

Royal College of Music
Annual review and financial statements
2018/19



Front cover

John Wilson conducting RCM Symphony Orchestra in Vaughan Williams' Pastoral Symphony

Patron

Her Majesty The Queen

President

His Royal Highness The Prince of Wales KG KT GCB OM AK QSO PC ADC

Vice-Presidents

The Most Revd and Rt Hon the Lord Archbishop of Canterbury

The Most Revd and Rt Hon the Lord Archbishop of York

The Rt Hon the Lord Mayor of London

Sir Anthony Cleaver FRCM

Lady Middleton FRCM

Mr Humphrey Norrington OBE FRCM

Dame Janet Ritterman DBE HonDMus

Sir Ian Stoutzker CBE FRCM

Professor Lord Winston of Hammersmith

Council independent members

The President

Lord Black of Brentwood (Chairman)

Mrs Jane Barker CBE (Deputy Chairman)

Mr Peter Dart

Mr Douglas Gardner

Mr Andrew Haigh

Ms Ruth Keatch

Sir George Iacobescu

The Hon Richard Lyttelton

(term completed July 2019)

Mr John Nickson

Mr Andrew Ratcliffe

Mr Geoffrey Richards HonRCM

Ms Alethea Siow

Mr Rhoderick Voremberg

Ms Veronica Wadley CBE

Mr David Whelton OBE HonRCM

Council ex-officio or elected members

Professor Colin Lawson CBE FRCM (Director)

Mr Kevin Porter HonRCM (Deputy Director)

Professor Vanessa Latache FRCM

Mr William Mivel FRCM

Mrs Elly Taylor HonRCM

Ms Eleanor Mackie

Mr Joel Wilson

(Students' Union: term completed July 2019)

(Students' Union: elected August 2019)

Clerk to the Council

Mrs Charlotte Martin

Mr Kevin Porter

(appointed September 2018)

(resigned August 2018)

Royal College of Music

Annual Review and Financial Statements 2018/19

Finance and General Purposes Committee

Mrs Jane Barker CBE (Chairman)

Lord Black of Brentwood

Professor Colin Lawson CBE FRCM (ex officio)

Mr Douglas Gardner

Mr Rhoderick Voremberg

Audit Committee

Mr Andrew Ratcliffe (Chairman)

The Hon Richard Lyttelton

Mr Andrew Haigh

Mr John Heywood

Ms Joanna Matthews

(term completed July 2019)

(appointed August 2019)

Registered Office

Royal College of Music

Prince Consort Road

London

SW7 2BS

Auditors

BDO LLP UK

2nd Floor, 2 City Place, Beehive Ring Road

Gatwick

West Sussex

RH6 0PA

Bankers

Royal Bank of Scotland PLC

36 St Andrew Square

Edinburgh

EH2 2YB

Solicitors

Boodle Hatfield LLP

240 Blackfriars Road

London

SE1 8NW

CONTENTS

Chairman's Message.....	1
Director's Report.....	2
Annual Review	
Financial Review.....	3
Progress of RCM Strategic Plan 2017 – 2027.....	6
Inspirational programmes.....	8
Musical performance.....	9
Celebrating success.....	10
Learning for all.....	12
Employability.....	13
Philanthropic support.....	14
Equality and opportunity.....	15
Shared services and procurement.....	16
Caring for the environment.....	17
Estates.....	18
Financial statements	
Corporate governance and responsibilities of the Council.....	19
Independent auditor's report to the Council of the Royal College of Music.....	23
Statement of principal accounting policies.....	25
Consolidated and RCM statement of comprehensive income.....	29
Consolidated and RCM statement of changes in reserves.....	30
Consolidated and RCM balance sheet.....	31
Consolidated cash flow.....	32
Notes to the accounts.....	33

CHAIRMAN'S MESSAGE



As one of the world's leading conservatoires, the Royal College of Music is a jewel in the crown of the UK's artistic and creative life and I am deeply honoured to be its Chairman.

The progress brought about by the More Music building development is astonishing, especially as construction only commenced in June 2017. More Music Reimagining the RCM will create two new performance halls, an interactive museum, extra practice and rehearsal spaces and more communal space for students, staff and visitors. Most of these spaces should be delivered during autumn 2019 and I wish to thank those involved for their continued support as we watch the More Music campaign transforming our College.

In addition to providing improved facilities for talented students from across the world, More Music will increase funds available for scholarships and bursaries, which will continue to allow the world's finest aspiring musicians to study at RCM, regardless of their means. In 2018/19, we gave more than £3million towards scholarships and awards, underlining our strong commitment to access. We can also reassure incoming EU students that fees and funding levels for 2020/21 will not be impacted by Brexit, however it turns out. I am delighted

that the vibrancy of our campus and the impact of our collaborations are indubitably strengthened by the diversity of students and staff, something we are proud of and will continue to champion far into the future.

Our College is standing at the forefront of performing arts education throughout the world and we will continue to reinvest in resources for our students. In 2019/20 we also open new premises at RCM Jay Mews (previously known as Markova House). These premises will be refurbished during the autumn 2019 and will open in January 2020 to provide valuable additional, music rehearsal and practice spaces, new office accommodation and a home for our fit-to-perform centre.

Musicians and academics are warning of a crisis in music education as research reveals that in some of the UK's most-deprived areas not a single student is taking A-level music. A study commissioned by the RCM and the Royal Academy of Music found a clear correlation between schools not offering A-level music and wider social deprivation and asserted that a lack of musical opportunities will affect the UK's cultural life and creative industries, as well as children's wellbeing. One in five schools has given up teaching GCSE Music entirely and in 2017/18 only 35,000 pupils completed GCSE Music in England, a decline of 23 per cent since 2010. During the same period A-level Music entries have declined by 40%, with only 5,400 music A-level entrants in 2017/18. This is a shocking record. Music is a formidable instrument for soft power and the UK's worldwide reputation for musical excellence will be an engine for prosperity in post-Brexit Britain and I am proud that with the energetic support of our Director, Professor Colin Lawson, the RCM is playing a leading role in putting the case for music, challenging policy makers and advocating urgent and fundamental change.

We were sorry to say goodbye to Council members Richard Lyttelton and Eleanor Mackie and I thank them for their huge contributions to our work. In turn we welcome Joel Wilson, the new Students' Union representative.

I look forward to the coming years with pride in what we have already achieved and a determination to see through to fruition the RCM's ambitious plans to safeguard that legacy for generations to come.

A handwritten signature in blue ink, reading "David Black".

Lord Black of Brentwood
Chairman
21 November 2019

DIRECTOR'S REPORT

I am immensely proud to report that for the fourth consecutive year we have been ranked the top institution for performing arts in the UK and in the top three institutions globally (2019 QS World University Rankings). RCM was also placed first among conservatoires for music in the UK by the Complete University Guide Arts, Drama and Music and ranked the top UK conservatoire for music in The Times and Sunday Times Good University Guide 2019.

Developing the talent and character of our students to thrill on the world stage and thrive in their professional life is RCM's core aim and our students never fail to deliver. This year RCM musicians won numerous high profile awards at prestigious competitions across the globe and further information is given on these successes elsewhere in this report.

The President's Visit to RCM is always a significant occasion, but this year The Prince of Wales witnessed the physical transformation taking place at the heart of RCM's iconic home in South Kensington. The More Music development will create two new performance spaces, a new home for the RCM Museum and additional practice rooms and social spaces. Entering the space that will become the new 150-seat Performance Hall, The Prince of Wales stood with RCM's Chairman, Lord Black of Brentwood, as RCM musicians (including myself) performed Haydn's *March for the Prince of Wales*. The piece was composed in 1792 as a tribute to the heir to the British throne, the future King George IV who was an admirer of the composer.

The More Music building development will reach fruition in this academic year and our staff and students are excited by the prospect of wonderful new facilities. This has been made possible through the generosity of many supporters. In particular, RCM thanks Founding Patrons including the Heritage Lottery Fund (HLF), Kingdom Music Education Group, Rena Lavery HonRCM & Sandro Lavery, Ruth West HonRCM & Dr Michael West and the Garfield Weston Foundation for their significant contributions.

As well as touring the new building development, The Prince of Wales conferred honours to leading names in music during a ceremony held in our historic Blomfield Building. Those honoured included internationally acclaimed violinist Maxim Vengerov. As part of the ceremony, The Prince of Wales heard a performance featuring some of the RCM's exceptional talent: soprano and President's Award winner Julieth Lozano Rolong, flautist Sirius Chau Kei Lok and violinist Emily Sun, both Tagore Gold Medal recipients, and pianist Martin James Bartlett who was awarded the Queen Elizabeth The Queen Mother Rosebowl.

With uncertainty around the terms of the UK's break from the EU and declining uptake in arts subjects at GCSE and A level, it is vital that RCM continues to demonstrate commitment to its partners at home and abroad. In May I was pleased to welcome the National Arts Centre Orchestra (NACO) from Canada, who hosted a series of workshops and concerts. RCM and NACO are leaders in education using modern and distance technology, and we look forward to developing further exciting and innovative artistic collaborations together.

This year proved to be an outstanding one for RCM with many highlights including, a moving performance of Vaughan Williams' Pastoral Symphony, conducted by John Wilson as part of our *Passing Youth* series, marking the 1918 Armistice; a memorable RCM Symphony Orchestra performance of Holst's Planet Suite at the Queen Elizabeth Hall conducted by Andrew Gourlay; and the BBC Radio 3 broadcast of the RCM Symphony Orchestra's performance of Simon Holt's *an icicle of moon* conducted by Thomas Zehetmair.



A handwritten signature in black ink, which appears to read 'Colin Lawson'. The signature is fluid and cursive, written on a white background.

Colin Lawson CBE FRCM
Director
21 November 2019

FINANCIAL REVIEW

A sustainable future

Financial results for 2018/19

Royal College of Music made a consolidated surplus before gains and losses of £1.4million (£10.4million in 2017/18) after a charge to our USS pension provision of £2.7million (decrease of £359,000 in 2017/18).

Financial Sustainability Strategy

The current RCM Financial Sustainability Strategy includes targets to: maintain operating cash in a range of 60 to 120 days expenditure (c£3million to £6million); achieve a five-year rolling average surplus of £300,000; and invest £1million pa in approved infrastructure strategies. In 2018/19 we achieved these targets. The main changes compared with 2017/18 are:

- investment income down by £600,000, reflecting a change in investment strategy for our long term funds and also significant draw down of funds to pay for the More Music building development;
- a good year for donations and endowments income even though the year-on-year comparison shows a decrease of £1.1million as this included a fall in legacy donations of £1.8million -a figure which fluctuates regularly on a year-by-year basis;
- income from More Music donations fell by £2million to £2.9million as we moved closer to achieving our campaign target;
- staff costs increased by £4.1million, however, the major element of this was an variation of £3.0million year-on-year on the movement on our USS provision;
- other operating costs increased by £1.4million, including an increase of £233,000 in scholarships and awards, £155,000 additional expenditure against funded research contracts, an extra £141,000 on business as usual costs related to the More Music building development and £647,000 on additional premises costs, largely relating to the More Music building development and a significant insurance claim, following flooding of the library (all losses were covered by our insurance policies for repair and replacement); and
- depreciation increased by £111,000 reflecting our major investment in infrastructure projects.

Staff

RCM's teaching is undertaken mainly by hourly-paid professional musicians who provide one-to-one tuition for their students, with administration undertaken in the main by permanent, full-time staff. RCM supports the national pay framework, with pay awards negotiated, on behalf of RCM, by the Universities and Colleges Employers Association. The 2018/19 national pay settlement was agreed at 2.0% effective from 1 August 2018. The pay award for 2019/20 was not agreed with the trade unions and was implemented by employers at 1.8% in August 2019.

Unison is a trade union recognised by RCM and its elected representatives are permitted to take reasonable paid time off to carry out some union duties. In 2018/19, the amount of time spent by RCM staff on trade union activities and the cost related to that time was:

• number of union officials	two
• time spent on union activities by both employees was in the band	1% to 50%
• cost of staff time spent on union activities	£3,077
• total RCM staff cost	£15.1million
• staff cost related to union activities as a percentage of RCM's total staff cost	0.02%
• time spent on paid trade union activities	0.00%

Reserves

The unrestricted income and expenditure reserve of £27.1million (£29.6million at 31 July 2018) is the accumulated surplus generated from RCM activities, which is unrestricted in its use and available for the benefit of RCM. This reserve is maintained to support our pension and other long-term liabilities and provide for capital projects not funded by donations. In recent years we have built up reserves in order to: maintain RCM's sustainability during a period of cuts in government grants and major change in the higher education sector; and support capital projects, including purchase of RCM Jay Mews (formerly known as Markova House) and the More Music building development. RCM also holds an earmarked income and expenditure reserve of £16.2million (£13.6million in 2017/18), which includes £15.8million for the More Music building development.

Investment performance

The Investment Committee monitors the performance of RCM's investment portfolios which have a total value of £49.2million (£46.4million at 31 July 2018). There are three funds:

- Scholarship and Awards Fund £39.2million (£36.6million at 31 July 2018): an in-perpetuity fund for generating income for scholarships; it is not anticipated that there will be significant draw down of capital from the fund;
- General Fund £9.2million (£9.0million at 31 July 2018): a short/mid-term fund established to work in coordination with RCM's working capital requirements and capital requirements, including the More Music courtyard development. During 2017/18, RCM withdrew £11.5million from this fund as part of our planned financing of the More Music courtyard development; and
- Junior Department Fund £809,000 (£753,000 at 31 July 2018): a long-term fund with the purpose of generating income for bursaries; it is not expected that there will be significant draw down of capital from the fund.

The investment strategy for each fund is:

- Scholarship and Awards Fund: withdrawal rate of 3.5% (net of fees); a portfolio with a good probability of maintaining the real-term value of the fund, without assuming too high a risk profile;
- General Fund: a portfolio, which provides a low risk income and/or growth return which is higher than bank /building society short-term deposit interest rates; and
- Junior Department Fund: a portfolio with a good probability of maintaining the real-term value of the fund, and providing an income stream for bursaries without assuming too high a risk profile.

RCM's investment strategy is set by the Finance & General Purposes Committee, on the recommendation of the Investment Committee, to reflect our requirements. RCM has appointed three investment managers: the Scholarship and Awards Fund is split into two separate portfolios, with Cazenove Capital and Newton Investment Management Ltd each managing one of these portfolios; Ruffer LLP manage the General Fund; and Newton Investment Management manage the Junior Department Fund

In 2018/19, we gained £2.3million (also £2.3million in 2017/18) on our investments and this is reflected in the statement of comprehensive income and expenditure. Income from investments is important to RCM's sustainability as this provides income for scholarships and general expenditure and is a source of funding for capital projects.

RCM student accommodation

RCM owns student accommodation, Prince Consort Village (PCV), in Ravenscourt Park, which is operated by Campus Living Villages who paid RCM a lease premium of £15.6million in return for a 51-year lease, which will be returned to RCM on payment of a nominal fee (£1). RCM Business Enterprises Limited (RCM BEL) is a wholly owned RCM subsidiary and the RCM Scholarship Fund invested £1.7million through RCM BEL in PCV. This investment represents a 20% stake and it is held in order to generate additional income for student scholarships.

Capital projects

Funds generated from the PCV lease premium were used to finance the purchase of RCM Jay Mews (formerly known as Markova House) from English National Ballet. RCM completed the purchase in February 2019 and took possession in August 2019. The building is 200 metres from our main Prince Consort Road Campus and will provide additional accommodation for teaching, research, practice and rehearsals as well as office and communal space.

RCM is investing £40million in More Music Reimagining the RCM which will create two new performance halls, an interactive museum, extra practice and rehearsal spaces and more communal space for students, staff and visitors. These spaces should be delivered during 2019/20 and RCM had spent £29.5million by end of July 2019. An important element of More Music is enhancing our digital programme. In 2018/19, we upgraded the College's data networks, set up a new off-site data centre with enhanced fibre connectivity, migrated to cloud backup and updated to the latest touchscreen displays in teaching rooms.

Treasury

During the year there was a net cash inflow from operating activities of £1.7million (£5.6million in 2017/18), also in the year we received £655,000 of legacy donations (£2.5million in 2017/18).

There is an outstanding loan balance with the Royal Bank of Scotland of £1.2million at a fixed interest rate of 5.3%, with seven years remaining. This is charged to a general covenant on RCM. Loan finance is required to support the More Music courtyard development and, in 2017, RCM contracted with the Royal Bank of Scotland for a five-year rolling credit facility of up to £13million, and had drawn down £1million by the end of July 2019.

Charities Act 2006 and principal regulator

Under the Charities Act 2006, the Office for Students (OfS) is the principal regulator of English higher education institutions (HEIs) that are exempt charities and the OfS is expected to promote charity law compliance by the exempt charities for which they are responsible. RCM is one of 18 HEIs which are registered charities and monitored and regulated as charities by the Charity Commission; this is additional to OfS's own accountability oversight. RCM is registered with the Fundraising Regulator. Registration is on a voluntary basis and RCM is committed to adhering to the Regulator's "Code of Fundraising Practice".

Public benefit

The RCM Council is cognisant of the Charity Commission's guidance on public benefit and in preparing this Strategic Review has given due consideration to this guidance and in particular to its supplementary public benefit guidance on advancing education and on fee charging.

RCM's charitable aims are to provide specialised musical education and professional training at the highest international level for performers and composers, within an environment that stimulates innovation and research. This enables talented students from all backgrounds to develop the musical skills, knowledge, understanding and resourcefulness that will be required to contribute significantly to arts and culture in this country and internationally.

Those benefiting from RCM's charitable aims are: RCM students, members of the public and the community when attending concerts and education outreach work. Outreach work is centred in the London boroughs of Westminster, Hammersmith & Fulham and Kensington & Chelsea. These areas are densely populated with remarkable diversity, wide socio-economic disparities and pockets of high deprivation. More details of our concerts and outreach work may be found throughout this Strategic Review.

Conclusion

Music is an integral part of the fabric of our society and the intrinsic value of music for each individual is widely recognised by the different cultures that make up today's global society; RCM's musical contribution to these different cultures is inestimable.



Lord Black of Brentwood
Chairman
21 November 2019

PROGRESS OF RCM STRATEGIC PLAN 2017 TO 2027

Transforming the College

Mission and principal objectives

Royal College of Music provides specialised musical education and professional training at the highest international level for performers and composers, within an environment that stimulates innovation and research. This enables talented students from all backgrounds to develop the musical skills, knowledge, understanding and resourcefulness which will equip them to contribute significantly to musical life in this country and internationally.

Objects of the Royal College of Music

The Mission Statement supplements RCM's objects as set out in the 1883 Charter:

- 'the advancement of the Art of Music by means of a central teaching and examining body charged with the duty of providing musical instruction of the highest class, and of rewarding with academical degrees and certificates of proficiency and otherwise persons, whether educated or not at the RCM, who on examination may prove themselves worthy of such distinctions and evidences of attainment';
- 'the promotion and supervision of such musical instruction in schools and elsewhere, as may be thought most conducive to the cultivation and dissemination of the Art of Music in the United Kingdom'; and
- 'generally encouragement and promotion of the cultivation of music as an art throughout the world'.

Strategic Plan 2017-27

The RCM Council approved a new Strategic Plan in 2017, which looks ahead across an initial planning period of three years to 2020, when existing major projects are due for completion. These projects are focused on major estates plans and the opportunities that these create to support student learning, public engagement, research, and RCM's international and digital strategies:

- completion of the More Music building development in our Prince Consort Road estate and occupation of RCM Jay Mews. This is supported by the More Music campaign, encompassing fundraising for strategic priorities, capital development projects, scholarships, academic initiatives and Junior College/Sparks;
- enhancing RCM as a European conservatoire in response to Brexit, which will involve a range of actions which will evolve as the wider economic and political context develops;
- international initiatives, including, in China, collaborative projects to establish a joint institute with the Shanghai Conservatory and training centres in Shenzhen and Shanghai; and
- developing digital initiatives, including establishing the [learn.rcm](https://www.learn.rcm.ac.uk/) virtual learning environment and the Virtual Conservatoire in collaboration with other conservatoires.

The Strategic Plan also looks ahead across ten years between 2017 and 2027, setting out our Vision for RCM in 2027 and the guiding objectives and principles for new initiatives. During 2019/20, RCM will establish Priorities for the next phase of the Plan, for at least a three year period beyond 2020.

In setting RCM's priorities and planning its activities the RCM Council has given careful consideration to the Charity Commission's general guidance on public benefit.

Outlook for 2019/20

The overall economic outlook continues to be uncertain. The referendum decision to leave the EU has presaged an unprecedented period of political and economic uncertainty. Brexit has far-reaching implications for RCM, 20% of whose students and more than 70 staff are from the EU. RCM is determined to achieve a sustainable surplus and has set targets for income, savings and surplus as a percentage of turnover. The targets for our previous Financial Sustainability Strategy were exceeded and new financial sustainability targets were approved by Council for the period to 2021. RCM's five-year financial forecasts were updated in May 2019, and these forecasts were tested using sensitivity analyses for a range of potential risks. Set against an uncertain economic background, acceptances to study at RCM in 2019 are as high as ever from international, EU and UK students. We plan a modest growth in overseas student numbers for 2019/20 and the next few years, as RCM starts to benefit from additional space resulting from its More Music building development and occupation of RCM Jay Mews during 2019/20.

Principal risks and uncertainties

The RCM Risk Management Strategy and Policy sets out the respective roles of the RCM Directorate, Council, Finance & General Purposes Committee and Audit Committee in managing risk. It also sets out the key controls and our approach to risk management. The RCM Risk Register identifies key risks, likelihood of occurrence, potential impact on RCM and actions being taken to reduce and mitigate risks. The risks themselves are prioritised using a consistent scoring system¹. The Register is subject to annual review by the RCM Directorate and is monitored and up-dated throughout the year with an annual report on risk management presented to all committees involved in managing risk, including the Council. The risk register was reviewed fully in October 2018 and again in February and May 2019. Key risks currently scored red are:

- impact of Brexit puts recruitment of EU students at risk;
- impact of Brexit makes it harder to retain and recruit the most qualified staff; and
- failure to continue updating to industry standard digital hardware;

Amber risks are:

- RCM suffers debilitating cyber-attack/security breach;
- failure of trust in institution on part of College community and wider public;
- failure to develop and deliver the More Music building development to the required quality and approved budget; and
- failure to achieve overseas student number targets/change of UKVI policy.

The RCM Council reviews annually key performance indicators and these reflect guidance from the OfS national Financial Sustainability Strategy Group which developed a basis for monitoring and reporting institutional sustainability through an annual sustainability report (ASSUR).

¹ RCM uses a three tier scoring system to denote the priority level of each strategic risk. These are: red (high priority); amber (medium); and green (low).

INSPIRATIONAL PROGRAMMES

Enhancing learning and teaching

Following a consultation involving all RCM teaching staff and the Students' Union, a new Learning, Teaching and Assessment Strategy, 2019 to 2024 was approved by the RCM Council in July. The Strategy is aligned to our Strategic Plan and consolidates recent developments in our approach to teaching and an expanded set of commitments to staff, and in particular our hourly-paid professors. The Strategy has four headline aims:

- **learning and teaching philosophy:** encourage and support students to take creative responsibility for their own learning; to understand artistic development as a process of risk-taking and evidence-informed critical reflection; and self-directed approaches to discovering and articulating their musical feelings and contextual knowledge;
- **from student to artist:** provide an environment in which students can develop as innovative artists equipped with relevant skills and values that enable them to take their places and thrive within the contemporary music profession and associated disciplines; irrespective of background or circumstances, students are supported to achieve successful outcomes at every stage of their studies;
- **environment and resources:** ensure provision of an optimal physical, technological, intellectually stimulating and safe environment to support creative, reflective and interactive learning with peers, teachers and professional practitioners, within and outside RCM; and
- **outstanding teachers:** recruit the finest teachers and support them by providing formal and informal skills training and professional development opportunities that engender critical reflection and sharing of best practice, based on contemporary pedagogical research.

Research and Innovation

RCM had six current externally funded projects (overall value, £3.2million, RCM share £852,000); a further eight funding bids awaiting response (provisional value, £1.3million); and 13 further bids being prepared. Major projects include:

- AHRC funded, 'Music, Migration & Mobility, the Legacy of Migrant Musicians from Nazi-Europe in Britain' (September 2019 to August 2022, value £900,000): a study of the mobile lives, artistic products and impact on British culture of musicians who came from Nazi-ruled Europe in the 1930s and '40s;
- AHRC funded HeARTS project (commenced November 2017, value £1million): a three year joint venture with Imperial College London (ICL) that explores the impact of arts and culture on health and wellbeing across the UK, from individual, social, and economic perspectives;
- AHRC funded 'Music, Home and Heritage, Sounding the Domestic in Georgian Britain' (January 2018 to summer 2020, £800,000): a collaborative project with the University of Southampton and the National Trust, recent highlights include an international conference held at RCM, a major exhibition and performance at Boughton Castle, and publication of an accompanying catalogue. In 2019/20 there will be more performance-based research involving RCM students and professors; and
- Research England funded MedTech SuperConnector project (commenced May 2018, value to RCM £484,000 – part of a total award of £5million): a three year project led by ICL and including RCM, the Royal College of Art, Francis Crick Institute and Institute for Cancer Research. Funding allows the group to offer awards to talented early career researchers to determine the most effective methods for translating medtech discoveries into clinical practice and consumer use. RCM researchers (particularly those working in the fields of performance technology, arts in health and performers' health and wellbeing) will receive support to develop their ideas and explore potential for commercial exploitation.

Doctoral Research Training and Studentships

As a result of RCM's successful bid to join the new London Arts and Humanities Partnership, 2019 to 2024, applicants for the RCM doctoral programme can apply for research studentships, which cover full fees and provide a maintenance grant for three years of full-time, or six years of part-time study. The 2019 competition awarded 90 studentships across eight universities and 26 humanities disciplines. Six studentships were awarded for music, of which three were to RCM applicants. RCM was also awarded a Collaborative Doctoral Award studentship to support a doctoral studentship with both RCM and the British Association for Performing Arts Medicine.

MUSICAL PERFORMANCE

Bringing the notes to life

RCM's extensive performance programme is fundamental to our learning and teaching, developing skills and experience that students will need for their future professional lives. In its breadth and depth, and with the range of world-leading musicians who work with our students, the programme is unrivalled for the engagement and education it provides for students, supporters and the public.

Autumn 2018

The autumn saw a collaborative concert with Eton College celebrating the life of former Director, Sir Hubert Parry, and our Passing Youth series, marked the 1918 Armistice with RCM alumnus John Wilson conducted a moving performance of Vaughan Williams' Pastoral Symphony. Jac van Steen returned to lead the RCM Chorus in Fauré's Requiem, and other orchestral concerts included works by Brahms, with members of the Chamber Orchestra of Europe, Shostakovich and Elgar. In another first, RCM Sparks hosted a family concert, taking the audience on a spooky musical journey through Berlioz's *Symphonie fantastique*. Visitors to RCM included Maxim Vengerov, Sir James Galway, Vittoria Ghielmi and Thomas Trotter and RCM alumnus John Williams joined guitarists from around the world for our inaugural Guitar Festival. The autumn was rounded off with an unforgettable performance of Mozart's opera *Il Nozze di Figaro*, directed with panache by Sir Thomas Allen. The Studios team masterminded the filming of this production, which was our second contribution to the OperaVision platform, which makes productions from major European opera houses available online to global audiences. It became the platform's most watched production ever, with more than 160,000 views. We are also piloting a new course "Performance in the Digital Age", which covers topics ranging from recording and social media, to specialist low latency networked performance technologies.

Spring 2019

Orchestral concerts continued their range of exceptional quality, with Rafael Payare conducting Strauss *Ein Heldenleben*, and Thomas Zehetmair performing Mozart and Dvorak a concert which was broadcast on BBC Radio 3. We marked International Women's Day with a concert featuring exclusively RCM female composers, from Elisabeth Lutyens to Anna Meredith. The annual keyboard festival continued this theme, focusing on Clara Schumann and the composers in her life. Chamber music is an important strand of RCM performances, and we continued our Essential Haydn series. Song is another important element of RCM performance and Roger Vignoles led a whole-day exploration of Mahler *Des Knaben Wunderhorn*. The term ended with two major dramatic productions: *Otis* and *Eunice* was a collaborative project, the culmination of the Virtual Conservatoire, featuring live drama in London and Bristol linked in real-time by LOLA; and Offenbach's comedic take on *Robinson Crusoe*, which was altogether a more uproarious affair.

Summer 2019

The summer began with a remarkable range of student-devised and led performances in the Great Exhibitionists series, including a complete staged performance of Sondheim's *Sweeney Todd*. Vladimir Jurowski returned for an orchestral workshop on Strauss *Till Eulenspiegel*, and, after a recording session at Abbey Road Studios, the RCM Symphony Orchestra gave a memorable concert, at the Queen Elizabeth Hall, of Rachmaninov and Holst, led by RCM alumnus Andrew Gourlay. In a number of other celebrations, including the Festival of Percussion, Super String Sunday, RCM in Residence at Cadogan Hall and RCM Strings Showcase at Wigmore Hall, the talents of our students were displayed in many ways and on a number of platforms. We rounded off the summer season with an operatic double bill: Lennox Berkeley's gently observant period comedy, *The Dinner Engagement*, and Leonard Bernstein's sardonic tale of a suburban couple, *Trouble in Tahiti*. The HEFCE Catalyst-funded four-year Virtual Conservatoire project concluded with a large scale two-site performance of *Orpheus and Eurydice* linking the RCM Britten Theatre with Bristol Old Vic Theatre School, where audiences at each site experienced two separate but connected theatrical pieces, linked at key points via low latency technology. This builds on RCM's ongoing work in the field of low latency networked performance, allowing musicians and artists across genres to rehearse and perform together in real time across the internet.

CELEBRATING SUCCESS

Shining examples

At RCM we provide each of our exceptionally talented students with the means to transform their dreams into a reality and a livelihood. In our endeavour to help our students achieve their full potential, we treat each of them as a unique musician. Success at RCM takes many different forms, from a small improvement discerned in an aspect of technique, to the light-bulb moment which catapults a performer to international recognition. Each RCM musician has individual successes to report – some very personal, others more public. We celebrate them all. Below is a small selection of student successes in 2018/19.

Composition

Pablo Barrios: commissioned by The Commonwealth Resounds to compose a piece in celebration of Prince Harry's new role as Commonwealth Youth Ambassador
Joe Boon: composed a score for a new National Geographic documentary, *Bounce-Back: Kaikoura Quake*
Nino Russell: winner of the Theodore Holland Intercollegiate Composition Competition
Alexia Sloane: winner of the 2018 BBC Proms Inspire Competition
Liam Taylor-West: Community/Educational Project category winner in the 2018 British Composer Awards

Keyboard

Martin James Bartlett: awarded Second Prize and the Audience Prize in the Kissinger Piano Olympics
Thomas Kelly: Second Prize winner in the Piano Competition at the Virtuoso and Belcanto Festival
Antoine Pichon: Finalist and Yamaha Special Prize winner at the ICoM Piano Award 2018 International Competition
Irena Radic: awarded the Finalists' Prize in the Bromsgrove International Musicians Competition
Tamila Salimjanova: awarded Third Prize and the Orchestra Prize at Concurso Internacional de Piano de Campillos
Jun Lin Wu: First Prize winner in the Jaques Samuel Pianos Intercollegiate Piano Competition
Peggy Wu: awarded Second Prize and the Audience Prize at the Birmingham International Piano Competition

Strings

Haim Choi and Thomas Kelly (keyboard): awarded First Prize in the Chamber Music Competition at the Virtuoso and Belcanto Festival
Clara Garde: winner of the European Soloist Competition in Violin
Maria Gilicel: awarded the 2018 Royal Philharmonic Society Anderson Prize
Dillon Jeffares: Second Prize winner in the Leonid Kogan Violin Competition
Roberto Ruisi: winner of the Strings Final of the 67th Royal Over-Seas League Music Competition
Tamaki Sugimoto: selected for the London Symphony Orchestra's String Experience Scheme 2018/19

Woodwind

Amy Gillen: named Irish Freemasons Young Musician of the Year and awarded the Irish Heritage Bursary
Kristen Hammerseth: appointed Associate Flute of the Philharmonia Orchestra
Marie Sato: winner of the RPS-Duet Young Instrumentalist Prize, alongside RCM pianist Noah Zhou
Justin Sun: awarded the 2018 Musicians' Company Maisie Lewis Award

Vocal

James Atkinson and Charlotte Bowden: First Prize winner and Second Prize winner, respectively, in the Maureen Lehane Vocal Awards

Rory Carver: selected for the Les Arts Florissants' academy for singers

Glen Cunningham, Josephine Goddard and Joel Williams: awarded First, Second and Third Prize, respectively, in the Vocal Section of the Joan Chissell Schumann Competition Laurence Kilby: awarded First Prize and the Norma Procter Song Prize at the 2018 Kathleen Ferrier Society Bursary for Young Singers Competition

Theo Platt: awarded Third Prize in the 9th Veronica Dunne International Singing Competition Ben Smith: selected as a 2018/19 National Opera Studio Young Artist Nardus Williams: selected for the 2018/19 Houston Grand Opera Studio programme

RCM in the press

'*La valse*, Ravel's atmospheric portrait of pre-war Vienna, [was] masterly in its orchestration, its glaring colours and shadows fully explored by the highly accomplished RCM students. John Wilson sought to underline Ravel's description of his choreographic poem as an "impression of a fantastic, fatal whirling motion", and judged the work's inherent solemnity to perfection.' *David Truslove for Classical Source on an RCM Symphony Orchestra concert conducted by John Wilson, part of the RCM Passing Youth series commemorating 100 years since the end of WW1.*

'Every minute, even every second, was made to count: repetition never just repetition, development always called into question... Tremendous stuff, then, as always: fully the equal of what we should have any right to expect from London's larger houses.' *Seen and Heard International on the RCM Opera Studio's production of Peter Maxwell Davies' The Lighthouse.*

'The playing of the RCM instrumentalists matched the tautness of the unfolding drama, as Rosewell dug deep into Maxwell Davies' striking soundpalette.' *Opera Today on the RCM Opera Studio's summer double bill, The Lighthouse and In the Locked Room:*

'Everyone knows exactly what they are doing, their acting has that ring of confident spontaneity, and the wedding-dance sequence is a brilliantly choreographed and executed pleasure... This is a generous, subtly observed production that would thrive in any operahouse.' *Classical Source on the RCM Opera Studio's production of Mozart's The Marriage of Figaro.*



Joel Williams, Katy Thomson, Timothy Edlin and Harry Thatcher in Mozart's *The Marriage of Figaro*

LEARNING FOR ALL

Ensuring fair access

RCM Junior Department

RCM Junior Department (RCMJD) offers advanced training at the highest level to young musicians aged eight to 18, providing individually-tailored programmes of one-to-one instrument, voice and composition, supported by chamber music, orchestra, choir and musicianship. Since its inception, RCMJD has evolved to meet the musical needs of our students and adapted to a changing educational and musical landscape. Entrance to RCMJD is by audition and we are committed to ensuring successful applicants can attend RCMJD regardless of financial means; in 2018/19 more than £200,000 of bursary support was awarded to families with the most need.

RCMJD students were involved in more than 100 concerts in 2018/19, performing at a range of prestigious venues including the Royal Albert Hall (RAH), the Purcell Room and Cadogan Hall. Students also benefitted from working with professional musicians of the highest calibre, including RCM heads of faculty, the Harlem Quartet and Onyx Brass. Our creative partnership with the English National Ballet Youth Company continues to flourish, and this year 60 RCMJD musicians recorded the soundtrack for a new work, *Uncharted*, which received its premier at Saddler's Wells in April. Our chamber music programme offers all students opportunities to develop their ensemble skills to the highest level and many students are members of leading ensembles including the National Youth Orchestra, National Children's Orchestras and National Youth Choirs of Great Britain. Our students are also highly successful in national and international competitions. Two RCMJD winners of the BBC Inspire Composition competition received commissions for new choral works from the BBC Singers this year and ten year old pianist Jacky Zhang was named joint winner of the Krainev Moscow International Piano Competition 2019.

This year we launched our RCM 'Sparkles' programme, a collaboration between RCM Sparks and RCMJD led by RCMJD staff and RCM student mentors. New weekly classes for 200 3-5 year olds in local primary schools (preschool and reception years) acted as the recruitment pool for our reimagined Sparks Juniors programme. 10 free places have been provided for five year old children and their parents to engage with formal learning at RCMJD on our revised Sparks Juniors fully funded three year programme commencing September 2019.

RCM Sparks

RCM Sparks is RCM's Learning and Participation programme providing an accessible pathway of musical learning designed to engage children from early years to age 18. Sparks run public events and activities for schools and special programmes in our local area, partnering with other institutions to provide the benefits of music education where they are needed most. Sparks work is based around learning pathways, which cater for children's changing needs as they develop, so we can continue to foster musicianship and learning skills throughout their educational journey. The programme is designed by RCM staff and led by outstanding leaders who are experts in their fields. The leaders are supported by teams of RCM students who are trained and supported in the area of learning and participation, which in turn develops a new generation of educators with meaningful practical experience.

Last year Sparks ignited creativity in 2,800 local community members and trained 120 RCM students and graduates. Sparks workshops offer inspirational learning experiences for all, regardless of financial means, with free or subsidised places available for children (and their families) who are eligible for pupil premium, 'looked-after' children (and their families), children who live in social housing, families eligible for housing benefit and/or working or family tax credit, families/individuals eligible for disability benefit and service families. In 2018/19, 55% of attendees at workshops accessed free or subsidised places and 53% of attendees were non-white ethnic.

Sparks continues to work closely with the Tri-Borough Music Hub as a strategic delivery partner, bringing musical enrichment activities to schools and families in the London Boroughs of Westminster, Hammersmith & Fulham and Kensington & Chelsea. In 2018/19, Sparks worked with more than 2,850 pupils from 38 different schools and rolled-out to three new areas of the Tri-borough. The free community access family programme *Get, Set, Play* welcomed participants from under-represented and disadvantaged groups engaging with RCM, the RAH and Tri-Borough Music Hub. One hundred family members used this programme in 2018/19, with 50% from access families.

EMPLOYABILITY

Supporting talent and shaping futures

RCM is a world-leader in career development for musicians. We emphasise the need for students to be well-rounded and confident and versatile communicators -not just in their professional engagements, but in everything they do. RCM graduates are highly employable -the Higher Education Statistics Agency graduate employment survey shows an incredible 100% of RCM graduates from our 2017-18 cohort in employment or further study six months after graduating, and between 98 -100% in the last five years, with RCM consistently ranked in the top five across all UK universities.

RCM's Creative Careers Centre (CCC) is recognised internationally for its innovative approach to supporting young musicians. It offers resources and guidance, bespoke career advice, workshops and presentations by industry specialists and a broad range of professional opportunities, including performances and teaching work. For many students, the CCC helps pave the way to a successful career in music. The CCC also leads on academic modules within our degree programmes, focusing on entrepreneurship, administration and business-skills training.

CCC partners with leading consultants, reputable arts organisations and local communities, delivering unique career-building opportunities and a direct route to the music industry. We enable musicians to discover their professional identity, gain hands-on experience and new skills, develop an entrepreneurial mind-set, and build a fulfilling professional portfolio. The services of the CCC are available to all students and alumni for up to five years after graduation. Services include: weekly one-to-one CV, biography, funding, marketing and careers sessions, student/graduate-aimed job bulletins, arts administration work placements/internships, and regular workshops and presentations led by industry specialists. It also offers advice on self-promotion, and access to a wide variety of professional contacts and online resources.

Concert opportunities are provided at more than 40 venues, including some of London's most prestigious concert halls, churches, galleries and museums, as well as retirement homes and hospitals. In 2018-19, RCM musicians performed at such notable venues as the Royal Albert Hall's Elgar Room, Buckingham Palace, St Martin-in-the-Fields, V&A Museum, and Chelsea and Westminster Hospital. The CCC continues to develop its strong partnership with the Royal Academy of Arts (RA), supported by Dasha Shenkman, and in the series, *In Tune With*, RCM and RA co-create bespoke creative projects around exhibitions combining music and art.

CCC also manages a thriving professional engagements service with musicians hired by organisations and members of the public to perform at events, work as freelance orchestral and session players, accompanists, répétiteurs, chorus members and composers. Fees and contracts are negotiated by our specialist team to ensure industry-standard compliance. In 2018/19, 500 different musicians gained opportunities through all of the different professional portfolio development schemes combined, with more than 700 performances.

As an essential part of many musicians' careers, teaching is valued as a creative and worthwhile way to share musical passion and expertise. The CCC runs a popular teaching service that matches members of the public who wish to learn with RCM students and graduates who are able to teach. Every week we receive requests for private music teachers of all types and, last year, 91 individuals received tuition via the service.

Passionately driven by, and constantly adapting to, the parameters of an increasingly competitive and complex music industry, the Creative Careers Centre is now globally considered a leading light in the challenging field of student-to-professional transition.

PHILANTHROPIC SUPPORT

Supporting access, excellence and opportunity

More Music: Reimagining the Royal College of Music

The More Music Campaign was launched in February 2017 and by July 2019, £21million of our £25million target had been secured in cash and pledges towards the building development. Geoff Richards HonRCM took over the role of Campaign Chairman at the beginning of the financial year. Geoff is a long-time supporter of RCM and a founding patron of the campaign. As we entered the wider public phase of the campaign we launched a number of new initiatives, including our More Music: Make an Entrance Appeal -our first campaign public appeal.

In 2018/19 we received many significant contributions towards the More Music Campaign. In particular, we wish to recognise, the Colt Clavier Collection, The Foyle Foundation, Kingdom Music Education Group, the Harry and Gylla Godwin Charitable Trust, the Linbury Trust, the Wolfson Foundation, the Kirby Laing Foundation, the Julia and Hans Rausing Trust, Heritage Lottery Fund, Van Cleef & Arpels, and work by our senior volunteers and loyal supporters who have helped make the campaign a success. We still have much to achieve and we will call upon all our RCM friends and family of supporters to help us raise the remaining £4million needed to realise our vision for the future of music.

Our students – scholarships for talent

Since our foundation, RCM has awarded scholarships to enable gifted students to forge their creative careers and we are committed to our founding principles: that those with talent should have the opportunity to study at RCM regardless of their means. In 2018/19, more than £3million was given in scholarships and awards to more than half of the student body. Our ultimate goal and long-term vision is to be able to offer full scholarships to all our students and be a fee-free institution. No student should be denied an RCM education for want of funds and every gift to our Scholarships Fund helps to transform the lives of talented young musicians. We are immensely grateful to all the individuals, legators, organisations, companies and charitable trusts who have supported RCM scholars throughout our 137-year history. Particular thanks go to the Soirée d'Or Committee, a group of leadership volunteers led by Lady Carr, for their outstanding commitment to our annual Soirée d'Or fundraising gala at the Victoria and Albert Museum. The 2018 gala raised £214,000 for scholarships for our students.

Our global community

Our global alumni community is central to all that we stand for and we are proud of all our graduates' achievements as they continue to influence every sphere of the music industry. Alumni are among our greatest ambassadors, with more than 7,500 alumni living in 86 countries. This year we have invested in developing further our alumni programme and will continue to do so in the year ahead.

Our future – ongoing support

Continuing to grow our philanthropic support is essential to our success. Regular gifts of all sizes will strengthen our future and will provide reliable donated income streams to support RCM and our students. We wish to thank everyone who has supported us this year and we acknowledge the tremendous generosity shown by donors, friends, supporters, parents, leadership volunteers and the general public who attend our concerts, events and activities. From becoming an RCM Friend, through to leaving a gift in your Will, every contribution truly makes a difference. There has never been a more exciting time to join the RCM family.

EQUALITY AND OPPORTUNITY

Committed to fairness

“Elite but not elitist, RCM pursues further access and engagement locally, nationally and internationally, opening up online resources to a worldwide audience, thus redefining membership of the RCM community. RCM now reflects the diversity of contemporary society in the UK and beyond and has integrated pre-tertiary provision and community engagement into the RCM's programmes and ethos from age 4 up.” (RCM Strategic Plan 2018 to 2028)

Students

The RCM BAME Scholarships were initiated, offering and awarding three scholarships to UK students from a black, Asian and minority ethnic background applying for the BMus. Each scholarship is worth up to the value of full fees for each year, and can be used to pay tuition fees or to help with living costs.

The RCM Mental Health Strategy was developed to strengthen and unify existing provision and policies to improve crisis response and ongoing support. The initial phase of the strategy included adopting ‘The Big White Wall’ – an anonymous online mental health resource for all students available 24 hours per day, seven days per week and the recruitment of an additional counsellor, increasing counselling provision to five days per week during term time.

The number of candidates for audition declaring a disability remained steady and there was an increase in the number of students being referred for diagnostic assessments for a specific learning difficulty from 10 in the previous year to 17. Students are encouraged to come forward by teaching staff and increasingly by friends who themselves have a diagnosis. All referrals translated into confirmed diagnoses.

Staff

RCM's Equal Opportunities Policy aims to ensure that no member of staff is subjected to unfair discrimination. RCM will not discriminate unfairly on the grounds of any of the protected characteristics as identified by the Equality Act 2010 and is committed to developing and sustaining a positive and supportive working environment for our staff, and an excellent teaching and learning experience for our students and will endeavour to ensure that staff and students give due respect to each other, their work or ideas.

A programme of equality and diversity training continues to be delivered by ACAS to all new members of staff as part of their induction process supplemented with internal training modules, which includes good recruitment practice, dignity and conduct at work and well-being awareness. In addition, support for staff with mental health and disability issues, is being strengthened.

Estates

RCM's hall of residence, Prince Consort Village is fully accessible, with nine rooms designed for disabled students. Our main Campus has a Sesame bespoke wheelchair access lift which provides access into our main reception and front of house area. This is part of our More Music campus redevelopment which will implement radical changes to the campus and improve significantly step free access across our estate.

SHARED SERVICES AND PROCUREMENT

Obtaining value for money

Shared services and collaborations are an important part of RCM's operation as we seek to obtain value for money (VFM), in all senses of the term. We have a successful history of working with others, including:

- UCAS Conservatoires: admissions service created and owned by eight Music Conservatoires;
- Virtual Conservatoire: collaboration with the Royal Academy of Music (RAM), and Conservatoire for Dance & Drama to develop: teaching, learning and performance methodologies and spaces;
- National network of museums: in partnership with the RAM, Horniman Museum and University of Edinburgh, delivering scientifically refined records on more than 40,000 musical instruments;
- Ensemble Purchasing: a cost sharing organisation created jointly with five other higher education institutions, to provide shared procurement services;
- Imperial College: provide services where both partners benefit from economies of scale from higher volumes, including catering, occupational health and student/staff health;
- Kingston City Group (KCG) : universities' internal audit and risk management consortium owned by 10 members, including RCM;
- London Universities Purchasing Consortium (LUPC): London-wide procurement consortium owned by higher education institutions, including RCM and third sector organisations which enables RCM to access to a wide-range of framework agreements;
- The Energy Consortium (TEC): a leader of collaborative energy procurement, particularly to universities, colleges and museums;
- Exhibition Road Cultural Group: champions the collective view of its members, encouraging crossfertilisation of audiences between members; running joint events such as the Great Exhibition Road Festival; and sharing staff expertise;
- Invest to Save: focusing on reducing carbon emissions with the Exhibition Road Cultural Group;
- Electronics Watch: we are affiliated to this independent monitoring organisation that aims to improve workers' conditions in global supply chains; and
- Sustainability and ISO14001 accreditation.

Strong procurement practices are important for delivering VFM solutions and in 2018/19 our procurement program continues to support this goal by providing:

- procurement advice on commissioning goods and services: in respect of contract management, supplier engagement and delivery strategies and solutions in areas such as waste management, cleaning, furniture, video interactive displays and the replacement finance system;
- procurement guidance: updated documentation to reflect emerging policy and legislation, including request for quotes, specification writing and support for evaluation of tenders to help embed best practice and standardisation throughout RCM;
- training: procurement training to staff around RCM with the aim to refresh basic procurement knowledge, and improve procurement practices across RCM;
- strategy: development of sustainable procurement to support RCM ISO 140001 accreditation.
- contracts database: to store and maintain up-to-date contract documentation to enable the future planning of tendering for goods and services; and
- Procurement Value Survey 2019: indicated that 68% of spend is influenced by the Procurement Function, with a significant number of contracts being let under framework agreements.

CARING FOR THE ENVIRONMENT

Making a difference

In 2013, RCM issued a Green Education Declaration reaffirming its commitment to a sustainable and low carbon future and our dedication to achieving a positive environmental, social and economic impact from our activities. Last year was a successful year, following our transition to the highest international benchmark in environmental management: ISO 14001:2015. Our new carbon management plan is in its final stages and will be implemented during the autumn. Key targets include:

- minimise negative environmental impacts through sustainable procurement and reducing our carbon footprint, by reducing paper use and ensuring all waste streams are 100% recyclable;
- ensure regulatory compliance through an effective cycle of audits and assessments;
- support our core purpose by embedding sustainability across all aspects of RCM including teaching, research, composition and performance;
- encourage positive impacts and incentives through collaborations and partnerships;
- promote environmental initiatives via communications with internal and external stakeholders;
- provide sufficient resource to ensure staff, students and visitors have the skill and knowledge to meet their responsibilities set out in the RCM's environmental standards; and
- maintain an effective management system by ensuring our core objectives are a priority at governance level.

Having been ISO14001 accredited for several years, our transition to ISO14001:2015 demonstrates that environmental issues are embedded in RCM's ethos and we are confident that our objectives are attainable. In 2018/19, we continued to achieve efficiencies across our campus and place importance on reducing our environmental impact going forward. A range of initiatives enabled us to reach our targets including:

- continued delivery of a campus wide LED replacement programme;
- introduction of new mixed waste recycling bins;
- drive towards sustainable catering operations including the introduction of reusable mugs and compostable straws;
- RCM worked closely with the Students' Union to support their GREEN WEEK, which was very successful, with a specific focus on recycling and how students can reduce their environmental impact;
- continued to support the Fairtrade Foundation -our catering outlets sold more than 8,000 Fairtrade products last year;
- affiliation of Electronic Watch through our membership with LUPC;
- install double glazing throughout RCM to reduce heat loss;
- waterless urinals and installation of passive infrared sensor lighting in bathrooms;
- completing a review of the building management system and upgrading our software and hardware to improve efficiencies;
- working with Gilbert-Ash, the construction company for our More Music building development, under the Considerate Contractor's Scheme to achieve a BREEAM rating of Very Good for our development and encourage sustainable practices such as recycling demolished brickwork for reuse on site; and
- ensuring that suppliers providing services in RCM pay a minimum of London Living wage to staff working at RCM.

ESTATES

Providing fitting surroundings for gifted musicians

RCM was founded in 1883 and the main Blomfield Building opened for teaching of music in 1894. Subsequent additions include: the Concert Hall (1901), the South Building (1965) and the Opera Theatre (1986). We have adopted an estates strategy which outlines how we will develop our estate in order to support learning, teaching and research and to realise our artistic vision by providing:

- concert, opera and other performance spaces that reflect contemporary standards of sound insulation and lighting;
- well-resourced and comfortable teaching and practice rooms, appropriate to the needs of students;
- space for specialist areas: e.g. musical instrument workshops, museum, student accommodation, library, recording studios, percussion space and computer rooms for composition and general ICT;
- events space that is maintained at a level which attracts clients from the music, educational, professional and commercial world;
- flexible office space for academic and administrative staff; and
- good quality student, staff and visitor social spaces, designed to provide a welcoming environment to all those using the RCM.

In order to support our vision, we embarked on an ambitious estates development programme. A number of projects have been delivered and more are planned over the next few years:

- construction commenced in June 2017 on the More Music building development and is progressing well. Practical completion is largely scheduled for autumn 2019 and we aim to be fully functional by early 2020;
- summer works, 2019, provided an exciting time for the More Music building development, with installation of new practice pods on the first floor with step free access from the Blomfield building to the south building in time for commencement of the autumn term;
- the new reception and box office opened in September 2019 and provides students, staff and visitors with a revitalised welcome to RCM;
- the historic mosaic floor situated in the outer hall, was repaired to coincide with our new reception and box office, with this project funded by the *"Making an Entrance"* appeal;
- RCM Jay Mews (formally known as Markova House) was handed to RCM in August 2019 and will provide additional accommodation for teaching, research, practice, rehearsal and offices. It will also house our fit-to-perform initiative. Refurbishment will happen during the autumn term with RCM Jay Mews due to open in January 2020;
- Prince Consort Village continues to provide 417 student bedrooms and 23 music practice rooms;
- the final element of the South Building refurbishment programme is scheduled for 2020 and will include a new archive and research centre;

CORPORATE GOVERNANCE & RESPONSIBILITIES OF COUNCIL

Good governance

Committee of University Chairs (CUC) Governance Code of Practice

In November 2018, the RCM Council conducted an assessment of its own compliance with the CUC HE Code of Governance. In discussion the Council noted the core values and seven primary elements of the CUC HE Code of Governance and concluded that RCM's governance procedures are compliant. The Council approved an updated Statement of Primary Responsibilities and Delegation of Powers. Subsequently the Council and its committees undertook effectiveness reviews, with outcomes reported to the Council in March 2019. The Council discussed its effectiveness review and the collation of responses, a report by the Chairman on individual meetings and the outcomes of individual committee reviews. The Council noted that three themes emerged from the effectiveness reviews of Council and its committees for future development:

- diversity and skills sets (particularly digital) of Council members;
- representation of the student experience, central to all committees' activities; and
- the role of Council in RCM's strategic thinking, particularly the amount of time allocated by Council.

Statement of primary responsibilities

The Council is responsible for:

- approving the mission and strategic vision of the College, long-term business plans, key performance indicators (KPIs) and annual budgets, and ensuring that these meet the interests of stakeholders;
- appointing the Director and putting in place suitable arrangements for monitoring his/her performance;
- ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest; and
- monitoring institutional performance against plans and approved KPIs, which are, where possible and appropriate, benchmarked against other institutions

Structure of corporate governance

The RCM Council, which meets at least four times a year, is responsible for the strategic direction of RCM and for all major developments. In fulfilling its responsibilities for administration and management of RCM's affairs, the Council approves the annual revenue and capital budgets and audited financial statements for each financial year prepared in accordance with relevant accounting standards. The Council's membership and powers are laid down in RCM's Royal Charter and Statutes. The maximum number of Council members is 25, three of whom are elected from among RCM staff and at least 10 of whom are independent members. The President, Director, Deputy Director and Students' Union President are *ex officio* members. The Chairman and Deputy Chairman are drawn from the independent members. For the purposes of the Charities Act 2011, members of Council are RCM trustees.

The Council is responsible for interactions between RCM and the OfS, and its designated bodies, and for ensuring RCM's compliance with all OfS's conditions of registration and accounts direction. The Council has nominated the RCM Director as the accountable officer who has the responsibilities set out by the OfS.

The Council has a Finance and General Purposes Committee (F&GPC) which meets at least four times a year. The F&GPC's responsibilities include monitoring performance in relation to approved budgets and oversight of the

Directorate's risk management responsibilities. The F&GPC scrutinises the annual financial statements ahead of consideration by Audit Committee and Council and reviews financial forecasts and management accounts and makes recommendations to Council. In undertaking its financial reviews, the F&GPC satisfies itself that it is appropriate for RCM to adopt the 'going concern' basis for financial planning and reporting. The F&GPC also reviews minutes of the Health and Safety Committee in order to monitor compliance and practice on behalf of Council. The Investment Committee (which meets at least twice a year) is an F&GPC sub-committee and is constituted formally with terms of reference and chaired by an independent member of Council. A Courtyard Project Board has been established to oversee the courtyard redevelopment building project, with a mix of Council, Directorate and expert membership.

The Audit Committee reports directly to Council. It normally meets three times a year and has a key role in the RCM accountability framework. It advises the Council on the effectiveness of arrangements for risk management, control and governance, efficiency and effectiveness (value for money) and for management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, OfS and other bodies. Meetings are held with external auditors (BDO LLP) to discuss audit findings, and with internal auditors (KCG) to consider internal audit reports and recommendations for improvement of the internal control system, together with management's responses and implementation plans. The Audit Committee considers RCM's annual financial statements, taking into account the views of external and internal auditors, the F&GPC and Directorate, and makes recommendations to the Council. The Audit Committee also receives reports on value for money, which provides assurance that RCM has appropriate arrangements to achieve value for money. The Audit Committee meets privately with each of the external and internal auditors at least once a year.

The Remuneration Committee sets salaries and terms and conditions of the RCM Director and other senior staff. Its constitution and terms of reference are in-line with the CUC Higher Education Staff Remuneration Code and the Committee produces an annual report for the RCM Council on remuneration of the Director and other senior staff (which may be found on the RCM website). The Director is not a member of the Remuneration Committee.

The Nominations Committee makes recommendations to the Council for the appointment of new Council members, committee membership and for honorary awards.

The Senate reports to the Council. It meets at least three times a year dealing with academic policies and quality assurance; sub-committees support its work.

The Directorate meets regularly and is responsible for managing RCM in the context of the Strategic Plan and Mission Statement. The Directorate reviews and updates RCM's Strategic Plan and produces annual planning statements and reviews, for consideration by Senate and F&GPC and for approval by Council. The Directorate are also responsible for implementing risk management policies and identifying and evaluating significant risks facing RCM for F&GPC's consideration.

Basis of financial statements

The Council is satisfied that RCM has adequate resources to continue in operation for the foreseeable future; for this reason the 'going concern' basis continues to be adopted in preparation of the financial statements. The Council reviews the annual sustainability report, incorporating key performance indicators. The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time RCM's financial position and enable it to ensure that financial statements are prepared in accordance with the Royal Charter, Statement of Recommended Practice: Accounting for Further and Higher Education and applicable accounting standards. The Council has also given careful consideration to the requirements contained in the Charities Act 2011 and in particular to the Charity Commission's guidance on public benefit.

Within the terms and conditions of funding for higher education institutions (OfS 2018.15) issued by the OfS, we are required to submit, to the OfS, a suite of accountability returns, including audited financial statements which give a true and fair view of the state of RCM's affairs, and of its comprehensive income, changes in reserves, balance sheet and statement of cash flows for the year. In preparing the financial statements, the Council has ensured that: suitable accounting policies are selected and applied consistently; reasonable and prudent judgements and estimates are made and applicable accounting standards are followed; and the financial statements have been prepared on the going concern basis unless it is not appropriate to presume that RCM will continue in operation.

Financial statements are published on the RCM website in accordance with UK legislation governing preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. Maintenance and integrity of the website is the responsibility of the members of the Council and this responsibility extends to the integrity of the financial statements contained therein. Through work undertaken on its behalf, by the F&GPC and Audit Committee, the Council believes that it has taken reasonable steps to:

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- ensure that OfS and Research England funds are used only for the purposes for which they have been given;
- safeguard RCM's assets and prevent fraud; and
- secure the economical, efficient and effective management of RCM's resources and expenditure.

Accounting records

All accounting records have been made available to the auditors for the purpose of their audit and all transactions have been properly reflected and recorded in the accounting records. All other records and related information which might affect the truth and fairness of the financial statements, including minutes of Council and other meetings, have been made available to the auditors. As far as the Council is aware, there is no relevant audit information of which the auditors are unaware.

Internal control and risk management

The Council has responsibility for maintaining a sound system of internal control that supports achievement of policies, aims and objectives, while safeguarding public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the Council in the Charter and Statutes and the OfS terms and conditions of funding for higher education institutions. The system of internal control is designed to manage rather than eliminate risk of failure to achieve policies, aims and objectives; therefore, it provides only reasonable and not absolute assurance of effectiveness. The internal control system is based on an on-going process designed to identify risks that might hinder realisation of our policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process was in place during the year ended 31 July 2019 and up to the date of approval of the financial statements, and accords with OfS guidance. The Council has responsibility for reviewing the effectiveness of the internal control systems and the following processes have been established:

- the Council meets at least four times per annum and considers RCM's plans and strategic direction;
- the Council receives minutes of each Audit Committee meeting, together with an annual report which provides an opinion as to RCM's arrangements for risk management, internal control, governance, data quality and value for money;
- the Council receives regular reports from the Directorate on steps it is taking to manage risks, including progress reports on key projects;
- the F&GPC is responsible for oversight of risk management and the Audit Committee for keeping under review the effectiveness of risk management, control and governance arrangements;
- a system of key performance indicators has been developed and agreed; these are used to consider performance and make an overall assessment of institutional sustainability;
- a risk prioritisation methodology based on risk ranking has been established;

- an RCM-wide risk register is maintained and this is reviewed regularly by the Directorate, in order to identify and update the record of risks facing RCM;
- training for managers with responsibility for areas involving high-level risk includes attendance at relevant workshops;
- an annual review conducted by the Directorate is presented in writing to the F&GPC for discussion, and reported to the Council; and

The review of effectiveness of the internal control system is informed by reports from internal auditors, who operate to standards defined in the OfS Audit Code of Practice. The internal auditors submit regular reports, which include their opinion on the adequacy and effectiveness of the system of internal control, with recommendations for improvement. The Council's review of effectiveness of the internal control system is also informed by the work of the Directorate, who are responsible for developing and maintaining the internal control framework, and by comments from the external auditors in their various reports.

Equality and opportunities

RCM is committed to its equal opportunities policy and aims to ensure that no student, member of staff or visitor is subjected to unfair discrimination. The Equality Act 2010 covers the following *'protected characteristics'*: age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity; RCM policies, procedures and training programmes reflect the Act.

The RCM Access & Participation Plan embodies RCM's strategic plan for providing access to an inspirational learning experience for the widest possible range of students and serves as a mechanism to measure our compliance with the Equality Act. Key objectives focus on disability, social deprivation and the black and minority ethnic population seeking to: encourage applications, enable participation and enable student success; and raise aspiration to engage with music and to study at higher education level.

Further information on equality and opportunities at RCM may be found on our public facing website <http://www.rcm.ac.uk/about/governance/strategy/accessdisabilitiesandequalopportunities/>.

Lord Black of Brentwood
Chairman
21 November 2019

Professor Colin Lawson CBE FRCM
Director
21 November 2019

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE ROYAL COLLEGE OF MUSIC

Opinion

We have audited the financial statements of the Royal College of Music ("RCM") and its subsidiaries ("the Group") for the year ended 31 July 2019 which comprise the consolidated and RCM statement of comprehensive income, consolidated and RCM statements of changes in reserves, the balance sheets for the group and RCM, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation, applicable law and UK Accounting Standards, including Financial Reporting Standard 102 the financial reporting standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice). In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of RCM's affairs as at 31 July 2019 and of RCM's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been prepared properly in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared properly in accordance with the Statement of Recommended Practice: Accounting for
- Further and Higher Education, the Charities Act 2011 and other relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing UK (ISAs UK) and applicable law.

Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and RCM in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The RCM Council is responsible for the other information, which comprises information included in the annual review, other than the financial statements and our auditor's report therein. Our opinion on the financial statements

does not cover the other information we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information including

the Chairman's Message, Director's Report and Annual Review and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters required by the Office for Students ("OfS") and Research England Audit Code of Practice

In our opinion, in all material respects:

- funds from whatever source administered by RCM for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with these terms and conditions and any other terms and conditions attached to them; and
- the requirements of the OfS's accounts direction have been met.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and RCM and its environment obtained in the course of the audit, we have not identified material misstatements in the annual review report of the RCM Council.

We have nothing to report in respect of the following matter where the Charities Act 2011 requires us to report to you if, in our opinion:

- information in the Council's Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Council

As explained more fully in the Council members' responsibilities statement set out on page 19, the RCM Council is responsible for preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

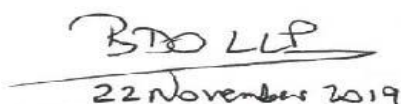
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report. In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by RCM have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with RCM's Statutes and, where appropriate, with the terms and conditions of funding from the OfS and Research England.

Use of our report

This report is made solely to the RCM Council, as a body, in accordance with paragraph 154 of the Charities Act 2011 and RCM's Charter and Statutes. Our audit work has been undertaken so that we might state to the RCM Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than RCM and the Council as a body, for our audit work, for this report, or for the opinions we have formed.


22 November 2019

James Aston (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2019

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with Financial Reporting Standard 102 (FRS 102). RCM is a public benefit entity, therefore it has applied the relevant public benefit provisions of FRS 102.

2. Basis of consolidation

The consolidated financial statements include RCM and all its subsidiaries for the financial year ended 31 July 2019. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation. The consolidated financial statements do not include the income and expenditure of the Students' Union as RCM does not exert control or dominant influence over policy decisions.

3. Parent company disclosure exemptions

In preparing RCM's financial statements, advantage has been taken of the following disclosure exemptions available in FRS 102:

- no separate cash flow statement has been presented for RCM; and
- no separate disclosure has been given for the aggregate remuneration of the key management personnel of RCM as their remuneration is included in the totals for the group as a whole.

4. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the RCM Council has made the following judgements:

- in determining whether leases entered into by RCM as a lessor or a lessee are operating or finance leases the Council has assessed whether risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis;
- with regard to the lease granted by RCM to CLV for student accommodation at Prince Consort Village, the Council determined that this transaction was a service concession. However, each year RCM nominates bedrooms for students in the range of zero to 417 and the only liability which could fall on RCM is any rental shortfall on its nominated rooms in each year. In this
- arrangement there are no payments which meet the definition of 'minimum lease payments', therefore no such amount has been included on the balance sheet. As such RCM has treated this as a property transaction, whereby RCM disposed of a building and entered into a series of lease transactions, part of the consideration for which was preferential nomination rights. The value of these rights cannot be measured reliably and they are held at nil value in the balance sheet;
- in determining whether there are indicators of impairment of RCM's tangible and investment assets, the Council has taken into consideration factors including economic viability and expected future financial performance of assets; and
- in determining the estimate of the RCM Pension & Assurance defined benefit scheme obligation Council has reviewed the critical underlying assumptions (see note 27). Council also reviewed the critical assumptions used to estimate the present value of RCM's obligation in respect of the funding deficit plan for the USS pension scheme (see note 27).

5. Income recognition

Fee income is stated gross of expenditure which is not a discount and credited to the consolidated statement of comprehensive income over the period in which students are studying. Where a 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 statement of comprehensive income and expenditure on a receivable basis. Funds which RCM receives and disburses as a paying agent on behalf of a funding body are excluded from the statement of comprehensive income and expenditure where RCM 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 RCM recognises the related costs for which the grant is intended. 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 RCM 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

Donations and endowments with donor imposed restrictions are recognised in income when RCM is entitled to the funds. Income is retained within "restricted reserves" 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 RCM is entitled to the funds. Investment income and appreciation of endowments is recorded in income in the year in which it arises as either restricted or unrestricted income according to the terms and restrictions for each individual endowment fund. There are four main types of donations and endowments identified within reserves:

- a) restricted donations -the donor has specified that the donation must be used for a particular objective;
- b) 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 RCM;
- c) restricted expendable endowments -the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and RCM has the power to use the capital; and
- d) 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 RCM is entitled to the funds subject to any performance related conditions being met.

Trade debtors

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

6. Accounting for retirement benefits

The principal pension schemes for RCM staff are the Universities Superannuation Scheme, Teachers Pension Scheme, RCM Pension and Assurance Scheme and National Employment Savings Trust. Accounting policies for each scheme are shown in note 27 to the financial statements.

7. 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 RCM. Any unused benefits are accrued and measured as the additional amount RCM expects to pay as a result of the unused entitlement.

8. 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 life of the lease.

9. Foreign currency

Transactions in foreign currencies are translated into pounds sterling being RCM's functional currency at the foreign exchange rate ruling at the date of transaction. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

10. Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation and accumulated losses. Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Land and buildings

Leasehold land and buildings were valued on the basis of depreciated replacement cost at 31 July 1991 by Wilks, Head and Eve, Chartered Surveyors. Subsequent additions have been included at cost. Freehold buildings are included at cost. There is no indication of any impairment in the value of these assets. Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to RCM. Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated as follows:

Freehold buildings	50 years
Leasehold land and buildings	50 years or, if shorter, the period of the lease
Building improvements	20 years

No depreciation is charged on assets in the course of construction. Freehold land and buildings are the land for student accommodation and a residential property in London. Leasehold land and buildings are the Prince Consort Road campus; a 999 year lease, expiring in 2890, which is non-assignable. In the event that RCM ceases to operate in accordance with its Royal Charter, the property reverts to the landlord.

RCM owns freehold land in Ravenscourt Park and entered into an agreement with Campus Living Villages (CLV) for development and operation of its hall of residence, Prince Consort Village (PCV) which opened in March 2016. RCM granted a 51-year lease and in return received a lease premium of £15.6million, which is being amortised over the period of the lease; the lease will be returned to RCM after 51 years on payment of a nominal fee (£1). CLV's 51 year program incorporated construction followed by a 50 year operating program. The build cost of PCV was £24.1million and, in order, to fund construction and provide the RCM lease premium, CLV contracted with M&G for an income strip, which will be repaid over 51 years. If CLV default on the repayments, there is no liability on RCM to repay this debt to M&G. Each year RCM nominates bedrooms for students in the range of zero to 417 and the only liability which could fall on RCM is any rental shortfall on its nominated rooms in each year. In this arrangement there are no payments which meet the definition of 'minimum lease payments' therefore no such amount has been included on the balance sheet. As such RCM has treated this as a property transaction, whereby RCM disposed of a building and entered into a series of lease transactions, part of the consideration for which is preferential nomination rights. The value of these rights cannot be measured reliably and so they are held at nil value in the balance sheet.

Musical instruments

Musical instruments were valued at estimated current cost for assets in their condition at 31 July 1998 or at cost for later additions or at valuation for donated instruments. Differences on valuation were credited to a revaluation reserve and are being released over each instrument's estimated remaining life, with assets depreciated over 10 to 20 years. Musical instruments costing less than £5,000 per individual item are written off to the income and expenditure account in the year of acquisition at cost.

Furniture and equipment

Furniture and equipment, including computers and software, costing less than £5,000 is recognised as expenditure in the year of acquisition at cost. All other equipment of £5,000 or more is capitalised at cost. Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each balance sheet. Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

General equipment, furniture and fittings	5 years
Computer and recording equipment	4 years

Investments

Non-current asset investments are held on the balance sheet at fair value. Investments in associates and subsidiaries are carried at cost less impairment in RCM's financial statements. Current asset investments are held at fair value with movements recognised in the surplus or deficit for the year.

Financial assets

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

11. Finance costs and financial liabilities

Finance costs are charged to comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

12. Heritage assets

Heritage assets consist of reference material in the library and the museum collection of portraits, performance archives and other works of art of significant historical interest to musicians. Heritage assets are not depreciated as their long economic life and high residual value means depreciation will not be material. Heritage assets valued at £5,000 and more are included where practicable in the financial statements.

The RCM library holds collections of printed and manuscript music, books, letters and other archival collections. No valuation has been obtained for the collection as a whole, or individual items, for reasons of cost and practicality. Assets acquired before August 2009 have not been valued due to their scale and uniqueness; also valuation costs exceed the benefit derived to the users of the financial statements. Assets donated or purchased with a value of more than £2,000 since 1 August 2009 until 31 July 2014 are included in the financial statements where values have been reasonably obtainable. From 1 August 2014, assets donated or purchased with a value of £5,000 or more are capitalised. Preservation and management is explained in the Library Collection Development Policy, with policies for selection, donations, retention and disposal of heritage assets. The policy precludes disposal of any item unless it is a duplicate. Costs of preservation are funded from various sources including grants, donations and RCM funds.

The RCM museum collection comprises around 1,000 items, most of which are instruments or parts of instruments. The collection also includes archival material. A financial valuation took place in 2010/11 and most of the collection was viewed by experts from Sotheby's and Bonham's and instruments valued at £4.4million were added to the balance sheet in the 2010/11 financial statements.

The Portraits and Performance History Collection (PPHC) is a collection of photographs, art, printed items and manuscripts dating from c1620 to present day and is available for viewing to members of RCM, visiting researchers and members of the public. Portraits and other works of art are stated at valuation in the financial statements and are not depreciated. There is no reason to believe that there has been any impairment in the value of these assets. A majority of these works were donated to RCM, though occasional purchases have been made over the years. No overall valuation has been made of the collection, though many works of art were valued in 2005 and are included in the financial statements. The cost of undertaking valuations for the remaining collections acquired prior to August 2009 outweigh the benefits to the readers of the financial statements. The PPHC continues to accept donations and make purchases if materials complement and enhance existing holdings and can be accommodated in appropriate conditions. RCM has adopted the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items of the PPHC.

Heritage assets are not depreciated as their long economic life and high residual value means depreciation will not be material. There is a Museum Acquisitions and Disposals Policy, including instructions for selection, donations, retention and disposal of assets and RCM has adopted the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items in the museum collection. The museum is accredited with the Museums, Libraries and Archives Council and adheres to national standards of care and access, including a specific budget for conservation which is applied to the upkeep of playable instruments and cleaning and care of the whole collection.

13. Cash and cash equivalents

Cash includes cash in hand, deposits and overdrafts. Cash equivalents are short term, highly liquid investments (deposit of three months or less) that are readily convertible to known amounts of cash with insignificant risk of change in value.

14. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when: RCM has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives RCM a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of RCM. 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 RCM a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of RCM. Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

15. Accounting for associates

An entity is treated as an associated undertaking where the group exercises significant influence over its operating and financial policy decisions. In the group accounts, interests in associated undertakings are accounted for using the equity method of accounting. The consolidated income & expenditure account includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings. In the consolidated balance sheet interest in associated undertakings is shown as the group's share of identifiable net assets, including any unamortised premium paid on acquisition. RCM's fully owned subsidiary RCM Business Enterprises Limited holds a 20% holding in CLV (RCM) LLP and this interest is accounted for using the equity method in the consolidated accounts.

16. Taxation

RCM is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, RCM is potentially exempt from taxation in respect of income or capital gain 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. RCM 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.

17. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which are held as permanently restricted fund which RCM must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and RCM is restricted in the use of these funds.

Consolidated and RCM statement of comprehensive income

Year ended 31 July 2019

	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
Income					
Tuition fees	1	12,755,483	12,755,483	12,697,056	12,697,056
Funding body grants	2	6,161,779	6,161,779	5,988,084	5,988,084
Research grants and contracts	3	438,193	438,193	433,404	433,404
Other income	4	2,168,821	2,168,821	2,179,625	2,179,625
Investment income	5	1,804,485	1,641,609	2,403,959	2,342,313
Total income before endowments and donations		23,328,761	23,165,885	23,702,128	23,640,482
Donations and endowments	6	5,173,631	5,173,631	6,248,658	6,248,658
More Music campaign	6	2,918,041	2,918,041	4,963,526	4,963,526
Total income		31,420,433	31,257,557	34,914,312	34,852,666
Expenditure					
Staff costs before pension adjustment	7	15,051,094	15,051,094	13,939,898	13,939,898
Pension adjustment	7	2,662,839	2,662,839	(358,532)	(358,532)
Total staff costs	9	17,713,933	17,713,933	13,581,366	13,581,366
Other operating expenses	8	10,629,720	10,618,818	9,260,236	9,257,421
Depreciation	10	1,478,173	1,478,173	1,367,405	1,367,405
Interest and other finance costs	9	208,238	208,238	274,484	274,484
Total expenditure		30,030,064	30,019,162	24,483,491	24,480,676
Surplus before gains and share of operating surplus of associates		1,390,369	1,238,395	10,430,821	10,371,990
Gain on disposal of tangible fixed assets		38,460	38,460	32,843	32,843
Gain on disposal of investments		3,498,214	3,498,214	1,822,066	1,822,066
Change in fair value of investments	12	(1,321,779)	(1,321,779)	441,399	441,399
Surplus for the year		3,605,264	3,453,290	12,727,129	12,668,298
Actuarial (loss)/gain in respect of pension schemes	27	(547,000)	(547,000)	929,000	929,000
Surplus before tax		3,058,264	2,906,290	13,656,129	13,597,298
Taxation		(19,863)	-	-	-
Total comprehensive income for the year		3,038,401	2,906,290	13,656,129	13,597,298
Represented by:					
Restricted endowment comprehensive income for the year		2,790,602	2,658,491	4,876,150	4,817,319
Restricted comprehensive income for the year	21	2,610,497	2,610,497	4,806,544	4,806,544
Unrestricted comprehensive income for the year		(2,430,534)	(2,430,534)	3,926,539	3,926,539
Revaluation reserve comprehensive income for the year	23	67,836	67,836	46,896	46,896
		3,038,401	2,906,290	13,656,129	13,597,298

The statement of comprehensive income is in respect of continuing activities.

The accounting policies and notes form part of these financial statements.

Consolidated and RCM statement of changes in reserves

Year ended 31 July 2019

	Income and expenditure account			Revaluation reserve	Total reserves
	Endowment	Restricted	Unrestricted		
	£	£	£	£	£
Consolidated					
Balance at 1 August 2017	37,916,379	8,776,965	25,648,406	13,439,023	85,780,773
Surplus from the income and expenditure statement	4,876,150	4,806,544	3,044,435	-	12,727,129
Other comprehensive income	-	-	929,000	-	929,000
Transfers between revaluation and income and expenditure reserve	-	-	(46,896)	46,896	-
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	4,876,150	4,806,544	3,926,539	46,896	13,656,129
Balance at 1 August 2018	42,792,529	13,583,509	29,574,945	13,485,919	99,436,902
Surplus from the income and expenditure statement after taxation	2,790,602	2,610,497	(1,815,698)	-	3,585,401
Other comprehensive income	-	-	(547,000)	-	(547,000)
Transfers between revaluation and income and expenditure reserve	-	-	(67,836)	67,836	-
Total comprehensive income for the year	2,790,602	2,610,497	(2,430,534)	67,836	3,038,401
Balance at 31 July 2019	45,583,131	16,194,006	27,144,411	13,553,755	102,475,303
Royal College of Music					
Balance at 1 August 2017	37,649,242	8,776,965	25,648,406	13,439,023	85,513,636
Surplus from the income and expenditure statement	4,817,319	4,806,544	3,044,435	-	12,668,298
Other comprehensive income	-	-	929,000	-	929,000
Transfers between revaluation and income and expenditure reserve	-	-	(46,896)	46,896	-
Total comprehensive income for the year	4,817,319	4,806,544	3,926,539	46,896	13,597,298
Balance at 1 August 2018	42,466,561	13,583,509	29,574,945	13,485,919	99,110,934
Surplus from the income and expenditure statement	2,658,491	2,610,497	(1,815,698)	-	3,453,290
Other comprehensive income	-	-	(547,000)	-	(547,000)
Transfers between revaluation and income and expenditure reserve	-	-	(67,836)	67,836	-
Total comprehensive income for the year	2,658,491	2,610,497	(2,430,534)	67,836	2,906,290
Balance at 31 July 2019	45,125,052	16,194,006	27,144,411	13,553,755	102,017,224

The accounting policies and notes form part of these financial statements.

Restricted reserves includes £15.8 million of donations received specifically for the More Music campaign: courtyard redevelopment.

Further analysis of endowments and restricted reserves are set out in notes 20 and 21.

Consolidated and RCM balance sheet Year ended 31 July 2019

	Note	As at 31 July 2019		As at 31 July 2018	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
Non-current assets					
Fixed assets	10	63,508,474	63,508,474	35,761,324	35,761,324
Heritage assets	10,11	5,486,915	5,486,915	5,422,415	5,422,415
Investments	12	53,262,762	51,551,900	50,490,910	48,780,048
Investment in subsidiary company	13	-	1,710,862	-	1,710,862
		<u>122,258,151</u>	<u>122,258,151</u>	<u>91,674,649</u>	<u>91,674,649</u>
Current assets					
Trade and other receivables	14	3,576,477	3,574,886	5,602,777	5,603,426
Investments	15	4,500,000	4,500,000	21,000,000	21,000,000
Cash and cash equivalents		3,921,555	3,464,978	8,875,480	8,546,397
		<u>11,998,032</u>	<u>11,539,864</u>	<u>35,478,257</u>	<u>35,149,823</u>
Less: Creditors: amounts falling due within one year	17	<u>(5,326,112)</u>	<u>(5,326,022)</u>	<u>(3,919,758)</u>	<u>(3,917,291)</u>
Net current assets		6,671,920	6,213,842	31,558,499	31,232,532
Total assets less current liabilities		128,930,071	128,471,993	123,233,148	122,907,181
Creditors: amounts falling due after more than one year	18	<u>(19,064,042)</u>	<u>(19,064,042)</u>	<u>(19,725,890)</u>	<u>(19,725,890)</u>
Provisions					
Pension provisions	19	<u>(7,390,724)</u>	<u>(7,390,724)</u>	<u>(4,070,356)</u>	<u>(4,070,356)</u>
Total net assets		102,475,305	102,017,227	99,436,902	99,110,935
Restricted reserves					
Income and expenditure reserve - endowment reserve	20	45,583,131	45,125,053	42,792,529	42,466,562
Income and expenditure reserve - restricted reserve	21	16,194,006	16,194,006	13,583,509	13,583,509
Unrestricted reserves					
Income and expenditure reserve - unrestricted		27,144,413	27,144,413	29,574,945	29,574,945
Revaluation reserve	23	<u>13,553,755</u>	<u>13,553,755</u>	<u>13,485,919</u>	<u>13,485,919</u>
		<u>102,475,305</u>	<u>102,017,227</u>	<u>99,436,902</u>	<u>99,110,935</u>
Total reserves		102,475,305	102,017,227	99,436,902	99,110,935

The financial statements were approved and authorised for issue by the Council on 21 November 2019 and were signed on its behalf on that date by:



Professor Colin Lawson, Director
Lord Black of Brentwood, Chair of Council



The accounting policies and notes form part of these financial statements.

Consolidated cash flow

Year ended 31 July 2019

	Note	Year ended 31 July 2019 £	Year ended 31 July 2018 £
Cash flow from operating activities			
Surplus for the year		3,038,401	13,656,129
Adjustment for non-cash items			
Depreciation	10	1,478,173	1,367,405
Gain on disposal of fixed asset investments		(3,498,214)	(1,822,066)
Loss/(gain) on investments		1,321,779	(441,399)
Decrease/(increase) in debtors	14	(1,213,327)	(307,036)
Increase in creditors		547,538	147,727
Increase in pension provision	19	3,320,368	(1,460,613)
Receipt of donated assets		(238,000)	(6,000)
Share of operating surplus in associate		-	-
Amortised lease income		(304,911)	(304,911)
Adjustment for investing or financing activities			
Investment income	5	(1,804,485)	(2,403,959)
Interest payable	9	74,058	78,257
Endowment income	6	(654,796)	(2,468,232)
Profit on the sale of fixed assets		(38,460)	(32,843)
Capital grant income		(335,371)	(358,979)
Net cash inflow from operating activities		<u>1,692,753</u>	<u>5,643,480</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		38,460	32,843
Disposal of non-current asset investments		27,642,421	19,261,407
Investment income	5	1,804,485	2,403,959
Payments made to acquire fixed assets		(25,812,197)	(9,826,754)
Purchase of non-current asset investments		(28,237,835)	(10,246,045)
New fixed term deposits		(2,500,000)	(11,000,000)
Fixed term deposits expired		19,000,000	-
		<u>(8,064,666)</u>	<u>(9,374,590)</u>
Cash flows from financing activities			
Interest paid	9	(74,058)	(78,257)
Endowment cash received		654,796	2,468,232
New unsecured loans		1,000,000	-
Repayments of amounts borrowed		(162,750)	(162,750)
		<u>1,417,988</u>	<u>2,227,225</u>
Decrease in cash and cash equivalents in the year		<u>(4,953,925)</u>	<u>(1,503,885)</u>
Cash and cash equivalents at beginning of the year		8,875,480	10,379,365
Cash and cash equivalents at end of the year		3,921,555	8,875,480

The accounting policies and notes form part of these financial statements.

Notes to the accounts for the year ended 31 July 2019

	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
1 Tuition fees					
Full-time UG home and EU		2,810,459	2,810,459	2,983,874	2,983,874
Full-time PG home and EU		2,251,925	2,251,925	2,377,267	2,377,267
Part-time home and EU		173,428	173,428	165,040	165,040
Non-EU		5,634,095	5,634,095	5,271,802	5,271,802
Other		1,885,577	1,885,577	1,899,073	1,899,073
		12,755,483	12,755,483	12,697,056	12,697,056
2 Funding body grants					
Recurrent grant					
Teaching		4,526,307	4,526,307	4,605,045	4,605,045
Research		441,969	441,969	428,584	428,584
HEIF		369,048	369,048	340,979	340,979
Specific grants					
Staff related inherited liabilities		12,927	12,927	16,998	16,998
Other grants		703,012	703,012	476,190	476,190
Capital grants released in the year		108,516	108,516	120,288	120,288
		6,161,779	6,161,779	5,988,084	5,988,084
3 Research grants and contracts					
BIS research councils		289,498	289,498	208,392	208,392
UK-based charities		58,757	58,757	38,563	38,563
Government (UK and overseas)		16,957	16,957	3,415	3,415
Other		72,981	72,981	183,034	183,034
		438,193	438,193	433,404	433,404
4 Other income					
Residences, catering and conferences		363,890	363,890	385,713	385,713
Other capital grants		226,855	226,855	238,691	238,691
Other services rendered		406,727	406,727	455,804	455,804
Lease premium - Prince Consort Village		304,911	304,911	304,911	304,911
Other income		866,438	866,438	794,506	794,506
		2,168,821	2,168,821	2,179,625	2,179,625
5 Investment income					
Investment income on endowment assets - unrestricted		96,489	96,489	389,886	389,886
Investment income on endowment assets - restricted		1,509,209	1,346,333	1,872,305	1,810,659
Other interest receivable		198,787	198,787	141,768	141,768
		1,804,485	1,641,609	2,403,959	2,342,313
6 Donations and endowments					
New endowments with restrictions	20	654,796	654,796	2,468,232	2,468,232
Restricted donations		2,682,869	2,682,869	2,000,141	2,000,141
Unrestricted donations - ABRSM		1,597,000	1,597,000	1,675,000	1,675,000
Unrestricted donations - Other		238,966	238,966	105,285	105,285
		5,173,631	5,173,631	6,248,658	6,248,658
More Music campaign donations		2,918,041	2,918,041	4,963,526	4,963,526
		8,091,672	8,091,672	11,212,184	11,212,184

Notes to the accounts for the year ended 31 July 2019

	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
7 Staff costs					
Salaries		12,459,926	12,459,926	11,459,812	11,459,812
Social security costs		1,088,181	1,088,181	1,055,899	1,055,899
Movement on USS provision and related finance charge	9, 19	2,662,839	2,662,839	(358,532)	(358,532)
Other pension costs	27	1,502,987	1,502,987	1,424,187	1,424,187
		17,713,933	17,713,933	13,581,366	13,581,366

	Year ended 31 July 2019	Year ended 31 July 2018
	£	£
Emoluments of the Director		
Basic salary	218,000	212,000
Payment in lieu of pension	33,354	32,436
Benefits in kind	1,845	1,479
Emoluments excluding pension contributions	253,199	245,915
Pension contributions*	4,578	4,452
Emoluments including pension contributions	257,777	250,367

*The Director is a member of USS, with an enhanced opt-out which commenced in April 2016. The employer contribution is only for life assurance and incapacity cover.

In previous years and between August 2018 and March 2019, the RCM Director's contract of employment was conditional upon his occupation of the designated Director's residence, for the better performance of his duties. This accommodation is owned by RCM which pays for council tax, insurance, maintenance and repairs. The estimated rental value for the eight months, August 2018 to March 2019, was £26,000. The Director's contract was amended in March 2019 and at that point he ceased occupation. There are no other benefits (taxable or non-taxable) received by the Director other than those disclosed above.

In determining the Director's pay for 2019/20, the Remuneration Committee took into account the context in which the RCM operates and the value and performance delivered by the Director. The process adopted for judging his performance involved data and discussion about contextual information:

- the national negotiations on an annual cost of living award for 2019-20 and incremental increases for staff and the increases recommended for the Directorate;
- pay in the wider economy (general background and current context across HE);
- benchmarking information on vice-chancellor pay, specifically for a range of direct competitor institutions and institutions of a similar size and standing to the RCM;
- comparison data in respect of the multiples of the remuneration of the Director and relevant medians/means; and
- gender pay gap at the RCM.

In determining the Director's pay, the Remuneration Committee noted the annual review document of the Director for the year 2018/19 and took note of the benchmarking information in relation to VC salaries in HE, across comparable institutions. The Committee made extensive consideration of the annual review and RCM's successes balanced with the challenging financial and political climate in which RCM operates. The report on institutional and personal performance took into account the operating environment for RCM, which was informed by the broader understanding of the Committee's members, which comes from the information they receive throughout the year as Council members, including but not limited to the financial position of and prospects for RCM, reports on KPIs (such as the NSS, as well as financial KPIs, which include benchmarking information), reports on quality assurance and student recruitment, research and artistic performance, the international activities of RCM, fundraising and communications achievements, and reports on achievement against the priorities in the RCM Strategic Plan. In determining the Director's pay in 2019/20, the Committee considered not only his performance in 2018/19, but also his, and the institution's performance, across a number of years in post. The Director is not a member of the Remuneration Committee.

Ratio of Director's remuneration and that of other employees

	Median salary*	Head of Institution*	Median salary**	Head of Institution**
2017/18	£37,365	5.6:1	£42,359	6.8:1
2018/19	£41,240	5.3:1	£45,027	6.3:1

* Excludes pay in lieu of pension contribution

** Includes pay in lieu of pension contributions, benefits in kind and directors accommodation

Notes to the accounts for the year ended 31 July 2019

7 Staff costs (continued)

	2019	2018
Emoluments of senior staff excluding Director	Headcount	Headcount
£105,000 - £109,999	-	1
£110,000 - £114,999	1	-
£140,000 - £144,999	-	1
£150,000 - £154,999	1	1
	2	3
	FTE	FTE
Average staff numbers by major category :		
Academic departments	125	125
Academic services	56	57
Administration and central services	104	84
	285	266
	£	£
Compensation for loss of office payable to a senior post-holder:	-	-

Key personnel

Key personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the RCM. This comprises members of Council and the executive directors. There was no compensation for loss of office paid to Key personnel during the year. The total remuneration, including employer pension contributions, of the RCM's eight executive directors included in 2018/19 for Key personnel was £1,040,261 (2017/18: £1,020,401).

Council Members

RCM Council members are trustees for charitable law purposes. All transactions involving organisations in which a member of Council may have an interest are conducted in accordance with the RCM's financial regulations and procedures. Ex-officio and elected members of Council are RCM staff and as such are remunerated in the normal course of their duties. No Council member received any remuneration or waived payments during the year or the previous year.

Notes to the accounts for the year ended 31 July 2019

	Note	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
8 Other operating expenses					
Academic and related expenditure		651,203	651,203	699,957	699,957
Research related expenditure		196,661	196,661	42,432	42,432
Catering		427,806	427,806	409,134	409,134
Learning resources		443,906	443,906	481,535	481,535
Scholarship and awards		3,320,581	3,320,581	3,088,312	3,088,312
Grant to RCM Students' Union		35,823	35,823	36,376	36,376
Professional fees		496,316	496,316	409,489	409,489
Premises		2,549,186	2,549,186	1,902,533	1,902,533
Courtyard business as usual costs		286,130	286,130	144,882	144,882
Other expenses		2,222,108	2,211,206	2,045,586	2,042,771
		10,629,720	10,618,818	9,260,236	9,257,421
Other operating expenses include:					
External auditors' remuneration in respect of audit services		37,830	37,830	35,814	35,814
External auditors' remuneration in respect of audit related services		5,580	5,580	5,148	5,148
External auditors' remuneration in respect of non-audit services		14,650	14,650	6,958	5,796
Internal auditors' remuneration - internal audits		37,917	37,917	35,581	35,581
Operating lease rentals					
Land and buildings		137,390	137,390	140,295	140,295
Other		52,125	52,125	59,162	59,162
9 Interest and other finance costs					
Loan interest		74,058	74,058	78,257	78,257
Loan commitment fee		41,051	41,051	34,156	34,156
Exchange differences		(3,400)	(3,400)	12,152	12,152
Net finance charge on pension schemes					
USS		30,529	30,529	59,919	59,919
RCM pension scheme		66,001	66,001	90,000	90,000
		208,238	208,238	274,484	274,484

Notes to the accounts for the year ended 31 July 2019

	Freehold land and buildings	Leasehold land and buildings	Musical instruments	Furniture and equipment	Assets in the course of construction	Heritage assets	Total	Total excluding heritage assets
	£	£	£	£	£	£	£	£
10 Fixed Assets: consolidated and RCM								
Cost or valuation								
At 1 August 2018	1,708,781	24,602,402	9,349,218	4,078,440	14,799,207	5,422,415	59,960,462	54,538,047
Additions	-	14,673,130	427,607	132,410	13,992,176	64,500	29,289,823	29,225,323
Disposals	-	-	(100,000)	-	-	-	(100,000)	(100,000)
At 31 July 2019	1,708,781	39,275,532	9,676,825	4,210,850	28,791,383	5,486,915	89,150,285	83,663,370
Depreciation								
At 1 August 2018	74,540	9,309,339	5,697,037	3,695,811	-	-	18,776,723	18,776,723
Charge for the year	2,847	982,521	311,642	181,163	-	-	1,478,173	1,478,173
Disposals	-	-	(100,000)	-	-	-	(100,000)	(100,000)
At 31 July 2019	77,387	10,291,860	5,908,679	3,876,974	-	-	20,154,896	20,154,896
Net book value								
At 31 July 2019	1,631,394	28,983,672	3,768,146	333,876	28,791,383	5,486,915	68,995,389	63,508,474
At 1 August 2018	1,634,241	15,293,063	3,652,181	382,629	14,799,207	5,422,415	41,183,739	35,761,324

The additions to leasehold land and buildings relate to the South Building and purchase of Markova House. Assets in the course of construction relate to the More Music building development.

	2019	2018	2017	2016	2015
	£	£	£	£	£
11 Heritage assets: consolidated and RCM					
Purchases					
Busts and portraits	56,500	-	-	-	-
Instruments	-	6,000	-	-	-
Donations					
Busts and portraits	8,000	-	64,500	-	14,880
Total acquisitions capitalised	64,500	6,000	64,500	-	14,880

Notes to the accounts for the year ended 31 July 2019

	Share of profits of associated undertakings	Loan to associate	Other fixed asset investments	Total
	£	£	£	£
12 Non-current investments: consolidated				
At 1 August 2018	-	1,710,862	48,780,048	50,490,910
Acquisition of shares - less movement in cash held by fund managers	-	-	31,736,052	31,736,052
Cost of disposals	-	-	(27,642,421)	(27,642,421)
Change in market value	-	-	(1,321,779)	(1,321,779)
At 31 July 2019	-	1,710,862	51,551,900	53,262,762

		£	£
Non-current investments: RCM			
At 1 August 2018		48,780,048	48,780,048
Acquisition of shares - less movement in cash held by fund managers		31,736,052	31,736,052
Cost of disposals		(27,642,421)	(27,642,421)
Change in market value		(1,321,779)	(1,321,779)
At 31 July 2019		51,551,900	51,551,900

Non-current investments: consolidated

Funds managed by Newton Investment Management Limited, Ruffer LLP and Cazenove Capital:

Scholarships and awards fund			39,156,239	39,156,239
General fund			9,232,661	9,232,661
Junior department appeal fund			809,281	809,281
			49,198,181	49,198,181
Fund held by Charities Aid Foundation	-	-	78,718	78,718
ABRSM	-	-	2,275,000	2,275,000
Investment in RCM Business Enterprises Limited	-	1,710,862	-	1,710,862
	-	1,710,862	51,551,899	53,262,761

Split of stock held by Newton Investment Management Limited, Ruffer LLP and Cazenove Capital:

Fixed interest stocks (listed)		4,802,699	4,802,699
Equities (listed) and unit trusts		42,919,973	42,919,973
Cash held by investment managers		1,475,511	1,475,511
		49,198,183	49,198,183

Other fixed assets investments are shown at market value as at 31 July 2019.

Connected charitable institution

	Opening balance	Income	Expenditure	Change in market value	Closing balance
	£	£	£	£	£
Not consolidated					
ABRSM	(544,750)	12,253,750	(11,999,750)	(500,000)	(790,750)

The RCM has a 25% interest in the Associated Board of the Royal Schools of Music (ABRSM) which is carried at cost. The 25% RCM share is reflected above for the year ended 31st January 2019. The ABRSM is a registered charity (number 292182) and a company limited by guarantee (registered number 1926395) established by four royal schools of music for the benefit of music education. The ABRSM has no share capital and the liability of the members in the event of winding up is limited to £1 per member. In the event of winding up, the ABRSM's constitution requires its governing body to consider, in the first instance, transfer of surplus assets to another body that is equipped to carry on the work of ABRSM.

13 Investment in subsidiary company

RCM has a 100% holding in RCM Business Enterprises Limited (RCM BEL) which holds a 20% share in CLV (RCM) LLP which operates student accommodation in Ravenscourt Park (Prince Consort Village). Funds to purchase the 20% stake in CLV (RCM) LLP came from the RCM's restricted permanent endowments and all funds generated from the RCM BEL's 20% holding will be used to provide scholarships, prizes, fellowships and other related student support, to RCM students. The 20% stake represents a £1.7 million interest bearing loan. The share of net assets in the associated company represents the RCM's 20% share in net assets of CLV (RCM) LLP which when distributed will be used to fund scholarships and awards.

Notes to the accounts for the year ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£.
14 Trade and other receivables				
Amounts falling due within one year				
Other trade receivables	91,230	91,230	690,371	142,176
Other receivables	177,996	177,996	63,898	63,898
Prepayments and accrued income	1,955,423	1,491,301	4,060,508	4,060,508
VAT receivable	651,828	651,828	-	-
Amounts due from subsidiary companies	-	462,531	-	548,844
Amount due from ABRSM	700,000	700,000	788,000	788,000
	<u>3,576,477</u>	<u>3,574,886</u>	<u>5,602,777</u>	<u>5,603,426</u>

At 31 July 2018 prepayments and accrued income included a deposit of £3 million for the leasehold purchase of Marvoka House, the purchase of which was concluded in 2018/19.

15 Current asset investments				
Short term deposits	4,500,000	4,500,000	21,000,000	21,000,000
	<u>4,500,000</u>	<u>4,500,000</u>	<u>21,000,000</u>	<u>21,000,000</u>

16 Cash and cash equivalents (consolidated)			
	At 31 July 2019	Cash flows	At 1 August 2018
	£	£	£
Cash and cash equivalents	<u>3,921,555</u>	<u>(4,953,925)</u>	<u>8,875,480</u>

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
17 Creditors: amounts falling due within one year				
Unsecured loans	1,162,750	1,162,750	162,750	162,750
Trade payables	378,792	378,792	354,230	351,763
Social security and other taxation payable	324,798	324,798	335,697	335,697
Accruals and deferred income	3,459,772	3,459,682	3,067,081	3,067,081
	<u>5,326,112</u>	<u>5,326,022</u>	<u>3,919,758</u>	<u>3,917,291</u>

Notes to the accounts for the year ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	RCM	Consolidated	RCM
Note	£	£	£	£
18 Creditors: amounts falling due after more than one year				
Deferred income - PCV lease premium	13,653,217	13,653,217	13,958,128	13,958,128
Deferred income - other	4,393,637	4,393,637	4,587,824	4,587,824
Unsecured loans	<u>1,017,188</u>	<u>1,017,188</u>	<u>1,179,938</u>	<u>1,179,938</u>
	<u>19,064,042</u>	<u>19,064,042</u>	<u>19,725,890</u>	<u>19,725,890</u>
Analysis of unsecured loans:				
Due within one year or on demand	17	1,162,750	1,162,750	162,750 162,750
Due between one and two years		162,750	162,750	162,750 162,750
Due between two and five years		488,250	488,250	488,250 488,250
Due in five years or more		<u>366,188</u>	<u>366,188</u>	<u>528,938</u> <u>528,938</u>
Due after more than one year		<u>1,017,188</u>	<u>1,017,188</u>	<u>1,179,938</u> <u>1,179,938</u>
Total unsecured loans		<u>2,179,938</u>	<u>2,179,938</u>	<u>1,342,688</u> <u>1,342,688</u>
Unsecured loans repayable by 2026		<u>2,179,938</u>	<u>2,179,938</u>	<u>1,342,688</u> <u>1,342,688</u>
		<u>2,179,938</u>	<u>2,179,938</u>	<u>1,342,688</u> <u>1,342,688</u>
		Amount	Term	Interest rate
Included in unsecured loans		£		%
The Royal Bank of Scotland		1,179,938	2026	5.30
The Royal Bank of Scotland		<u>1,000,000</u>	2020	LIBOR + 0.70
Total		<u>2,179,938</u>		

	Obligation to fund deficit		
	USS (note 7)	RCMP&AS (note 27)	Total
	£	£	£
19 Provisions for pension liabilities (consolidated)			
At 1 August 2018	(1,413,356)	(2,657,000)	(4,070,356)
Movements in 2018/19	<u>(2,693,368)</u>	<u>(627,000)</u>	<u>(3,320,368)</u>
At 31 July 2019	<u>(4,106,724)</u>	<u>(3,284,000)</u>	<u>(7,390,724)</u>

Pension enhancement

Assumptions for calculating the provision for pension enhancements on termination under FRS 102, are:

	USS pension	RCM pension
Discount rates	1.58%	2.10%
Salary inflation rates (USS: 2020 to 2034)	1.8% - 2.3%	2.75%

USS deficit

The obligation to fund the past deficit on the Universities' Superannuation Scheme (USS) arises from a contractual obligation with the scheme for total payments relating to benefits arising from past performance. In calculating the value of the USS provision the RCM management has used salary costs (adjusted for salary and headcount changes), the current funding rate and applied a discount rate to estimate the present value.

Notes to the accounts for the year ended 31 July 2019

	Restricted expendable endowments £	Restricted permanent endowments £	2019 Total £	2018 Total £
20 Endowment reserves: RCM				
Balance at start of the year	94,014	42,372,548	42,466,562	37,649,242
New endowments	-	654,796	654,796	2,468,232
Income	1,715,620	1,271,437	2,987,057	3,606,426
Expenditure	(1,725,008)	(1,248,489)	(2,973,497)	(3,247,335)
Increase in market value of investments and realised gains	-	1,990,135	1,990,135	1,989,996
Total endowment comprehensive income for the year	(9,388)	2,667,879	2,658,491	4,817,319
Balance at the end of the year: RCM	84,626	45,040,427	45,125,053	42,466,561
Endowment reserves: consolidated				
RCM subsidiary	-	458,078	458,078	325,967
Balance at the end of the year: consolidated	84,626	45,498,505	45,583,131	42,792,528
Analysis by type of purpose: consolidated				
Scholarships	21,829	41,772,998	41,794,827	39,599,971
Prizes	57,553	1,312,925	1,370,478	1,324,748
Junior fellowships	-	1,334,521	1,334,521	1,271,756
Instrument loans	-	213,032	213,032	215,624
Other	5,244	865,029	870,273	380,430
	84,626	45,498,505	45,583,131	42,792,529
Analysis by asset type: consolidated				
Investments	-	45,498,505	45,498,505	42,698,514
Cash	84,626	-	84,626	94,014
	84,626	45,498,505	45,583,131	42,792,528
21 Restricted reserves: consolidated and RCM				
Balance at 1 August 2018	13,036,157	547,352	13,583,509	8,776,965
New donations	2,918,041	-	2,918,041	4,963,526
Expenditure	(114,156)	(193,388)	(307,544)	(156,982)
Total restricted comprehensive income for the year	2,803,885	(193,388)	2,610,497	4,806,544
At 31 July 2019	15,840,042	353,964	16,194,006	13,583,509
Analysis of other restricted funds/donations by type of purpose				
More Music campaign			15,840,042	13,036,157
Scholarships			353,964	547,352
Other			-	-
			16,194,006	13,583,509

These reserves are all held as cash and cash equivalents.

Notes to the accounts for the year ended 31 July 2019

	31 July 2019		31 July 2018	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
22 Capital and other commitments				
Commitments contracted for	2,094,450	2,094,450	27,062,342	27,062,342
Commitments not yet contracted for but approved by RCM Council	9,437,210	9,437,210	10,635,665	10,635,665
	11,531,660	11,531,660	37,698,007	37,698,007

Provision has not been made for the capital commitments shown above at 31 July 2019. The reduction in commitments from 2018 is due to the completion of the South Building project, progress on the More Music building development and purchase of Markova House.

23 Revaluation reserve

	Tangible assets	Heritage assets	Investments	Total
	£	£	£	£
Balance at 1 August 2018	3,953,691	4,926,000	4,606,228	13,485,919
Transferred to income and expenditure reserve	(175,658)	-	-	(175,658)
Unrealised gain on investments	-	-	243,494	243,494
Balance at 31 July 2019	3,778,033	4,926,000	4,849,722	13,553,755

24 Lease obligations

Consolidated and RCM	31 July 2019			31 July 2018
	Land and Buildings	Other leases	Total	Total
	£	£	£	£
Total rentals payable under operating leases:				
Paid during the year	137,390	52,125	189,515	199,458
Future minimum lease payments due				
Not later than 1 year	139,180	76,011	215,191	214,516
Later than 1 year and not later than 5 years	6,720	19,516	26,236	167,541
Later than 5 years	927,000	-	927,000	874,350
Total lease payments due	1,072,900	95,527	1,168,427	1,256,407

The lease on part of RCM Jay Mews expires on the 31st July 2020. The cost for the year of this lease was £135,740.

25 Related party transactions

During the year, there were no related party transactions, other than normal transactions with the Associated Board of the Royal Schools of Music. No payments were paid to Council members for serving as Council members and there were no expenses paid to Council members other than routine expenditure on services provided for the Council members collectively.

26 Subsidiary undertakings

RCM Business Enterprises Limited is a subsidiary company (which is registered in England & Wales), wholly-owned or effectively controlled by the RCM. RCM Business Enterprises Limited is exempt from the requirements to audit individual accounts by virtue of the Companies Act 2006 s.479A.

Notes to the accounts for the year ended 31 July 2019

27 Pension schemes

Pension schemes and assumptions

The RCM has employees participating in the Teachers' Pension Scheme (TPS), Universities Superannuation Scheme Limited (USS), RCM Pension and Assurance Scheme (RCMP&AS) and the National Employment Savings Trust. In 2018/19 total employer's and employees' pension contributions were £2.6 million (*£2.5 million in 2017/18*).

Under the definitions set out in FRS 102 section 28 "employee benefits", both USS and TPS are multi-employer defined benefit pension schemes. The USS has provided employers with a standard methodology for calculating their share of the agreed funding deficit plan and we have used this methodology to account for these liabilities in line with FRS 102. The RCM is unable to identify its share of the underlying assets and liabilities of TPS and we have accounted for contributions to this scheme as though it is a defined contribution scheme.

	TPS	USS	RCMP&AS
Assumptions used to determine contribution levels			
Investment returns per annum	4.45%	CPI + 1%*	5.5% to 5.7%
Salary increase per annum	4.20%	RPI + 2%	2.75%
Pension increase per annum	2.00%	CPI ****	2.25% to 3.0%
Market value of assets at date of last valuation	£196 billion	£60.0 billion	£11.5 million
Scheme liabilities	£218 billion	£67.5 billion	£14.2 million
Shortfall	£22 billion	£7.5 billion	£2.7 million
Scheme specific funding level	90%	89%	79%
Date of last actuarial valuation	31-Mar-16	31-Mar-17	01-Aug-16 **
Date of next actuarial valuation	31-Mar-20 ***	31-Mar-18 ***	01-Aug-19
Employer's and employees' pension contribution rates			
Employer's contribution rate	16.48%	19.5%	not applicable
Employees' contribution rate	7.4% to 11.7%	8.8%	not applicable

* Years 1-10 CPI + 1%, years 11-20 CPI + 3.54%, years 21+ CPI + 2.56%

** the actuarial valuation as at 1 August 2016 was completed in August 2017.

*** the last available complete actuarial valuations for both TPS and USS were as at 31 March 2016 and 31 March 2017 respectively (the valuation date). A further valuation as at 31 March 2018 for USS is currently underway but not yet completed.

**** term dependent rates in line with the difference between the fixed interest and index linked yield curves, less 1.3% per annum

	Employer's £000s	Employees' £000s	2019 Total £000s	2018 Total £000s
RCM pension contributions				
Teachers' Pension Scheme	585	323	908	872
Universities Superannuation Scheme	900	472	1,372	1,299
National Employment Savings Trust	18	24	42	39
	<u>1,503</u>	<u>819</u>	<u>2,322</u>	<u>2,210</u>
RCM Pension & Assurance Scheme	323	-	323	323
	<u>1,826</u>	<u>819</u>	<u>2,645</u>	<u>2,533</u>

Universities Superannuation Scheme

The RCM participates in the USS, a contributory, defined benefit scheme (with a salary threshold, above which a defined contribution scheme is available), which is valued every three years by professionally qualified independent actuaries using the projected unit method. Membership is automatic for support staff, although, members may choose to opt out of the scheme. Contribution rates are determined by the trustees on advice of the actuaries. The most recent actuarial valuation was at 31 March 2017, which was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of scheme assets was £60.0 billion and the value of the technical provisions was £67.5 billion giving a shortfall of £7.5 billion. Therefore the assets were sufficient to cover 89% of benefits which had accrued to members after allowing for expected future increases in earnings.

	At 31 July 2019 %pa	At 31 July 2018 %pa
Discount rate	2.44	2.64
Pension increases (CPI)	2.11	2.02

Key assumptions are shown in the table above and in addition to those assumptions, USS assume life expectancies on retirement for: a 65 year old male at 24.6 years; a 65 year old female at 26.1 years; a 45 year old male at 26.6 years; and a 45 year old female at 27.9 years at the age of 65.

The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. Therefore, the RCM is exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Therefore, as required by section 28 of FRS 102 "employee benefits", RCM accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the statement of comprehensive income and expenditure, shown in note 7, represents the contributions payable to the scheme in respect of the accounting period. Since the RCM has entered into an agreement (the USS Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the RCM recognises a liability, shown in note 19, for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense.

Notes to the accounts for the year ended 31 July 2019

Pension schemes (continued)

FRS 102 distinguishes between a group plan and a multi-employer scheme. A group plan is a collection of entities under common control, typically, with a sponsoring employer. A multi-employer scheme is for entities not under common control and represents, typically, an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit, results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in that employer's surplus or deficit. The RCM is satisfied that the scheme provided by the USS meets the definition of a multi-employer scheme and has recognised the discounted fair value of contractual contributions under the funding plan in existence at the date of approving the financial statements. In calculating the value of the USS provision, along with all the associated accounting entries, the RCM has used the standard model provided to institutions by USS and we have incorporated the following assumptions in this model.

Assumptions provided by USS

- employer contribution rate 19.5%

Assumptions made by RCM

- salary inflation 1.8% - 2.3% to 2034 (cost of living and actuarial drift)
- staff turnover 2.0% to 2034
- discount rate 1.58% (high quality corporate bond)

Surpluses or deficits which arise at future valuations may impact on the RCM's future contribution commitment. A deficit may require higher contribution requirements, whereas a surplus could, perhaps, be used to reduce contribution requirements. USS is a 'last man standing' scheme and in the event of insolvency of any participating employer, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme. Following the initial findings of the most recent actuarial review employer contributions increased to 21.1% from October 2019.

Teachers' Pension Scheme

The TPS is a statutory, contributory, unfunded, defined benefit scheme, operating under the Teachers' Pensions Regulations 1997, as amended. Contributions are credited to the Exchequer on a "pay as you go" basis under arrangements governed by the Superannuation Act 1972, with a notional asset value ascribed to the scheme in order to determine contribution rates.

The Government Actuary carries out formal actuarial reviews of TPS to ascertain the level of future contributions. The last review was carried out as at 31 March 2016 and at the date of this review the scheme had a funding shortfall of £22 billion and a recovery plan to pay off this shortfall was adopted. Key assumptions are shown in the table above, other assumptions include a real rate of return on investments of 2.4% and a real rate of salary growth of 2.2% above CPI.

Employee contributions are based on tiered contribution rates dependent on salary bandings based on a full-time equivalent and the contribution rates as at 31 July 2019 ranged from 7.4% to 11.7%. The salary bands for contribution rates for members, increased by 2.4% from 01 April 2019. As part of the recovery plan employer contributions increased from 14.1% to 16.48% in September 2015 and will increase further to 23.68% in September 2019.

National Employment Savings Trust (NEST)

The government set up NEST as a scheme that employers can use to meet their pension auto enrolment duties. This is a defined contribution scheme and is provided by the RCM for those staff who are not eligible to join TPS or USS. Currently employers contributions are 3% with employees' contributions at 5%.

RCM Pension & Assurance Scheme

The RCMP&AS is a closed scheme with 59 pensioners and 100 deferred members of whom 16 are current RCM employees. The Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, and in the intervening years, the actuary reviews progress of the Scheme. The most recent actuarial valuation was at 1 August 2016. At 1 August 2016 the scheme had a funding shortfall of £2.7 million and the RCM Council has agreed a recovery plan to pay off the shortfall over nine years and nine months from the effective date of the valuation, with a contribution of £26,900 per month until 30 April 2020 and an additional contribution of £24,000 per month from August 2019 to April 2026. The RCM accounts for the RCMP&AS in accordance with FRS 102 section 28. The next actuarial valuation will be undertaken as at 1 August 2019.

Assumptions

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	At 31 July 2019	At 31 July 2018
	%pa	%pa
Price Inflation (RPI)		
- pre-retirement	3.50	3.30
- post-retirement	3.50	3.40
Price Inflation (CPI)	2.50	2.30
Rate of increase in salaries	2.75	2.75
Rate of increase of pensions in payment for members in relation to post April 1997 service	3.20	3.10
Discount rate	2.10	2.70

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	Current age 65 Male	Current age 65 Female	Current age 45 Male	Current age 45 Female
At 31 July 2018	87.6	89.7	89.8	92.0
At 31 July 2019	87.7	89.8	89.9	92.1

The 2019 balance sheet includes a provision of 2% (2018: 0%) of the value of the liabilities in respect of the requirement to equalise for the effect of unequal guaranteed minimum pensions.

Notes to the accounts for the year ended 31 July 2019

Pension schemes (continued)

Scheme assets

The Scheme's assets are invested across several different asset classes, as follows.

Fair value as at

	31 July 2019 £000s	31 July 2018 £000s
Scheme assets		
Equities	2,659	2,488
Government bonds	3,592	3,164
Corporate bonds	986	878
Liability-driven investment	2,147	1,781
Multi-asset funds	2,686	2,546
Cash	697	350
Insured pensions	1,111	1,123
Total	<u>13,878</u>	<u>12,330</u>
Analysis of the amount shown in the balance sheet:		
Scheme assets	13,878	12,330
Scheme liabilities	(17,162)	(14,987)
Scheme deficit: net pension liability shown in pension provisions	19 <u>(3,284)</u>	<u>(2,657)</u>
Past service costs	(423)	(105)
Total operating charge	<u>(423)</u>	<u>(105)</u>
Analysis of the amount charged to interest payable		
Net interest on net defined benefit liability	(66)	(90)
Net charge to other finance income	<u>(66)</u>	<u>(90)</u>
Analysis of other comprehensive income		
Experience (loss)/gain on liabilities	(1,819)	618
Gain on assets	1,272	311
Total before deduction for tax	<u>(547)</u>	<u>929</u>
Analysis of movement in the present value of liability		
Present value of liabilities at the start of the year	14,987	15,529
Past service cost	423	105
Interest cost	398	383
Actuarial loss/(gain)	1,819	(618)
Actual benefit payments	(465)	(412)
Present value liabilities at the end of the year	<u>17,162</u>	<u>14,987</u>
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	12,330	11,710
Interest income	332	293
Actuarial gain on assets	1,272	311
Actual contributions paid	410	427
Administration expenses	-	-
Actual benefit payments	(465)	(412)
Fair value of scheme assets at the end of the year	<u>13,879</u>	<u>12,330</u>
Actual return on Scheme assets		
Gain on assets	1,272	311
Interest income	332	293
	<u>1,604</u>	<u>604</u>

28 Post balance sheet events

As set out in Note 27 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed since the year end. This is expected to result in a decrease in the College's provision for the obligation to fund the deficit on the USS pension as set out in Note 19 from £4.1 million to £2.4 million. This decrease of £1.7 million will be reflected in the College's Statement of Comprehensive Income for the year ending 31 July 2020. Were this to have been included in the current year's financial statements, the pension adjustment charge in the Statement of Comprehensive Income would have been reduced from £2.7 million to £1 million.