering Events

Students and alumni took part in the *Golden Eggs* exhibition at the AXIS Gallery in Tokyo. The exhibition showcased groundbreaking Royal College of Art/Imperial College London IDE projects from the past 35 years that have been realised as commercial products.



Fashion Awards

Royal College of Art was ranked 'Global Number One' for MA Fashion by The Business of Fashion's Global Fashion School Rankings.



September



Research, Innovation & Knowledge Exchange

Events

For London Design Festival (LDF), Royal College of Art research centres HELIX, the Helen Hamlyn Centre for Design and Sustain all had major exhibitions of College-wide talent and innovation at the RCA's Kensington and Battersea campuses. Alumni Marjan van Aubel, Barber Osgerby and Concrete Canvas won three of the four British Land Celebration of Design Awards at the festival. Students and alumni of the College featured in exhibitions, workshops, talks and pop-ups around the capital, with alumnus Barnaby Barford exhibiting in the V&A Cast Room (above).

Architecture and Interior Design

Appointments

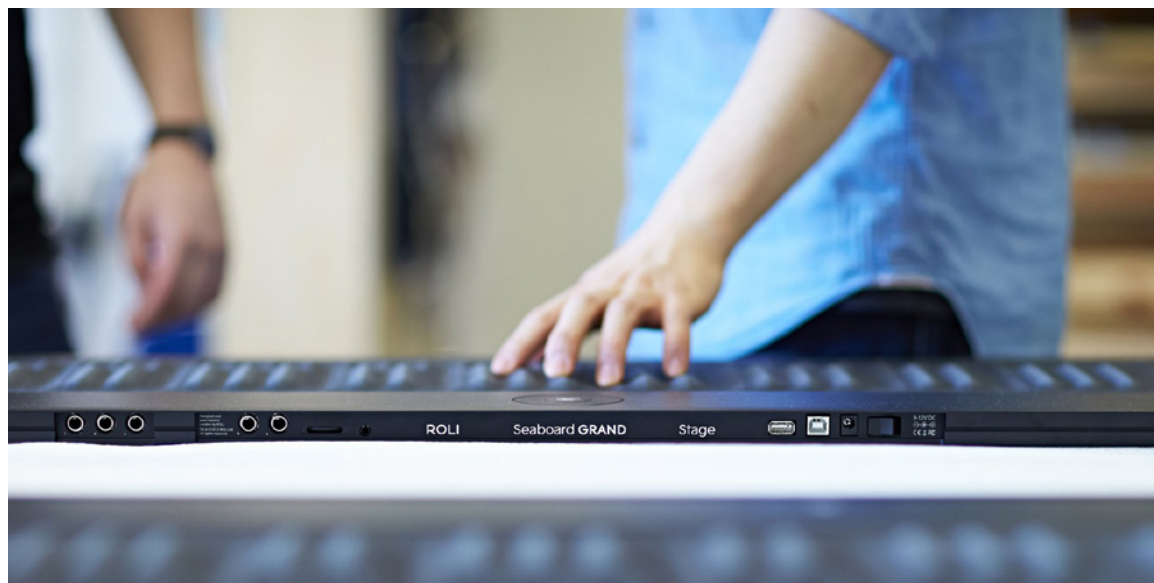
Dr Adrian Lahoud was appointed Head of Architecture within the School of Architecture, while Graeme Brooker and Dr Harriet Harriss joined the Interior Design Programme as Head of Programme and Senior Tutor respectively. Dr Lahoud was appointed Dean of Architecture in December 2015.

Textiles

Appointments

Anne Toomey, specialist in smart, responsive and interactive printed surfaces, joined the College as Head of Textiles.

October



Innovation

AngelClubRCA

InnovationRCA launched AngelClubRCA, an investment network that connects UK-based investors with the latest start-up companies emerging from the Royal College of Art. Members secure privileged access to cutting-edge, Seed Enterprise Investment Scheme (SEIS)-eligible businesses, providing the opportunity to play a critical role in promoting and encouraging commercial enterprise in the UK.



Contemporary Art Practice

Academic Development

Fine Art launched a new programme in Contemporary Art Practice for 2017/18, delivered through four pathways in Critical Practice, Moving Image, Performance and Public Sphere, in order to facilitate a distinct engagement with specific areas of contemporary art practice.

November



AcrossRCA

Projects

A week-long programme of workshops and events fostered collaboration between disciplines, and featured 24 interdisciplinary projects. Participants from all six Schools took part in workshops on- and off-site, exploring digital and physical spaces with tutors from the RCA and partners including Theatrum Mundi, the Royal Geographical Society and the Royal Academy of Music.

Alumni

Events

The RCA's alumni event in Shanghai brought together RCA graduates for the first time in China. Over 50 alumni, with graduation dates ranging from 1987 up to 2015, met with Dean of Fine Art Professor Juan Cruz to catch up on the latest College activities and developments.

December



Alumni

Awards

The first design studio to win Tate's prestigious Turner Prize, the Assemble collective, 'founded by a group of around 20 individuals working across various artistic disciplines', included among its number RCA Architecture graduates Anthony Engi Meacock, Giles Smith and Paloma Strelitz (MA Architecture, 2013), as well as RCA Architecture PhD candidate Jane Hall.

Peace on Earth

Project

Painting alumnus and Senior Research Reader in Photography, Art and the Public Domain Peter Kennard collaborated with Dean of Communication Neville Brody to produce a new work, titled *Peace on Earth*, which was sent out as a gift for the new year.



January 2016



Architecture

Projects

RCA Architecture graduates designed a public art installation for Wembley, which opened in mid-September as part of London Design Week. Created in collaboration with Brent Council and Quintain, the structure, Wembley Windows, invited visitors to engage with the rich history, present community and possible futures of Wembley Park.

Appointments

Dr Jonathan Edelman
joined the School of
Design as Head of Global
Innovation Design.

Animation

Appointments

Dr Birgitta Hosea – a London-based media artist who combines animation, video and interactive technology in live performances, installation and short films – joined the College as Head of Animation.

February



Animation

Events

Animation celebrated 30 years of graduate success with dedicated screenings of graduate films at Anima 2016, Brussels Animation Film Festival and Animation Exeter.

Curating Contemporary Art

Alumni

American-born Curating Contemporary Art graduate Georgia Muenster was awarded a UK visa for Exceptional Promise by the UK Home Office, with endorsement from the Arts Council. The visa recognises her potential to become a world leader in her field and allows her to stay in the UK for five years following graduation.

March



Battersea South

Development

The UK Government pledged £54m towards the RCA's new Battersea South campus, to create a flagship, 15,000sqm centre for postgraduate students and entrepreneurs. The new campus will offer new programmes at the intersection of design and science, including robotics, landscape design and city design. It will also provide space for new research centres in materials science, computer science and intelligent mobility, embodying the new vision for the RCA in 2021.

MRes RCA

Academic Development

Building on the College's international reputation for cutting-edge research, thinking and practice, the RCA announced the launch of a one-year Master's programme – a Master's in Research – for enrolment in September 2016. This is the College's first one-year programme, delivered through a combination of structured learning, workshop classes, tutor-led seminar classes and project assignments.

Awards

RCA took global top-spot in art and design for the second year running in the 2016 QS World University Subject Rankings.

April



Stewarts Law RCA Secret 2016

Events

Contributions to the annual anonymous postcard exhibition to support scholarships and bursaries came from current students, friends of the College and renowned alumni including Peter Blake, Paula Rego, Alison Wilding, Lubaina Himid, Frank Bowling, Zandra Rhodes, Thomas Heatherwick and Sir James Dyson.

RCA Council

Appointments

The RCA Council welcomed four new members: Alan Leibowitz, Ed Williams, Professor Rachel Cooper OBE as co-opted members, and Robert Careless as a member appointed by the Court. The College is delighted by the addition of these new faces to the Council and looks forward to their valuable contributions to this most essential body of College governance.



Research

Awards

The Helen Hamlyn Centre for Design won the Innovator Award at the AXA PPP Health Tech & You Awards.



Print Events

In honour of 400th anniversary of William Shakespeare's death, RCA Print staged an exhibition and sale of 34 prints produced for the Royal Shakespeare Company, Stratford upon Avon. Proceeds from these limited-edition fine art prints, collectively titled *Folio*, supported RCA Fund bursaries, which award material support to talented students who require financial aid in order to make the most of their studies at the RCA.



Green Festival 2016: Diaspore

Events

The RCA Students' Union launched the College's first Green Festival to instigate environmental awareness and positive change across the College, with a focus on sustainable recycling and food practices.

Appointments

Richard Benson joined the Rectorate as Chief Operating Officer.



Fashion

Events

Show Fashion 2016 saw graduating Menswear, Womenswear, Knitwear, Footwear and Accessories students showcase one signature look each in the atmospheric surroundings of the abandoned Averard Hotel in Lancaster Gate – a site of layered histories. In the first off-site RCA fashion show for 20 years, the graduating students led by Head of Fashion Zowie Broach presented three ambitious performative shows, a launch event of live performances and an industry showroom.



Show 2016

Events

With an identity designed by alumni Antonio Bertossi and Esa Matinvesi (both MA Visual Communication, 2014), *Show 2016* showcased the graduating work of more than 600 students across the Kensington and Battersea campuses.

Convocation 2016

Honorary Doctorates were conferred on graphic designer and typographer Margaret Calvert, philanthropist Lady Helen Hamlyn, architects Jacques Herzog and Pierre de Meuron, Helen Hamlyn Chair of Design Professor Jeremy Myerson and fine artist Hito Steyerl, amid the broader celebrations of Convocation 2016.



Appointments

School of Material appointed a new Head of Ceramics & Glass, Rod Bamford, who takes up the post in January 2017.

Campus Development: Battersea South & White City



Royal College of Art, Battersea Campus

The RCA has embarked upon the most exciting phase of development in its 180-year history, following the UK Government's announcement in March that the College has been awarded £54m to develop its Battersea campus.

The most intriguing and compelling solutions to global challenges are increasingly found at the intersection of science, the creative arts and design. The new campus – which is part of a £108m development – will help the RCA to address these challenges by bringing together its world-leading expertise in art and design with the domains of computer and materials science, the impact of the digital economy and intelligent mobility.

When completed in 2020, the expanded campus at Battersea will include studio and teaching space for the Schools of Architecture, Fine Art and Material, together with design studios and laboratories for eight research and knowledge exchange centres.

New centres in intelligent mobility, computer science and material will join longstanding research into creative exchange (CX) and the digital economy, and the Helen Hamlyn Centre for Design, alongside the College's InnovationRCA incubator, and new facilities for 2D and 3D modelling and manufacturing.

The RCA is in the process of acquiring the freehold for the one-acre plot of land, which includes the site of the current Sculpture Building and Moving Image Studio, and is next to the Sackler, Dyson and Woo Buildings. The site will be developed to provide 15,000sqm of net usable space.

The professional team to deliver the new building will be appointed in late 2016, under the Government's Homes and Community Agency (HCA) framework. The architect will be appointed to the HCA team, following an invited competition.

Expressions of interest were submitted by 96 architectural practices, from which the College selected an exceptional shortlist of London-based and international architects. The shortlist represents a range of talents and approaches, reflecting the radical nature, experimentation and high design standards of the world's pre-eminent art and design university. The winning architects, Herzog & de Meuron, were appointed in November 2016.

Alongside the development of Battersea, the RCA will be opening a new site in White City for the start of the 2017/18 academic year. The White City campus is part of a media and creative hub developing around the BBC's former Television Centre, and close to the research, translation and innovation campus being developed by Imperial College, continuing the College's close association with our STEM neighbour in Kensington.

The RCA's White City campus will provide space for a number of existing taught and research programmes during the development of Battersea, and facilitate the launch of new programmes in areas including city design, landscape design and gaming.

Together, these developments represent an investment in infrastructure and a STEM-focused knowledge base that will support a new phase in the College's history, maintaining our position at the forefront of the UK's creative, innovative, industrial strategy.

Research, Knowledge Exchange & Innovation

The 2015/16 academic year has seen an ever-expanding range of research and innovation activities taking place across the RCA. Academic staff and research students have contributed their expertise, creativity and energy to research projects, many of them supported by national and international funders, and to collaborations with industry, small businesses, governments, charities and hospital trusts.

The RCA launched its first ever Innovation Education workshops for senior executives, alongside summer intensive courses in curating and fine art practice this year, attracting participants from around the world, including a number of high-profile business leaders.

A report commissioned by the Higher Education Funding Council for England (HEFCE) found that InnovationRCA produced a higher number of university-led student start-ups than any other UK university.¹ It also successfully launched AngelClubRCA, which enables club members to invest in the RCA's innovative, design-led start-up businesses.

Research Students

RCA research students continue to benefit not only from the wealth of creative and innovative ideas shared across the College's Schools, but also from the additional opportunities afforded by Research Council funding for doctoral training. The RCA leads the AHRC-funded London Doctoral Design consortium, a specialist centre for doctoral training, and is also a member of a wider doctoral training partnership focusing on the creative arts and humanities with other universities in London and the south east.

PhD Research: Using Data Visualisation to Tell Stories about Cultural Institutions

Olivia Vane received AHRC funding for her PhD through the London Doctoral Design Centre (LDoc) for her PhD research (2015–18). Her research explores the potential for data visualisation to reveal patterns and insights into the huge amounts of information held by cultural institutions – museums, galleries and archives – as they digitise their collections. Olivia is investigating how new approaches to data visualisation can help to present stories about the 'big data' from such collections, to help us make sense of what they can tell us.

Visualisations can either straightforwardly present data or can deliberately present information to tell a story, using visual rhetorical devices such as trees, streams, chains and geometric shapes. Traditionally, this approach was used as a tool for conceptualising history (see the illustration from Strass's early-nineteenth century *Stream of Time*, for example). Since the growth of digital visualisation, however, instances of such devices have largely disappeared.

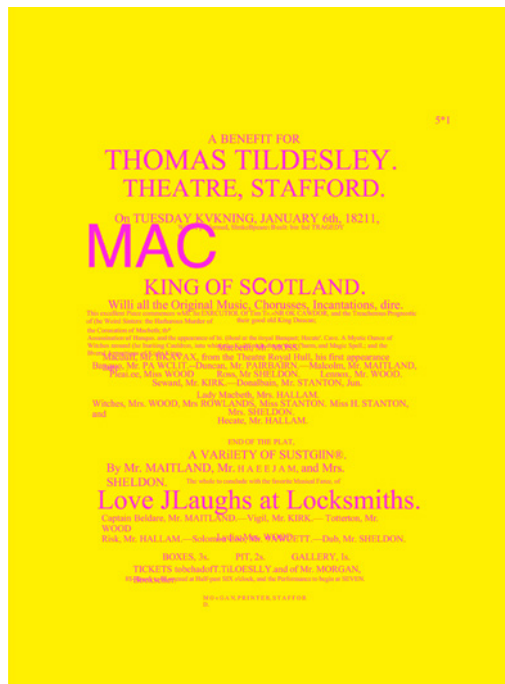
Olivia's research explores the use of visual rhetorical devices to tell stories with data in the context of contemporary visualisation tools,

specifically in time-based and interactive digital media. The approach has particular potential when applied to overlapping or contradictory narratives, so this research looks particularly at cultural datasets which describe complex historical episodes with multiple protagonists and clashing accounts.

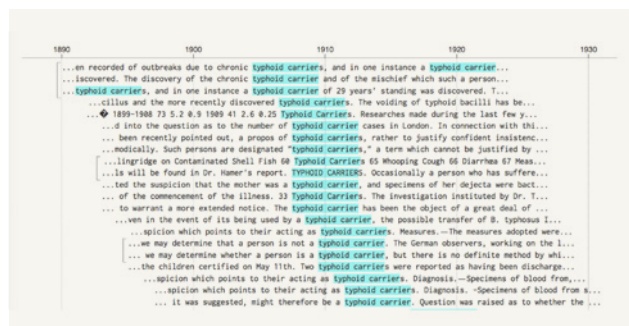
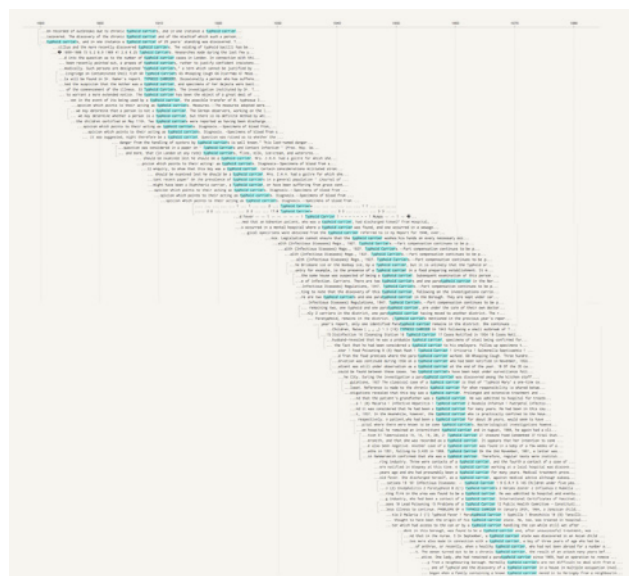
While Olivia's research builds on current work on visualisation in the cultural/heritage sector, the focus on representing narrative, and narrative rhetoric, is intended to break new ground. The PhD will consist of a number of digital visualisations or visualisation tools, and a complementing thesis.

Olivia has been able to make valuable links with institutions including the British Library Labs, the Science Museum, the Wellcome Library and Imperial College London's Data Science Institute's Data Observatory. She has also won a prestigious AHRC-funded international placement award supporting her to undertake a five-month placement at the Cooper Hewitt Design Museum in New York, and undertaken a three-month internship at Microsoft Research in Cambridge during the summer of 2016.

Olivia Vane, PhD, School of Design
(Innovation Design Engineering)



Olivia Vane, Visualisation of British Library Labs' Playbills Dataset, 2016



Olivia Vane, 'Typhoid Carrier' Visualisation of Wellcome Library's Medical Officer of Health (MOH) Reports, 2016



Illustration from Strass's early-nineteenth century *Stream of Time*

Future Makespaces in Redistributed Manufacturing

What we do in the next 20 years will shape our far future; the £150.7bn UK manufacturing economy will need to be reorganised and reimagined to respond to environmental megaforges of climate change, population growth, resource scarcity, continued urbanisation and ecosystem decline. Makespaces and their associated communities, cultures, tools and platforms can play an important role in the transition towards a manufacturing landscape that is sustainable, distributed and locally relevant.

Future Makespaces in Redistributed Manufacturing (FMs RdM) is a two-year Engineering and Physical Sciences Research Council (EPSRC)-funded project, led by Professor Sharon Baurley, Head of Programme for Design Products. The project started in January 2015 and runs through December 2016, supported by Co-investigator James Tooze (Design Products).

The project brings together a network of internationally respected academics and industry partners, led by the Royal College of Art and involving the Royal Society for the Encouragement of Arts, Manufactures and Commerce (RSA), the Central Research Laboratory, Cathedral Group plc and OpenDesk. The network is supported by an expert group of advisers and companies, including Autodesk, Faberdashery, MakLab and FabLab London. The network has expanded to over 300 associated members, with support from Machines Room, the Victoria and Albert Museum, Biospheric Foundation and the Edinburgh Centre for Carbon Innovation.

The FMs RdM network takes a multiscale approach to exploring the roles that open fabrication spaces can play now and in the future, in relation to redistributing the landscape of manufacturing. The project focuses on the opportunities for decentralised production networks, enabled by the

growth of makespaces, fablabs and community factories. Through a cross-disciplinary network, it is defining the challenges involved in interfacing and integrating makespaces with existing manufacturing businesses, putting forward a pathway and research agenda that contributes to implementing sustainable future manufacturing in the UK.

'Makespaces' are shorthand for an emerging set of digital communities, standards, cultures and open-access workshops. The combination of digital platforms and networks coupled with digital fabrication enables decentralised and geographically distributed production.

Through a programme of events, cross-cutting research and feasibility studies, this research network establishes the role of makespaces in creating new types of value, material efficiencies and growth that enable a transition to a locally embedded, globally connected manufacturing ecosystem.

'Makespaces can capitalise on and help to promote new and emergent business models such as mass customisation, licensed decentralised fabrication, replacement parts, the creation of product upgrades, hacks and hybrids.'

Collaboration with Huawei on Design Thinking and Creativity

The RCA has an ongoing collaboration with Huawei, a global leader in information and communications technology solutions. Partnership with Huawei began in 2014 with a collaborative project on exploring the company's future identity, experience and product design directions in response to major changes taking place in the telecommunication industry.

The first project brought together technology specialists from the Huawei's Aesthetics Research Centre with engineering and communication design experts from the RCA's Schools of Communication and Design.

The 12-month collaboration has enabled Huawei to explore design-thinking innovation, user experience (UX) design and creativity in order to develop a forward-looking design strategy, which is capable of anticipating and responding to a rapidly changing environment.

The research collaboration went beyond technology development and focused on the inter-relationships between Huawei's design identity strategy, product design directions and brand experience for sustainable growth. The research teams modelled a number of scenarios exploring how design processes can be shaped by emerging technologies and trends such as the Internet of Things (IoT), multimodality and human-centred design.

The study was set across different geographic locations involving interviews and workshops with participants in London, Paris and Shenzhen. This broad cross-cultural focus enabled developing a unique brand identity based on a fusion of cultures, styles and experiences. Encompassing a broad range of references, the project moved beyond conventional visual approaches and explored creative and cultural aspects of Huawei's brands through the richness of forms, colour and a sense



Developing Huawei's Identity

of place. The RCA team brought its solid knowledge in customer-led design and user experience, focusing on a multisensory experience and technology mediation.

The researchers from the RCA and Huawei explored ways in which identity, experience and products are shaped by human perceptions, behaviours and interactions. As Huawei continues to extend its reach into new markets, the new design strategy will help unlock future design and innovation practices, and inform the context for the corporation's next generation of products and services.

Fujitsu Hackathon Explores the Internet of Things

In January 2016, 22 Fujitsu employees from their UK and Japanese offices visited the RCA for a two-day hackathon. The hackathon focused on developing and testing concepts for real-world, human-centric Internet of Things (IoT) products and services, applicable to the various industries Fujitsu works within and aligned to their future vision.

The College organised and facilitated the event, and provided physical prototyping expertise, offering the Fujitsu team a unique opportunity to experience the fast-paced creative techniques of the RCA team.

Fujitsu employees worked together in teams of mixed specialisms and expertise. They developed five working prototypes from scratch, addressing the sectors Fujitsu works within, from improving health and efficiency within the workplace, to educational and transportation concepts.

The outcomes are currently undergoing further development and patenting by Fujitsu before being made public.

‘It was wonderful to hear the feedback from colleagues expressing their amazement at how much they had achieved in a short space of time. They were especially inspired by the creative, technical and practical skills of the RCA participants.’

Masahiro Fujimoto, Senior Designer, Fujitsu



Innovation Education Summer Intensive



Fujitsu Hackathon



Innovation Education Summer Intensive

In late 2015, InnovationRCA established an angel investor club, AngelClubRCA, as a membership-limited company to connect private investors with the most promising start-up companies originating from the Royal College of Art. Since its creation, AngelClubRCA has connected members to several graduate start-ups resulting in four companies raising over £250,000 in SEIS-qualifying funds.

The club now has over 50 members and InnovationRCA has hosted a variety of events including networking breakfasts, a private VIP tour of the Fine Art Graduate Show led by Professor Juan Cruz, Dean of Fine Art, and two company presentation networking events.

During the year, InnovationRCA-backed start-ups continued to make significant progress: Founder of InnovationRCA start-up TangiO, Ming Kong, created a platform technology to replace all complex electronic sensors and electronic components with one flexible touch-sensitive conductive

material, producing three-dimensional controls that are ergonomic, intuitive and engaging. This technology could potentially replace all electronic controls, from video-game controllers to car dashboards. TangiO has attracted angel and venture capital investment (Amadeus Capital). Ming, who was awarded the annual James Dyson InnovationRCA Fellowship for his invention, also won one of only four UK Royal Academy of Engineering and Royal Commission of 1851 Enterprise Fellowships for his disruptive technology.

Two companies, BuffaloGrid and Cupris Health, ran successful crowdfunding campaigns over the past year, each raising over £0.5m to continue development of their products: an off-grid portable charging unit and a smart-phone otoscope.

Young start-up Aergo, a company using inclusive design to deliver a low-cost postural support system that dynamically corrects posture without stigmatising its users was also successful in winning a Wates Giving Fellowship at InnovationRCA as well as angel investor funding, and is on track to launch its first product in 2017.

In June, InnovationRCA welcomed five South Korean very early start-ups into the incubator for three months' acceleration alongside College graduate start-ups. This was part of a South Korean Government Global Entrepreneurship-funded initiative in partnership with KISED (Korean Institute of Start-ups and Entrepreneurship Development).

Alongside its day-to-day activities, InnovationRCA delivered over 30 evening workshops and seminars covering intellectual property, entrepreneurship and social entrepreneurship. In addition, its professional development service, FuelRCA, launched a series of employment-related classes, seminars and events helping students to 'up their game' when looking and applying for the perfect job.

'The InnovationRCA entrepreneurship programme has continued to deliver economically important outcomes, with start-ups supported having created over 400 UK-based jobs, and over £4.5m in overseas sales in the past 12 months.'



InnovationRCA start-up Tangi0



InnovationRCA start-up Aergo

The Helen Hamlyn Centre for Design

The Helen Hamlyn Centre for Design (HHCD) is the Royal College of Art's largest centre for design research and an international leader in people-centred and inclusive design. The Centre has developed design research methods to deal with some of the most challenging social issues around us, focusing on three research spaces: Healthcare, Age & Diversity and Work Futures.

The Centre has built a worldwide reputation, exchanging knowledge via industrial collaboration, events, external education and publications. HHCD staff have worked in a variety of sectors internationally from Canada to China, creating over 250 impact projects and developing new methods and practice within the field of inclusive design.

Major projects are a focus and the Centre currently has three projects in this area. Firstly, a kickstarter project in our new Social and Global Research space, looking at an area with social and economic challenges around the River Foyle, Northern Ireland. And two major transport projects involving future design: a user-engagement project around the potential of driverless cars, and an update on our redesign of the London Taxi, both of which are collaborative projects with RCA Vehicle Design.

Future London Taxi

Now in its fourth year, the taxi has seen three years of research being translated from concept to streetscape. It aims to provide London with a 'hyper'-inclusive taxi that meets the future needs of drivers and passengers of all ages and abilities. A 'future London' needs a 'future taxi', one that reflects the ethos and aspirations of an ever-growing and deeply diverse city. While attempting to redesign something as iconic as the hackney carriage, this project, a collaboration with Turkish vehicle manufacturers Karsan, is not about

reinterpreting an icon but about designing the most inclusive vehicle possible.

The taxi design reflects what London is today – a mixture of the classic and the contemporary. To translate these sentiments into the Future Taxi is to take an entirely people-centred approach from day one; to bring in the opinions of service users that have the most challenging mobility issues and understand their travel needs and perspectives. A key part of the research process has been the use of a 'buck' – a rough prototype developed with input from wheelchair users, older couples, and mothers with toddlers or pushchairs.

The team of vehicle designers, researchers and engineers were also able to bring taxi drivers into the conversation early in the process. To design an inclusive vehicle is to also design with the well-being of the driver, who spends incredibly long hours in a limited amount of space, in mind. The cab is essentially their office, place of rest, place of business, their canteen. Understanding the drivers' needs as well as those of a diverse group of passengers means that the project accounts for both transient and static users, which is a complex and sensitive task. Through co-creation and user-engagement workshops, as well as a prototype that acts as a living, mobile lab, HHCD is working to drive the project towards a Future Taxi for all Londoners.

Project Directors: Rama Gheerawo,
Professor Dale Harrow

Project Manager: Dr Chris McGinley

Researchers: Samuel Johnson, Helen Fisher,
Daniel Quinlan, Elizabeth Roberts

Partners: Karsan, Hexagon Studio



The GATEway driverless vehicle prototype at London's O2 Arena with lead members of the consortium including Professor Dale Harrow and Rama Gheerawo from the RCA



Families inside the Dopey Dick whale installation in Derry, Londonderry



Workshops in Greenwich allowed participants to explore future scenarios and even build model prototypes

Development & Alumni Relations

The College would like to thank the numerous individuals – alumni and friends – as well as trusts, foundations and corporations who have generously supported the Royal College of Art this year. Totalling £8.2m, these philanthropic gifts have allowed our students and academic staff to rigorously pursue excellence in art and design.

The following stories highlight just a few of the many ways our community demonstrates their belief in the impact of creative endeavours. Thank you very much for your support.

An Eye for Fashion

With help from our donors, we are able to give vital support to the best and brightest students. Scholarships and bursaries allow students facing financial disadvantage to accept postgraduate degree offers and successfully complete their studies at the College.

One such supporter, Kildare Village, is Ireland's leading luxury outlet shopping experience. The company has funded a new bursary scheme in 2015, focusing on students enrolled on the RCA Fashion Menswear and Womenswear Master's programmes. In its inaugural year, the bursary supported a fashion student who demonstrated an interest in Irish culture through their work.

Through the bursary, Kildare Village ensured that one talented student, Michael Stewart (MA Fashion Womenswear, 2015–) was allowed access to the RCA's life-changing education. The award also helped to forge links between the Irish fashion scene and the College. We hope to build on this very successful start so that this will be the first of more awards.

Kildare Village joins our visionary supporters who are leading the way. Together they help our students follow in the footsteps of towering RCA graduates, such as Orla Kiely (MA Knitted Textiles, 1992), who has gone on to become a leader in the world of fashion, homeware and accessories.

‘I am thrilled to have such a significant contribution to the Fashion programme from Kildare Village, to support creative talent from Ireland.’

Zowie Broach, Head of Fashion Menswear & Womenswear



Michael Stewart, Kildare Village Bursary Recipient

AlumniRCA

The AlumniRCA community is an essential component of the College's DNA, contributing ideas and support, and providing networks for graduates to connect with each other across the globe.

The alumni network has grown in numbers and developed its reach in 2015/16, and now has over 11,000 active members (out of 19,911 identified alumni) located in more than 70 countries around the world. Key geographical areas include the UK, with over 6,700 alumni, the USA with over 900, Europe with more than 800, and a rapidly expanding community in Asia, with over 300 active members.

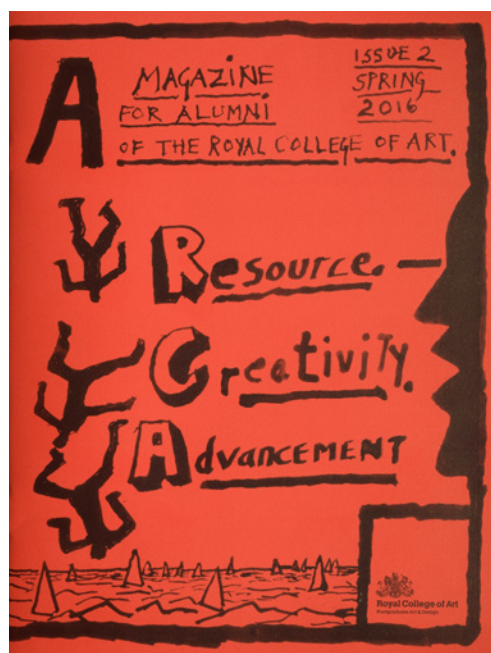
International activities continued to grow, with a focus on overseas events. Annual receptions took place in the USA, with AlumniRCA-SF taking place at IDEO, San Francisco (founded by alumnus Tim Brown, member of our US Alumni Board), who also kindly hosted the AlumniRCA-NYC event at the Cooper Hewitt, Smithsonian Design Museum.

For the first time, alumni also had the opportunity to reconnect with the College and one another in China, with inaugural receptions taking place in both Beijing and Shanghai. In Beijing, Pro-Rector Professor Naren Barfield and Dean of Fine Art Juan Cruz met with alumni and prospective students, following the 2015 Great Creator: UK Graduate Show. In Shanghai, over 50 alumni from 1987–2015, representing all six Schools, attended the reunion.

RCA alumni are employed in senior roles at some of the most celebrated design-led companies in the world (from Christopher Bailey, President and Chief Creative Officer at Burberry, to Gerry McGovern, Design Director and Chief Creative Officer at Land Rover). While 4,900 of our alumni work, practise or have developed their own start-ups across the fields of Art & Design, 1,700 work in Education, over 800 in Business Design and more than 600 in Media & Communications. A 2015

survey by Ekos confirmed that an astonishing 42% of our graduates set up and run their own successful businesses or are self-employed.

The second issue of 'A' Magazine hit over 10,000 alumni doormats around the world in March 2016. The colour magazine was designed, written and illustrated by alumni and featured an original front-cover design by 1962 Painting alumnus and Pop artist Derek Boshier alongside content features from over 40 alumni, including Jean Jullien (MA Communication Art & Design, 2010), who designed the Peace for Paris symbol; Marcus Armitage (MA Animation, 2014), BAFTA-nominated animator and filmmaker; Aitor Throup (MA Fashion Menswear, 2005), fashion designer, artist and Creative Director of G-Star Raw; Louis Thompson (MA Ceramics & Glass, 2011), 2015 Jerwood Makers Open Prize Commission winner; and David Adjaye (MA Architecture, 1993), founder of Adjaye Associates, among many more.



'A' Magazine Cover designed by Derek Boshier

Abraaj Scholars 2015/16

The College was delighted to welcome five new Abraaj RCA Innovation Scholars in September 2015.

Launched in 2014, the Abraaj RCA Innovation Scholarship is the largest-ever international scholarship programme in the postgraduate creative sector, supporting five outstanding RCA applicants from across Africa, Asia, Latin America, the Middle East and Turkey every year.

The Scholars were selected by an international panel of world-leading creative thinkers and visionaries, including contemporary artist Yinka Shonibare MBE, Paola Antonelli, Senior Curator of the Department of Architecture and Design at New York's Museum of Modern Art, and Dame Marjorie Scardino, Twitter's first female Executive Board member. The winning applicants surpassed fierce competition from a host of gifted candidates, impressing judges with their undeniable talent, dedication and unique cultural understanding. Judges this year were particularly struck by the keen sense of social responsibility demonstrated by each of the successful candidates.

Sarsenbek Hazken, a former astronomy graduate and designer from Kazakhstan, joined the Innovation Design Engineering programme, alongside healthcare designer Pratik Ghosh from India. Santiago Reyes Villaveces, a university tutor, editor and practising artist from Colombia, joined the Sculpture programme; Rhine Bernardino, a performance artist from the Philippines, joined the Photography programme, and Andres Souto Vilaros, a practising architect from Mexico, joined the Architecture programme.

The mission of the Abraaj scholarship programme is to create a unique community of creative leaders, who share the values, integrity and social responsibility upheld by Abraaj and the RCA. This year also marked the first cohort of Abraaj Scholars

graduating from the RCA. They are expected to use the transformative powers of their RCA education to impact positively on life in their home countries. All Abraaj Scholars are enrolled full time in a Master of Arts programme at the RCA.

'The Abraaj RCA Innovation Scholarship establishes the fact that there are leaders in the world who believe in Art and Design as agents of change. I firmly believe that I have the potential to achieve great things.'

Pratik Ghosh, Abraaj RCA Innovation Scholar



Pratik Ghosh

RCA Alumni Awarded College Honours

Honorary awards and titles were conferred on a select international group of outstanding people at Convocation on 1 July 2016, among them several notable RCA alumni.

Senior Fellowships were awarded to Professor Tadanori Nagasawa, President of Musashino Art University, Tokyo (MA Graphic Information, 1981), and Orla Kiely, fashion designer (MA Knitted Textiles, 1992).

Don Tae Lee, Global Design Leader of Samsung Electronics (MA Industrial Design, 1999) and Derek Boshier, fine artist (ARCA Diploma, Painting 1962), both received Honorary Fellowships.

The conferral of these honours provides an opportunity for the College to acknowledge exceptional accomplishment in the fields of art and design.



Senior Fellow Professor Tadanori Nagasawa
(MA Graphic Information, 1981)

Donors & Sponsors

Provost's Circle

The Provost's Circle recognises individual donors who have in their lifetime given over £500,000 to the College, and organisations who have given a minimum of £1,000,000.

Abraaj Group
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The Rector's Circle recognises individual donors who have in their lifetime given at least £50,000, and organisations who have given over £100,000.

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| Maureen Crutch | Suzanna M Holland | Nathan T Pass | And one anonymous donor |
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| Manfred Gorvy | Lucy M McMullen | Helen Swaine-Dickson | |

RCA Honorary Degrees

Awarded at Convocation 2016

Honorary Doctors

Margaret Calvert
Graphic Designer and Typographer

Lady Helen Hamlyn
Inclusive Design Expert

Jacques Herzog and Pierre de Meuron
Architects

Professor Jeremy Myerson
Helen Hamlyn Chair of Design

Hito Steyerl
Filmmaker, Visual Artist and Writer

Senior Fellows

Charles Allen-Jones
Former Vice-Chair, RCA Council

Professor Adrian Forty
Professor of Architectural History,
The Bartlett, University College London

Orla Kiely
Fashion Designer

Professor Tadanori Nagasawa
President, Musashino Art University (MAU),
Tokyo

Guy Weston
Chairman, Garfield Weston Foundation

Honorary Fellows

Derek Boshier
Artist

Don Tae Lee
Global Design Leader, Samsung Electronics

Fellows

Professor Juan Cruz
Dean, School of Fine Art

Dr Christine Guth
Senior Tutor, History of Design

Duncan Paton
Human Resources Systems Manager

Abid Qayum
Head of Technical Services

2015/16 Appointments

School of Architecture

Dr Adrian Lahoud
Dean of School

Professor Graeme Brooker
Head of Programme, Interior Design

Beth Hughes
Head of Programme, Architecture

School of Communication

Dr Birgitta Hosea
Head of Programme, Animation

School of Fine Art

Dr Mel Jordan
Head of Programme, Contemporary
Art Practice

School of Material

Anne Toomey
Head of Programme, Textiles

Helen Hamlyn Centre for Design

Rama Gheerawo
Director

Development & Alumni Relations Office

Nina Cohen Bohn
Director of Development

Sarah McGee
Principal Gifts Officer

Rectorate

Richard Benson
Chief Operating Officer

2015/16 Accounts

Treasurer's Report



Ms Caragh Merrick, Treasurer

As my second year as Treasurer at the Royal College of Art drew to a close, I was struck by the uniqueness of the year – the memorable events (from RCA Secret to the Fashion Show in the Averard Hotel), impressive student innovations to solve real-world problems (including the Interior Design students' wearable shelter) and landmark moments (the announcement of Treasury funding for a new RCA campus) – and how clearly these demonstrate the strength of individual contributions within the robust framework that structures the College's annual academic cycle and ensures its continuity.

2015/16 has been another year of international accolades for the College: the RCA was again identified as the world's number one University of Art and Design by QS World University Rankings (2015 and 2016).

At home, the College learned the outcome of the much-anticipated Higher Education Funding Council for England (HEFCE) review of institution-specific targeted allocation (ISTA) funding in April. Eligible institutions were invited to submit a written application against published criteria, with evidence required to demonstrate 'a genuine and consistent reputation within its peer group for providing world-leading teaching' and that the institution's 'students, graduates and teaching practitioners are maintaining world-leading developments in their specialisms, or creating the new industries or art forms of the future'. An independent panel of international experts reviewed submissions. I'm pleased to report that the College was judged as world-leading and as a result was allocated the maximum funding available, equivalent to £8,000 per student, to a maximum of 500 students. The cap on ISTA funding of 500 UK/EU students, together with the withdrawal of bursary

'The RCA's financial and strategic planning preserves existing foundations and builds for the future.'

funding, does present some challenges, as outlined later in my report. Given continued pressure on public funding, however, the overall outcome of the review was positive and confirms both the quality and impact of the RCA's work.

At the end of the year, the RCA has demonstrated its financial resilience, having achieved an improved operating surplus for the year, and delivered robustly against its student recruitment targets for next year. In a period of considerable uncertainty in UK domestic politics, and for the higher education sector, the College is planning and starting to deliver a trajectory that will enable it to maintain this degree of financial resilience, which will be essential to support future investment and financial sustainability.

To consolidate future planning, the RCA's Strategic Plan 2016–21 was approved by Council during the year. The plan outlines a roadmap to ensuring the future health and success of the College, based on three strategic goals:

1. to advance art and design education by increasing the number of taught programmes from 24 to 34
2. to create new knowledge in art and design through research and scholarship, by increasing the number of research centres from three to seven, adding materials science, computer science, intelligent mobility and drawing research
3. to enhance knowledge exchange and foster innovation.

The plan includes an ambitious new academic framework, which will support a significant expansion of new programmes and pathways over the next five years, to ensure that the College remains at the forefront of arts and design education, and also offer greater flexibility for students. Development work this year has led to new programmes and pathways to be launched in 2016/17: a new MA in Contemporary Art Practice in the School of Fine Art, a College-wide, 15-month MRes programme with pathways in Architecture, Communication, Design, Fine Art and Humanities, and an MRes in Healthcare & Design (offered jointly with our neighbour Imperial College London), as well as a new pathway model for the School of Communication.

Student numbers increased as predicted during the year, as we welcomed students into the Woo Building, the final addition to the Battersea North campus development, for the first time. The Woo Building offers state-of-the-art space, facilities and equipment for Ceramics & Glass and Jewellery & Metal students, and the College is proud to be providing these opportunities for specialist study to our postgraduate students at a time when other universities worldwide are subsuming these disci-

plines into broader academic offers. I would like to extend my particular thanks to the Woo family for providing such a valuable home for creative endeavour in applied art practice and research.

The Strategic Plan 2016–21 also includes an ambitious plan for research, including the development of new research centres in intelligent mobility, materials science and computer science over the next five years. Again, the College has travelled a considerable distance towards achieving that goal, and plans for the new Intelligent Mobility research centre have started to take shape this year. A generous gift from Hyundai Kia (\$3m; £2.1m) will enable the College to establish initial resource for the new centre in 2016/17. This ambitious and transformative research initiative will be led by former Dean of the School of Design Professor Dale Harrow, who has been appointed Lab Director and Chair in Intelligent Mobility.

The 2016–21 Strategic Plan is underpinned by an updated Estates & Infrastructure strategy that aims to deliver future campus developments that are efficient and fit-for-purpose, and support the delivery of the College's academic strategy. The most impactful news during the year was the Government's announcement of £54 million of match-funding for a new campus development at Battersea, designed to create a new generation of creative entrepreneurs. The new development seizes the once-in-a-lifetime opportunity to acquire a site adjacent to the College's existing Battersea campus and will ensure the College retains its position as number one art and design university in the world. Specifically, it will offer world-leading facilities for the Schools of Architecture, Fine Art and Material, as well as a new robotics programme, space for the new research centres and an expanded InnovationRCA (which will provide more opportunities for recent graduates/alumni to access their incubation and IP services). The College is particularly grateful to Sir James and Lady Dyson for their £3m capital donation, which kickstarts the Battersea South campaign. Substantial capital donations will be essential

to support the future development of the College, and the Development and Alumni Relations team are resourced to nurture these relationships.

Student experience remains a priority for the College, as we aim to provide every student with a transformative educational experience. The College invested £2.3 million on capital improvement projects during the year that will have a direct benefit to students across the Battersea and Kensington campuses, including estate upgrades, and new technical and IT equipment. This commitment to academic and professional excellence is reflected through the MA student charter, which was launched in October 2015, and the research student charter, which was approved by Senate in June 2016.

From 2015/16, Higher Education Institutions (HEIs) are required to report their financial statements in line with the new 2015 Statement of Recommended Practice (SORP), which is based on accounting standard FRS 102. This change brings HE into line with other sectors by adopting International Financial Reporting Standards (IFRS).

The College's financial statements have been prepared in accordance with these new rules, and prior year comparative data have been restated. An explanation of how the transition to FRS 102 and the SORP has affected the College's financial position is set out in note 27 to the Accounts, which can be found on page 101.

I hope that these financial statements present a clear picture of the Royal College of Art, and I invite you to learn more about the work of this unique institution by reading the accompanying review.

Key Financial Highlights

‘This has been a landmark year for the College financially, with news of the UK Government’s commitment to invest £54 million in a new campus.’

**Core income* of £43.7m,
31% from Funding Council grants**

**£2.7m
of new donations
and endowments**

Core surplus** of **£2m**

11% of spending
on bursaries/scholarships

£2.3m
capital investment

£16m
cash and cash-equivalents

**The financial statements comprise the results of the
Royal College of Art and RCA Design Group.**

Income

Core income (before donations and endowments)

Core income grew 8% during the year to £43.7m (2014/15 £40.3m). This growth was largely driven by an increase in student numbers and associated tuition fee income; enabled by the completion of the Woo Building at Battersea. The College continues to develop its student offering and educated 1,513 FTE (full-time equivalent) students in 2015/16, 32% of whom were from outside the EU (2014/15 1,365 FTE, 33% overseas). Applications for places at the College remain strong; however we cannot be complacent about increasing international competition or the financial pressures on students from UK undergraduate student loans, fees and the cost of living and studying in London, which is one of the world's most culturally vibrant but expensive cities. Our response is to focus continually on improving the student experience, launching new learning initiatives including part-time and shorter MRes programmes, and identifying and delivering efficiencies in our support functions. As noted earlier, we are also looking to develop more flexible study routes, including the development of innovative 12-month and 15-month programmes alongside our existing two-year programmes.

Income from Funding Council grants fell 1% in 2015/16 to £13.5m (2014/15, £13.7m). In 2010/11 the College received almost half its income from this source; today this figure has now reduced to less than a third. Recurrent grant income was broadly flat versus the prior year, while income from specific grants fell slightly as the College had a temporary hiatus in its knowledge exchange funding (Higher Education Innovation Fund), before having it reinstated for the 2016/17 academic year. Other specific grants included £390k of bursary match-funding for the Postgraduate Support Scheme (PSS). This one-off government scheme

provided 78 students with a £5,000 fee bursary for each of the two years of their MA programme. The College also received £504k of funding for work on the Catalyst-funded HELIX (Healthcare Innovation Exchange) project. The venture, a collaboration between the RCA and Imperial College London, brings design thinking to the heart of healthcare innovation.

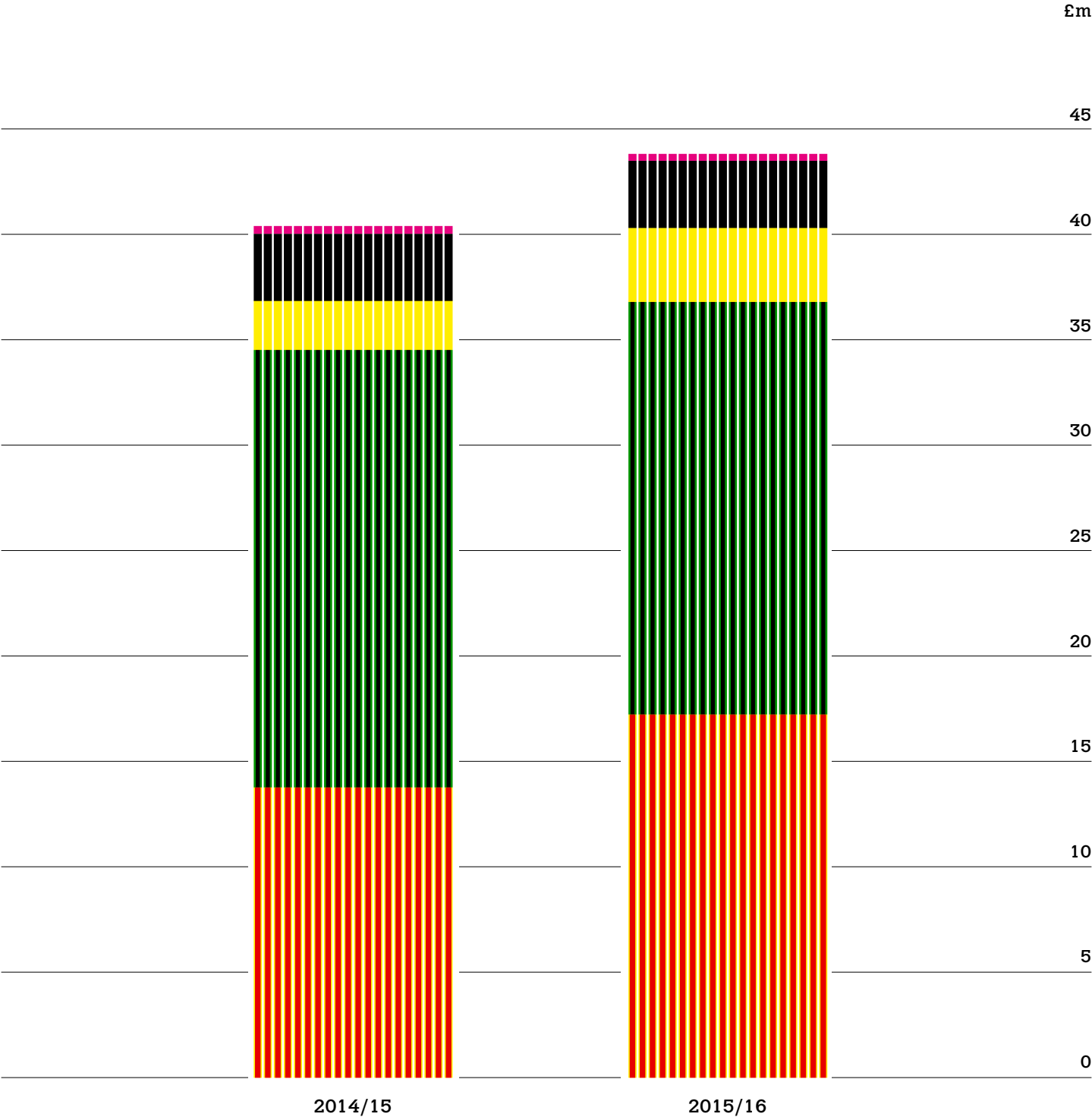
Research income rose 50% to £3.4m, the highest level in the College's history. A number of new grants and contracts were secured during the year, whilst work on continuing grants such as two projects funded by the Engineering and Physical Sciences Research Council (EPSRC) was accelerated. Other income of £3.4m, and investment income of £0.3m, remained at similar levels to the prior year.

Donation and endowment income

The College received £2.7m in new donations and endowments (2014/15, £7.3m, including a £5m donation from the Garfield Weston Foundation) most of which are restricted to fund student scholarships. This included a second tranche of funding (£500k) from Basil Alkazzi, who has generously invested in an endowed scholarship award for Painting in memory of his brother, Ali H Alkazzi. Other scholarship donations included £407k for the Abraaj Scholarship Programme, which targets talent from the developing world or southern hemisphere – a group that traditionally has been under-represented within the RCA community.

Other donations included the first tranche of gift funding (£350k) from Hyundai Kia, who have committed £2.1m over three years to help the College establish a new Intelligent Mobility Design Centre.

Core Income (Before Donations and Endowments)



- Funding Council Grants

Tuition Fees

Research
- Other Operating Income

Investment Income

Total Expenditure

Total expenditure increased 6% to £43.2m (2014/15, £40.8m). Staff costs increased 6% to £18.5m (2014/15, £17.4m), primarily driven by a rise in pension and employer's National Insurance contributions, including an exceptional £836k charge relating to a deficit repayment provision for SAUL (Superannuation Arrangements of the University of London). Overall spend on bursaries, scholarships, prizes and awards increased 12% to £4.7m (2014/15, £4.2m) representing 11% of the College's total expenditure. Other operating expenses (excluding bursaries, scholarships, prizes and awards) increased 4% to £17.3m (2014/15, £16.7m), while depreciation charges rose 13% to £2.6m following the completion of the Woo Building.

As noted earlier, the College continued to invest in its buildings, technical services and other infrastructure, financing some of the work through revenue surpluses. 2015/16 initiatives included the launch of a new Image Library to showcase the work of our students, the implementation of the new RCA Intranet for staff and students, preparatory work for a new College-wide time-tabling system, scoping work for a new student record system (to be implemented for the 2017/18 academic year), roll-out of 'follow-me' printing services and centralised print bureaus for students.

In 2015/16 a greater proportion of spending was directed at academic programmes, the degree show, technical and other academic services, as the College continues to focus on improving the student experience. The cost of administrative services continued to reduce as a percentage of core income following recent investment in new systems.

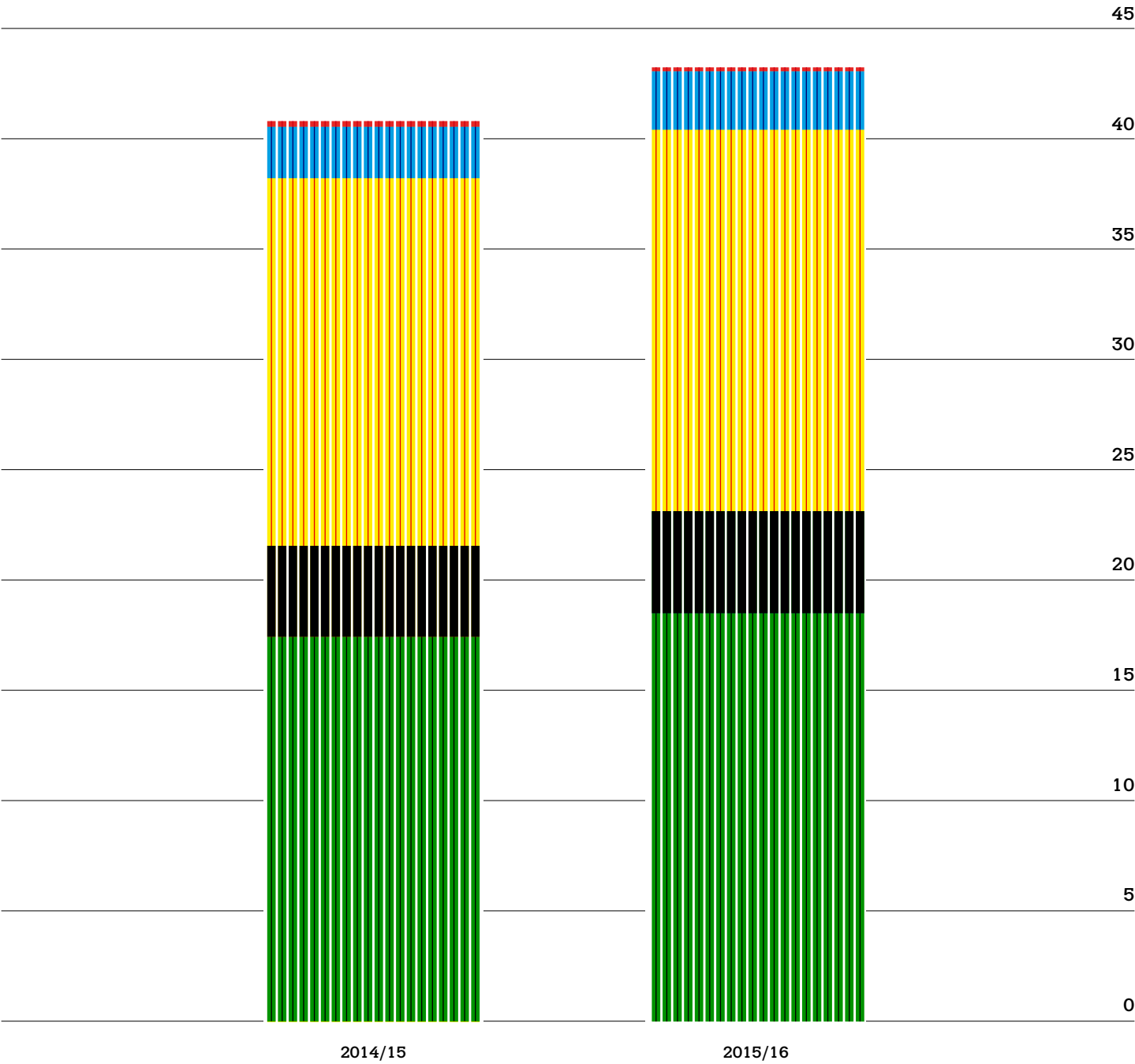
Bursaries and Scholarships

During the year, the RCA continued to administer a bursary scheme which provided a fee bursary of £3,000 for eligible full-time students from the UK and other EU countries. A total of 884 UK and EU students received either a full or partial bursary in 2015/16. As mentioned above, the College also disbursed £390k of bursaries to 78 eligible students via the UK Government's one-off Postgraduate Support Scheme. In April, HEFCE announced the withdrawal of these bursaries for new students starting Master's programmes from autumn 2016. Incoming UK and EU students may instead be eligible to apply for the Government's new postgraduate loan scheme, which provides loans of up to £10,000 for students undertaking taught and research Master's programmes, leading to MA, MPhil and MRes degrees.

In 2015/16, the College also disbursed an additional £1.4m of other scholarships, prizes and awards – including payments to 40 students who were in receipt of named scholarships. Scholarships ensure that the best students who may otherwise be unable to take up an RCA offer are in a position to do so. Establishing more scholarships for talented and deserving students is a key strategic priority.

Total Expenditure

£m

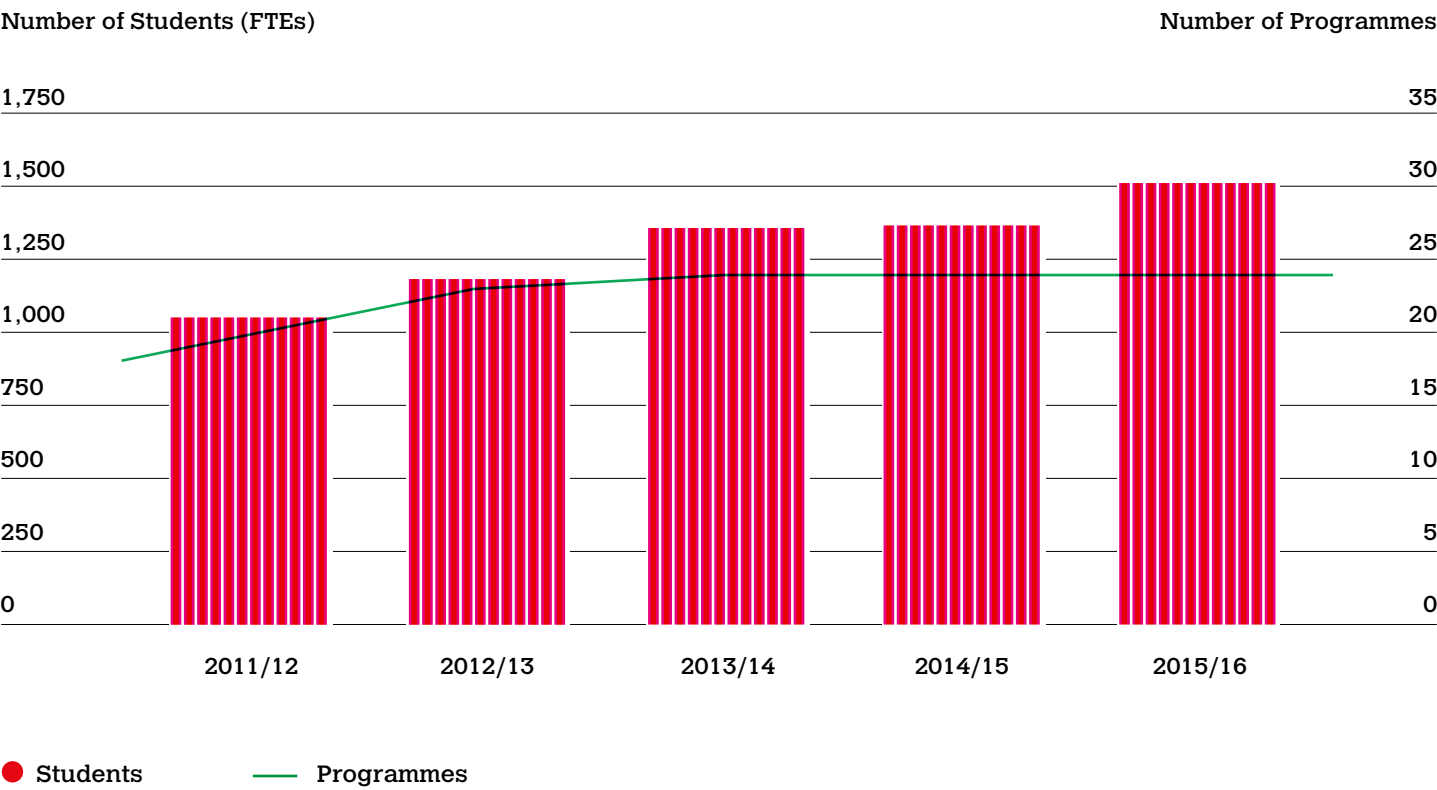


- Staff Costs
- Bursaries Scholarships, Prizes and Awards
- Other Operating Expenses
- Depreciation
- Interest Payable

Performance

Our financial performance is driven by the Strategy approved by Council in 2015. The achievements and challenges of the RCA's three strategic goals, and the key areas that support delivery, are set out on the following pages.

Goal 1: To advance art and design education



Over the last four years, we have launched four new Master’s programmes: Information Experience Design, Interior Design, Service Design and Global Innovation Design. The 2016–21 Strategic Plan outlines the roadmap that will see the number of taught programmes increase from 24 to 34. 2015/16 saw the development of three new programmes for launch in 2016/17; a new Master’s in Contemporary Art Practice, a College-wide Master’s of Research (MRes), which offers early-career research students the opportunity to develop the theory, methods and practice of research within an art and design environment, and an MRes in Healthcare & Design (offered jointly with Imperial College London). Additionally, a new pathway model is being launched in the School of Communication.

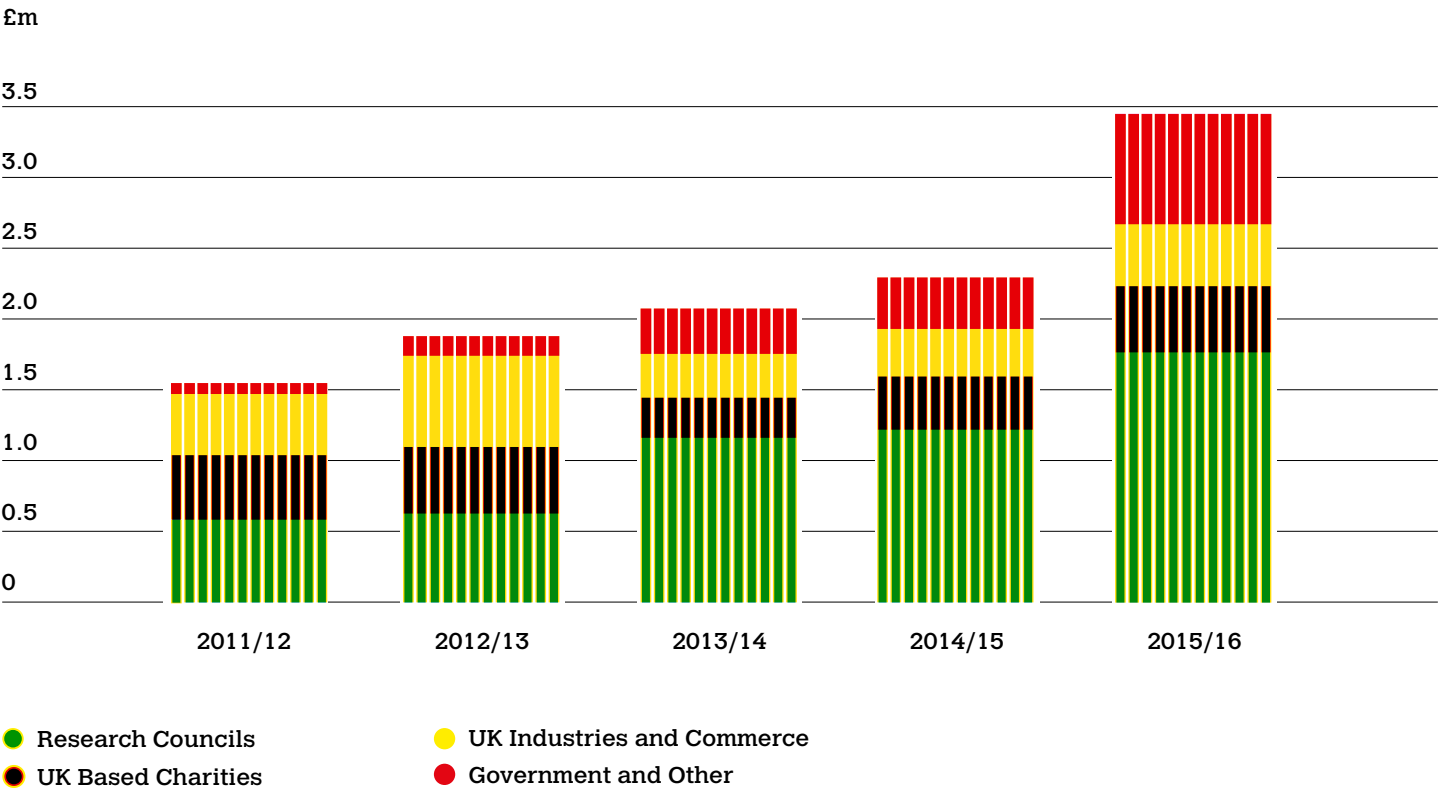
The RCA has a strong track record of preparing its postgraduate students for careers in art, design and the creative sector – indeed the College is widely viewed as the crucible of the creative industries.

For example, now in its fifth year, Service Design continues with its high degree of employability among the world’s leading companies and government departments. Its recent crop of graduates have joined Mckinsey, Accenture, IBM, Samsung, Barclays, Royal Bank of Scotland, Jaguar Land Rover, Arup, IDEO, Engine, Livework, the Department for International Trade, Government Digital Service and the Ministry of Justice. It has become the largest and most influential programme of its kind and is attracting students as well as project and research partners from all over the world.

In summer 2016 the College – through FuelRCA, its professional development service – ran an Employer’s Showcase, with nearly 100 companies sending 190 representatives to engage with our graduating students.

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

Research Income



The College continues to demonstrate its position at the forefront of art and design research, with income from research grants and contracts again showing an increase to £3.4m. Research Council growth was mainly driven by activity related to EPSRC-funded research projects, which included £514k of payments made to partner institutions including Brunel and Nottingham Universities. Income from UK-based charities increased, driven by funding granted to the College's Helen Hamlyn Centre for Design (Arthritis Research, Kingwood and the London Legacy Development Corporation). The Helen Hamlyn Centre for Design also saw an increase in funding from UK industry and commerce. Government and other grant income more than doubled in the year, driven by activity related to the Gateway Driverless Car project, ArcInTex

(a network which brings together Architecture, Interaction Design and Textiles) and also a collaborative design research project with Huawei.

Following the EU referendum and associated uncertainties regarding future EU research funding, staff continue to work as normal on EU-funded projects and with doctoral students funded by EU programmes – £686k of funding came from this source in 2015/16 – and the College continues to encourage staff to prepare bids for EU funding programmes as normal. Like others in the sector, the College believes it is essential for the UK to negotiate continued access to EU research funding through associate membership of Horizon 2020 and successor framework programmes.

Goal 3: To enhance knowledge exchange and foster innovation

Demand continues to grow from business, industry and the public and third sectors to work in partnership with the RCA, in order to benefit from the creative and critical thinking and design-led innovation generated by the excellent research and practice of its academic staff. We have increased our income this year from research-led knowledge exchange, having introduced professional and consistent approaches to costing and contracting industry projects. Our Knowledge Exchange staff are working with academic staff to scale up existing industry partnerships, for example seeking opportunities to develop existing relationships with business and industry that support students' studio projects into more substantial and longer-term research and knowledge exchange partnerships.

The College established a successful programme of Executive Education courses this summer, running the first in a series of workshops and courses in design-led innovation for business and creative leadership, attended by senior executives from a number of global companies. We also ran some very popular summer intensive courses in curating and fine art, making the College's outstanding studio facilities and expert staff in these fields accessible to a wider set of participants from beyond the university sector. In total we generated over £150k of income through these pilots. We continue to develop new courses, and to develop opportunities to deliver Executive Education internationally.

Our graduate start-up incubator, InnovationRCA, successfully established AngelClubRCA this year. Now with over 50 members, the Angel Club has connected members to several graduate start-ups resulting in four companies raising over £250,000.

Enabling Strategy 1: Institutional positioning

The RCA is a small and highly specialist institution whose reach, profile and international impact far exceed its scale. With more than 65 nationalities represented among its community, the College operates as an international university in a global higher education context. Positioning is key to the College securing its place as the world's leading university of art and design with enhanced global recognition, influence and impact.

The RCA takes a leadership role in fostering dialogue with governmental and key institutional partners. In 2015/16 this has included advocacy work undertaken via membership organisations including UUK, GuildHE, London Higher, London First and the Creative Industries Federation. In addition, the College has established a new academic partnership with Tsinghua University, alongside existing partnerships with world-leading global partners including the Victoria and Albert Museum (V&A) and Imperial College London. The RCA has continued its positive relationship with its primary funding body HEFCE and the Higher Education Academy, while taking note of forthcoming changes announced in the Government's Green and subsequent White Papers on HE, under which HEFCE will merge with the Office for Students. Chair of Council Baroness Rebuck continued to support postgraduate education by asking the Government to reintroduce work visas for skilled overseas students following graduation. International recognition of RCA staff is evidenced by senior staff being invited to advise HEIs around the world on academic and research strategy, with similar relationships established with government bodies and non-government organisations (NGOs).

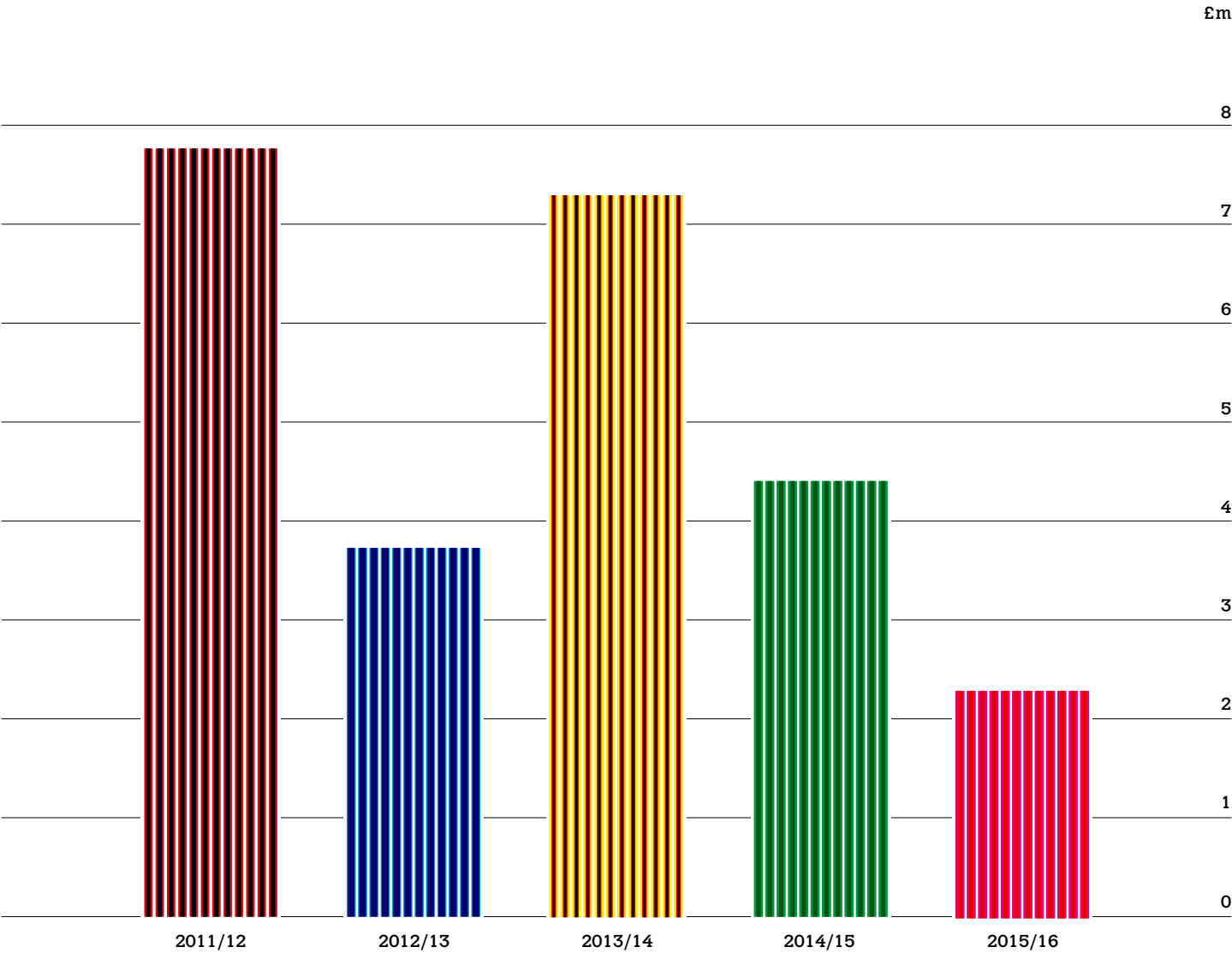
The Government's high regard for the RCA – as evidenced by its announcement of match funding for the College's new Battersea campus – has advantageously impacted upon the RCA's profile, both nationally and internationally.

Enabling Strategy 2: Estates and Infrastructure

The College has invested more than £25m over the last five years in the development of new space at Battersea and other infrastructure improvements, which together have delivered world-class facilities.

In 2015/16, the College invested £2.3m in building upgrades, technical equipment, including new energy-efficient kilns for the Woo Building, and IT infrastructure works. Spend was lower than prior years, due to the completion of construction works for the Woo Building, however investment over the next five years will exceed £100m (including Government match-funding), as the College begins work on the development of its new campus building in Battersea.

Capital Investment



Total 5-year spend: £25.6m

Enabling Strategy 3: People

In 2015/16 the College employed 469 permanent staff, supplemented by over 800 visiting lecturers. This equated to 300 full-time equivalent staff. The College prides itself on its ability to recruit the very best practitioners to join the academic staff, and it remains essential to the unique quality of teaching and research that it 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.

A number of underpinning initiatives have been successfully implemented during the year. All academic staff (at the level of tutor and senior tutor) were offered a new contract of employment, in time for the new academic year 2016/17, ending the practice of employing academic staff to a fixed term, and removing the practice of bidding for 'research time'. The new contract provides greater certainty for staff in the context where the RCA is seeking to extend its research remit, as the world's leading art and design university. As such it has devised and implemented an approach that rewards research activity alongside teaching and where the chief currency is time. In February 2016 the College successfully implemented a new e-recruitment system for staff, using software provided by the market leader within higher education. All recruitment is now online, making handling candidate data much more efficient and at the same time presenting a clear and modern view of the College to candidates.

To build more efficient and effective services, restructuring took place during the year within the Information, Learning & Technical Services department as well as Finance, Events and InnovationRCA. Reviews of the evening security service and media services were undertaken and the outcomes implemented during the year.

During the summer of 2015, the College consulted staff on the proposals from SAUL to close the final salary plan, and also took the opportunity to consult on implementing the same changes to benefits built up in the old RCA scheme. Both consultations were completed and the changes implemented on 1 April 2016, following extensive communication with staff over the proposed changes and the timescales.

Number of Staff (Average Full-time Equivalent)



- Academic Programmes and Services
- Administration and Premises
- Research

Enabling Strategy 4:

Finance – Indicators of financial strength

Surplus for the Year

The College's core operating surplus (unrestricted) was £2m in 2015/16, after a £0.8m charge related to the creation of a SAUL pension deficit provision. Excluding this, the core underlying surplus was £2.8m (2014/15, £1.0m). The significant improvement versus prior year was driven by an increase in tuition fee income, combined with restrained staff cost growth and efficiencies in other operating costs.

The College's total surplus, including endowments and restricted income, was £3.5m in 2015/16 (2014/15, £8.3m). The prior year surplus was boosted by a £5m donation from the Garfield Weston Foundation, as well as a significant gain on investments (£1.4m).

Current Ratio

The current ratio measures an organisation's ability to pay its creditors. The College's ratio strengthened from 1.6 to 1.9 during the year.

The College is 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.

Net Assets/Cash and Cash Equivalents

The College's balance sheet remains strong: net assets have increased to £97.2m (2014/15, £93.7m).

At the end of the year, the College had cash of £16m (2014/15, £13.8m). Surplus cash is maintained in a short-term interest-bearing account. Interest received on short-term cash deposits amounted to £0.1m during the year.

Net cash inflow from operating activities was £6m in 2015/16, 13% of total income. Prior year cash inflows of £11.3m were boosted by a large £5m donation from the Garfield Weston Foundation, and a £2.3m increase in creditors due to an increase in

deferred income as the College received more ring-fenced project funding up-front. Excluding these, the College's underlying cash position continued to improve. Cash generation is an important part of the College's financial strategy, which is formulated to support investment in the sustainable development and future growth of the College.

Total External Borrowing

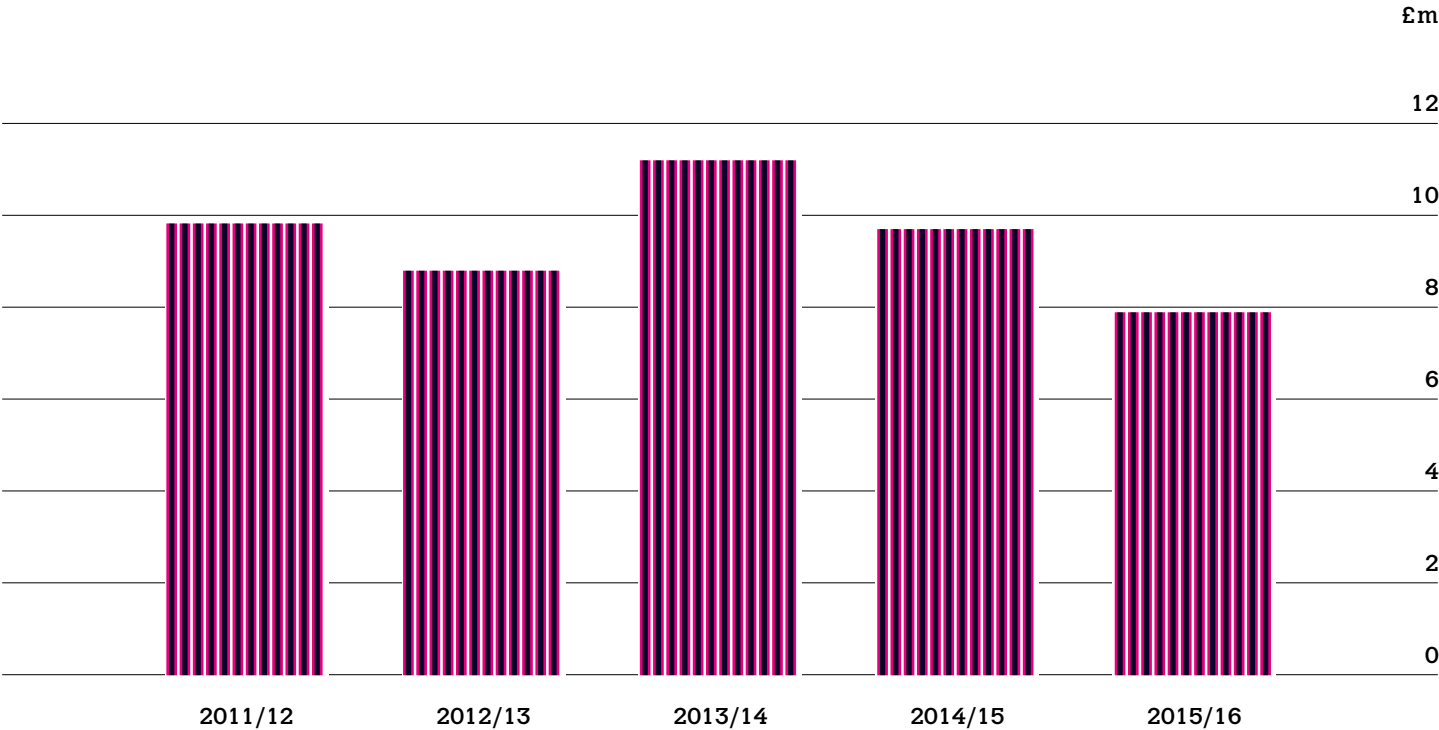
The College's level of external borrowing continues to reduce. The debt relates to two loans; a £12m loan was taken out in 2010 to fund a deficit payment that was required when the RCA transferred its in-house pension scheme to SAUL, and a further £4m loan was taken out in 2013 to fund the Woo Building. At 31 July 2016, borrowing was reduced to 17% of total income.

Investments

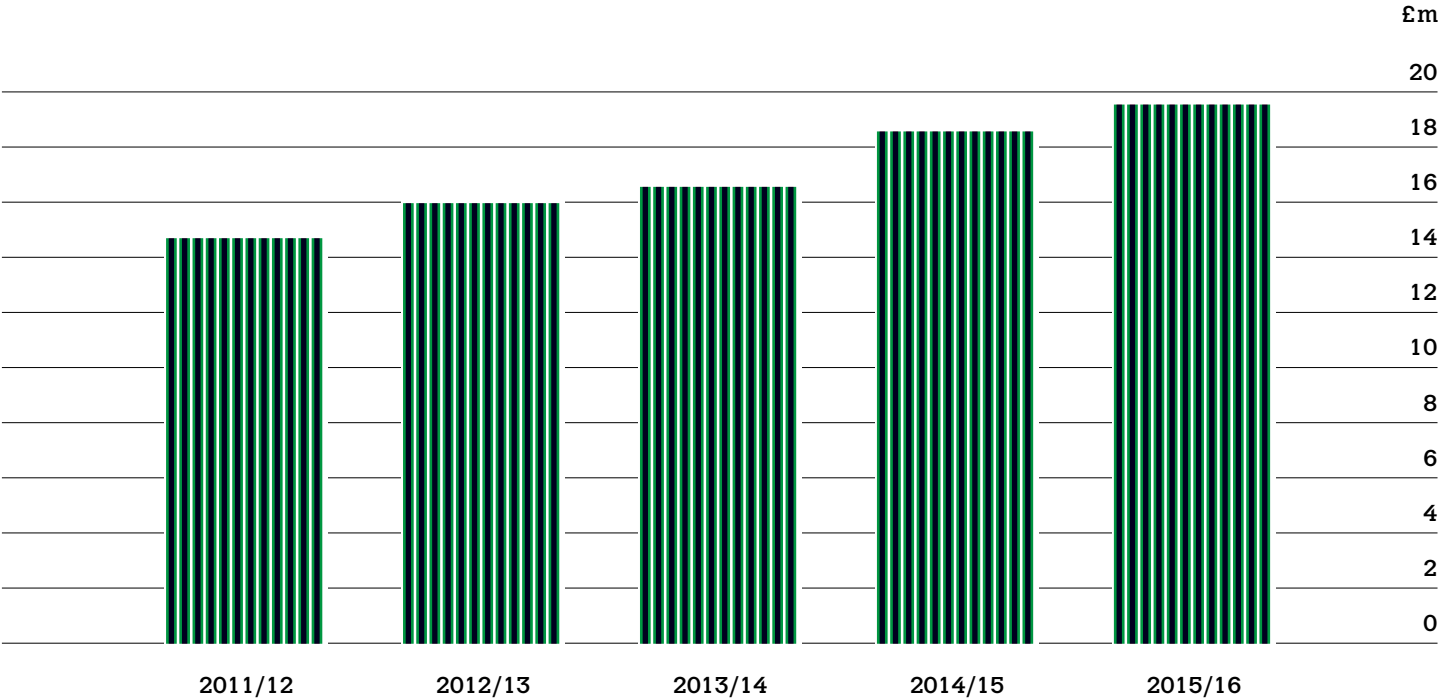
The College's investments are overseen by the Investment Committee, which is charged with setting investment policies for the College's endowments and cash reserves, and monitoring their implementation. Funds are split between £6.9m under the Baring Dynamic Asset Allocation Fund and £12.4m under the management of Ruffer Investment Management LLP, with £0.2m of cash in transit. The value of total endowments at year end was £19.5m.

In 2015/16 the College received £883k of new endowment gifts, including £500k from Basil Alkazzi, who has committed a total of £1m towards a new scholarship award for Painting.

Total External Borrowing



Endowment Assets



Risks

The College has a well-developed risk register, which is reviewed by the Audit Committee at each meeting. The most significant risks on the register at the end of 2015/16 financial year related to the UK's decision to leave the EU, including the potential threat to student recruitment and the potential loss of EU research funding.

Other important risks include further instability in the higher education sector arising from the proposals in the current HE White Paper, which if implemented, would see the merger of HEFCE into a new regulatory body, and the separation of core public funding for teaching and research. The possible future loss or significant reduction in the College's Institution-Specific Targeted Allocation funding also continues to be a risk.

The development of the Battersea campus is a huge opportunity for the RCA, but also presents significant risks which could be exacerbated if uncertainties surrounding the UK's exit from the EU begin to affect the wider economy. Financing for the new campus is on a match basis with the College responsible for funding £54 million, including through fundraising. The level and phasing of future donations is a key project risk.

Action is being taken to mitigate these risks, and both Council and the Senior Management Team will continue to monitor the position closely.

Subsidiaries

During the year, the College continued to use a subsidiary – RCA Design Group Ltd – to act as the developer of the Woo Building. This arrangement safeguards the College's potential recovery of input VAT on the projects. RCA Design Group is incorporated in Great Britain and registered in England and Wales. The subsidiary is included in the consolidated accounts. The College also has a 100%-owned subsidiary, RCA Angel Investor Club Ltd, to handle investment opportunities for incubator companies supported by InnovationRCA. This was dormant during 2015/16.

The College also has a dormant subsidiary company, Lion & Unicorn Press Ltd.

Conclusion

The higher education sector in the UK continues to undergo unprecedented change and financial pressure. The College remains in a strong market position in both postgraduate teaching and world-leading research, as demonstrated by our number one QS ranking, and launched a new Strategic Plan in 2016, to provide a robust roadmap to 2021. To support the sustainable development and future growth ambitions of the College, an important part of our financial strategy will be to preserve and build on our surpluses and operating cashflow, to ensure we have funding to remain agile and responsive to change, and to invest accordingly.



Ms Caragh Merrick
Treasurer

Scope of the Financial Statements

The College is an exempt charity which operates under the terms of a Royal Charter. The trustees of the charity are the current Council members (see page 73). The current Charter was granted in 1967, although the College was originally founded in 1837 – at that time it was known as the Government School of Design.

The College has governance arrangements which are similar to those of most pre-1992 English universities. It is funded by the Higher Education for England (HEFCE), 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 College are 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 such, the College has charitable status for taxation purposes but it is regulated by the Higher Education Funding Council for England (HEFCE). HEFCE requires exempt charities which it regulates to publish an annual public benefit statement having regard to the Charity Commission guidance on public benefit.

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

Education

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

The College's vision is to be the world's most influential art and design university, training a greater percentage of the world's prominent artists and leading designers 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.

Summary of the Structure of Corporate Governance

Research

The College 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. 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 – any profits arising on such research are reinvested in the College's teaching and research activities, where permissible.

Other Activities

The College organises public exhibitions, seminars, lectures and conferences 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 to cover costs only. The College also operates a schools liaison programme, known as ReachOutRCA, which runs around 40 workshops each year, as well as projects with partners like Art on the Underground, the Craft Council and the Victoria and Albert Museum.

Policies and Operations

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

The following statement provides information about the College's governance procedures.

The College is committed to exhibiting best practice in corporate governance, including through compliance with the Governance Code of Practice published by the Committee of University Chairs (CUC).

The Council is the governing body of the College, and comprises lay members, staff and students appointed under the College's Statutes. The majority of Council's members are neither staff nor students of the College. The roles of Chair and Vice-Chair of Council are separated from the role of the College's Chief Executive, the Rector. The Council is responsible for the College's ongoing strategic direction, approval of major developments and receiving regular reports from Executive Officers on day-to-day operations. The Council adopted a revised statements of its primary responsibilities in June 2016, and this is set out in the next section of this report.

Council delegates a number of functions to its sub-committees, including a Finance Committee, an Audit Committee, a Remuneration Committee and a Nominations Committee. All these Committees are formally constituted with terms of reference and comprise mainly lay members of Council.

During 2015/16 Council completed a review of the College's governance arrangements, which it had instigated to ensure the College continues to comply with the revised CUC Code and best practice. Council formally approved the review's recommendations in June 2016, which included a number of changes to the structure and terms of reference of Council sub-committees. The former Finance and Building & Estates Committees were merged to form a Resources Committee. This will be responsible inter alia for recommending

the College's annual revenue and capital budgets to Council, monitoring financial performance against agreed budgets, and advising Council on resource and estates issues.

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

The Nominations Committee considers nominations for vacancies on Council and Committee membership under the relevant Statute. The Remuneration Committee determines the remuneration of the most senior staff.

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

Risk Management

On behalf of Council, the Audit and Risk Committee has appointed Mazars LLP as the College's internal auditors. The internal auditors review the effectiveness of the College's systems of internal control. The results were considered by management and reviewed by the Committee. The Audit and Risk Committee is also responsible for the oversight of the College's policies and procedures for Risk Management, in accordance with guidelines issued by HEFCE. A risk management policy for the College has been approved by Council, and a Risk Framework has been presented to the Council by the Committee. The risk management policy sets out the College's underlying approach to risk management and documents the roles and responsibilities of senior managers, Council and other key parties. During the year, senior officers of the College attended the Committee to discuss key risks facing the College and the controls in place to manage and mitigate these risks.

Register of Interests

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

The Audit and Risk Committee, on behalf of the 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 Royal College of Art website is

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

Compliance with the Committee of University Chairs Governance Code of Practice, 2014

The Code states that 'It is recommended that institutions should report in the corporate governance statement of their annual audited financial statements that they have had regard to the Code, and where an institution's practices are not consistent with particular provisions of the Code an explanation should be published in that statement'. The College complies with the Code except for the requirement in relation to the appointment of new Council members that 'when vacancies arise they should be fully publicized within and outside the institution'. The Nominations Committee previously considered this requirement and decided that it wished to seek nominations from existing lay members of Council in the first instance but that, if necessary, a search will be employed to identify potential candidates with specific skills. During 2015/16 the College has used an external search agency to assist in identify candidates for a vacant Council position.

Primary Roles and Responsibilities of the Council

1. To approve the mission and strategic vision of the College, 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 Rector, 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 Rector;
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 the Council itself;
6. to conduct its business in accordance with best practice in HE 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 to remove the Rector as chief executive, and to put in place suitable arrangements for monitoring his/her performance;
9. to appoint and to remove the Provost, the Pro-Provost and Chair of Council, the Vice-Chair of Council, the Treasurer and other senior appointments as determined by Council currently and in the future;

10. to appoint and to remove a clerk to the Council 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 HEFCE Memorandum, 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 College's Charter, Statutes and Ordinances are followed at all times and that appropriate advice is available to enable this to happen.

Council and Committee Members

The following served as members of Council during the year:

Ex-officio Members

The Provost – Sir James Dyson OM, CBE
The Chair and Pro-Provost – Baroness Rebuck of Bloomsbury DBE
The Rector and Vice-Provost – Dr Paul Thompson
The Treasurer and Vice-Chair of Council (Vice-Chair from 1 April 2016) – Ms Caragh Merrick
The Pro-Rector – Professor Naren Barfield
The Pro-Rector (Operations) – Ms Jane Alexander (until 31 December 2015)
The Co-President of the Students' Union – Mr Miloslav Vorlicek

Members appointed by the Court

Mr Charles Allen-Jones
(Vice-Chair until 31 March 2016)
Professor Richard Burdett
Mr Robert Careless (from 1 April 2016)
Ms Jennifer Duvalier (from 1 May 2016)
Mr Rupert Hambro CBE (until 30 June 2016)
Ms Betty Jackson (until 28 February 2016)
Dr Joanna Kennedy OBE (until 30 September 2016)
Professor Magdalene Odundo OBE
Lady Ritblat
Professor Martin Roth
Dame Marjorie Scardino
Mr Yinka Shonibare MBE (until 30 June 2016)
Ms Cathy Turner

Members appointed by the Senate

Professor Sharon Baurley
Professor Juan Cruz
Dr Adrian Lahoud
Professor Judith Mottram

Professor Jane Pavitt
Professor Teal Triggs
Dr Emma Wakelin

One Student elected by the Students

Ms Ritz Wu

Co-opted Members

Mr Tony Brierley (until 18 January 2016)
Professor Rachel Cooper OBE (from 1 April 2016)
Professor Alice Gast
Dr David Good (until 30 June 2016)
Mr Alan Leibowitz (from 1 December 2015)
Sir Peter Michael (until 30 November 2015)
Mr Patrick Plant (from 1 May 2016)
Mr Paul Priestman (until 30 June 2016)
Mr John Studzinski CBE
Mr Ed Williams (from 1 February 2016)

Secretary

Academic Registrar – Ms Corinne Smith
(until 8 May 2016)
Chief Operating Officer – Mr Richard Benson
(from 9 May 2016)

The following served as members of the key Committees:

Chairs' Committee

Baroness Rebuck of Bloomsbury DBE, Chair
Mr Charles Allen-Jones (until 31 March 2016)
Ms Caragh Merrick
Mr Tony Brierley (until 18 January 2016)
Dr Joanna Kennedy OBE (until 30 September 2016)
Mr Rupert Hambro CBE (until 30 June 2016)
Ms Cathy Turner
Dr David Good (until 30 June 2016)

Finance Committee (until 14 July 2016)

Ms Caragh Merrick, Chair
Mr Charles Allen-Jones (until 31 March 2016)
Dr Paul Thompson
Ms Jane Alexander (until 31 December 2015)
Mr Richard Benson (from 9 May 2016)
Mr Robert Careless (from 1 April 2016)
Mr Patrick Plant (from 1 May 2016)
Ms Hemione Hudson (co-opted)

Audit Committee

Mr Tony Brierley, Chair (until 18 January 2016),
Ms Cathy Turner, Chair (from 19 January 2016)
Mr Roger Miles (co-opted)
Ms Catherine Parry (co-opted)
Mr David Thompson (co-opted
until 31 December 2015)

Remuneration Committee

Baroness Rebuck of Bloomsbury DBE, Chair
Mr Charles Allen-Jones (until 31 March 2016)
Ms Caragh Merrick
Ms Cathy Turner
Dr Paul Thompson

Buildings & Estates Committee (until 14 July 2016)

Dr Joanna Kennedy OBE, Chair
Dr Paul Thompson
Ms Jane Alexander (until 31 December 2015)
Mr Richard Benson (from 9 May 2016)
Mr Charles Allen-Jones (until 31 March 2016)
Mr Alan Leibowitz (co-opted until 30 November 2015, lay Council member from 1 December 2015)
Mr Mike Forster
Mr Richard Jones (from 1 May 2016)
Mr Simon Ward (until 8 April 2016)

Investment Sub-committee (until 14 July 2016)

Ms Caragh Merrick, Chair
Dr Paul Thompson
Mr Howard Jenner (co-opted from 1 April 2016)

Development Board

Mr Rupert Hambro, Chair (until 30 June 2016)
Baroness Rebuck of Bloomsbury DBE, Chair
(from 1 July 2016)
Dr Paul Thompson
Dame Marjorie Scardino
Mr John Studzinski CBE
Mr Ed Williams (from 1 February 2016)
Ms Saffron Aldridge (co-opted)
Mr Tim Brown (co-opted)
Mr Theo Fennell (co-opted)
Ms Sarah Griffin (co-opted)
Lady Helen Hamlyn (co-opted)
Ms Jagdip Jagpal (co-opted)

Nominations Committee

Baroness Rebuck of Bloomsbury DBE, Chair
Charles Allen-Jones (until 31 March 2016)
Dr Paul Thompson
Ms Caragh Merrick
Mr Ed Williams (from 1 June 2016)

Resources Committee (from 15 July 2016)

Ms Caragh Merrick, Chair
Dr Paul Thompson
Mr Richard Benson
Mr Robert Careless
Mr Howard Jenner (co-opted)
Mr Patrick Plant
Mr Mike Forster
Mr Richard Jones

Senior Officers and Advisers

Rector and Vice Provost – Dr Paul Thompson
Pro-Rector – Professor Naren Barfield
Pro-Rector (Operations) – Ms Jane Alexander
(until 31 December 2015)

Chief Operating Officer – Mr Richard Benson
(from 9 May 2016)

Director of Finance – Ms Amanda White

Academic Registrar – Ms Corinne Smith

Director of Research & Innovation

– Dr Emma Wakelin

Director of Information, Learning & Technical
Services – Dr Amanda Spencer

Director of the Helen Hamlyn Centre for Design

– Professor Jeremy Myerson

(until 30 September 2015),

Mr Rama Gheerawo (from 1 October 2015)

Investment Managers

Ruffer LLP, 80 Victoria Street, London SW1E 5JL

Baring Asset Management, 155 Bishopsgate,
London EC2M 3XY

Bankers

National Westminster Bank plc,
180 Brompton Square, London SW3 1XJ

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

Mazars LLP, Tower Bridge House,
St Katharine's Way, London E1W 1DD

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

We have audited the financial statements of the Royal College of Art for the year ended 31 July 2016 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and College Balance Sheets, the Consolidated and College Statement of Changes in Reserves, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Council, in accordance with the Charters and Statutes of the College. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Council and Auditor

As explained more fully in the Responsibilities of the Council Statement, set out on page 71 the Council is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2016 and of the Group's and College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015/16 financial statements*.

**Opinion on Other Matters Prescribed in the
HEFCE Audit Code of Practice (Effective 1
August 2014) Issued under the Further and
Higher Education Act 1992**

In our opinion, in all material respects:

- funds from whatever source administered by the Group and 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 HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015/16 financial statements* have been met.

Neil Thomas

**For and on behalf of KPMG LLP,
Statutory Auditor**

Chartered Accountants
15 Canada Square
London E14 5GL

29 November 2016

Consolidated Statement of Comprehensive Income and Expenditure for the Year Ended 31 July 2016

| | | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|--|-------|-------------------------|------------------|-------------------------|------------------|
| | Notes | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Income | | | | | |
| Tuition Fees and Education Contracts | 1 | 23,120 | 23,120 | 20,777 | 20,777 |
| Funding Body Grants | 2 | 13,531 | 13,531 | 13,698 | 13,698 |
| Research Grants and Contracts | 3 | 3,446 | 3,446 | 2,294 | 2,294 |
| Other Income | 4 | 3,359 | 3,359 | 3,289 | 3,289 |
| Investment Income | 5 | 251 | 251 | 267 | 267 |
| Total Income Before Donations and Endowments | | 43,707 | 43,707 | 40,325 | 40,325 |
| Donations and Endowments | 6 | 2,698 | 2,698 | 7,316 | 7,316 |
| Total Income | | 46,405 | 46,405 | 47,641 | 47,641 |
| Expenditure | | | | | |
| Staff Costs | 7 | 18,460 | 18,460 | 17,380 | 17,380 |
| Other Operating Expenses | | 21,940 | 21,940 | 20,828 | 20,828 |
| Depreciation and Amortisation | 10/11 | 2,631 | 2,631 | 2,334 | 2,334 |
| Interest and other Finance Costs | 8 | 179 | 179 | 216 | 216 |
| Total Expenditure | | 43,210 | 43,210 | 40,758 | 40,758 |
| Surplus Before Other Gains | | 3,195 | 3,195 | 6,883 | 6,883 |
| Gain on Investments | 13 | 301 | 301 | 1,378 | 1,378 |
| Total Comprehensive Income for the Year | | 3,496 | 3,496 | 8,261 | 8,261 |
| Represented by: | | | | | |
| Endowment Comprehensive Income for the Year | | 941 | 941 | 2,013 | 2,013 |
| Restricted Comprehensive Income for the Year | | 559 | 559 | 5,224 | 5,224 |
| Unrestricted Comprehensive Income for the Year | | 1,996 | 1,996 | 1,024 | 1,024 |
| | | 3,496 | 3,496 | 8,261 | 8,261 |

All items of income and expenditure relate to continuing activities

Consolidated and College Balance Sheets as at 31 July 2016

| | | As at 31 July 2016 | | As at 31 July 2015 | |
|---|-------|-----------------------|------------------|-----------------------|------------------|
| | Notes | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Non-current Assets | | | | | |
| Intangible Assets | 10 | 85 | 85 | 161 | 161 |
| Fixed Assets | 11 | 71,815 | 71,815 | 72,003 | 72,003 |
| Heritage Assets | 11 | 11,020 | 11,020 | 11,008 | 11,008 |
| Investments | 13 | 20,088 | 20,088 | 19,985 | 19,985 |
| | | 103,008 | 103,008 | 103,157 | 103,157 |
| Current Assets | | | | | |
| Stock | 14 | 64 | 64 | 51 | 51 |
| Debtors | 15 | 1,570 | 1,570 | 2,030 | 2,030 |
| Investments | 16 | 2,360 | 2,360 | 1,483 | 1,483 |
| Cash and Cash Equivalents | 22 | 15,953 | 15,953 | 13,789 | 13,789 |
| | | 19,947 | 19,947 | 17,353 | 17,353 |
| Less: Creditors: Amounts Falling Due Within One Year | 17 | (10,779) | (10,779) | (10,983) | (10,983) |
| Net Current Assets | | 9,168 | 9,168 | 6,370 | 6,370 |
| Total Assets Less Current Liabilities | | 112,176 | 112,176 | 109,527 | 109,527 |
| Creditors: Amounts Falling Due After More Than One Year | 18 | (14,124) | (14,124) | (15,807) | (15,807) |
| Provisions | | | | | |
| Pension Provisions | 19 | (836) | (836) | - | - |
| Total Net Assets | | 97,216 | 97,216 | 93,720 | 93,720 |
| Restricted Reserves | | | | | |
| Income and Expenditure Reserve – Endowment Reserve | 20 | 19,489 | 19,489 | 18,548 | 18,548 |
| Income and Expenditure Reserve – Restricted Reserve | 21 | 6,296 | 6,296 | 5,737 | 5,737 |
| Unrestricted Reserves | | | | | |
| Income and Expenditure Reserve – Unrestricted | | 27,011 | 27,011 | 25,015 | 25,015 |
| Revaluation Reserve | | 44,420 | 44,420 | 44,420 | 44,420 |
| Total Reserves | | 97,216 | 97,216 | 93,720 | 93,720 |

The financial statements on pages 78 to 102 were approved by the Council on 24 November 2016 and were signed on its behalf by:



Dr Paul Thompson, Rector



Ms Caragh Merrick, Treasurer

Consolidated and College Statement of Changes in Reserves for the Year Ended 31 July 2016

| | Income and Expenditure Account | | | Revaluation Reserve | Total |
|---|--------------------------------|---------------------|-----------------------|---------------------|---------------|
| | Endowment £'000 | Restricted £'000 | Unrestricted £'000 | £'000 | £'000 |
| Consolidated | | | | | |
| Balance at 1 August 2015 | 18,548 | 5,737 | 25,015 | 44,420 | 93,720 |
| Surplus from the Income and Expenditure Statement | 680 | 638 | 1,956 | - | 3,274 |
| Other Comprehensive Income | 261 | - | 40 | - | 301 |
| Release of Restricted Funds Spent in Year | - | (79) | - | - | (79) |
| | 941 | 559 | 1,996 | - | 3,496 |
| Balance at 31 July 2016 | 19,489 | 6,296 | 27,011 | 44,420 | 97,216 |
| College | | | | | |
| Balance at 1 August 2015 | 18,548 | 5,737 | 25,015 | 44,420 | 93,720 |
| Surplus from the Income and Expenditure Statement | 680 | 638 | 1,956 | - | 3,274 |
| Other Comprehensive Income | 261 | - | 40 | - | 301 |
| Release of Restricted Funds Spent in Year | - | (79) | - | - | (79) |
| | 941 | 559 | 1,996 | - | 3,496 |
| Balance at 31 July 2016 | 19,489 | 6,296 | 27,011 | 44,420 | 97,216 |

Consolidated Cash Flow for the Year Ended 31 July 2016

| | | 31 July 2016 | 31 July 2015 |
|--|-------|----------------|----------------|
| | Notes | £'000 | £'000 |
| Cash Flow from Operating Activities | | | |
| Surplus for the Year | | 3,496 | 8,261 |
| Adjustment for Non-cash Items | | | |
| Depreciation | 11 | 2,451 | 2,188 |
| Amortisation of Intangibles | 10 | 181 | 146 |
| Gain on Investments | 13 | (301) | (1,378) |
| (Increase)/Decrease in Stock | 14 | (13) | 2 |
| Decrease in Debtors | 15 | 460 | 621 |
| Increase/(Decrease) in Creditors | 17 | (109) | 2,331 |
| Increase in Pension Provision | 19 | 836 | - |
| Adjustment for Investing or Financing Activities | | | |
| Investment Income | 5 | (251) | (267) |
| Interest Payable | 8 | 179 | 216 |
| Endowment Income | 6/20 | (883) | (780) |
| Net Cash Inflow from Operating Activities | | 6,046 | 11,340 |
| Cash Flows from Investing Activities | | | |
| Disposal of Non-current Asset Investments | 13 | 5,625 | 2,493 |
| Withdrawal of Deposits | 16 | (877) | (928) |
| Investment Income | 5 | 251 | 267 |
| Payments Made to Acquire Fixed Assets | 11 | (2,275) | (4,428) |
| Payments Made to Acquire Intangible Assets | 10 | (105) | (46) |
| New Non-current Asset Investments | 13 | (5,427) | (2,182) |
| | | (2,808) | (4,824) |
| Cash Flows From Financing Activities | | | |
| Interest Paid | 8 | (179) | (216) |
| Endowment Cash Received | 6/20 | 883 | 780 |
| Repayments of Amounts Borrowed | 17 | (1,778) | (1,593) |
| | | (1,074) | (1,029) |
| Increase in Cash and Cash Equivalents in the Year | | 2,164 | 5,487 |
| Cash and Cash Equivalents at Beginning of the Year | 22 | 13,789 | 8,302 |
| Cash and Cash Equivalents at End of the Year | 22 | 15,953 | 13,789 |

Statement of Accounting Policies for the Year Ended 31 July 2016

A. Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS 102). The College is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

B. Basis of Consolidation

The consolidated financial statements include the College and the RCA Design Group Ltd (subsidiary). This provides development services for the College's Battersea campus. The statements also include a new subsidiary, RCA Angel Investor Club Ltd, which was set up to facilitate funding opportunities for InnovationRCA's incubator companies. The accounts of the other subsidiary, Lion & Unicorn Press Ltd, have not been consolidated, as it was dormant during the period.

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

C. Income Recognition

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Expenditure 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.

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

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

Grant funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the College 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 College 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 on the balance sheet 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 College 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.

Capital grants

Government capital grants 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.

D. 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 United Kingdom 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 2014. 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 in November 2015 and are due to be reviewed at SAUL's next formal valuation in 2017.

The Trustee and Employers agreed that the Technical Provisions deficit at the 31 March 2014 valuation would be addressed by employer contributions of 3% of Salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the Employers' contributions therefore increased from 13% of salaries to 16% of salaries with effect from 1 April 2016.

E. 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.

F. Finance Leases

Leases in which the College 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.

G. Service Concession Arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

H. 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.

I. 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.

J. 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 parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

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 in the course of construction.

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 Balance Sheet.

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.

K. 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 during 2009/10. This provided an estimate of the value of the collection, which was used to bring the collection on to the balance sheet. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

L. 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 3 years.

M. 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 (formally disclosed as a tangible fixed asset).

N. Investments

Investments consist of endowment asset investments and are included in the balance sheet at market value.

O. Stock

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

P. 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.

Q. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when:

1. the College has a present obligation (legal or constructive) as a result of a past event;
2. it is probable that an outflow of economic benefits will be required to settle the obligation; and
3. 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 College 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.

R. Accounting for Jointly Controlled Operations

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

S. Taxation

The College 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. 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.

T. Derivatives

The College uses derivative financial instruments called interest rate caps and swaps to reduce exposure to interest rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. In instances where the derivative financial instrument ceases to be a hedge for an actual asset or liability, then it is marked to market and any resulting profit or loss recognised at that time.

U. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the College, 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.

V. Transition to 2015 SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first-time adoption requirements. An explanation of how the transition to the Statement of Recommended Practice has

affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 27.

Application of first-time adoption grants certain exemptions from the full requirements of the Statement of Recommended Practice in the transition period. The following exemptions have been taken into these financial statements: fair value as deemed cost. Fair value has been used for deemed cost for properties measured at fair value.

Notes to the Accounts for the Year Ended 31 July 2016

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|--|-------------------------|------------------|-------------------------|------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| 1 Tuition Fees and Education Contracts | | | | |
| Full-time Home and EU Students | 9,323 | 9,323 | 7,933 | 7,933 |
| Full-time International Students | 13,262 | 13,262 | 12,252 | 12,252 |
| Part-time Students | 403 | 403 | 349 | 349 |
| Other Short Courses | 132 | 132 | 243 | 243 |
| | 23,120 | 23,120 | 20,777 | 20,777 |
| 2 Funding Body Grants | | | | |
| Recurrent Grant | | | | |
| Higher Education Funding Council | 12,509 | 12,509 | 12,557 | 12,557 |
| Capital Grant | 128 | 128 | 128 | 128 |
| Specific Grants | | | | |
| Higher Education Funding Council Helix | 504 | 504 | 712 | 712 |
| Higher Education Innovation Fund | - | - | 301 | 301 |
| Higher Education Funding Council Postgraduate Support Scheme | 390 | 390 | - | - |
| | 13,531 | 13,531 | 13,698 | 13,698 |
| 3 Research Grants and Contracts | | | | |
| Research Councils | 1,759 | 1,759 | 1,214 | 1,214 |
| Research Charities | 476 | 476 | 384 | 384 |
| Government (UK and Overseas) | 91 | 91 | 1 | 1 |
| Industry and Commerce | 434 | 434 | 324 | 324 |
| Other | 686 | 686 | 371 | 371 |
| | 3,446 | 3,446 | 2,294 | 2,294 |
| 4 Other Income | | | | |
| Lettings/ Rental Income | 292 | 292 | 445 | 445 |
| Catering | 602 | 602 | 478 | 478 |
| Other Services Rendered | 1,183 | 1,183 | 1,213 | 1,213 |
| Other Income | 1,282 | 1,282 | 1,153 | 1,153 |
| | 3,359 | 3,359 | 3,289 | 3,289 |

| | | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|-----------------------------------|-------|-------------------------|------------------|-------------------------|------------------|
| | Notes | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| 5 Investment Income | | | | | |
| Investment Income on Endowments | 20 | 169 | 169 | 174 | 174 |
| Other Investment Income | | 82 | 82 | 93 | 93 |
| | | 251 | 251 | 267 | 267 |
| 6 Donations and Endowments | | | | | |
| New Endowments | 20 | 883 | 883 | 780 | 780 |
| Donations with Restrictions | 21 | 1,424 | 1,424 | 5,585 | 5,585 |
| Unrestricted Donations | | 391 | 391 | 951 | 951 |
| | | 2,698 | 2,698 | 7,316 | 7,316 |

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|-----------------------|-------------------------|---------------|-------------------------|---------------|
| | Consolidated | College | Consolidated | College |
| | £'000 | £'000 | £'000 | £'000 |
| 7 Staff Costs | | | | |
| Salaries | 14,252 | 14,252 | 14,278 | 14,278 |
| Social Security Costs | 1,273 | 1,273 | 1,181 | 1,181 |
| Pension Costs | 1,821 | 1,821 | 1,710 | 1,710 |
| SAUL Pension Deficit | 836 | 836 | - | - |
| Restructuring Costs | 278 | 278 | 211 | 211 |
| Total | 18,460 | 18,460 | 17,380 | 17,380 |

| | Year Ended 31 July 2016 | Year Ended 31 July 2015 |
|----------------------------------|----------------------------|----------------------------|
| | £ | £ |
| Emoluments of the Rector: | | |
| Salary | 217,150 | 215,000 |
| Benefits | - | - |
| Pension contributions to SAUL | 46,689 | 44,485 |
| | 263,839 | 259,485 |

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.

Remuneration of Other Higher Paid Staff, Excluding Employer's Pension Contributions:

| | No. | No. |
|----------------------|----------|----------|
| £100,000 to £109,999 | - | 1 |
| £110,000 to £119,999 | - | 1* |
| £120,000 to £129,999 | 1 | 1 |
| £130,000 to £139,999 | - | - |
| £140,000 to £149,999 | - | - |
| | 1 | 3 |

*includes severance payment

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

Average Staff Numbers by Major Category:

| | No. | No. |
|----------------------------------|------------|------------|
| Academic Programmes and Services | 175 | 176 |
| Premises | 12 | 16 |
| Research | 27 | 26 |
| Administrative and Other | 86 | 87 |
| | 300 | 305 |

Average Full-time Equivalent (FTE) staff numbers in 2015/16 were calculated by taking an average of actual staff numbers at 31 July 2016 and 31 July 2015.

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 include 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 Rector, the Pro-Rector Academic (to May 2016), then Pro-Rector (from June 2016); the Pro-Rector Operations (to Dec 2015), then Chief Operating Officer (from May 2016); and the Director of Finance.

| | Year Ended 31 July 2016 | Year Ended 31 July 2015 |
|---------------------------------------|----------------------------|----------------------------|
| | £ | £ |
| Key Management Personnel Compensation | 574 | 650 |

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

| | Leasehold Land & Buildings | Fixtures, Fittings & Equipment | Assets in the Course of Construction | Heritage Assets | Total |
|---|----------------------------------|--------------------------------------|--|--------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 11 Fixed Assets | | | | | |
| Consolidated | | | | | |
| Cost or Valuation | | | | | |
| At 1 August 2015 | 72,899 | 3,150 | - | 11,008 | 87,057 |
| Additions | 1,063 | 1,100 | 100 | 12 | 2,275 |
| At 31 July 2016 | 73,962 | 4,250 | 100 | 11,020 | 89,332 |
| Depreciation | | | | | |
| At 1 August 2015 | (1,810) | (2,236) | - | - | (4,046) |
| Charge for the Year | (1,826) | (625) | - | - | (2,451) |
| At 31 July 2016 | (3,636) | (2,861) | - | - | (6,497) |
| Net Book Value | | | | | |
| At 31 July 2016 | 70,326 | 1,389 | 100 | 11,020 | 82,835 |
| At 31 July 2015 | 71,089 | 914 | - | 11,008 | 83,011 |
| College | | | | | |
| Cost and Valuation | | | | | |
| At 1 August 2015 | 72,899 | 3,150 | - | 11,008 | 87,057 |
| Additions | 1,063 | 1,100 | 100 | 12 | 2,275 |
| At 31 July 2016 | 73,962 | 4,250 | 100 | 11,020 | 89,332 |
| Depreciation | | | | | |
| At 1 August 2015 | (1,810) | (2,236) | - | - | (4,046) |
| Charge for the Year | (1,826) | (625) | - | - | (2,451) |
| At 31 July 2016 | (3,636) | (2,861) | - | - | (6,497) |
| Net Book Value | | | | | |
| At 31 July 2016 | 70,326 | 1,389 | 100 | 11,020 | 82,835 |
| At 31 July 2015 | 71,089 | 914 | - | 11,008 | 83,011 |
| A full valuation of academic, office, ancillary and support buildings was carried out at 31 July 2014 by Geraldeve. | | | | | |

12 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 2016 there were over 1,100

items in collection. An RCA internal valuation of the collection took place over the 2009/10 financial year. This estimate was used to capitalise the collection and recognise it on the balance sheet at 1 August 2010 in line with FRS 30 (Heritage assets). One piece was acquired in 2015/16.

The table below shows the analysis of acquisitions. Acquisitions for the current and previous four years were as follows:

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------------------------------|-------|-------|------------------|---------------------|-------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Total Cost of Acquisitions Purchased | - | - | - | - | - |
| Value of Acquisitions by Donation | 12 | - | - | - | - |
| Total Acquisitions Capitalised | 12 | - | - | - | - |
| | | | Endowment Assets | Investment Property | Total |
| | | | £'000 | £'000 | £'000 |

13 Non-Current Investments

Consolidated

| | | | |
|---|---------|-------|---------|
| At 1 August 2015 | 17,065 | 2,920 | 19,985 |
| Additions | 5,427 | - | 5,427 |
| Disposals | (5,625) | - | (5,625) |
| Increase in Market Value of Investments | 261 | 40 | 301 |
| At 31 July 2016 | 17,128 | 2,960 | 20,088 |

College

| | | | |
|---|---------|-------|---------|
| At 1 August 2015 | 17,065 | 2,920 | 19,985 |
| Additions | 5,427 | - | 5,427 |
| Disposals | (5,625) | - | (5,625) |
| Increase in Market Value of Investments | 261 | 40 | 301 |
| At 31 July 2016 | 17,128 | 2,960 | 20,088 |

The non-current investments have been valued at market value. For the breakdown of Endowment Assets by Investment Class, refer to Note 20.

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|--|-------------------------|---------------|-------------------------|---------------|
| | Consolidated | College | Consolidated | College |
| | £'000 | £'000 | £'000 | £'000 |
| 14 Stock | | | | |
| Stock | 64 | 64 | 51 | 51 |
| | 64 | 64 | 51 | 51 |
| Stock consists of stock from the college shop, catering supplies and precious metals | | | | |
| 15 Debtors | | | | |
| Amounts falling due within one year: | | | | |
| Debtors | 1,199 | 1,199 | 1,414 | 1,414 |
| Accrued income | 95 | 95 | 296 | 296 |
| Prepayments | 276 | 276 | 320 | 320 |
| | 1,570 | 1,570 | 2,030 | 2,030 |
| 16 Current Investments | | | | |
| Short term deposits | 2,360 | 2,360 | 1,483 | 1,483 |
| | 2,360 | 2,360 | 1,483 | 1,483 |
| 17 Creditors: Amounts Falling Due Within One Year | | | | |
| Unsecured Loans | 1,877 | 1,877 | 1,778 | 1,778 |
| Sundry Creditors | 1,455 | 1,455 | 1,854 | 1,854 |
| Social Security and Other Taxation Payable | 487 | 487 | 242 | 242 |
| Accruals and Deferred Income | 6,186 | 6,186 | 6,346 | 6,346 |
| Staff Annual Leave Accrual | 774 | 774 | 763 | 763 |
| | 10,779 | 10,779 | 10,983 | 10,983 |
| 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. | | | | |
| Donations | 71 | 71 | 144 | 144 |
| Research Grants Received on Account | 1,700 | 1,700 | 2,307 | 2,307 |
| Grant Income | 140 | 140 | 201 | 201 |
| Other Income | 510 | 510 | 1,019 | 1,019 |
| | 2,421 | 2,421 | 3,671 | 3,671 |

| | Year ended 31 July 2016 | | Year ended 31 July 2015 | |
|---|-------------------------|------------------|-------------------------|------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| 18 Creditors: Amounts Falling Due After More Than One Year | | | | |
| Deferred Income | 8,078 | 8,078 | 7,884 | 7,884 |
| Unsecured Loans | 6,046 | 6,046 | 7,923 | 7,923 |
| | 14,124 | 14,124 | 15,807 | 15,807 |
| Analysis of Unsecured Loans: | | | | |
| Due Within One Year or on Demand (Note 17) | 1,877 | 1,877 | 1,778 | 1,778 |
| Due Between One and Two Years | 1,984 | 1,984 | 1,877 | 1,877 |
| Due Between Two and Five Years | 4,062 | 4,062 | 5,884 | 5,884 |
| Due in Five Years or More | - | - | 162 | 162 |
| Due After More Than One Year | 6,046 | 6,046 | 7,923 | 7,923 |
| Total Unsecured Loans | 7,923 | 7,923 | 9,701 | 9,701 |
| Unsecured Loans Repayable by 2020 | 7,923 | 7,923 | 9,701 | 9,701 |
| | 7,923 | 7,923 | 9,701 | 9,701 |

The College took out a loan from Royal Bank of Scotland in April 2010 of £12m to fund a deficit payment which was required when the College's own pension scheme merged with the SAUL scheme. The loan is being repaid in quarterly instalments over 10 years at a rate of 1.1% over LIBOR. There is no charge over the College's assets.

The College took out a loan from Royal Bank of Scotland in August 2013 of £4m to help fund the construction of the Woo Building. The loan is being repaid in 28 quarterly instalments at a fixed rate of 3.7%. There is no charge over the College's assets. See note 24 for hedging arrangements.

| | Notes | Obligation to Fund Deficit on SAUL Pension | Total Pensions Provisions | Total Other |
|--------------------------------------|-------|--|---------------------------------|----------------|
| | | £'000 | £'000 | £'000 |
| 19 Provisions for Liabilities | | | | |
| Consolidated | | | | |
| At 1 August 2015 | | - | - | - |
| Utilised in Year | | (154) | (154) | (154) |
| Additions | | 990 | 990 | 990 |
| At 31 July 2016 | | 836 | 836 | 836 |
| College | | | | |
| At 1 August 2015 | | - | - | - |
| Utilised in Year | | (154) | (154) | (154) |
| Additions | 26 | 990 | 990 | 990 |
| At 31 July 2016 | | 836 | 836 | 836 |

| | Restricted Permanent Endowments | Unrestricted Permanent Endowments | Restricted Expendable Endowments | 2016 Total | 2015 Total |
|--|---------------------------------------|---|--|-----------------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 20 Endowment Reserves | | | | | |
| Restricted net assets relating to endowments are as follows: | | | | | |
| Balances at 1 August 2015 | | | | | |
| Capital | 5,679 | 5,392 | 6,756 | 17,827 | 15,831 |
| Accumulated income | 336 | 235 | 150 | 721 | 704 |
| | <u>6,015</u> | <u>5,627</u> | <u>6,906</u> | <u>18,548</u> | <u>16,535</u> |
| New endowments | 211 | - | 672 | 883 | 780 |
| Transfers | (49) | - | 49 | - | - |
| Investment income | 45 | 46 | 78 | 169 | 174 |
| Expenditure | (79) | (34) | (259) | (372) | (329) |
| | <u>(34)</u> | <u>12</u> | <u>(181)</u> | <u>(203)</u> | <u>(155)</u> |
| Increase in market value of investments | 86 | 73 | 102 | 261 | 1,388 |
| At 31 July 2016 | <u><u>6,229</u></u> | <u><u>5,712</u></u> | <u><u>7,548</u></u> | <u><u>19,489</u></u> | <u><u>18,548</u></u> |
| Represented by: | | | | | |
| Capital | 5,927 | 5,465 | 7,548 | 18,940 | 18,013 |
| Accumulated Income | 302 | 247 | - | 549 | 535 |
| | <u>6,229</u> | <u>5,712</u> | <u>7,548</u> | <u>19,489</u> | <u>18,548</u> |
| Analysis by Type of Purpose: | | | | | |
| Scholarships and Bursaries | 5,443 | - | 4,584 | 10,027 | 9,306 |
| Research Support | - | - | 2,871 | 2,871 | 2,844 |
| Prize Funds | 743 | - | 93 | 836 | 793 |
| General | 43 | 5,712 | - | 5,755 | 5,605 |
| | <u>6,229</u> | <u>5,712</u> | <u>7,548</u> | <u>19,489</u> | <u>18,548</u> |
| Analysis by Asset | | | | | |
| Fixed Interest Stocks | | | | 3,669 | 3,633 |
| Equities/Securities | | | | 13,293 | 13,433 |
| Cash and Cash Equivalents | | | | 2,527 | 1,482 |
| | | | | <u><u>19,489</u></u> | <u><u>18,548</u></u> |

| | Unspent Capital Grants | Donations | 2016 Total | 2015 Total |
|---|-------------------------------|-----------------------|------------------------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| 21 Restricted Reserves | | | | |
| Reserves with restrictions are as follows: | | | | |
| Balances at 1 August 2015 | 5,245 | 492 | 5,737 | 558 |
| New Grants | 191 | - | 191 | 5,008 |
| New Donations | - | 1,233 | 1,233 | 577 |
| Capital Grants Utilised | - | - | - | (50) |
| Expenditure | - | (865) | (865) | (356) |
| | - | (865) | (865) | (406) |
| At 31 July 2016 | 5,436 | 860 | 6,296 | 5,737 |
| | | | 2016 Total | 2015 Total |
| | | | £'000 | £'000 |
| Analysis of Other Restricted Funds / Donations by Type of Purpose: | | | | |
| Scholarships and Bursaries | | | 304 | 218 |
| Capital Grants | | | 5,436 | 5,246 |
| Prize Funds | | | 76 | 110 |
| General | | | 480 | 163 |
| | | | 6,296 | 5,737 |
| | At 1st August 2015 | Cash Flows | At 31st July 2016 | |
| | £'000 | £'000 | £'000 | |
| 22 Cash and Cash Equivalents | | | | |
| Consolidated | | | | |
| Cash and Cash Equivalents | 13,789 | 2,164 | 15,953 | |
| | 13,789 | 2,164 | 15,953 | |
| | 31 July 2016 | | 31 July 2015 | |
| | Consolidated | College | Consolidated | College |
| | £'000 | £'000 | £'000 | £'000 |
| 23 Capital and Other Commitments | | | | |
| Provision has not been made for the following capital commitments at 31 July 2016: | | | | |
| Commitments contracted for | 124 | 124 | 231 | 231 |
| | 124 | 124 | 231 | 231 |

24 Financial Instruments

Unquoted Investments

At 31 July 2016, the College had unquoted equity investments of £1,067,634 which were held at cost. These consist of investments in 25 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, create intellectual assets that can be licensed, or sold to other firms.

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

Hedging

The College entered into two hedging arrangements. An interest rate cap, which caps the interest rate payable on its long-term loan at 5% to reduce exposure to interest rate increases. Also, in relation to the £4m loan the College entered into an interest rate swap at a fixed rate of 1.58% and matches the value of the loan balance outstanding as it reduces (see Notes 17 and 18 for details of the loans).

25 Lease Obligations

Total rentals payable under operating leases:

| | Land and Buildings | 31 July 2016 Total | 31 July 2015 Total |
|---|-----------------------|-----------------------|-----------------------|
| | £'000 | £'000 | £'000 |
| Payable During the Year | 850 | 850 | 1,178 |
| Future Minimum Lease Payments Due: | | | |
| Not Later than One Year | 817 | 817 | 817 |
| Later than One Year and Not Later than Five Years | 3,152 | 3,152 | 3,190 |
| Later than five Years | 66,184 | 66,184 | 66,962 |
| Total Lease Payments Due | 70,153 | 70,153 | 70,969 |

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

| | 31 July 2016 £'000 | 31 July 2015 £'000 |
|--|-----------------------|-----------------------|
| Operating Lease rentals | | |
| Receivable during the year | 140 | 140 |
| Future minimum lease receipts due: | | |
| Not later than 1 year | 140 | 140 |
| Later than 1 year and not later than 5 years | 560 | 560 |
| Later than 5 years | 741 | 881 |
| Total rental income receipts due | 1,441 | 1,581 |

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.

General Description of the Scheme

The Royal College Art participates in the Superannuation Arrangements of the University of London ('SAUL'), which is a centralised defined benefit scheme within the United Kingdom and is 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.

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.

RCA 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.

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 2014. 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 in November 2015 and are due to be reviewed at SAUL's next formal valuation in 2017.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). The overall level of the Employers' contributions have, therefore, increased from 13% of Salaries to 16% of Salaries with effect from 1 April 2016.

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 was £1,927 million representing 97% of the liabilities for benefits accrued up to 31 March 2014.

It is not possible to identify an individual Employer's share of the underlying assets and liabilities of SAUL. The Royal College of Art 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.

The Trustee and Employers have agreed that the Technical Provisions deficit at the 31 March 2014 valuation will be addressed by employer contributions of 3% of salaries between 1 April 2016 and 31 March 2018 (inclusive). The defined benefit liability to be recognised by The Royal College of Art in respect of the deficit contributions due to SAUL (i.e. the present value of the deficit contributions) is £835,737 as at 31 July 2016.

This liability is based on a projection of salaries over the period to 31 March 2018.

27 Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in the Statement of Accounting Policies (pages 82 to 88) have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS

102 Statement of Financial Position at 1 August 2015.

In preparing its FRS 102, SORP based Statement of Financial Position, the College has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the College's financial position and financial performance is set out in the following tables.

| | 1 August 2014 | | 31 July 2015 | |
|--|-----------------------|------------------|--------------------------------|--------------------------|
| | Consolidated £'000 | College £'000 | Consolidated £'000 | College £'000 |
| Financial Position | | | | |
| Total Reserves under 2007 SORP | 99,542 | 99,542 | 107,302 | 107,302 |
| Fixed Assets | (8,909) | (8,909) | (8,366) | (8,366) |
| Investments | 2,930 | 2,930 | 2,920 | 2,920 |
| Grant Income | (7,829) | (7,829) | (8,012) | (8,012) |
| Donation Income | 539 | 539 | 639 | 639 |
| Employee Leave Accrual | (732) | (732) | (763) | (763) |
| SAUL Pension Provision | | | | |
| Total Effect of Transition to FRS 102 | (14,001) | (14,001) | (13,582) | (13,582) |
| Total Reserves Under 2015 SORP | 85,541 | 85,541 | 93,720 | 93,720 |
| | | | | |
| | | | Year ended 31 July 2015 | |
| | | | Consolidated £'000 | College £'000 |
| Financial Performance | | | | |
| Surplus for the Year Under 2007 SORP | | | 491 | 491 |
| Grant Income | | | (299) | (299) |
| Employee Leave Accrual | | | (31) | (31) |
| Donation Income | | | 5,667 | 5,667 |
| Endowments | | | 603 | 603 |
| Gain on Investments | | | 1,378 | 1,378 |
| Depreciation | | | 452 | 452 |
| Total Effect of Transition to FRS 102 | | | 7,770 | 7,770 |
| Total Comprehensive Income for the Year under 2015 SORP | | | 8,261 | 8,261 |

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. There were no payments made to Council members for the reimbursement of incidental expenses during the year (2014/15, £0).

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

The College paid £413,468 to the Victoria and Albert Museum (2014/15, £447,605) for reimbursement of fees for the History of Design programme (run jointly by the College and the Victoria and Albert Museum), a location fee for a photo shoot and a lecture.

The College invoiced the Victoria and Albert Museum for the following items:

£17,975 for salary costs relating to the History of Design jointly run programme; £70,000 for fee and student maintenance scholarships, £1,875 for a student travel award; £250 contribution towards a publication and £557 in relation to ReachOutRCA and Victoria and Albert teachers' summer school.

Professor Martin Roth, Council member, is Director of the Victoria and Albert Museum and Dr Paul Thompson, the Rector, is a Trustee of the Victoria and Albert Museum.

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 College invoiced Kings College London for £55,600 in relation to a collaborative research project. Dr David Good was a Council member (until 30 June 2016) and a trustee at Kings College.

The College paid Imperial College London the following:

- £920,303 relating to two joint programmes (Innovation Design Engineering and Global Innovation Design) run with Imperial College.
- £229,780 in relation to The Healthcare Innovation Exchange (HELIX) Centre, in partnership with Imperial Health Trust's St Mary's Hospital.
- £43,307 in respect of the Occupational Health Service provided to the College by Imperial College.
- £34,078 in relation to a knowledge exchange project carried out with Imperial College.

Martin Roth is a Council member and a Court member at Imperial College London.

The College paid £4,800 to Atkinson Design Associates in connection with a design project. The partner of a senior member of the College was the managing director of the firm.

The College invoiced £913 to Birmingham University in relation to catering for an event run by the Creative Exchange research hub.

Ms Caragh Merrick is a Council member and Treasurer of the Royal College of Art and Treasurer of Birmingham University.

the expertise of procurement professionals.

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