

Royal College of Music Annual Review and Financial Statements 2019/20



Front cover

Sir Antonio Pappano conducting the RCM Symphony Orchestra in Saint-Saëns' Symphony no 3

Patron

Her Majesty The Queen

President

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

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The Most Revd and Rt Hon the Lord Archbishop of York

The Rt Hon the Lord Mayor of London

Sir Anthony Cleaver FRCM

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Dame Janet Ritterman DBE HonDMus

Sir Ian Stoutzker CBE FRCM

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Lord Black of Brentwood (Chairman)

Mrs Jane Barker CBE FRCM (Deputy Chairman)

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Mr Douglas Gardner

Mr Andrew Haigh

Baroness Fleet CBE

Sir George Iacobescu CBE

Ms Ruth Keattch

Mr John Nickson

Mr Andrew Ratcliffe

Mr Geoffrey Richards HonRCM

Ms Alethea Siow

[term completed July 2020]

Mr Rhoderick Voremberg

Mr Guy Weston HonRCM

[appointed July 2020]

Mr David Whelton OBE HonRCM

[resigned October 2019]

Council ex-officio and elected members

Professor Colin Lawson CBE FRCM (Director)

Mr Kevin Porter HonRCM (Deputy Director)

Professor Vanessa Latache FRCM

Mr William Mival FRCM

Ms Elly Taylor HonRCM

Mr Joel Wilson (Students' Union President)

Clerk to the Council

Mrs Charlotte Martin HonRCM

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)
Mr Andrew Haigh
Mr John Heywood [term completed July 2020]
Ms Joanna Matthews

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Bankers

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CHAIRMAN'S MESSAGE



Almost 140 years since we were founded, I am deeply proud that the Royal College of Music remains true to its founding principles of access, excellence and advocacy for music education. We believe music can make positive change and transform lives, and this year we awarded more than £3.5m in scholarships and bursaries, made possible through donations from our incredibly generous supporters. We know that EU students will no longer benefit from home fees status for entry in 2021/22, but they should not be deterred from coming to the College. We deeply value our diverse community, with 50 nationalities represented in the student body, and we will align and reinvigorate our scholarships programme to ensure the College is accessible to students across the EU and beyond, supporting the most talented students with scholarships whatever their financial means.

The More Music building development was completed in March this year, just under three years from the start of construction in 2017, and within budget. This exceptional achievement has transformed the College and has delivered two stunning new performance halls, an interactive museum and social spaces that will benefit future generations of students, staff and visitors. Staff have moved to new offices in RCM Jay Mews, which also houses valuable new rehearsal and practice facilities, allowing the iconic Blomfield building to be used to its full potential by students for music-making. I would

like to thank our supporters for the generous contributions that have made this transformation possible. And I am deeply grateful to Geoff Richards – working with our development team – for his leadership of the campaign.

The Royal College of Music has faced many challenges during our illustrious history, but the crisis caused by Covid-19 is surely the most severe and unexpected. The College's response was exemplary and the move to digital learning was completed one week before the government lockdown on 23 March. The full academic programme was delivered digitally in the Summer Term as students studied from different locations across the world. Our students as well as our staff showed a remarkable level of creativity, resilience and adaptability in the way they adapted and embraced this unforeseen challenge. Since the year end we have invested further in our digital facilities and the time of writing the Autumn Term is underway with teaching being delivered through an innovative blend of in person, mixed and digital delivery. The raising of a £400,000 hardship fund was testament to the ongoing commitment of the wider College family to help those students most in need to access the life-changing education provided by the College. I know I speak on behalf of all my colleagues on Council when I say that I am profoundly grateful to Colin Lawson, his senior team and all those who work at the RCM for the way they rose to the challenge – as they always have.

As well as the operational issues, the financial challenge has been immense as income from our usual sources was very much reduced in 2019/20: notably there was no donation from ABRSM compared with £1.6 million in 2018/19, and management took the necessary steps to address these financial pressures whilst protecting the student experience. We remain strong in face of this crisis, reinvigorated and ready to adapt to the changes necessary to ensure the College remains a truly world-leading institution with the education and well-being of our students at its heart.

On Council, we were very sorry to say goodbye to Alethea Siow after ten years of exceptional service to the College, and I thank her for her enormous contribution over the last decade. I am delighted she will remain involved in our work as part of the Campaign Committee. We welcomed new Council member Guy Weston, who brings huge expertise and wisdom to our work, and welcome back Joel Wilson to a second term as the Students' Union representative. Joel has been a hugely effective voice for the RCM's students, and his contribution to our work is invaluable. We were delighted, also, by the news that Veronica Wadley has been ennobled: she will be a huge supporter of our advocacy work in Parliament.

Last year I highlighted the shocking collapse of music education in our schools, and the need for fundamental and urgent policy change. As we emerge from Covid-19, this is more important than ever and I am proud that the RCM continues to play a leading role in putting the case for music, advocating urgent change. The UK's worldwide reputation for musical excellence is potentially a powerful engine for prosperity as the country starts to recover from the crisis.

Finally, I would like to thank Colin Lawson, Kevin Porter and all the members of the Directorate for their leadership of the College during this incredibly difficult year. Their commitment to our work is shining – as indeed is that of all those who work at the RCM. I am also indebted to all members of Council – especially Deputy Chairman Jane Barker – for the wisdom, expertise and energy they bring to our work, and their commitment to the future of music.

A handwritten signature in blue ink, which appears to read "David Black".

Lord Black of Brentwood
Chairman

DIRECTOR'S REPORT

The challenge of Covid-19 is unprecedented in the College's history. I am immensely proud of the commitment, flair and imagination of RCM staff, which has enabled the institution (including the Junior Department) quickly to move online for the summer term, facilitating academic and faculty classes, one-to-one tuition and a variety of services, notably the library and Creative Careers. Student feedback has been overwhelmingly positive. The transition to remote working has been supported by a programme of internal communications, promoting the latest information in a rapidly evolving situation. The unexpected loss of revenue from ABRSM has led to a significant reduction in the College's income and in the light of current challenges a programme of cost-cutting has been developed, primarily across capital and operational budgets. Even before lockdown the senior team was already flagging the difficulty of financial forecasting in the light of Brexit and its implications. But as the classical music industry begins to recover, we shall anticipate taking a leadership role.



I am delighted to report that for the fifth consecutive year RCM has been ranked the top institution for performing arts in the UK (2020 QS World University Rankings); we were rated no. 1 in Europe and no. 2 globally. RCM was also placed first among conservatoires for music in the UK by the 2021 Complete University Guide. 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. The RCM remains committed to equality of opportunity and a recently convened Diversity Action Group has been consulting widely and making recommendations for positive, structural and lasting change. The tradition of a philanthropic scholarships programme dates back to our foundation in 1882 and we remain very grateful to all our current supporters, whether engaged in student support, academic initiatives of various kinds, or our ambitious estates development.

The More Music building project achieved a timely practical completion in March just as lockdown began, the new café facilities having been open for several weeks, offering enhanced opportunities for networking and interaction across the RCM community. Although the planned Royal opening of the entire complex was inevitably postponed because of Covid-19, HRH The Prince of Wales was able to attend a short concert in the new Museum as part of the President's Visit, at which he conferred honours upon a number of leading musicians, including Jonas Kauffman, Sir Antonio Pappano and Debbie Wiseman. The RCM estate has virtually doubled its footprint in the past three years, partly as a result of the acquisition of nearby Jay Mews, former home of English National Ballet. Relevant teams and departments are now settled into this building, which also houses rehearsal and practice space, and a reed-making facility. It contains the former RCM concert hall, which opened in 1887 and hosted early visits from international figures such as Tchaikovsky and Dvořák.

This year proved to be an outstanding one for academic programmes, with more focused contextual admissions, a successful BMus review and a vibrant research agenda characterised by active partnerships at home and abroad. The artistic programme has brought an impressive roster of luminaries in masterclasses and concerts, including Martyn Brabbins, Stefan Dohr, Bernard Haitink, Alina Ibragimova, John Lill, Sir Antonio Pappano, Maxim Rysanov and Maxim Vengerov. In the summer term we were able to sample an online digital programme of recent RCM concerts, a musical testimony to the achievements of today's generation of students. 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.

A handwritten signature in dark ink, appearing to read 'Colin Lawson'. The signature is fluid and cursive, written in a professional style.

Colin Lawson CBE FRCM
Director
November 2020

FINANCIAL REVIEW

A sustainable future

Financial results for 2019/20

The outbreak of Covid-19 and the lockdown imposed in March resulted in a challenging end to the year both financially and operationally. Whilst we reported a surplus before gains and losses of £1.6million (£1.4million in 2018/19), this was after a decrease in our USS pension provision of £1.7million (increase of £2.7million in 2018/19). Excluding these adjustments to the USS pension provision, the deficit before gains and losses was £119,000 (a surplus of £4.1million in 2018/19).

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 2019/20 we achieved these targets. The main changes compared with 2018/19 are:

- staff costs decreased by £3.2million, however the major element of this was the combined effect of the USS pension adjustments which led to a decrease of £4.4million. Excluding these adjustments, the increase of £0.8m included a £0.5m increase in other pension costs including increased contribution rates for the TPS scheme;
- income from tuition fees was £1.4million higher, driven by a 15% increase in non-EU fees;
- income from donations and endowments was £1.6million lower than last year as there was no income from the ABRSM (2018/19 £1.6million) which suspended its donations to members due to the impact of Covid-19 on their operations;
- income from More Music donations fell by £1.2million to £1.7million as we moved closer to achieving our campaign target and as the uncertainty surrounding Covid-19 undoubtedly reduced the level of donations in the later part of the year;
- other income was down by £0.6million as Covid-19 forced us to cease catering, concert and other activities from March;
- other operating costs were £139,000 higher overall, including an extra £350,000 spent on scholarships and awards and an unplanned cost of £488,000 as we covered the cost of the rent payable by students living in Prince Consort Village who had to return home due to Covid-19. Offsetting this, most other operating costs were reduced as we pulled back spending to mitigate the effect of the crisis; and
- depreciation increased by £367,000 reflecting our major investment in infrastructure projects.

The accounts have been prepared on a going concern basis, and the Statement of Corporate Governance & Responsibilities of Council sets out the steps taken by the Board in reaching the conclusion that the going concern basis is appropriate.

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 pay award for 2019/20 was implemented by employers at 1.8% in August 2019. However the five main HE trade unions technically remain in dispute over this round.

In light of the current financial challenges the HE sector faces the employers (through the negotiating body New JNCHES) informed the trade unions that we were not in a position to offer an uplift in salaries for the year 2020/21. Further meetings are planned in respect of non-pay items in their claims; but the employers have confirmed to the unions that employers will not be increasing their pay scale values this year.

Unison is a trade union recognised by RCM and its elected representatives are permitted to take reasonable paid time off to carry out certain union duties. In 2019/20, 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	£1,820
• total RCM staff cost (excluding USS adjustment)	£16.3million
• staff cost related to union activities as a percentage of RCM's total staff cost	0.01%
• time spent on paid trade union activities	0.00%

Investment performance

The Investment Committee monitors the performance of RCM's investment portfolios which have a total value of £43.6million (£49.2million at 31 July 2019). There are three funds:

- Scholarship and Awards Fund £36.2million (£39.2million 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 £6.7million (£9.2million at 31 July 2019): 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 2019/20, RCM withdrew £3.0million from this fund to help cover the impact of Covid-19; and
- Junior Department Fund £732,000 (£809,000 at 31 July 2019): a long-term fund with the purpose of generating income for bursaries; it is not expected that there will be significant drawdown of capital from the fund.

The investment strategy for each fund is:

- Scholarship and Awards Fund: withdrawal rate of up to 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 2019/20, the market value of our investments decreased by £2.8million, compared with an increase of £2.2million in 2018/19, and this is reflected in the statement of comprehensive income and expenditure.

RCM student accommodation

RCM's student accommodation, Prince Consort Village (PCV) in Ravenscourt Park, 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

In March 2020, RCM achieved practical completion of the £40million investment in More Music Reimagining the RCM to create two new performance halls, an interactive museum, extra practice and rehearsal spaces and more communal space for students, staff and visitors. The final elements of spend will be incurred in 2020/21.

In 2018/19 RCM purchased RCM Jay Mews (formerly known as Markova House) from English National Ballet. The building is 200 metres from our main Prince Consort Road Campus and is now fully occupied, providing additional accommodation for teaching, research, practice and rehearsals as well as office and communal space.

Treasury

During the year there was a net cash inflow from operating activities of £35,000 (£1.6million in 2018/19), also in the year we received £477,000 of legacy donations (£655,000 in 2018/19).

There is an outstanding loan balance with the Royal Bank of Scotland of £1.0million at a fixed interest rate of 5.3%, with six years remaining. This is charged to a general covenant on RCM. Also with the Royal Bank of Scotland, RCM has a five-year rolling credit facility of up to £13million, this has two years remaining and we have drawn down £8million.

Charities Act 2006 and principal regulator

Under the Charities Act 2006, the Office for Students (OfS) is the principal regulator of those 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. Eighteen HEIs, including RCM, are registered charities and monitored and regulated as charities by the Charity Commission; this is in addition to OfS' 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

This has been a year like no other at the Royal College of Music and the financial challenges have been considerable, but with completion of the transformational investments in our buildings and facilities this year, the donations that continue to support both our students and the College itself, and ongoing careful financial management in line with our financial sustainability strategy, the College is in a strong position for the future.



Lord Black of Brentwood
Chairman
November 2020

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 College's current Strategic Plan runs from 2017-2027, having been approved in 2017. The first three year phase of the Plan ran to 2020 and, therefore, concluded in the summer 2020. This initial planning period to 2020 focused on our major estates plans, the opportunities that these create to support student learning, our public engagement and research, and RCM's significant international and digital strategies:

- completion of the More Music building development in our Prince Consort Road estate and occupation of RCM Jay Mews, supported by the More Music campaign, encompassing fundraising for strategic priorities and projects including capital development, scholarships, academic initiatives and Junior College/Sparks;
- enhancing RCM as a European conservatoire in response to Brexit, which will involve a range of specific actions, evolving as the wider economic and political context develops;
- international initiatives, including in China-based collaborative projects; and
- developing digital initiatives, including establishing the learn.rcm virtual learning environment and the Virtual Conservatoire in collaboration with other conservatoires.

The overall Strategic Plan 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.

The next phase of the Plan is proposed to be 2020-23. As part of the process of developing the revised Plan, it is proposed to review the vision to 2027, to ensure it continues to reflect the College's longer term plans and changes to the wider external environment. The development of the 2020 Plan will also be informed by existing and developing sub-plans, such as the ICT Strategy, estates strategy, teaching and learning and assessment strategy, etc.

Given the current Covid-19 health crisis and its ongoing and evolving impact on the College, it is now planned to defer development of the 2020-23 Plan until at least the autumn 2020. In the meantime, Directorate will continue to review the Vision to 2027, that forms part of the Strategic Plan.

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 2020/21

The overall economic and social outlook continues to be highly uncertain while we are in midst of the Covid-19 pandemic. This is compounded by the UK's departure from the EU, which has presaged an unprecedented period of political and economic uncertainty. Brexit has far-reaching implications for RCM, 20% of whose students and c74 staff are from the EU.

The draft Budget for 2020/21 shows a deficit of -£1.1m due to the significant impact of Covid-19, with a surplus in 2021/22 of £0.3m, increasing each year to £1.4m by 2024/25. We propose to invest £3m of Capital Expenditure in 2020/21 (subject to final approval by Council) including a final £1m on the Courtyard project and £0.55m on the archive to complement the new museum. In 2021/22 and beyond, we have planned capital spend of £1m per annum.

Set against an uncertain background, enrolments to study at RCM in 2020 are higher than ever, with year on year increases in international, EU and UK students. We plan continued modest growth in overseas student numbers for 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 system. 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 most recently reviewed by Directorate in June 2020 and key risks are as follows:

Red risks:

- Coronavirus puts sustainability and standards of RCM at risk
- Impact of Brexit puts recruitment of EU students at risk
- Failure to continue updating to industry standard digital infrastructure
- Impact of Brexit makes it harder to retain and recruit of the most qualified staff
- Sustainability of ABRSM contributions at risk
- RCM suffers debilitating cyber attack/security breach
- Reduction in funding following OfS specialist institution funding review

Amber risks:

- Financial Sustainability at risk – reflects the financial challenges created by Covid-19 and the risk of increased contributions to USS
- Failure to deliver high quality programmes and meet academic standards
- Failure of trust in institution on part of College community and wider public
- Failure to provide fitting surroundings for delivering excellence for staff/ students and failure to develop and deliver the Courtyard project to the required quality and approved budget.

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).

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

INSPIRATIONAL PROGRAMMES

Enhancing learning and teaching

Following several years of consultation and development, the College's new Bachelor of Music curriculum was approved in February 2020. The review sought to strengthen links between our flagship undergraduate programme and other areas of the College's work (including Research, the Museum and Sparks). The new programme will also provide improved support for students' health, wellbeing and career development and well-defined pathways for students to develop their specialist interests. The new BMus curriculum is being phased in from this academic year 2020/21, starting with BMus 1.

In March 2020, due to the escalating Covid-19 situation, the College was unable to continue onsite delivery of teaching. All programmes moved to online delivery from 16 March 2020, a shift which necessitated radically new approaches to learning, teaching and assessment. With exceptional support from the College's Digital Learning team, rapid up-skilling of staff in methods of online delivery enabled the College to continue high-quality delivery of programmes at all levels. This extended to the Junior Department and Sparks community and summer school activities. The College's online learning platform, Learn.rcm, as well as Microsoft Teams and video recording have all been vital tools for facilitating learning and assessment. As one example, Heads of Faculties developed and delivered a new, bespoke curriculum of online faculty classes to replace cancelled ensemble activity, with excellent feedback from students. The Library has also provided vital resources to facilitate home study and research, including access to the nkoda online score library.

Following consultation with the Students' Union, the Senate Executive Committee and other UK conservatoires, a decision was taken to postpone the summer term recitals to August 2020. The College provided additional 1:1 lessons during the summer vacation period to support graduating students who were affected by this postponement and those students without access to instruments. The recitals took place during August with excellent support from Estates, Registry and Studios to provide safe, socially-distanced performance environments for our students. This included the very first student performances to take place in our new Performance Hall.

In consultation with the SU a 'no detriment' policy was developed to ensure that no student would be unfairly disadvantaged by the circumstances of 2019/20. Although recital examinations were postponed, most other assessments continued as planned and graduating students had their awards ratified in early September 2020.

During 2020/21, the College is utilising a 'blended' approach to deliver programmes. This combines socially-distanced on-site teaching and rehearsal with online teaching and extensive digital resources. Junior Department teaching and Sparks projects are being delivered in a similar way.

It is clear that a flexible approach will be necessary throughout academic session 2020/21 to recognise the range of travel, health and quarantine situations our students are experiencing. The College is permitting students to study remotely for the autumn and spring terms providing they have a valid reason to do so. To support our distance learners we are making significant use of the newly installed 'Lecture Capture' technology in performance venues, which complements recent skills gained in online teaching via Microsoft Teams and Learn.rcm.

Research and Innovation

In July 2020, RCM had 9 externally funded projects (value to RCM, £1.39M); a further two funding bids awaiting response (provisional value, £588K); and 9 further bids being prepared. Major research projects include:

- AHRC funded, 'Music, Migration & Mobility, the Legacy of Migrant Musicians from Nazi-Europe in Britain' (September 2019 to August 2022, full 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, overall value £1million): a three year joint venture with Imperial College London (ICL), the National Health agencies and the Arts Councils of the UK's four countries, and many industry partners that explores the impact of arts and culture on health and wellbeing across the UK, from individual, social, and economic perspectives;
- AHRC-funded impact development project, 'Healthy Performer' (2019-20, value £100K)

- British Academy Knowledge Frontiers-funded 'ZikMus' (2019-21, total value £50K), investigating the use of music in aiding the social and psychological development of children affected by Zika virus in Bahia, Brazil.
- AHRC funded 'Music, Home and Heritage, Sounding the Domestic in Georgian Britain' (January 2018 to summer 2020, total value £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. Researchers are supported by academic discoveries and pooled know-how from eight academic institutions and three bioscience incubators, together with industry expertise, NHS patients and enabling partners (investors, service providers, designers etc.). The RCM has so far secured four Fellowships from the scheme.

Doctoral Research Training and Studentships

- As a result of RCM's successful bid to join the new London Arts and Humanities Partnership (LAHP), 2019 to 2024, applicants for the RCM doctoral programme can apply for research studentships, which cover full fees and provide a generous maintenance grant for three years of full-time, or six years of part-time study. The 2020 competition awarded 90 studentships across eight universities and 26 humanities disciplines. Five studentships were awarded in music, of which two were won by RCM applicants, including a Collaborative Doctoral Award studentship for a project jointly supervised by the RCM (by Dr Dave Camlin) and the Natural Singing Network. This brings the current total of LAHP-funded students studying at RCM to six.

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. Enhanced by the close relationships with world-leading musicians who work with our students, the programme is unrivalled for the education it provides for students, and the engagement of supporters and the public.

Autumn 2019

The Autumn term saw a wide range of performances both at the RCM and beyond. The RCM Big Band performed at Ronnie Scott's, in a programme of jazz variations on music of Chopin and Gershwin, led by the Dutch pianist, Peter Beets. In the Britten Theatre, the conductor Duncan Ward, together with the RCM New Perspectives ensemble, gave a programme of music by Birtwistle, Saariaho, and Adamek, the last of these featuring soprano Ana Beard Fernández as vocalist and actor. The RCM orchestral programme began the year with Hummel's second piano concerto, given by Concerto Competition winner Dimitrii Kalashnikov. The RCM Philharmonic also performed Beethoven's Fifth Symphony, conducted by Martin André. This was followed later in the month by a performance, and a further Sparks event, of Elgar's Enigma Variations, led by RCM alumnus Timothy Lines. Visiting Professor of Conducting and Music Director of ENO, Martyn Brabbins, was able to stand in at short notice to deliver an orchestral masterclass, and Director of Opera, Michael Rosewell, conducted a performance of Mahler's First Symphony, and a searing performance of Schoenberg's A Survivor from Warsaw, with the narration by RCM Artist in Residence, Sir Thomas Allen. An all-female composer programme featured in the annual RCM Chamber Choir concert, led by Natalie Murray Beale. RCM performers gave a concert of chamber works by Thomas Adès in the Royal Festival Hall, as part of the London Philharmonic Orchestra "Isle of Noises" series. We shared an international collaboration with the Paris Conservatoire, where students from each institution shared the stage, both in London and Paris, to perform music by Stravinsky and Laurence Durupt. Other concerts included Prokofiev's cantata Alexander Nevsky, featuring the RCM Chorus; a further international collaboration with the orchestra of the University of Arts, Berlin; the International Festival of Viols, and to complete the year, Haydn's rarely heard, but delightful comic opera, *Il mondo della luna*.

Spring 2020

At the start of the term we welcomed the Swiss jazz trio Vein, to lead our Big Band. To celebrate the 60th birthday of composition professor Mark-Anthony Turnage, we promoted a series of concerts and classes reflecting the wide range of his output, including solo, chamber, chamber ensemble, and orchestral works. The RCM Baroque Orchestra performed a programme of Bach, father and son, at the RCM and Oxford. Members of the Historical Performance Faculty also played an exclusive concert for our President, HRH Prince Charles, and invited guests, at Windsor Castle. Further orchestral concerts included Sibelius' Second Symphony, Mahler songs conducted by Martyn Brabbins, and the first visit to the RCM of Sir Antonio Pappano, to perform Lili Boulanger, Ravel, and Saint-Saëns Organ Symphony – the inaugural performance of this spectacular work on our Flentrop Organ. The Spring term also included a week-long Chamber Music Festival, a day of concerts for International Women's Day, and a series of Bartók and of Beethoven chamber works, the latter in his anniversary year. As a result of the closure of the site due to Covid-19 a number of concerts had to be cancelled at the end of the term, including the fully rehearsed French opera triple bill, as well as a visit from Music Director-elect of the RPO, Vasily Petrenko, for Shostakovich's Symphony No 8 and the annual keyboard festival. We plan for the rescheduling of some of these performances in the autumn and beyond.

Summer 2020

The RCM had to cancel its performance programme, as the continued lockdown restrictions kept the RCM campus closed. In its place, we developed and broadcast an extensive online digital programme, featuring a range of performances from the RCM recorded catalogue, and which attracted strong audience numbers. The broadcasts included performances and masterclasses from such luminaries as Bernard Haitink, Vladimir Ashkenazy, Vladimir Jurowski, Maxim Vengerov, Jac van Steen, Håkan Hardenberger, Sir Thomas Allen and John Wilson. Their immediate and generous support for this venture was greatly appreciated, and showed the strength of empathy and support they feel with the RCM and its students. Further to this we were able to adapt in order to stream live events including the Composition for Screen Showcase, which was translated to a fully online experience. A further sharing of musical performances was available through the social media feed #rcmcommunity, where we witnessed the posting by both students and graduates of inventive and creative performances from within the confines of their restricted locations.

CELEBRATING SUCCESS

Shining examples

At the 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 the 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 2019/20.

Composition

Owen Ho: jointly won First Prize at the Association of English Singers & Speakers' Composers Song Writing Competition 2019 and won the Arcubus Ensemble Call for Scores 2020

Alex Ho: co-directed the world premiere of his new stage work, *A Story Untold*, at the Round Chapel in Hackney

Lara Poe: commissioned by the Santa Fe Music Festival to write a piece for the Young Composers String Quartet Project and selected to take part in The Sibelius Festivals' Nursery Garden project

Liam Taylor-West: commissioned to write an encore for the City of Birmingham Symphony Orchestra, which was recorded and broadcast by BBC Radio 3

Edwin Hiller: was the winner of the Electroacoustic / Sound Artwork category in the fourth annual Scottish Awards for New Music

Keyboard

Dmitrii Kalashnikov: won First Prize at the final of the Jacques Samuel Intercollegiate Piano Competition at Wigmore Hall

Martin James Bartlett: awarded First Prize in the Young Concert Artists International Auditions in New York City

Thomas Kelly: won the Beethoven Piano Society of Europe Senior Intercollegiate Piano Prize

Daniel Floyd: appointed as the Bert Allwood Organ Scholar at Alexandra Palace

Victor Maslov: won shared First Prize at the Second International Rachmaninoff Competition in Moscow

Woodwind

Carlos Caballero: awarded a place in this year's European Union Youth Orchestra

Matt Glendening: played Principal Clarinet with the Royal Liverpool Philharmonic Orchestra and guest Principal with the London Symphony Orchestra at the Royal Opera House with Sir Antonio Pappano

Mebrakh Haughton Johnson: played with the Nu Civilisations Orchestra at the BBC Proms alongside the BBC Concert Orchestra, broadcast on BBC Radio 3

Sirius Chau: won the Woodwind and Brass Prize at the Royal Over-Seas League (ROSL) Annual Music Competition

Vocal

Ceferina Penny: won The Pamela Hart Third Prize in the Junior Ferrier Bursary Competition

Annabel Kennedy and Rebecca Leggett: won Second Prize and the Audience Prize (respectively) in the Maureen Lehane Vocal Awards at Wigmore Hall

Eyra Norman: made her English National Opera debut in *Dido and Aeneas*

Jessica Cale: won Second Prize in the Pendine International Voice of the Future at the Llangollen International Musical Eisteddfod

RCM in the press

'The cast is excellent, with several outstanding performances. There is not a single weak link among the cast, while the orchestra, under the baton of Michael Rosewell, is on dazzling form. This production makes a very strong case for why Haydn's operas deserve to be heard a lot more.' Sam Smith's five star review for Music OMH of the RCM Opera Studio's production of *Il mondo della luna*

'All in all, a fabulous evening at the theatre. It is entirely fitting that this score, composed for the wedding of the younger son of Haydn's patron, is performed here by a set of singers brimming with youthful vivacity and enthusiasm and an orchestra clearly fully behind Haydn's score.' Colin Clarke reviews *Il mondo della luna* for Seen and Heard International

'The RCM Brass musicians played a majestic fanfare with great verve and passion when the Prince entered the Hall. They gave a flawless performance with the brass section raising the roof of the auditorium in celebration of his arrival. The whole borough must have heard it. A great start to the honorands....' Kate Hawthorne writes about the 2020 President's Visit in KCW Today



Maria Hegele in Haydn's *Il mondo della luna*

LEARNING FOR ALL

Ensuring fair access

RCM Junior Department

The RCM Junior Department (RCMJD) offers advanced training at the highest level to young musicians aged eight to 18, providing individually-tailored programs of one-to-one instrument, voice and composition, supported by chamber music, orchestra, choir and musicianship. Since its inception, the RCMJD has evolved to meet the musical needs of our students and adapted to the changing educational and musical landscape. Entrance to the RCMJD is highly competitive by audition and we remain committed to ensuring successful applicants should not be prevented from coming to the RCMJD through financial hardship; in 2019/20 more than £200,000 of bursary support was accessed by families where there was the most need.

In the first half of the year RCMJD students were involved in more than 50 concerts, including a performance as part of the Primary Proms at the Royal Albert Hall. They also benefitted from working with professional musicians of the highest calibre, including senior RCM Heads of Faculty and RCM Quartet in Residence the Harlem Quartet. Many of our students are members of leading ensembles including the National Youth Orchestra (NYO), National Children's Orchestras and National Youth Choirs of Great Britain. Our young musicians also enjoy significant success in national and international competitions. Five RCMJD students reached the category finals of the BBC Young Musician of the Year competition in 2020

The RCMJD operated very successfully during lockdown. All 1-to-1 lessons on first, second and third study instruments were delivered digitally. RCMJD ensemble coaches ran highly successful digital performance projects and we offered an online performance platform so that students could continue to develop their performance skills and receive constructive feedback. We also provided an enhanced range of 'live' digital musicianship classes for all. A series of highly popular online performance competitions at the term attracted over 300 entries from RCMJD students and we delivered over 500 digital lessons per week.

Our first cohort of new Sparks Juniors students, recruited from the RCM Sparkles programme, began their musical studies at the RCMJD in September 2019. Ten free places have been provided for 5-year-old children and their parents to engage with formal learning on our fully funded three-year programme. We look forward to welcoming the second new cohort in September 2020. In addition, three former Sparks Juniors were accepted on to the full RCMJD programme, demonstrating the success of the Sparks Juniors programme in widening musical access to the RCM.

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 over 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), Black, Asian and minority ethnic children/young people and 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, service families, families from Gypsy, Roma and Traveller communities, Young Carers and their families, refugee families/families with migrant status.

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. RCM Sparks has moved all of its widening participation activity online following the termination of all face-to-face projects due to Covid-19. This large undertaking is an important statement of the priority of this work in supporting hard to reach families and schools during this challenging time and the RCM commitment to work in this area. A new digital toolkit was created and an array of materials to ensure Sparks continues its essential relationship with the schools and local community. Schools were able to access the termly lunchtime concert in July and download accompany resources for use in the classroom, families could access practical activities for primary aged children through to teenagers and our Minis Sparks programme continues via video song-bundles online. Get, Set, Play swiftly moved to live weekly workshops streamed into families homes in some of the most deprived areas in the Tri-Borough – they also received a project pack of instrument resources to allow them to continue with the positive development they were making throughout the Spring term. Sparks Juniors children and families attend weekly live workshops with the RCMJD teaching team and are making excellent progress towards their end of term celebration. Summer Music took place with great success delivering online two, one-week courses and two Percussion Pop-Ups. As part of this Sparks was able to pilot reaching wider geographical regions, particularly targeting lower quintile areas.

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, confident, and versatile communicators - in their professional engagements, and beyond. RCM graduates are highly employable - the Higher Education Statistics Agency graduate employment survey shows that an impressive 94% of RCM graduates from our 2017-18 cohort are in employment or further study fifteen months after graduating, as are between 94 - 100% in the last five years.

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, creative project management, careers in music 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, develop new skills with 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 support in CV / biography and job application writing, funding, marketing, self-promotion, and career planning sessions; student / graduate aimed job bulletins; arts administration work placements / internships; and regular workshops and presentations led by industry specialists. It also offers access to a wide variety of professional contacts and extensive online resources, including career-focused videos, podcasts, factsheets, and directories.

Concert opportunities are provided at more than 30 venues through a scheme called RCM Gateway, including some of London's most prestigious concert halls, churches, galleries and museums, as well as retirement homes and hospitals. In 2019-20, RCM musicians performed at such notable venues as the Royal Albert Hall's Elgar Room, St James's Piccadilly, V&A Museum, and Kensington Care Home.

CCC also manages a thriving Professional Engagements Service where musicians are 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 2020, before the UK's pandemic lockdown, 349 different musicians had performed at over 300 opportunities through the RCM Gateway and Professional Engagements Service. Unfortunately, from mid-March onwards, hundreds of performances had to be cancelled.

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 and, last year, 105 individuals received tuition via the service, 12 of which resulting from the new Online Teaching Service (launched in May 2020), created in response to Covid-19. The department has plans to develop this new service towards the goal of significantly broadening the scope of opportunities for RCM musicians, as well as the wider community.

Throughout June 2020, in order to mark 20 years of the department, and support upcoming and recent graduates in response to the global crisis, the CCC devised and delivered a month-long online careers-focused series entitled The Modern Musician: Past, Present, and Future. In total, 24 events were delivered (online workshops as well as panel discussions) plus 88 tailored 1-1 sessions. 57 highly reputable speakers were featured (industry specialists and graduates) and, across all events, there were 572 attendances (students from BMus1, through to graduates who left the RCM in 1983) - 209 of which were unique attendees. Due to the remarkable success of the series, the department aims to continue delivering career support online. A new online graduate / student mentoring scheme was also launched in June entitled RCM PushFar.

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 Campaign

By the end of July 2020 £21.7 million of our £25 million target for the More Music building development had been secured in cash and pledges (risk adjusted). Reaching our fundraising target for the building development remains a priority, however due to the impact of Covid-19 we are now focused on seeking support for the core activities that are essential to preserving our world-class teaching, research and outreach work. Philanthropic investment is crucial at this time especially as other income generating activities, including event and venue hire, student accommodation and ticketed performances, cannot proceed as usual.

In 2019/20 the Royal College of Music (RCM) received many significant donations to help secure the future of music. In particular, we wish to recognise Blüthner Pianos, the Andrea Bocelli Foundation, Community Jameel International, the Croucher Hong Kong Charitable Foundation, The Future of Russia Foundation, Kingdom Music Education Group, and the support of senior volunteers and loyal supporters who have helped make the campaign a success. We were delighted to welcome longstanding supporters Lady Connie Middleton, Alethea Siow and Lady Meryl Walters as new members of our More Music Campaign Committee. The RCM's internal and dedicated fundraising and alumni engagement team carefully follow the UK Code of Fundraising Practice and is pleased to report that we received no formal complaints related to fundraising this year. Our approach of appeals that are proportionate to an individual's links to the College, with several ways to tailor how they hear from us and with opt-in only e-communication, are part of ongoing commitment to protecting vulnerable people while ensuring that those who want to support can do so in a way that works for them.

Our students – supporting the most talented

In 2019/20 the RCM awarded over £3.2 million in scholarship support, benefitting over 60% of the student body. This has only been possible through the generous support of many individuals, trusts, organisations and legators. We would like to thank the Soirée d'Or Committee and all those who attended the 2019 Soirée d'Or fundraising gala which raised over £215,000 to fund RCM scholarships. We believe that no student should be denied an RCM education for want of funds. In response to the financial hardship experienced as a result of the coronavirus pandemic, especially among musicians who rely heavily on teaching and performances for income, in April 2020 the RCM launched a More Music Covid-19 Hardship Fund Appeal to support RCM students. Overall, 139 supporters gave a total of £441,000 to support our students with hardship. The total includes a gift of £100,000 for Hong Kong students donated by the Croucher Hong Kong Charitable Trust as well as a gift of £90,000 over three years from Community Jameel International. 140 RCM students have already benefitted from this fund.

Our global alumni community

Our alumni continue to play an increasingly active role in the RCM community as a result of the work carried out by the Development & Alumni Engagement and Creative Careers teams. As lockdowns impacted the global community over the past several months, we have seen many of our alumni engage with us digitally as we further develop our alumni programme. We are also grateful to the large number of alumni who have provided generous financial support to the RCM this year, particularly through our More Music Covid-19 Hardship Fund Appeal.

Our future – supporting our core mission

In the face of the current global crisis, the RCM remains strong and ready to adapt. However, our ability to provide the widest access to excellence depends on philanthropic support. We are especially grateful for the continued commitment and tremendous support shown by donors, friends, supporters, parents and leadership volunteers at this challenging time. Thank you for the role you have played in securing the future of music.

For those who believe, as we do, that music will play a vital role in our collective recovery from this crisis, we hope you will support our goals. 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 important 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

Three further RCM BAME Scholarships were awarded, in addition to the three continuing BAME scholarship holders. These are offered 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.

RCM made 41 awards totalling £29,000, courtesy of the Henry Wood Trust, to help economically disadvantaged students with their accommodation costs. A further £8,000 was awarded to students from low income families from the RCM Hardship Fund, and £126,390 was awarded to from the Covid-19 Hardship fund (a fund raised specifically for the purpose) to assist students financially impacted by the pandemic.

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' (now re-named 'Togetherall') an anonymous online mental health resource for all students available 24 hours per day, seven days per week, and the recruitment of an additional (male) counsellor, increasing counselling provision to five days per week during term time.

Candidates for audition declaring a disability remained steady. Despite lockdown and remote learning students were able to access study support and two further referrals for diagnostic assessments were made.

Staff

The RCM is committed to its duties and responsibilities under the Public Sector Equality Duty (PSED), which requires us to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not in all aspects of the college's activities. Therefore the 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 environment for our staff and visitors; 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. Whilst we have equality & diversity and unconscious bias training delivered by ACAS on site, we have (in response to lockdown) started to encourage staff to complete the ACAS on-line training in this area to ensure that individuals receive this important training. This forms part of the induction process supplemented with internal training modules, which includes good recruitment practice, dignity and conduct at work. Towards the end of the Academic Year a review commenced in order to ensure that the training being provided covers the full breadth of equality, diversity, inclusion and cultural factors.

In addition, support for staff with mental health and disability issues, has been strengthened, with the introduction of Mental Health First Aiders, and increased mental health awareness training for managers and colleagues.

In response to "Black Lives Matter" and to further strengthen our commitment to diversity, inclusion and respect a Diversity Action Group has been convened and is charged with consulting widely across the institution; listening carefully to all and to agree a set of recommendations for concrete, achievable actions that make positive, structural and lasting changes in all areas of the College's life.

Estate

RCM's hall of residence, Prince Consort Village is fully accessible, with nine rooms designed for disabled students. In summer 2017, at our main Campus, we opened our new Sesame bespoke wheelchair access lift which provides improved access into our main reception and front of house area. The More Music project completed in 2020, greatly increased accessibility across our Prince Consort Road campus. This new building includes three new bespoke lifts to increase accessibility to our new areas including Museum, new Library entrance, cafe bar, Performance Hall and Performance Studio. The new building is located at the heart of our campus, transforming our connectivity and increasing step-free access via lift and ramps to adjacent buildings across the 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, in all senses of the term. We have a long and successful history of working with others, including:

- UCAS Conservatoires: admissions service created and owned by eight Music Conservatoires;
- Virtual Conservatoire: a collaboration with Royal Academy of Music (RAM), and Conservatoire for Dance & Drama to develop: new teaching, learning and performance methodologies and spaces;
- National network of museums: in partnership with RAM, Horniman Museum and University of Edinburgh, delivering scientifically refined records on more than 40,000 musical instruments;
- Ensemble Purchasing: a cost sharing company, owned by five higher education institutions, to provide us with shared procurement service;
- Imperial College: provide services where both partners benefit from economies of scale from higher volumes, including catering, occupational health and student/staff health;
- KCG: universities' internal audit consortium owned by 15 members, of which the Deputy Director is Chair;
- RCM is a member of London Universities Purchasing Consortium (LUPC): London-wide procurement consortium owned by higher education institutions and third sector organisations members;
- The Energy Consortium: a leader of collaborative energy procurement, particularly to universities and colleges;
- Exhibition Road Cultural Group: champions the collective view of its members, encouraging cross-fertilisation of audiences between members; running joint events; and sharing staff expertise; and
- Invest to Save: focuses on reducing carbon emissions for members in the Exhibition Road Cultural Group.

Strong procurement practices are important for achieving and delivering VfM solutions and our procurement program continued to support this goal by providing:

- procurement advice: contract management, supplier engagement delivery strategies, waster service contracts, MFD's (printers), postage and cleaning services;
- procurement guidance: documentation including order form templates, specification writing and decision flow charts to help embed best practice throughout RCM;
- training: procurement training to RCM staff to refresh basic procurement knowledge, and improve procurement practices across RCM;
- strategy: an overall procurement strategy to reflect RCM's updated strategic plan; and
- contracts database: to store and maintain up-to-date contract documentation to help manage risks throughout the life of a contract.

RCM buys procurement services from Ensemble Purchasing, a cost sharing company owned by HEIs, to provide shared procurement services. RCM is also an active member of the London Universities Purchasing Consortium (LUPC), a London-wide procurement consortium owned by higher education institutions and third sector organisations.

CARING FOR THE ENVIRONMENT

Making a difference

The Royal College of Music is committed fully to minimise any negative environmental, social and economic impacts that arise from our operations, and to maximise all opportunities for us to have a positive environmental impact. Last year was a successful year in which we continued to implement our carbon management plan, with following key targets:

- 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.

The RCM's new More Music facilities were recently assessed by BREEAM, the world's leading environmental sustainability assessment method for building projects. We were awarded 'Very Good', which is an excellent achievement for the College and demonstrates our ongoing commitment to protecting the environment. We have also maintained our ISO 14001:2015 accreditation for environmental management, recognised internationally as a mark of high environmental standard. Most recent surveillance audit results confirmed RCM's commitment and dedication to systematically manage our environmental responsibilities. Having been ISO14001: 2015 accredited for several years, we continue 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- more than 1,000 LEDs helped us save 160,000 kWh;
- drive towards sustainable catering operations including a reward initiatives such as introducing a discount when a drink was purchased using a reusable mug
- our catering outlets sold more than 19,000 hot drink purchases using a reusable mug with 50% of hot drink purchases made using reusable mugs;
- all single-use plastic cutlery has been replaced with metal reusable cutlery;
- continued to install double glazing throughout RCM to reduce heat loss;
- new waterless urinals installation which helped us save 270,00 litres of water per year;
- continuing to review our building management system and upgrading our software and hardware to improve efficiencies;
- encouraged sustainable practices such as recycling demolished brickwork for reuse on site whilst successfully managing the impact of noise from the construction;
- ensuring that suppliers providing services in RCM pay a minimum of London Living wage to staff working at RCM.

The onset of Covid-19 has temporarily affected a number of recently implemented initiatives to minimise the College's impact on the environment. RCM and its contractor partner supply chain however remain committed to a sustainable and low carbon future, by continuing to do everything we can to minimise negative environmental impact through sustainable procurement.

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), the Opera Theatre (1986), the RCM Jay Mews (2019) and the More Music building development (2020).

This year we have seen the culmination of many years' work, which has been incredibly rewarding. Despite the obstacles we have faced in 2020, RCM Estates continued to deliver and respond to the challenges posed by the onset of Covid-19. Careful consideration has gone into the review of all health and safety elements, particularly social distancing and other mitigation measures, which are constantly reviewed to reflect current circumstances. The Covid-19 pandemic has also required the Estates priorities to be reassessed, focusing on the immediate need to:

- Protect the health & safety of the RCM Community – leading the 'Reopening the RCM' process during these unprecedented times
- Promote agility and flexibility of working required to adjust to new operations and ensure the most efficient use of resources and space utilisation
- Mobilise and embed the 3000m² of new build, training the team and undertaking post-occupancy evaluation
- Completing the More Music project snagging and defect period to achieve a functioning new building
- Strive to seek value for money across Estates operational and capital budgets,
- Prioritise the need to maintain BAU and music making during the coronavirus crisis, whilst adhering to Government guidance
- Review all key estates management audit, compliance and regulatory data, policies and processes held within the department
- Maintain our commitment to sustainability and drive achievement of environmental targets such as ISO14001
- Support digitisation and remote hybrid teaching as we return to campus
- Enable commercial external hires to be maximised across the College

We have adopted an estates strategy which outlines how we will continue to 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, digitally enabled and comfortable teaching & 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 protect the health and safety of the RCM community, with 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:

- More Music building development was completed in March 2020, just under three years from the start of construction in 2017, and within budget.
- the new reception and box office opened in September 2019 and provide students, staff and visitors with a refreshing welcome to RCM;

- the ground floor of the new More Music development, including the catering outlet and external Courtyard opened in February 2020.
- The Performance Hall and Performance Studio were utilised for the first time for summer recitals and were well received.
- The new Library entrance has been mobilised and a Click and collection service has been in operation during the summer.
- Our new Museum, located at the heart of the More Music development, is currently in the final phase of the mobilisation and it will be ready to welcome new visitors by the end of 2020.
- the final element of the South Building refurbishment programme includes a new archive and research centre. This project was due to commence in April 2020 and has been postponed due to Covid-19.
- Staff have moved to new offices in RCM Jay Mews (formally known as Markova House) in January 2020, which also houses valuable new rehearsal and practice facilities as well as additional accommodation for teaching, research and office space. The building interior has been refurbished taking account of compliance with fire and other health and safety legislation.
- Prince Consort Village continues to provide 417 student bedrooms and 23 music practice rooms;

The Coronavirus pandemic has impacted the function of the RCM, where adjustments to College life had to be made within a short timeframe to ensure the safety of staff and students. The College ceased regular operations on 17 March, ceasing all teaching classes and reducing its operation to student practice only, with a full building closure following on 24 March 2020. Security remained on site 24/7 to protect our assets, allow for collection of student instruments and statutory checks and business critical works to continue. As the country's lockdown measures started to ease, we began our preparations for a return to the campus. An extensive planning exercise was conducted that included maximum room occupancy capacity evaluations, comprehensive risk assessments and a raft of new protective measures that have been put in place to help ensure the safest possible use of the building at this time. The buildings were subject to enhanced cleaning regimes with special attention given to maintaining social distancing at all times and cleaning and sanitization of touch surfaces like door handles, push plates and access control buttons.

Substantive furniture layout alterations have been completed to achieve social distancing in open learning spaces and dining areas. Surplus furniture has been put into storage and Covid-safe teaching furniture layouts have been individually generated for all teaching spaces. Protective screens have been installed in Reception, Library and Cafe, together with new signage, posters and floor markings throughout the campus, to enforce new building use rules. Other interventions included a redesigned catering service and realigned security service. The associated major contracts have been amended and the contractor partners have risk assessed their staff and processes in support of the RCM. New operational processes and policies continued to be implemented to manage the activity on campus.

In late September the College had its first outbreak, at Prince Consort Village. An outbreak response team was immediately mobilised with representation across key parts of the College and PCV staff. The College liaised with the local public health and the national Public Health England who advised and participated in the response. The College developed its own track and trace system for use by students and provided support to affected and self-isolating student. The incident has since been declared closed by PHE and a debriefing meeting was arranged.

Stringent risk controls continue to be implemented including regular review of specialist risk assessments covering all activities to mitigate against risks associated with Covid-19. Social distancing continue to be implemented in all buildings, including a one-way route, face covering policy, maximum room capacities and room ventilation policy. These measures will be reviewed and updated upon a change in government advice, a change in College operations and as the College moves forward in preparing and implementing further phases which can facilitate more teaching, music making and student activities onsite.

CORPORATE GOVERNANCE & RESPONSIBILITIES OF COUNCIL

Good governance

This statement of corporate governance and responsibilities of Council covers the period from 1 August 2019 up to the date of these Financial Statements.

Committee of University Chairs (CUC) Governance Code of Practice

RCM is compliant with the CUC Governance Code 2018. 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 agreed 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:

- 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' 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 for an accountable officer.

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 scrutinise the annual financial statements ahead of consideration by Audit Committee and Council and review financial forecasts and management accounts and make 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. In reviewing and approving the Financial Regulations, the F&GPC ensures regularity and propriety in the use of public funding. The F&GPC also review minutes of

the Health and Safety Committee in order to monitor compliance and practice on behalf of Council. The Investment Committee (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.

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 (this may be found on RCM's 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.

Transparency is achieved by ensuring details of the structure of corporate governance are readily accessible on the RCM website, including Committee structures, their terms of reference and membership, and schedules.

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. This year, in light of the impact of Covid-19, extra steps were taken provided assurance in coming to this decision. In April and May, the F&GPC reviewed management's scenario planning for 2019/20 and 2020/21 which highlighted reduced income and increased costs due to Covid-19, and agreed mitigating actions to protect the College's financial position. In July a five year Financial Forecast to 2024/25 was approved by Council, subject to amendment once the outlook for 2020/21 was clearer. In October, F&GP reviewed the latest student numbers and recommended to Council that the going concern basis was appropriate. An updated five year Financial Forecast showing a sustainable plan throughout the period was approved by Council in November. The budget for 2020/21 includes an assumption in relation to donations that will be received by the College in the year; the Council noted the uncertainty in relation to those amounts but also took into account fund-raising performance to date, including the success of the Virtual Gala and the Hardship appeal, and noted that the cost savings targeted in 2020/21 had been largely underpinned. Up to date downside scenarios were reviewed, and Council assessed the achievability of the mitigating actions that might be needed to be taken, were there to be a shortfall in income, to ensure all banking covenants were met. The Council noted that the College's projected unrestricted cash plus investments remained higher than its borrowings throughout 2020/21, and that the Revolving Credit Facility would remain in place until July 2022. On this basis, whilst the Council recognise that there is uncertainty in the forecast, the Council do not consider that there is material uncertainty.

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, the Accounts Direction

issued by the Office for Students, the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant, the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable accounting standards. In addition, under the Terms and conditions of funding for higher education institutions issued by the Office for Students, the Council, through its designated office-holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of its surplus or deficit and cash flows for that year. 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.

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 ongoing 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 2020 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.

The review of effectiveness of the internal control system is informed by reports from internal auditors, who have maintained adoption of the 2018 OfS Audit Code of Practice, even though it is no longer required under the OfS Terms and conditions of funding, while also complying with the more limited requirements contained in "Regulatory advice 2: Registration of current providers for 2019/20". 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.

During the period of this report, no significant internal control weaknesses or failures were identified.

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 2020

Professor Colin Lawson CBE FRCM
Director
21 November 2020

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE ROYAL COLLEGE OF MUSIC

Opinion

We have audited the financial statements of The Royal College of Music ("the College") and its subsidiaries ("the Group") for the year ended 31 July 2020 which comprise the consolidated and College statement of comprehensive income, consolidated and College statements of changes in reserves, the balance sheets for the group and College, 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 is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2020 and of the Group's and the College's income and expenditure, gains and losses, changes in reserves and of the Group's and College's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

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 the College 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 board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the College'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 board are responsible for the other information. Other information comprises the information included in the annual review, other than the financial statements and our auditor's report thereon. 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

In our opinion, in all material respects:

- Funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS, UK Research and Innovation (including Research England) and the Department for Education have been applied in accordance with the relevant terms and conditions
- The requirements of the OfS's Accounts Direction (OfS 2019.41) have been met.

We have nothing to report in respect of the following matters in relation to which the OfS requires us to report to you if, in our opinion:

- The College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.
- The College's expenditure on access and participation activities for the financial year has been materially misstated.

Matters on which we are required to report by exception

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:

- the 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 board

As explained more fully in the Council members' responsibilities statement set out on page 22, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as 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 Council is responsible for assessing the Group and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the College 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 the College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the OfS and Research England.

Use of our report

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

BDO LLP

27 November 2020

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2020

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 2020. 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;
- 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);
- in relation to income from More Music donations for the courtyard redevelopment, a judgement was made that the Performance Related Conditions associated with that income had been met as the donations had been fully utilised and the asset was brought into use during the year. As a result the income was transferred into unrestricted funds;
- The RCM has a 25% interest in the Associated Board of the Royal Schools of Music (ABRSM) which is carried at cost. ABRSM is not considered to be an associate; although RCM holds an effective 25% interest in ABRSM, it controls less than 20% of the votes on the Board, and as a result RCM does not significantly influence the level of donations it receives from ABRSM; and
- The impact of Covid-19 on the trading environment for ABRSM has been considerable and it has temporarily suspended donations to RCM and the other members. RCM has carried out an impairment review of the investment in ABRSM by estimating the present value of the future cash flows under a range of scenarios and concluded that there is no impairment at 31 July 2020.

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 useful 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 amortised 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 (deposits 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 gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. 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 a 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 2020

	Note	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
Income					
Tuition fees	1	14,119,100	14,119,100	12,755,483	12,755,483
Funding body grants	2	5,517,960	5,517,960	6,161,779	6,161,779
Research grants and contracts	3	438,704	438,704	438,193	438,193
Other income	4	2,003,113	2,003,113	2,168,821	2,168,821
Investment income	5	1,619,283	1,620,902	1,804,485	1,641,609
Total income before endowments and donations		23,698,160	23,699,779	23,328,761	23,165,885
Donations and endowments	6	3,573,660	3,573,660	5,173,631	5,173,631
More Music campaign	6	1,745,155	1,745,155	2,918,041	2,918,041
Total income		29,016,975	29,018,594	31,420,433	31,257,557
Expenditure					
Staff costs before pension adjustment	7	16,271,277	16,271,277	15,051,094	15,051,094
Pension adjustment	7	(1,743,636)	(1,743,636)	2,662,839	2,662,839
Total staff costs	7	14,527,641	14,527,641	17,713,933	17,713,933
Other operating expenses	8	10,768,295	10,765,418	10,629,720	10,618,818
Depreciation	10	1,845,245	1,845,245	1,478,173	1,478,173
Interest and other finance costs	9	251,128	251,128	208,238	208,238
Total expenditure		27,392,309	27,389,432	30,030,064	30,019,162
Surplus before gains and share of operating surplus of associates		1,624,666	1,629,162	1,390,369	1,238,395
Gain on disposal of tangible fixed assets		-	-	38,460	38,460
Loss/(gain) on disposal of investments		(51,660)	(51,660)	3,498,214	3,498,214
Change in fair value of investments	12	(2,774,246)	(2,774,246)	(1,321,779)	(1,321,779)
(Loss)/surplus for the year		(1,201,240)	(1,196,744)	3,605,264	3,453,290
Actuarial (loss) in respect of pension schemes	27	(690,000)	(690,000)	(547,000)	(547,000)
(Deficit)/surplus before tax		(1,891,240)	(1,886,744)	3,058,264	2,906,290
Taxation		-	-	(19,863)	-
Total comprehensive income for the year		(1,891,240)	(1,886,744)	3,038,401	2,906,290
Represented by:					
Restricted endowment comprehensive income for the year		(3,136,621)	(3,132,125)	2,790,602	2,658,491
Restricted comprehensive income for the year	21	(15,840,042)	(15,840,042)	2,610,497	2,610,497
Unrestricted comprehensive income for the year		16,815,885	16,815,885	(2,430,534)	(2,430,534)
Revaluation reserve comprehensive income for the year	23	269,538	269,538	67,836	67,836
		(1,891,240)	(1,886,744)	3,038,401	2,906,290

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

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

Royal College of Music
Annual Review and Financial Statements 2019/20
Consolidated and RCM statement of changes in reserves
Year ended 31 July 2020

	Income and expenditure account			Revaluation reserve	Total reserves
	Endowment	Restricted	Unrestricted		
	£	£	£	£	£
Consolidated					
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	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 1 August 2019	45,583,130	16,194,006	27,144,413	13,553,755	102,475,304
Surplus from the income and expenditure statement after taxation	(3,136,621)	1,698,613	236,768	-	(1,201,240)
Other comprehensive income	-	-	(690,000)	-	(690,000)
Transfers between revaluation and income and expenditure reserve	-	-	(269,538)	269,538	-
Release of restricted funds on completion of courtyard redevelopment	21	(17,538,655)	17,538,655	-	-
Total comprehensive income for the year	(3,136,621)	(15,840,042)	16,815,885	269,538	(1,891,240)
Balance at 31 July 2020	42,446,509	353,964	43,960,298	13,823,293	100,584,064
Royal College of Music					
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	(1,815,696)	-	3,453,293
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 1 August 2019	45,125,052	16,194,006	27,144,413	13,553,755	102,017,226
Surplus from the income and expenditure statement	(3,132,125)	1,698,613	236,768	-	(1,196,744)
Other comprehensive income	-	-	(690,000)	-	(690,000)
Transfers between revaluation and income and expenditure reserve	-	-	(269,538)	269,538	-
Release of restricted funds on completion of courtyard redevelopment	-	(17,538,655)	17,538,655	-	-
Total comprehensive income for the year	(3,132,125)	(15,840,042)	16,815,885	269,538	(1,886,744)
Balance at 31 July 2020	41,992,927	353,964	43,960,298	13,823,293	100,130,482

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

Consolidated and RCM balance sheet

Year ended 31 July 2020

	Note	As at 31 July 2020		As at 31 July 2019	
		Consolidated £	RCM £	Consolidated £	RCM £
Non-current assets					
Fixed assets	10	71,876,232	71,876,232	63,508,474	63,508,474
Heritage assets	10,11	5,493,790	5,493,790	5,486,915	5,486,915
Investments	12	47,650,735	45,939,873	53,262,762	51,551,900
Investment in subsidiary company	13	-	1,710,862	-	1,710,862
		<u>125,020,757</u>	<u>125,020,757</u>	<u>122,258,151</u>	<u>122,258,151</u>
Current assets					
Trade and other receivables	14	1,382,601	1,062,448	3,576,477	3,574,886
Investments	15	2,500,000	2,500,000	4,500,000	4,500,000
Cash and cash equivalents		7,692,935	7,559,506	3,921,555	3,464,978
		<u>11,575,536</u>	<u>11,121,954</u>	<u>11,998,032</u>	<u>11,539,864</u>
Less: Creditors: amounts falling due within one year	17	<u>(3,671,138)</u>	<u>(3,671,138)</u>	<u>(5,326,112)</u>	<u>(5,326,022)</u>
Net current assets		7,904,398	7,450,816	6,671,920	6,213,842
Total assets less current liabilities		132,925,155	132,471,573	128,930,071	128,471,993
Creditors: amounts falling due after more than one year	18	(26,420,615)	(26,420,615)	(19,064,042)	(19,064,042)
Provisions					
Pension provisions	19	(5,920,475)	(5,920,475)	(7,390,724)	(7,390,724)
Total net assets		100,584,065	100,130,483	102,475,305	102,017,227
Restricted reserves					
Income and expenditure reserve - endowment reserve	20	42,446,509	41,992,927	45,583,131	45,125,052
Income and expenditure reserve - restricted reserve	21	353,964	353,964	16,194,006	16,194,006
Unrestricted reserves					
Income and expenditure reserve - unrestricted		43,960,299	43,960,299	27,144,413	27,144,413
Revaluation reserve	23	13,823,293	13,823,293	13,553,755	13,553,755
		<u>100,584,065</u>	<u>100,130,483</u>	<u>102,475,305</u>	<u>102,017,227</u>
Total reserves		100,584,065	100,130,483	102,475,305	102,017,227

The financial statements were approved and authorised for issue by the Council on 25 November 2020 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 2020

	Note	Year ended 31 July 2020 £	Year ended 31 July 2019 £
Cash flow from operating activities			
(Deficit)/surplus for the year		(1,891,240)	3,038,401
Adjustment for non-cash items			
Depreciation	10	1,845,245	1,478,173
Loss/(gain) on disposal of fixed asset investments		51,660	(3,498,214)
Loss on investments		2,774,246	1,321,779
Decrease/(increase) in debtors	14	2,193,876	(1,213,327)
(Decrease)/increase in creditors		(1,064,765)	429,962
(Decrease)/increase in pension provision	19	(1,470,249)	3,320,368
Receipt of donated assets		(255,750)	(238,000)
Amortised lease income		(304,911)	(304,911)
Adjustment for investing or financing activities			
Investment income	5	(1,619,283)	(1,804,485)
Interest payable	9	126,875	74,058
Endowment income	6	(476,552)	(654,796)
Profit on the sale of fixed assets		-	(38,460)
Capital grant income		(326,382)	(335,371)
Net cash (outflow)/inflow from operating activities		<u>(417,230)</u>	<u>1,575,177</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	38,460
Capital grants receipts		107,747	117,576
Disposal of non-current asset investments		3,270,766	27,642,421
Investment income	5	1,619,283	1,804,485
Payments made to acquire fixed assets		(9,511,468)	(25,812,197)
Purchase of non-current asset investments		(484,645)	(28,237,835)
New fixed term deposits		-	(2,500,000)
Fixed term deposits expired		2,000,000	19,000,000
Net cash outflow from investing activities		<u>(2,998,317)</u>	<u>(7,947,090)</u>
Cash flows from financing activities			
Interest paid	9	(126,875)	(74,058)
Endowment cash received		476,552	654,796
New unsecured loans		7,000,000	1,000,000
Repayments of amounts borrowed		(162,750)	(162,750)
Net cash inflow from financing activities		<u>7,186,927</u>	<u>1,417,988</u>
Increase/(decrease) in cash and cash equivalents in the year		<u>3,771,380</u>	<u>(4,953,925)</u>
Cash and cash equivalents at beginning of the year		3,921,555	8,875,480
Cash and cash equivalents at end of the year		7,692,935	3,921,555

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

Notes to the accounts for the year ended 31 July 2020

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated	RCM	Consolidated	RCM
	£	£	£	£
1 Tuition fees				
Full-time UG home and EU	2,916,063	2,916,063	2,810,459	2,810,459
Full-time PG home and EU	2,589,086	2,589,086	2,251,925	2,251,925
Part-time home and EU	203,831	203,831	173,428	173,428
Non-EU	6,496,867	6,496,867	5,634,095	5,634,095
Other	1,913,253	1,913,253	1,885,577	1,885,577
	14,119,100	14,119,100	12,755,483	12,755,483
2 Funding body grants				
Recurrent grant				
Teaching	4,396,928	4,396,928	4,526,307	4,526,307
Research	472,317	472,317	441,969	441,969
HEIF	319,910	319,910	369,048	369,048
Specific grants				
Staff related inherited liabilities	21,133	21,133	12,927	12,927
Other grants	200,740	200,740	703,012	703,012
Capital grants released in the year	106,932	106,932	108,516	108,516
	5,517,960	5,517,960	6,161,779	6,161,779
The table below shows the sources of grant and fee income.				
Grant and fee income				
Grant income from OfS	4,547,698	4,547,698	5,186,617	5,186,617
Grant income from other bodies	1,853,148	1,853,148	1,413,355	1,413,355
Fee income for taught awards (exclusive of VAT)	11,969,550	11,969,550	10,664,471	10,664,471
Fee income for research awards (exclusive of VAT)	236,297	236,297	205,435	205,435
Fee income from non-qualifying courses (exclusive of VAT)	1,913,253	1,913,253	1,885,577	1,885,577
	20,519,946	20,519,946	19,355,455	19,355,455
3 Research grants and contracts				
BIS research councils	416,364	416,364	289,498	289,498
UK-based charities	-	-	58,757	58,757
Government (UK and overseas)	13,990	13,990	16,957	16,957
Other	8,350	8,350	72,981	72,981
	438,704	438,704	438,193	438,193
4 Other income				
Residences, catering and conferences	248,752	248,752	363,890	363,890
Other capital grants	219,450	219,450	226,855	226,855
Other services rendered	193,097	193,097	406,727	406,727
Lease premium - Prince Consort Village	304,911	304,911	304,911	304,911
Other income	1,036,903	1,036,903	866,438	866,438
	2,003,113	2,003,113	2,168,821	2,168,821
Other income in 2019/20 includes £444,182 claimed through the Coronavirus Job Retention Scheme.				
5 Investment income				
Investment income on endowment assets - unrestricted	138,675	138,675	96,489	96,489
Investment income on endowment assets - restricted	1,479,420	1,424,586	1,509,209	1,346,333
Other interest receivable	1,188	57,641	198,787	198,787
	1,619,283	1,620,902	1,804,485	1,641,609

Notes to the accounts for the year ended 31 July 2020

	Note	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
6 Donations and endowments					
New endowments with restrictions		476,552	476,552	654,796	654,796
Restricted donations		2,514,887	2,514,887	2,682,869	2,682,869
Unrestricted donations - ABRSM		-	-	1,597,000	1,597,000
Unrestricted donations - Other		582,221	582,221	238,966	238,966
		3,573,660	3,573,660	5,173,631	5,173,631
More Music campaign donations		1,745,155	1,745,155	2,918,041	2,918,041
		5,318,815	5,318,815	8,091,672	8,091,672

Under certain circumstances, it may be possible that the College is obliged to make returns of certain amounts of donations received in previous years. It is not currently possible to reliably estimate such amounts

7 Staff costs					
Salaries		13,131,467	13,131,467	12,459,926	12,459,926
Social security costs		1,094,597	1,094,597	1,088,181	1,088,181
Movement on USS provision and related finance charge	9, 19	(1,743,636)	(1,743,636)	2,662,839	2,662,839
Other pension costs	27	2,045,213	2,045,213	1,502,987	1,502,987
		14,527,641	14,527,641	17,713,933	17,713,933

	Year ended 31 July 2020	Year ended 31 July 2019
Emoluments of the Director		
Basic salary	228,000	218,000
Payment in lieu of pension	34,884	33,354
Benefits in kind	10,833	11,759
Emoluments excluding pension contributions	273,717	263,113
Pension contributions*	4,598	4,578
Emoluments including pension contributions	278,315	267,691

*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.

The RCM Director ceased occupation of the designated Director's residence in March 2019. Up to March 2019, the RCM Director's contract of employment was conditional upon his occupation of the designated Director's residence. That accommodation was owned by RCM which paid for council tax, insurance, maintenance and repairs. The estimated rental value for the eight months, August 2018 to March 2019, was £26,000. Benefits in kind in relate to private healthcare, and in 2018/19 include expenses relating to the Director's residence.

In determining the Directors pay for 2020/21, the Remuneration Committee took into account the context in which the RCM is currently operating:

- The national negotiations on an annual cost of living award for 2020-21
- The current financial situation of the RCM
- Pay in the wider economy and the financial impact of the COVID-19 global pandemic

At the remuneration committee meeting held on 18 June 2020, the Director provided a verbal overview of RCM progress over the year. It was noted that a full report was presented to the RCM Council at its meeting on 8 July 2020. Key points noted included the three appointments made to Directorate leading the Estates, Finance and Programmes portfolios, the success of the campus redevelopment, the RCM response to "Black Lives Matter" which includes the inception of a college wide Diversity Action Group and the current financial health of the RCM and the wider HE sector.

Due to the current funding challenges and financial uncertainty that the RCM faces, and also in line with the pay freeze for all other staff (including Directorate), it was agreed that consideration of a pay award for the Director would also be frozen. The proposal was agreed but, through discussion, the leadership capability and direction from the Director together with the wider Directorate team was recognised; noting particularly that the RCM has the "right people, in the right post at the right time". The Director is not a member of the Remuneration Committee.

Notes to the accounts for the year ended 31 July 2020

7 Staff costs (continued)

i. The head of the provider's basic salary is 6.5 times the median pay of staff (2019: 5.3 times), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

ii. The head of the provider's total remuneration is 6.8 times the median total remuneration of staff (2019: 6.4 times), where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the provider of its staff.

	2020	2019
Basic pay of senior staff excluding Director	Headcount	Headcount
£100,000 - £104,999	2	-
£110,000 - £114,999	-	1
£115,000 - £119,999	1	-
£150,000 - £154,999	1	1
	<u>4</u>	<u>2</u>
Average staff numbers by major category :	FTE	FTE
Academic departments	122	125
Academic services	51	56
Premises	35	29
Administration and central services	79	75
	<u>287</u>	<u>285</u>

Compensation for loss of office payable to staff was £116,189 (2018/19: £44,658).

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 as Key personnel during the year. The total remuneration, including employer pension contributions, of the RCM's ten executive directors included in 2019/20 for Key personnel was £1,163,053 (2018/19: £1,040,261).

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 2020

	Note	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated	RCM	Consolidated	RCM
		£	£	£	£
8 Other operating expenses					
Academic and related expenditure		497,304	497,304	651,203	651,203
Research related expenditure		151,899	151,899	196,661	196,661
Catering		332,916	332,916	427,806	427,806
Learning resources		346,495	346,495	443,906	443,906
Scholarships and awards		3,670,698	3,670,698	3,320,581	3,320,581
Grant to RCM Students' Union		40,251	40,251	35,823	35,823
Professional fees		510,887	510,887	496,316	496,316
Premises		2,280,110	2,280,110	2,549,186	2,549,186
Courtyard business as usual costs		46,542	46,542	286,130	286,130
Other expenses		2,891,193	2,888,316	2,222,108	2,211,206
		10,768,295	10,765,418	10,629,720	10,618,818
Other operating expenses include:					
External auditors' remuneration in respect of audit services		46,950	46,950	37,830	37,830
External auditors' remuneration in respect of audit related services		5,700	5,700	5,580	5,580
External auditors' remuneration in respect of non-audit services		4,124	4,124	14,650	14,650
Internal auditors' remuneration - internal audits		40,474	40,474	37,917	37,917
Operating lease rentals					
Land and buildings		154,438	154,438	137,390	137,390
Other		48,691	48,691	52,125	52,125
The table below shows the expenditure on access and participation in the year.					
Access and Participation					
Access Investment (i)		355,592	355,592	-	-
Financial Support		61,500	61,500	-	-
Disability Support (ii)		25,338	25,338	-	-
Research and Evaluation		-	-	-	-
		442,430	442,430	-	-
(i) £126,186 of these costs are included in the overall staff costs figures included in the financial statements, see note 7					
(ii) £25,338 of these costs are included in the overall staff costs figures included in the financial statements, see note 7					
Relevant information can be found on our website https://www.rcm.ac.uk/about/governance/strategy/accessdisabilitiesandequalopportunities/					
9 Interest and other finance costs					
Loan interest		126,875	126,875	74,058	74,058
Loan commitment fee		21,117	21,117	41,051	41,051
Exchange differences		(13,251)	(13,251)	(3,400)	(3,400)
Net finance charge on pension schemes					
USS		53,387	53,387	30,529	30,529
RCM pension scheme		63,000	63,000	66,001	66,001
		251,128	251,128	208,238	208,238

Notes to the accounts for the year ended 31 July 2020

	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 2019	1,708,781	39,275,532	9,676,826	4,210,850	28,791,383	5,486,915	89,150,287	83,663,372
Additions	-	916,621	454,791	194,382	8,647,213	6,875	10,219,882	10,213,007
Transfers	-	32,305,399	28,641	336,472	(32,670,512)	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 31 July 2020	1,708,781	72,497,552	10,160,258	4,741,704	4,768,084	5,493,790	99,370,169	93,876,379
Depreciation								
At 1 August 2019	77,387	10,291,860	5,908,680	3,876,975	-	-	20,154,902	20,154,902
Charge for the year	2,846	1,352,951	313,905	175,543	-	-	1,845,245	1,845,245
Disposals	-	-	-	-	-	-	-	-
At 31 July 2020	80,233	11,644,811	6,222,585	4,052,518	-	-	22,000,147	22,000,147
Net book value								
At 31 July 2020	1,628,548	60,852,741	3,937,673	689,186	4,768,084	5,493,790	77,370,022	71,876,232
At 1 August 2019	1,631,394	28,983,672	3,768,146	333,875	28,791,383	5,486,915	68,995,385	63,508,470

The additions to leasehold land and buildings relate to RCM Jay Mews. The transfers from assets in course of construction relate to the More Music courtyard redevelopment. The balance in assets in the course of construction refers to the Museum and other capital projects such as the new studios, replacement of finance and registry systems and other estates projects.

	2020	2019	2018	2017	2016
	£	£	£	£	£
11 Heritage assets: consolidated and RCM					
Purchases					
Busts and portraits	6,875	56,500	11	-	-
Instruments	-	-	6,000	-	-
Donations					
Busts and portraits	-	8,000	-	64,500	-
Total acquisitions capitalised	6,875	64,500	6,011	64,500	-

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	Share of profits of associated undertakings	Loan to associate	Other fixed asset investments	Total
	£	£	£	£
12 Non-current investments: consolidated				
Consolidated: consolidated				
At 1 August 2019	-	1,710,862	51,551,901	53,262,762
Acquisition of shares - less movement in cash held by fund managers	-	-	7,693,812	7,693,812
Cost of disposals	-	-	(10,531,593)	(10,531,593)
Change in market value	-	-	(2,774,246)	(2,774,246)
At 31 July 2020	-	1,710,862	45,939,873	47,650,735
Non-current investments: RCM				
At 1 August 2019			51,551,901	51,551,901
Acquisition of shares - less movement in cash held by fund managers			7,693,812	7,693,812
Cost of disposals			(10,531,593)	(10,531,593)
Change in market value			(2,774,246)	(2,774,246)
At 31 July 2020			45,939,873	45,939,873
Non-current investments: consolidated				
Funds managed by Newton Investment Management Limited, Ruffer LLP and Cazenove Capital:				
Scholarships and awards fund			36,194,644	36,194,644
General fund			6,673,117	6,673,117
Junior department appeal fund			732,377	732,377
			43,600,138	43,600,138
Fund held by Charities Aid Foundation	-	-	64,734	64,734
ABRSM	-	-	2,275,000	2,275,000
Investment in loan to associate	-	1,710,862	-	1,710,862
	-	1,710,862	45,939,872	47,650,734
Split of stock held by Newton Investment Management Limited, Ruffer LLP and Cazenove Capital:				
Fixed interest stocks (listed)			5,836,624	5,836,624
Equities (listed) and unit trusts			34,101,991	34,101,991
Alternatives			3,060,391	3,060,391
Cash held by investment managers			601,132	601,132
			43,600,138	43,600,138

Other fixed assets investments are shown at market value as at 31 July 2020.

Connected charitable institution

The RCM has a 25% interest in the Associated Board of the Royal Schools of Music (ABRSM) which is carried at cost. 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.

The impact of Covid on the trading environment for ABRSM has been considerable and it has temporarily suspended donations to RCM and the other members. An impairment review has been carried out by estimating the present value of the future cash flows and concluded that there is no impairment at 31 July 2020.

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 2020

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £	RCM £	Consolidated £	RCM £
14 Trade and other receivables				
Amounts falling due within one year				
Other trade receivables	50,546	50,546	91,230	91,230
Other receivables	312,598	312,598	177,996	177,996
Prepayments and accrued income	1,019,457	578,608	1,955,423	1,491,301
VAT receivable	-	-	651,828	651,828
Amounts due from subsidiary companies	-	120,696	-	462,531
Amount due from ABRSM	-	-	700,000	700,000
	<u>1,382,601</u>	<u>1,062,448</u>	<u>3,576,477</u>	<u>3,574,886</u>
15 Current asset investments				
Term deposits	<u>2,500,000</u>	<u>2,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>
	<u>2,500,000</u>	<u>2,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>
16a Cash and cash equivalents				
	At 31 July 2020 £	Cash flows £	At 1 August 2019 £	
Cash and cash equivalents	<u>7,692,935</u>	<u>3,771,380</u>	<u>3,921,555</u>	
16b Consolidated reconciliation of net debt				
	At 31 July 2020 £	At 31 July 2019 £		
Net debt/(cash) 1 August 2019	(1,741,617)			
Movement in cash and cash equivalents	(3,771,380)			
New unsecured loans	7,000,000			
Repayment of unsecured loans	(162,750)			
Net debt/(cash) 31 July 2020	<u>1,324,253</u>			
Change in net debt	<u>3,065,870</u>			
Analysis of net debt:				
Cash and cash equivalents	7,692,935	3,921,555		
Borrowings: amounts falling due within one year				
Unsecured loans	162,750	1,162,750		
Borrowings: amounts falling due after more than one year				
Unsecured loans	8,854,438	1,017,188		
Net debt/(cash)	<u>1,324,253</u>	<u>(1,741,617)</u>		
	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £	RCM £	Consolidated £	RCM £
17 Creditors: amounts falling due within one year				
Unsecured loans	162,750	162,750	1,162,750	1,162,750
Trade payables	535,090	535,090	378,792	378,792
Social security and other taxation payable	370,424	370,424	324,798	324,798
Accruals and deferred income	2,602,874	2,602,874	3,459,772	3,459,682
	<u>3,671,138</u>	<u>3,671,138</u>	<u>5,326,112</u>	<u>5,326,022</u>

Notes to the accounts for the year ended 31 July 2020

	Note	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £	RCM £	Consolidated £	RCM £
18 Creditors: amounts falling due after more than one year					
Deferred income - PCV lease premium		13,382,186	13,382,186	13,653,217	13,653,217
Deferred income - other		4,183,991	4,183,991	4,393,637	4,393,637
Unsecured loans		8,854,438	8,854,438	1,017,188	1,017,188
		<u>26,420,615</u>	<u>26,420,615</u>	<u>19,064,042</u>	<u>19,064,042</u>
Analysis of unsecured loans:					
Due within one year or on demand	17	162,750	162,750	1,162,750	1,162,750
Due between one and two years		8,162,750	8,162,750	162,750	162,750
Due between two and five years		488,250	488,250	488,250	488,250
Due in five years or more		203,438	203,438	366,188	366,188
Due after more than one year		<u>8,854,438</u>	<u>8,854,438</u>	<u>1,017,188</u>	<u>1,017,188</u>
Total unsecured loans		<u>9,017,188</u>	<u>9,017,188</u>	<u>2,179,938</u>	<u>2,179,938</u>
Unsecured loans repayable by 2026		<u>9,017,188</u>	<u>9,017,188</u>	<u>2,179,938</u>	<u>2,179,938</u>
		<u>9,017,188</u>	<u>9,017,188</u>	<u>2,179,938</u>	<u>2,179,938</u>
		Amount £	Term	Interest rate %	Borrower
Included in unsecured loans					
The Royal Bank of Scotland		1,017,188	2026	5.30	RCM
The Royal Bank of Scotland		8,000,000	2022	LIBOR + 0.70	RCM
Total		<u>9,017,188</u>			

The College has a term loan with RBS expiring in October 2026. The loan is amortising in equal annual instalments to the expiry date.

The College also has a £13m revolving credit facility ("RCF") with RBS expiring in July 2022. The total amount outstanding under this facility at 31 July 2020 was £8m.

	Obligation to fund deficit		
	USS (note 7) £	RCMP&AS (note 27) £	Total £
19 Provisions for pension liabilities (consolidated)			
At 31 July 2019	4,106,724	3,284,000	7,390,724
Movements in 2019/20	(1,690,249)	220,000	(1,470,249)
At 31 July 2020	<u>2,416,475</u>	<u>3,504,000</u>	<u>5,920,475</u>

Pension enhancement

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

	USS pension	RCM pension
Discount rates	0.74%	1.40%
Salary inflation rates (USS: 2020 to 2033)	1.00% - 2.75%	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 2020

	Restricted expendable endowments £	Restricted permanent endowments £	2020 Total £	2019 Total £
20 Endowment reserves: RCM				
Balance at start of the year	84,626	45,040,426	45,125,052	42,466,562
New endowments	-	476,552	476,552	654,796
Income	2,107,239	1,464,440	3,571,679	2,987,057
Expenditure	(2,123,746)	(1,790,248)	(3,913,994)	(2,973,497)
Decrease in market value of investments and realised gains	-	(3,266,362)	(3,266,362)	1,990,135
Total endowment comprehensive income for the year	(16,507)	(3,115,618)	(3,132,125)	2,658,491
Balance at the end of the year: RCM	68,119	41,924,808	41,992,927	45,125,053
Endowment reserves: consolidated				
RCM subsidiary	-	453,582	453,582	458,078
Balance at the end of the year: consolidated	68,119	42,378,390	42,446,509	45,583,131
Analysis by type of purpose: consolidated				
Scholarships	9,650	38,976,038	38,985,688	41,794,827
Prizes	50,523	1,209,116	1,259,639	1,370,478
Junior fellowships	-	1,207,352	1,207,352	1,334,521
Instrument loans	-	200,382	200,382	213,032
Other	7,946	785,501	793,447	870,273
	68,119	42,378,390	42,446,509	45,583,131
Analysis by asset type: consolidated				
Investments	-	42,378,390	42,378,390	45,498,505
Cash	68,119	-	68,119	84,626
	68,119	42,378,390	42,446,509	45,583,131
21 Restricted reserves: consolidated and RCM				
Balance at 1 August 2019	15,840,042	353,964	16,194,006	13,583,509
New donations	1,745,155	-	1,745,155	2,918,041
Expenditure	(46,542)	-	(46,542)	(307,544)
Total restricted comprehensive income for the year	1,698,613	-	1,698,613	2,610,497
Release of funds on completion of Courtyard redevelopment	(17,538,655)	-	(17,538,655)	-
At 31 July 2020	-	353,964	353,964	16,194,006
Analysis of other restricted funds/donations by type of purpose				
More Music campaign			-	15,840,042
Scholarships			353,964	353,964
			353,964	16,194,006

These reserves are all held as cash and cash equivalents.

Notes to the accounts for the year ended 31 July 2020

	31 July 2020		31 July 2019	
	Consolidated £	RCM £	Consolidated £	RCM £
22 Capital and other commitments				
Commitments contracted for	-	-	2,094,450	2,094,450
Commitments not yet contracted for but approved by RCM Council	1,748,297	1,748,297	9,437,210	9,437,210
	1,748,297	1,748,297	11,531,660	11,531,660

Provision has not been made for the capital commitments shown above at 31 July 2020. The reduction in commitments from 2019 is due to the completion of the RCM Jay Mews refurbishment and progress on the More Music building development.

23 Revaluation reserve

	Tangible assets £	Heritage assets £	Investments £	Total £
Balance at 1 August 2019	3,778,033	4,926,000	4,849,722	13,553,755
Transferred to income and expenditure reserve	(170,918)	-	-	(170,918)
Unrealised gain on investments	-	-	440,456	440,456
Balance at 31 July 2020	3,607,115	4,926,000	5,290,178	13,823,293

24 Lease obligations

Consolidated and RCM	31 July 2020		31 July 2019	
	Land and Buildings £	Other leases £	Total £	Total £
Total rentals payable under operating leases:				
Paid during the year	154,438	48,691	203,129	189,515
Future minimum lease payments due				
Not later than 1 year	151,615	35,510	187,125	215,191
Later than 1 year and not later than 5 years	162,730	74,004	236,734	26,236
Later than 5 years	1,080,240	-	1,080,240	927,000
Total lease payments due	1,394,585	109,514	1,504,099	1,168,427

The lease on part of RCM Jay Mews renewed on the 31 July 2020. The cost for the year of this lease was £147,910.

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 and with Queen Alexander House (QAH), the lessor for RCM Jay Mews. Aida Berhamovich, the Director of Estates, sits on the Board of QAH. 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 2020

27 Pension schemes

Pension schemes and assumptions

The RCM has employees participating in one of four schemes:

Teachers' Pension Scheme (TPS)
Universities Superannuation Scheme Limited (USS)
RCM Pension and Assurance Scheme (RCMP&AS)
National Employment Savings Trust (NEST).

In 2019/20 total employer's and employees' pension contributions were £3.6 million (£2.6 million in 2019/20).

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. The RCMP&AS is a closed defined benefit scheme, and NEST is a defined contribution scheme for those staff who are not eligible to join TPS or USS.

	TPS	USS	RCMP&AS
Assumptions used to determine contribution			
Investment returns per annum	4.45%	CPI + 1.64%*	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	£63.7 billion	£11.5 million
Scheme liabilities	£218 billion	£67.3 billion	£14.2 million
Shortfall	£22 billion	£3.6 billion	£2.7 million
Scheme specific funding level	90%	95%	79%
Date of last actuarial valuation	31-Mar-16	31-Mar-18	01-Aug-16
Date of next actuarial valuation	31-Mar-20 ***	31-Mar-20 ***	01-Aug-19**
Employer's and employees' pension contribution rates			
Employer's contribution rate	23.68%	21.1%	not applicable
Employees' contribution rate	7.4% to 11.7%	9.6%	not applicable

* Years 1-10 CPI + 1.64%, years 11-20 CPI + 3.51%, years 21+ CPI + 2.53%

** the actuarial valuation as at 1 August 2019 is underway but was not completed by 31 July 2020.

*** the last available complete actuarial valuations for both TPS and USS were as at 31 March 2016 and 31 March 2018 respectively (the valuation date). A further valuation as at 31 March 2020 for both TPS and USS are 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	2020 Total £000s	2019 Total £000s
RCM pension contributions				
Teachers' Pension Scheme	915	356	1,271	908
Universities Superannuation Scheme	1,108	615	1,723	1,372
National Employment Savings Trust	23	30	53	42
	2,046	1,001	3,047	2,322
RCM Pension & Assurance Scheme	587	-	587	400
	2,633	1,001	3,634	2,722

Notes to the accounts for the year ended 31 July 2020

Pension schemes (continued)

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 2018, which was the fifth 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 £63.7 billion and the value of the technical provisions was £67.3 billion giving a shortfall of £3.6 billion. Therefore the assets were sufficient to cover 95% of benefits which had accrued to members after allowing for expected future increases in earnings.

	At 31 July 2020	At 31 July 2019
	%pa	%pa
Discount rate	2.59	2.44
Pension increases (CPI)	4.20	2.11

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 24.4 years; a 65 year old female at 25.9 years; a 45 year old male at 26.3 years; and a 45 year old female at 27.7 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.

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 1.00% - 2.75% to 2033 (cost of living and actuarial drift)
- staff turnover 0.50% from 2023 - 1.00% to 2036 (0% in 2021 and 2022)
- discount rate 0.74%

Notes to the accounts for the year ended 31 July 2020

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.

Pension schemes (continued)

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 4.45% and a real rate of salary growth of 4.2% 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 2020 ranged from 7.4% to 11.7%. The salary bands for contribution rates for members, increased by 2.4% from 01 April 2020. As part of the recovery plan employer contributions increased from 14.1% to 16.48% in September 2015 and 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 63 pensioners and 98 deferred members of whom 15 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 2019. At 1 August 2019 the scheme had a funding shortfall of £3.7 million and the RCM Council has agreed a recovery plan to pay off the shortfall over eight years and one month from the effective date of the valuation, with the contribution being £31,250 per month from 1 August 2020 to 31 August 2027, increasing each August in line with inflation. The RCM accounts for the RCMP&AS in accordance with FRS 102 section 28.

Assumptions

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

	At 31 July 2020 %pa	At 31 July 2019 %pa
Price Inflation (RPI)		
- pre-retirement	3.30	3.50
- post-retirement	3.10	3.50
Price Inflation (CPI)	2.50	2.50
Rate of increase in salaries	2.75 *	2.75
Rate of increase of pensions in payment for members in relation to post	3.00	3.20
Discount rate	1.40	2.10

* no increase in the year following the balance sheet date.

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.

Notes to the accounts for the year ended 31 July 2020

	Current age 65 Male	Current age 65 Female	Current age 45 Male	Current age 45 Female
At 31 July 2019	87.7	89.8	89.9	92.1
At 31 July 2020	86.8	88.7	88.2	90.2

The 2020 balance sheet includes a provision of 2% (2019: 2%) of the value of the liabilities in respect of the requirement to equalise for the effect of unequal Guaranteed Minimum Pensions.

Pension schemes (continued)

RCM Pension & Assurance Scheme (continued)

Scheme assets

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

	31 July 2020 £000s	31 July 2019 £000s
Scheme assets		
Equities	2,489	2,659
Government bonds	-	3,592
Corporate bonds	1,100	986
Liability-driven investment	4,153	2,147
Multi-asset funds	2,751	2,686
Multi-asset Credit funds	2,973	-
Cash	505	697
Insured pensions	1,106	1,111
Total	<u>15,077</u>	<u>13,878</u>

Analysis of the amount shown in the balance sheet:

Scheme assets		15,077	13,878
Scheme liabilities		(18,581)	(17,162)
Scheme deficit: net pension liability shown in pension provisions	19	<u>(3,504)</u>	<u>(3,284)</u>

Analysis of the amount charged to operating profit

Past service costs		(57)	(423)
Total operating charge		<u>(57)</u>	<u>(423)</u>

Analysis of the amount charged to interest payable

Net interest on net defined benefit liability		(63)	(66)
Net charge to other finance income		<u>(66)</u>	<u>(66)</u>

Analysis of other comprehensive income

Experience (loss)/gain on liabilities		(1,445)	(1,819)
Gain on assets		755	1,272
Total before deduction for tax		<u>(690)</u>	<u>(547)</u>

Analysis of movement in the present value of liability

Present value of liabilities at the start of the year		17,162	14,987
Past service cost		57	423
Interest cost		356	398

Notes to the accounts for the year ended 31 July 2020

Actuarial loss/(gain)	1,445	1,819
Actual benefit payments	<u>(439)</u>	<u>(465)</u>
Present value liabilities at the end of the year	<u>18,581</u>	<u>17,162</u>

Pension schemes (continued)

RCM Pension & Assurance Scheme (continued)

31 July 2020

31 July 2019

£000s

£000s

Analysis of movement in the fair value of scheme assets

Fair value of assets at the start of the year	13,878	12,330
Interest income	293	332
Actuarial gain on assets	755	1,272
Actual contributions paid	590	410
Administration expenses	-	-
Actual benefit payments	<u>(439)</u>	<u>(465)</u>
Fair value of scheme assets at the end of the year	<u>15,077</u>	<u>13,879</u>

Actual return on Scheme assets

Gain on assets	755	1,272
Interest income	293	332
	<u>1,048</u>	<u>1,604</u>

28 Post balance sheet events

There are no post balance sheet events to report.